SUDARSHAN

12th August, 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 Monday, 5th August, 2024, after announcement of the Unaudited Financial Results (Stand-alone and Consolidated) for the quarter ended 30th June, 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 Meenanath Velankar
Digitally signed by Mandar Meenanath Velankar
Date: 2024.08.12 11:48:37 +05'30'

MANDAR VELANKAR
GENERAL COUNSEL AND COMPANY SECRETARY

"Sudarshan Chemical Industries Limited Q1 FY '25 Earnings Conference Call"

August 05, 2024

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

MODERATOR: **MR. NILESH GHUGE - HDFC SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Sudarshan Chemical Industries Limited Q1 FY '25 Earnings Conference Call, hosted by HDFC Securities.

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. Should you need assistance during the conference call, please signal an operator by pressing the "*", then "0" on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nilesh Ghuge from HDFC Securities. Thank you. And over to you, sir.

Nilesh Ghuge: Thank you, Steve. Good morning, everyone, and welcome to Sudarshan Chemical Industries Limited Q1 FY '25 Post-Results Earnings Call.

The Management Team from Sudarshan Chemical Industries Limited will be represented by Mr. Rajesh Rathi – Managing Director; Mr. Nilkanth Natu – Chief Financial Officer; and Mr. Amey Athalye – General Manager Finance.

We will start the discussion with a brief Management "Overview" on the Earnings Performance, followed by an interactive Q&A session. Over to you, sir.

Nilkanth Natu: Thank you, Nilesh and HDFC Securities for hosting our Earnings Calls for the Q1 FY '25. Good morning to all of you and thanks for joining us to discuss Sudarshan Q1 FY '25 Financial Results. It's a pleasure to be with all of you.

During the call, we could make forward-looking statements. These statements consider the environment we see as of today and carry risks and uncertainties that could cause our actual results to differ from those expressed in today's call. We do not undertake to update any forward-looking statements made on this call.

Let me begin with an important update about the changes in the constitution of our esteemed Board of Directors:

Members from the existing Board, Mrs. Rati Forbes, Mr. Dara Damania, Mr. Padmanabhan, and Mr. Sanjay Asher are retiring from 6th August.

On behalf of the entire Management Team, I would like to thank them for their exemplary contribution towards the growth of Sudarshan. I would like to welcome Ms. Anu Wakhlu, Ms. Bhumika Batra and Ms. Sudha Navandar, who joined the Board from 2nd August. We look forward to gain from their experience in our journey towards leading global pigment player.

There are two key achievements to highlight:

I am happy to inform that the long-term external rating of the company has been upgraded by India Rating, a Fitch group company from AA(-) Stable to AA Stable. While our short-term rating of the company remains affirmed at A1+. This rating upgrade demonstrates strengthening of the business profile, improvement in the financial performance and healthy financial ratios. This long-term rating is upgraded in a span of three years, rising from AA (-) to AA. Furthermore, in the last 10 years, the long-term rating has been upgraded from A to AA, which is three notch up, while short term rating is upgraded from A1 to A1(+), which is the highest rating. This rating upgrade reflects testament of our prudent financial management practices and resilient business performance.

We also wish to update that the company has recently achieved EcoVadis Gold Medal with 97 percentile. With this rating, we join the league among the top three percentile company in the chemical sector. The upgrade from silver to gold is a reflection of our strong ESG value proposition and committed measures which are taken by the company, which will be pivotal going forward during our customer engagements.

We also achieved a score B management band on CDP Climate Change and CDP Water Security Assessment 2023. This accolades reflects our strong focus towards ESG and our commitment towards sustainability.

I will now begin with the update on the quarterly financial performance. We have uploaded our financial results and investor presentation on the stock exchanges, hope you have gone through the results.

Quarterly performance:

On a consolidated basis, for the quarter the total income from operations stood at Rs. 634 crores as compared to Rs. 608 crores for the same period last year, higher by 4% year-on-year. EBITDA for the quarter stood at Rs. 81 crores as compared to Rs. 70 crores in Quarter 1 FY '24, higher by 15%. EBITDA margin is at 12.7% as compared to 11.5% over the same period last year. Profit after tax is Rs. 29 crores as compared to Rs. 21crores for the same period last year.

