CMP: ₹1100 | Target ₹ 1295 (18%) | Target Period: 12 months

BUY

August 14, 2026

“Value Capturing” from Heubach integration to drive profitability…

About the stock Established in 1951, Sudarshan Chemicals is the 2nd largest pigment manufacturer in the world post the acquisition of global giant Heubach

- In Q1FY27, Pigments accounted for ~99% of the business. It has a customer base of more than 4,000+ customers in 100+ countries and 1,600+ products. It owns 19 Manufacturing plants across 11 countries
- Among end users, coatings industries contribute highest followed by plastics, inks, cosmetics and other applications.

Result Performance & Investment Rationale:

- **Q1FY27 – Decent performance; Margins focus aparrent-** Revenues stood at ₹2,642 crore, up 5.4%, driven by the legacy pigment business (96% of revenues) which grew 6% YoY to ₹2,604 crore. Base Sudarshan pigment business reported revenues of ₹730 crore, up 26% YoY. Heubach business reported revenues of ₹1,874 crore flat YoY. The Reico business reported revenues of ₹37.7 crore, down 25% YoY. EBITDA on a consolidated level stood at ₹258.8 crore, up 34.5% YoY, translating to margins of 9.8%, up ~210 bps YoY. PAT for the quarter stood at ₹103.4 crore.
- **Heubach integration progressing well:** Despite headwinds emanating from the Middle East crisis besides lingering old legacy issues such as high energy costs, RM cost increase, delay in customer purchase among others, Heubach business is showing a steady and tangible improvement under Sudarshan management both in revenues and profitability. Going forward, the company has shared FY27 Revenue/EBITDA guidance of ~₹10,000/₹800 crore with net debt of ~₹500 crore while for FY29 the company has aspiration of ~₹13,000/₹1,450 crore Revenue/EBITDA and to be net cash positive. The guidance is on backdrop of value capturing from acquired Heubach group which will continue to drive profit and working capital gains as company continues to optimize cost base. After more than 12 months post the acquisition, the business has now more or less been transitioned into a growing business unit with very few lingering issues. The focus remains on improving profitability.
- **Legacy Sudarshan back on growth track:** After a flattish FY26, where the legacy Sudarshan business was impacted by distributor rationalization in Europe and Latin America, management expects the standalone pigments business to return to a healthier growth trajectory with 12-13% growth guidance for FY27. Importantly, this growth outlook comes despite a cautious near-term demand environment and ongoing geopolitical uncertainties, reflecting improving demand conditions across key end markets and normalization of channel dynamics. The legacy business continues to report stable margins, strong customer relationships and adequate capacity to support growth without significant capital investment. As the distributor-restructuring benefits begin to flow through and demand recovers, the legacy business is expected to act as a stable earnings contributor. We expect better traction also from taking 9-10% volume growth guidance by leading Indian paint companies.

Rating and Target Price: Our target is ₹1295 based on a SoTP Valuation (13x FY28E Sudarshan base business EBITDA and 5x FY28E Heubach EBITDA)

SUDARSHAN

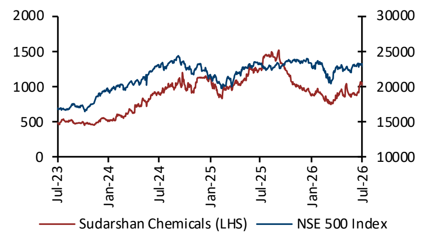
Particulars

Particular	₹ crore
Market Capitalization	8,326
Total Debt (FY26)	2,473
Cash & Invests (FY26)	933
EV	9,866
52-week H/L (₹)	1604/726
Equity capital (₹)	16
Face value (₹)	2

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	8.2	8.2	8.2	8.2
FII	24.2	24.6	24.9	26.4
DII	8.5	8.2	8.0	8.5
Other	59.1	59.0	59.0	56.9

Price Chart



Key risks

- Delay in the integration of businesses across geographies
- Prolonged geopolitical tensions

Research Analyst

Siddhant Khandekar
Siddhant.khandekar@icicisecurities.com

Shubh Mehta
shubh.mehta@icicisecurities.com

Deep Thosani
deep.thosani@icicisecurities.com

Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

Key Financials (₹ crore)	FY24	FY25	FY26	2-year CAGR (FY24-26)	FY27E	FY28E	2-year CAGR (FY26-28E)
Net Sales	2,545.4	3,345.6	9,787.2	96.1%	10,113.2	11,974.6	10.6%
EBITDA	323.1	381.1	589.9	35.1%	842.4	1,124.3	38.8%
EBITDA Margins (%)	12.7%	11.4%	6.0%		8.3%	9.4%	
Adj. PAT	364.1	60.2	40.8		265.0	485.1	244.8%
Adj. EPS (₹)	17.3	23.3	6.0		38.3	70.1	
EV/EBITDA	23.4x	22.1x	14.7x		9.6x	7.1x	
P/E	59.6x	44.3x	173.1x		26.9x	14.7x	
RoE (%)	10.4	4.0	1.1		6.5	10.8	
RoCE (%)	11.4	3.4	4.4		8.6	12.9	

Source: Company, ICICI Direct Research

Q1FY27 Earnings Conference Call Highlights

Legacy Sudarshan Business-

- The legacy Sudarshan business continued to perform well, with management indicating to sustain growth of around 12–13% going forward supported by its established customer relationships, technical capabilities and product portfolio
- The company has also benefited from some inter-company business flows following the integration, including the transfer of certain products between the German and Indian manufacturing bases.