Now, going into the details of our pigment business:

For the Q1 FY'25, income from operations stood at Rs. 589 crores as compared to Rs. 536 crores for the same period last year, a growth of 10% year-on-year. Domestic sales for the quarter is at Rs. 287 crores, higher by 9% as compared to Rs. 264 crores in the same period last year. Export for the quarter grew to Rs. 302 crores versus Rs. 272 crores in the same period last year, higher by around 11 percent.

We have seen in Q1 is a normal demand increase. And normally Q4 is a seasonality effect and a strong quarter. We see demand improvement in the overseas geographies. After the second pigment player insolvency filing in April, there is a clear increase in the customer enquiries for samples and product approval process getting momentum. With the recently commissioned CAPEX, we are well positioned to capture the market opportunities in the domestic and export markets going forward.

Specialty pigment sales stood at Rs. 402 crores as compared to Rs. 362 crores in the same period last year, higher by 11 percent. Non-specialty sales for the quarter is at Rs. 187 crores, which was higher by 7% as compared to the same period last year. The gross margin of the pigment business for the quarter is at 47.2% as against 42.9% for the same period last year, and it is higher by 320 basis points compared to the sequential quarter. The year-on-year increase in the gross margin is due to softening of the raw materials and ramp up of sales in high performance pigments.

EBITDA for the quarter stood at Rs. 90 crores in Q1 FY '25 as compared to Rs. 64 crores in the same period last year, higher by 41%. EBITDA margin stood at 15.3% as compared to 11.9% over the same period last year.

Now, coming to the balance sheet:

The balance sheet of the company as at June 30th, 2024, has further strengthened, this is reflected from the improving financial ratios. The net debt of the company stands at Rs. 375 crores in Q1 at FY '25, down from Rs. 395 crores in Q4 at FY '24. With overall better results from operations, the debt of the company continues to reduce and placing itself with strengthen balance sheet.

Net debt to EBITDA stands at 1.28x as compared to 2.1x in Q1 FY '24.

Debt-to-equity stands as 0.3x as at June 30, compared to 0.5x in Q1 FY '24.

The working capital cycle has been managed as per the plan, resulting in the cash conversion days at 73 days in Q1 of FY '25 compared to 66 days in Q4 FY '24. Higher days is mainly due to planned increase in the raw material inventory, the current ratio is at same level of 1.4x in Q1 FY '25 as seen in Q4 FY '24.

To summarize:

I would like to thank our customers, partners, employees, analysts and shareholders who contributed to and stood by us during our growth journey. We continue to leverage our strength and remain confident in the company's potential to be a leading pigment solution provider to global players.

With this, we can now proceed for question-and-answer session. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nitesh Dhoot from Dolat Capital. Please go ahead.

Nitesh Dhoot: Congratulations on an encouraging pigment performance. So, my first question is, despite the gross margin jump of 320 bps, the EBITDA margin is flat sequentially. So, as we understand, sequentially the volumes would be lower, but why have the segment overheads, that is you know the absolute gross profit minus EBITDA remained flat or only increased marginally to around Rs. 188 crores from Rs. 183 crores in Q4? So, is there any unusual or one-off increase in any cost item for your segments in Q1?

Nilkanth Natu: So, there are two points. One, what we have seen is increase in the gross margin of 47% compared to 44% last year in Q4. However, as we mentioned earlier, the Q4 is seasonally strong quarter, and compared to the Q4 are fairly like Rs. 590 crores. So, the operating leverage to that effect in the Quarter 1 will not get reflected, though there is an increase in the gross margin. Second is also on the cost side, Q1, we normally see a quarter wherein there will be threesome of the participation on the exhibitions which will be there in the overseas geography. So, we see that normalized G&A and the cost structure in the next couple of quarters.

Nitesh Dhoot: So, what will be the cost base, I mean, anything that you can quantify? I get your point on the operating leverage bit, but the only thing is that the cost has only increased. So, I mean, ideally it should have come down, but given the cost that you're explaining, any quantification you can provide that will be really helpful.

Nilkanth Natu: So, there's this another point also there is we have also seen, so if you are looking at the other expenses in the region, there is also the impact of the increase in the exports, So, there also has been some part of the variability, selling variability is also there. And in terms of the exhibition cost, since these are event specific, case specific, I would not like to give the comment on the number. What I can say, it is a front-loaded in the Q1, I don't expect that to come in the coming quarters.

Nitesh Dhoot: So, sir, can we say that the per kg gross margin of the gross spreads what we are currently witnessing would be sustainable going forward? Or can you improve from here on given the improvement in the product mix side and maybe some price leverage also led by the industry consolidation?

Nilkanth Natu: Nitesh, we expect this 47% gross margin to impact what we have also seen is the specialty pigment is growing. We have seen good traction to our high-performance pigments. So, I expect this gross margin to remain in this range, subject to the raw material variability what we have already seen in the past. So, currently the raw material prices are more or less stable. And given the current market scenario, I expect this should range in the similar range.

Nitesh Dhoot: Sir, given your earlier outlook of being able to utilize the capacity in four years' time, first, I mean, any revision in terms of the guidance that we are looking given the kind of strong volume growth that we would be having? So, any upgrade on the guidance side that we would be looking at?

Rajesh Rathi: This is Rajesh Rathi, I think it's a little too early to give a guidance for that. But I think like we are seeing the engagement with customers, the inquiries, etc., we do feel that we will be able to achieve this within three years instead of four years. But I think as we progress through the year, we will be able to give you a better number on that.

Nitesh Dhoot: And so just a follow-up on that. So, I mean, even if we take a four-year period to say by '27 we will be fully utilized. So, by when do we need to start working on the next leg of CAPEX? So, any color on there, or if you have maybe evaluated or you can give some chance?

Rajesh Rathi: We don't expect, sir, any CAPEXs in the current year. So, the board has not approved anything. We don't need any CAPEXs right now currently. And anyways, everything will be Brownfield expansion which will probably take six months to one year. So, at that time we will evaluate that probably.

Nitesh Dhoot: Okay, only about six months to one year would be required, fair. And sir just one last thing, so are we evaluating, or do we have any plan to acquire the Heubach assets in any part or the entire thing, any plans on that side?

Rajesh Rathi: So, there are two aspects here. I think there are several indirect opportunities which keep coming to the management. We do evaluate several of them. And given the sensitivity of the information, can't say anything more on this subject.

Nitesh Dhoot: Sure, sir. Appreciate you answering the questions and wish you all the best for the future. Thank you.

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

Sanjesh Jain: First on the Rieco side of it. This quarter looks like it was a challenging quarter for them. We had losses at the EBIT level and revenues on a Y-o-Y basis have also materially declined. While if you look at the general capital goods industry, it appears to be very buoyant as of today in India. What's happening with the Rieco and how are we evaluating this as a going concern entity?

Rajesh Rathi: This is Rajesh Rathi. Sir, I think we are embarking now on the transformation of Rieco. We are working on that. We feel we will be able to build a good healthy business. Currently, there are a few challenges in the business which have come to this point. Going forward this year we don't expect to have a negative impact on the numbers. But going forward, we would definitely look at, I guess, we should give it a two to three years transformation time, and the transformation we're going to kick start in September. Mr Natu, you would like to add anything more on Rieco?

Nilkanth Natu: Yes. Sanjesh ji, thank you for your question on the Rieco. As Mr. Rathi has mentioned that the current quarter has been subdued in performance compared to the last year Q1. So, last year Q1 we had the value of the orders which were executed in the quarter. So, normally while the capital goods industry is also doing good and we have seen the current order book, Rieco is having the healthy order book and also the contribution from the order book seems to be comfortable. In the current quarter, the revenue has been more in line whatever has been projected for the quarter. But with the current cost base, this kind of revenue will always have the challenge on the EBITDA. What we as a management are focusing our two strategies, one is, while the revenue growth we have seen in the last four years, how to have the sustainable growth also in terms of the EBITDA. And we are working on that particular transformation project. Going forward, you will see quarter-on-quarter improvement in the Rieco performance. I expect the year-end should be positive going forward. And then the years to follow, you will see sustainable EBITDA improvement. That is what we are focusing as a management as far as the Rieco business is concerned.

Sanjesh Jain: When you say you're looking at transformation, so what are we really trying to do? Are we changing the product segment? Are we changing the facility? Are we changing the go-to-market approach? What are we really transforming in the Reco?