Acquired Business/ Heubach Integration -

- Management believes there remains significant scope to recover business that was lost during the period of operational disruption and insolvency-related issues at the acquired entities.
- Management reiterated that the acquired business historically operated at double-digit EBITDA margins, and the medium-term objective is to take margins towards the high-single-digit to low-double-digit range.
- Value capture is expected to remain a key earnings driver over the next few years. Management indicated that a major portion of the value capture will be realised during FY27 and FY28, although some benefits from the FY28 initiatives could continue to flow into FY29.

REICO Business

- The business's performance was impacted by execution related challenges. Management attributed the weakness primarily to delays in customer-site readiness and shortages of subcontracted manpower at certain sites.
- Management remains confident about the recovery of RIECO and indicated that the execution issues are expected to normalise from Q2 onwards. The company expects RIECO to turn positive before the end of the financial year.

Other aspects /Guidance

- The coatings market remains subdued in both the US and Europe, with weakness visible in both decorative paints and automotive coatings. Management described the current environment as challenging in the near term.
- In plastics, higher polymer prices arising from the geopolitical situation have caused customers across the value chain to become cautious about carrying inventory. This has resulted in a more hand-to-mouth purchasing environment, with customers reluctant to build inventories at elevated costs.
- Special applications, including areas such as agrochemicals and digital applications, continue to witness healthy growth. Management therefore expects the company's diversified application portfolio to provide opportunities even as some traditional markets remain subdued.
- Management does not foresee the need for significant capacity-led capex over the next 12–18 months, as the existing manufacturing footprint provides sufficient capacity to support the company's expected volume growth.
- The company may undertake moderate capex for selected backward-integration projects, special initiatives or product-related opportunities, but such investments will be evaluated strictly on their expected return on investment.
- Management reiterated the longer-term aspiration of achieving ₹12,000 crore-plus revenue, supported by business recovery, market-share gains and improved operating performance.
- Management reiterated that the guidance for the acquired group, remains unchanged at €700 million in revenues and €35 million in EBITDA in FY27 and expects to achieve EBITDA of €90-100 million over 3-4 years.

Financial summary

Exhibit 1: Profit and loss statement ₹ crore

Year-end March	FY25	FY26	FY27E	FY28E
Total Operating Income	3,345.6	9,787.2	10,113.2	11,974.6
Growth (%)	31.4	192.5	3.3	18.4
Raw Material Expenses	1,773.7	4,971.8	5,034.9	6,107.0
Gross Profit	1,571.9	4,815.4	5,078.3	5,867.5
Gross Profit Margins (%)	47.0	49.2	50.2	49.0
Employee Expenses	356.0	1,666.3	1,785.1	2,155.4
Other Expenditure	834.8	2,559.2	2,450.8	2,587.8
Total Operating Expenditure	2,964.5	9,197.3	9,270.8	10,850.3
EBITDA	381.1	589.9	842.4	1,124.3
Growth (%)	18.0	54.8	42.8	33.5
Interest	48.3	164.9	162.0	129.0
Depreciation	166.2	347.2	348.1	340.0
Other Income	33.4	79.2	72.7	86.1
PBT before Exceptional Items	200.0	157.0	405.0	741.4
Less: Exceptional Items	100.8	0.4	0.0	0.0
PBT after Exceptional Items	99.2	156.6	405.0	741.4
Total Tax	39.0	115.8	140.0	256.4
PAT before MI	60.2	40.8	265.0	485.1
PAT	60.2	40.8	265.0	485.1
Adjusted PAT	161.0	41.2	265.0	485.1
Growth (%)	34.6	-74.4	543.2	83.1
EPS (Adjusted)	23.3	6.0	38.3	70.1