Rajesh Rathi: So, first is, how do we get an healthy EBITDA, and a consistent EBITDA. So, focusing on some of the core processes where we can kind of increase the EBITDA on the current business. And a little bit of a lean approach, we see the fixed cost has swelled up a lot. That's one. And the second is, then can we really build an healthy business, with a stronger top line. As I said, we are just launching this transformation, but these will be the top two directions. So, first is focusing on the current and improving the EBITDA, and then focusing on the top line.

Sanjesh Jain: And second on the pigment side, when we say that we are looking at a very good inquiry, particularly from the international market, are these inquiries for the existing product, high performance product or the new product which we have launched? The demand is largely coming from coating plastics or ink, can you give more color on the inquiry which we are receiving?

Rajesh Rathi: So, I think the inquiries are in general more on the coatings side and plastic side. And of course, on plastics we were already quite strong, so the coating industry is where we are getting several more inquiries and engagement.

Sanjesh Jain: And this will be for what, high performance pigment, the new product that we have launched?

Rajesh Rathi: So, these are these are mainly for the new products and the new CAPEXs.

Sanjesh Jain: Because I thought the new product is only 50% of the capacities which we have put, while the existing was remaining 50%, that's what we said in the earlier calls. How is the traction from the existing product? Are we seeing more demand coming in from the international market?

Rajesh Rathi: Sorry, can you repeat your question?

Sanjesh Jain: Sir, you said that out of the Rs. 750 crores of CAPEX, 50% was for the new product, 50% was for the existing. When we say that there is a stronger demand which we are seeing for the newer product, how is the demand inquiry for the existing product where we have enhanced the capacity?

Rajesh Rathi: It is there for both these, both the lines. So, the entire CAPEX, new products and the existing products.

Moderator: Thank you. The next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: Thanks for the opportunity and congratulations on a good pigment performance here. First question on the specialty portfolio. If I look at the last four or six quarters run rate, we have reported a double-digit revenue growth here, slightly ahead of the non-specialty portfolio. This is expected to continue going ahead as well? And a parallel question to this will be, is this led by the existing clients gaining more business? You gaining more business from existing clients or there is new client additions here as well?

Rajesh Rathi: Ankur ji, great question. I think it's a combination. It's executing our strategy right which was based on these new CAPEXs which we did, and changing our product portfolio to more of specialties. If you look at the health of the pigment industry, people with a broader portfolio and a specialized product portfolio are doing well, whereas the other industries, whether it's phthalocyanine or the traditional other pigments, there's a big profit pressure. So, given our engagement on the new products, on all these new products and the existing CAPEXs which increased volume, this is where the business is coming in. It's mainly to similar customers but with the broader portfolio, because we had probably one or two product customer combination information earlier, and now the same thing has expanded to several products with those customers. Sorry, did I answer your question?

Ankur Periwal: Yes, sure Rathi ji. Just a follow-up there, we had expanded our distribution network to Japan, South America, other countries as well, and plus we had the distribution tie up in Europe.

Rajesh Rathi: Yes.

Ankur Periwal: Have those benefits have started coming in? And if I recollect right, we were waiting for product approvals from newer clients as well. So, has that benefit started coming in in this quarter or it is yet to come?

Rajesh Rathi: So, this quarter we are seeing our normal demand coming. So, we haven't seen any demand still coming in due to the turbulence because, as I mentioned last time, it takes some time to get the approvals and then get the products going right, which is happening. And we expect, as we ramp up through this year, we will see the numbers stepping up, right. So, to answer your question, sir, Q1 quarter was our normal demand, but a lot of ground work done on engagement with customers. We would see some results in Q2, but as we keep ramping up the quarters, we will see much better numbers coming in.

And our certain strategies sit on, Japan is a slow market, it will take some time to ramp up, but we're getting into more, I would say, demanding fields like digital inks, etc., there, which we are getting good success. But to ramp up the business it takes time. Our European distribution which we had appointed, it still needs to ramp up. And our South America strategy, is doing well for us.

Ankur Periwal: And just lastly on the freight rates rising. Historically we had seen some impact of an increase in freight rates on our margins as well, given there was no pass-through arrangement, especially in terms of export. What is the scenario now with respect to our client contracts incremental for the existing business, as well as for the older ones?