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

Year-end March	FY25	FY26	FY27E	FY28E
Profit/(Loss) after taxation	202.9	186.3	265.0	485.1
Add: Depreciation & Amortization	166.2	347.2	348.1	340.0
Net Increase in Current Assets	-548.7	680.7	-187.7	-808.9
Net Increase in Current Liabilities	316.0	-952.9	421.8	373.6
Others	-65.1	82.7	162.0	129.0
CF from Operating activities	71.3	344.0	1,009.2	518.7
Investments	-1,492.0	414.1	0.0	0.0
(Purchase)/Sale of Fixed Assets	-93.3	-267.5	-205.7	-300.0
Others	2.4	18.3	8.7	8.8
CF from Investing activities	-1,582.9	164.9	-197.1	-291.2
(inc)/Dec in Loan	2,658.2	-240.6	-1,000.0	-300.0
Dividend & Dividend tax	-9.2	-35.6	-55.5	-55.5
Other	-80.3	-404.1	-162.0	-129.0
CF from Financing activities	2,568.7	-680.3	-1,217.5	-484.5
Net Cash Flow	1,029.6	-171.4	-405.3	-256.9
Cash and Cash Equivalent	47.2	1,104.3	932.9	527.6
Cash	1,076.9	932.9	527.6	270.7
Free Cash Flow	-22.0	76.5	803.5	218.7

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet ₹ crore

Year-end March	FY25	FY26	FY27E	FY28E
Equity Capital	15.7	15.7	15.7	15.7
Reserve and Surplus	3,974.9	3,838.3	4,047.8	4,477.4
Total Shareholders funds	3,990.6	3,854.0	4,063.5	4,493.1
Total Debt	2,377.6	2,473.2	1,473.2	1,173.2
Deferred Tax Liability	247.5	295.1	301.0	307.0
Long-Term Provisions	650.9	740.1	754.9	770.0
Other Non Current Liabilities	10.9	13.2	13.5	13.7
Source of Funds	7,277.5	7,375.6	6,606.1	6,757.1
Gross Block - Fixed Assets	3,541.4	4,102.1	4,402.1	4,702.1
Accumulated Depreciation	774.5	1,121.7	1,469.8	1,809.8
Net Block	2,766.9	2,980.4	2,932.3	2,892.3
Capital WIP	121.3	144.3	50.0	50.0
Goodwill	6.8	6.8	6.8	6.8
Fixed Assets	2,895.0	3,131.5	2,989.1	2,949.1
Investments	9.1	11.5	11.5	11.5
Other non-Current Assets	453.6	616.0	628.2	640.8
Inventory	2,501.8	2,443.6	2,493.7	2,952.6
Debtors	1,225.0	1,679.0	1,801.0	2,132.5
Other Current Assets	1,504.1	908.8	924.5	943.0
Cash	1,104.3	932.9	527.6	270.7
Total Current Assets	6,335.2	5,964.3	5,746.8	6,298.8
Creditors	1,393.7	1,534.0	1,939.5	2,296.5
Provisions	114.8	92.1	93.9	95.8
Other Current Liabilities	906.9	721.6	736.0	750.8
Total Current Liabilities	2,415.4	2,347.7	2,769.5	3,143.1
Net Current Assets	3,919.8	3,616.6	2,977.3	3,155.7
Application of Funds	7,277.5	7,375.6	6,606.1	6,757.1

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

Year-end March	FY25	FY26	FY27E	FY28E
Per share data (₹)				
Reported EPS	8.7	5.9	38.3	70.1
Cash EPS	15.5	-2.1	30.3	62.1
BV per share	576.5	556.7	587.0	649.0
Cash per Share	159.5	134.8	76.2	39.1
Dividend per share	7.8	8.0	8.0	8.0
Operating Ratios (%)				
Gross Profit Margins	47.0	49.2	50.2	49.0
EBITDA margins	11.4	6.0	8.3	9.4
PAT Margins	4.8	0.4	2.6	4.1
Cash Conversion Cycle	255	97	85	85
Asset Turnover	0.9	2.4	2.3	2.5
EBITDA conversion Rate	18.7	58.3	119.8	46.1
Return Ratios (%)				
RoE	4.0	1.1	6.5	10.8
RoCE	3.4	4.4	8.6	12.9
RoIC	3.6	3.9	8.2	12.2
Valuation Ratios (x)				
P/E (Adjusted)	47.3	184.8	28.7	15.7
EV / EBITDA	23.3	15.5	10.2	7.6
EV / Net Sales	2.7	0.9	0.8	0.7
Market Cap / Sales	2.3	0.8	0.8	0.6
Price to Book Value	1.9	2.0	1.9	1.7
Solvency Ratios				
Debt / EBITDA	6.2	4.2	1.7	1.0
Debt / Equity	0.6	0.6	0.4	0.3
Current Ratio	2.2	2.1	1.9	1.9
Quick Ratio	1.1	1.1	1.0	1.0
Inventory days	273	91	90	90
Debtor days	134	63	65	65
Creditor days	152	57	70	70

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

Pankaj Pandey Head – Research pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, **Siddhant Khandekar, Inter CA; Shubh Mehta, MBA (Tech); Deep Thosani, MBA; Research Analysts**, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

ICICI Securities Limited has not used any Artificial Intelligence tools for preparation of this Research Report