Rajesh Rathi: So, generally what we are not able to pass-through is any utility indirect cost increases But freight cost, raw material cost, it's a little easier to pass on. And so we will be able to pass on the increase in cost, we have to absorb certain costs. But going forward, we will be able to pass on the increase in freight cost. We don't see that as a challenge for margins.

Moderator: Thank you. The next question is from the line of Madhav from Fidelity. Please go ahead.

Madhav Marda: I have two questions. Firstly on the pigment business margin, Quarter 1 obviously isn't the strongest quarter for Sudarshan from a seasonality point of view. But we have crossed 15% in Quarter 1, which I thought was quite encouraging. And given that the earlier commentary of gross margins at these levels also seem sustainable for us, so would you think that as we move ahead and our CAPEXs ramp up, EBITDA margins should move ideally closer to the 17% to 19% range for the company? Would that be a fair assessment, like without giving a number, actually is that the right thing to think?

Rajesh Rathi: Absolutely,. Directionally you are on the right area. I would say, whether the gross margin would be in this area or slightly ahead, but the main advantage would be through operational leverage. So, as we ramp up our volumes , we should be able to improve our EBITDA margins.

Madhav Marda: And what would our capacity utilization be currently on the expanded capacity?

Rajesh Rathi: So, we don't give out capacity utilization numbers.

Madhav Marda: And sir my second question basically was that I think you have mentioned that next round of expansion for the company will likely be Brownfield in nature, which again basically means that operating leverage benefits should keep coming through for us, not just in the next two years but even three, four years out. So, just how much is the scope of Brownfield expansion? Like if you're at, let's say, capacity is 100 today, how much should we add via the Brownfield route over the next five to seven years for the company?

Rajesh Rathi: We have enough land, enough scope to improve to add on capacities on our existing sites, and that's what I meant by Brownfield expansion. So, too early to comment on how much we can do and how much would be needed. But whatever is required, I think we should be able to expand in these areas.

Madhav Marda: So, some of the costs will get shared is what I was wondering, like at the existing sites you can share some of the cost as we add these new lines for the next round of expansion.

Rajesh Rathi: Yes, I mean, why we would want to do a Brownfield is that you don't incur very large CAPEXs and fixed cost. So, your fixed cost gets leveraged going forward, too.

Moderator: Thank you. The next question is from the line of Chetan Thacker from ASK Investment Managers. Please go ahead.

Chetan Thacker: Sir, just one question. When I look at the numbers, it appears that the international subsidiaries on the pigment side, they've not performed too well in this quarter, particularly both on the revenue and profitability side. So, anything in particular that you would like to highlight? Is there some one-off or something sitting there?

Rajesh Rathi: I would let Mr. Natu answer this. But basically, I don't not know how you interpreted that because there's a lot of transfer pricing which happens, and transfer pricing rules happen. But I think our international business is doing well and we've seen good growth. Mr. Natu , would you like to add anything?

Nilkanth Natu: As Mr. Rathi has mentioned, our sales at those subsidiaries is normal. Rather, if you have seen that export sales for the quarter is also on the higher side compared to Q4. So, what we have seen in the current quarter is that there had been a intercompany sale anticipating the demand in the quarters to come in. So, if you really see, then this standalone profitability versus consolidates profitability in the pigment business, in the segmental you will find that delta. But as the overseas subsidiary sales and the EBITDA and all the margins are intact, it is just as we have done some stocking up of the stock at the subsidiaries which will get reflected in the coming quarters.

Chetan Thacker: Because I didn't see too much difference between the increase in inventory, both at consol and standalone levels, both those numbers were nearly similar. So, that is why I was trying to understand where has this impact come from.

Nilkanth Natu: So, these are the inventories in transit.

Rajesh Rathi: I think Amey would like to comment.

Amey Athalye: I'm not sure in terms of global versus standalone inventory, because in June we do not publish the balance sheet figure. So, just to get a reference, which is the datapoint you are referring to?

Chetan Thacker: I was just looking at the increase decrease, which is the change in inventory which is Rs. 30 crores, both at consol and standalone. So, while standalone I understand you've explained there is a buildup of raw material, that has happened, and to some degree finished goods. So, I just wanted to get a sense of I see the same number on consol, so the only thing I wanted to clarify is, is that there is inventory that is sitting on the international subsidiary where sales are yet to be made, which is impacting this quarter number.

Amey Athalye: This number is mainly from a standalone perspective. Whatever sales are routed through subsidiary; it directly impacts the COGS. So, it is not part of the change in stock line which you're referring to.

Moderator: Thank you. The next question is from the line of Kaustav Bubna from BMSPL. Please go ahead.

Kaustav Bubna: Wanted to understand more about the Heubach situation. So, we are saying that inquiries are coming in and gradually we will see demand shifting at Sudarshan. But my question is kind of different, what happens if someone else comes up and takes this asset off? Because I mean, the company is doing badly, it's open to acquisitions from other players and then this opportunity goes away. So, do you see the sustainability of this Heubach opportunity present to us? And what are we doing to capitalize on it? And do you see the risk that it's a very short-term opportunity given that some resolution happens on their side, or someone acquires them? And then all those capacities come back on track?

Rajesh Rathi: So, a good question . Firstly, I think there are two points. So, we are playing in the market on our strengths, and that's where we've been preparing Sudarshan in the last three or four years for this while building the product portfolio, setting up a world class site and really posing ourselves as a global, reliable supplier to our customers. And that's how customers now see us. So, that's what our strength is. What is getting accelerated is the turbulence in the pigment market. I would say, turbulence in terms of several factors. One of the factors may be Heubach, but there are several other factors.

And these are long-term turbulences which people are looking to, whether it's the geopolitical situation that people want to move out of China, it's the high cost of production in Europe, and India being favored. So, playing on our strengths, playing on the external areas, these are long-term advantages which we have. So, customers when they engage with us is not looking at the short term view, it's not a question saying that it's the flavor of the month now and the situation is bad. They'll come to us and then they'll go away. So, that's how we've been kind of, that's how we've been seen by the customers and that's how we've acted in the market.

Kaustav Bubna: Sir, just last question, I was just trying to understand the variance between Q4 numbers and Quarter 1 numbers, given also the understanding that there's seasonality. So, in quarter four, just wanted to get my understanding right, did the company see any advantage from the Heubach issue or it was just strong seasonal sales?

Rajesh Rathi: Q4 is the strongest quarter, the only thing probably we saw a little bit of is, because of the Red Sea crisis there was some stocking up by customers, but that was a minor one. So, that's what we saw. But going forward we will see a better trajectory in our numbers.

Kaustav Bubna: So, there is no Heubach benefit in quarter four?

Rajesh Rathi: No, too soon.

Moderator: Thank you. The next question is from the line of Jatin Sangwan from Burman Capital. Please go ahead.

Jatin Sangwan: So, my first question is, what's the peak revenue in the pigment business that we can do at full capacity utilization?

Rajesh Rathi: I think for our new CAPEXs investment which we've done, as we've been maintaining, our peak revenue on the new CAPEXs would be about Rs. 1,200 crores to Rs. 1,400 crores.

Jatin Sangwan: On these new CAPEXs at current prices?

Rajesh Rathi: Yes, new CAPEXs.

Jatin Sangwan: My second question is around the power cost, if I look at power cost let's say in FY '19 and FY '20, they were used to be 4.5% or so. Now they have increased to 7.5% in FY '23, of course it came down to 6.7% in FY '24 for the pigment business. So, how should we see the power cost going forward? Because the gas prices and all have started reducing.

Rajesh Rathi: So, firstly, we don't use gas. We have wind energy and we do have coal for our boilers, but I'll request Amey to kind of comment on this.

Amey Athalye: I think the FY '19 or '20 level, if you see it is pre-COVID, and coal was at much lower rate than it is today. And normally we have all in-house boilers where we are producing the power. So, to that extent I think there will be impact in terms of the power cost, because that's the input into generation of power in-house. Compared to FY '23, if you refer, you will see that the overall cost has come down in terms of percent also, because now the coal rates have come down however not to a level of FY '19 or FY '20.

Jatin Sangwan: My last question, sir, what kind of volume growth did we saw in this quarter year-on-year?

Amey Athalye: Sorry, we are not disclosing the volume growth. We won't be able to answer that question.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for their closing comments.

Nilkanth Natu: Thank you. Thank you, Nilesh. And thank you participants for your time and interest in Sudarshan Chemical and putting forth business questions. We remain confident in the long-term prospect of our business, and we look forward to engaging with you again in the future. Thank you.

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

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