

Heubach improvement starts reflecting

Sudarshan Chemical's (SCHI IN) stock price has outperformed in the past three months, rising 12% versus an 8% rise in NSE Small-cap, given that confidence has improved with recovery in the acquired Heubach business, reduction in inventory, drop in net debt and better-than-guided business EBITDA in Q4. The Q4 call also helped rebuild confidence that the Heubach issue was more of a destocking/integration-led rather than a persistent demand loss. We raise our TP to INR 1,212 from INR 1,047 and upgrade SCHI to **Buy** from Accumulate.

Q4 beat led by recovery in acquired business: SCHI delivered a strong Q4FY26, with consolidated revenue up 33% QoQ and EBITDA up 500% QoQ, driven by volume-led recovery in the acquired business, lower-than-expected operating cost growth and value-capture benefits. Management highlighted that Q4 recovery was led by customers buying again after destocking. The acquired group delivered EUR 11mn EBITDA in Q4 versus earlier guidance of EUR 9–10mn, while inventory reduction was EUR 29mn against the earlier plan of EUR 20mn. Net debt reduced meaningfully from INR 9.34bn in Dec '25 to INR 7.55bn in Mar '26.

Heubach recovery – Volume-led, and not price-led: The key positive was turnaround signs at the acquired-group. The management clarified that Q4 improvement was largely volume-led, with no major price increase in Q4. The recovery was broad-based across regions and end-use segments, with coatings being the key driver for the acquired business. Q3 weakness was driven by destocking, weak demand and high fixed-cost deleverage, while Q4 showed that operating leverage can return quickly when volumes normalize.

FY27 guidance achievable, though we assume gradual ramp-up: Management expects the acquired group to deliver ~EUR 35mn EBITDA in FY27 and is confident of achieving EUR 90–100mn EBITDA in the next 3-4 years, led by synergies, value-capture initiatives and sales growth. Integration benefits are not fully captured yet and should flow in the next two financial years. We assume a gradual ramp-up, given current geopolitical/RM/logistics volatility. Management highlighted crude-derived RM inflation, energy cost increase, logistics lead-time pressure and near-term customer caution.

Legacy business steady: Legacy Sudarshan remained resilient, with Q4 EBITDA margin above 14%. Management expects legacy business to grow 8-10% in FY27, barring geopolitical disruption, supported by distributor normalization and recovery in key end markets. It also expects to maintain healthy margin by passing cost increases to customers.

Estimates upgraded; TP raised to INR 1,212; upgrade to Buy: We raise our estimates after improved visibility on Heubach recovery. We raise FY27E/28E revenue 6%/7% and FY28E EPS by 12.3%. We introduce FY29E estimates. We raise our TP to INR 1,212 from INR 1,047 and upgrade SCHI to Buy from Accumulate, driven by better confidence in Heubach turnaround, faster working-capital release, improving balance sheet and rising probability of delivery on medium-term EBITDA ambition. Our TP is based on DCF, assuming a 4% terminal growth rate (unchanged), a 10.9% cost of capital (unchanged) and 28% FY26-29E EBITDA CAGR (from 21%).

Key Financials

YE March (INR mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue (INR mn)	33,456	97,872	106,024	115,245	124,621
YoY (%)	31.8	192.5	8.3	8.7	8.1
EBITDA (INR mn)	3,810	5,899	7,970	9,627	12,279
EBITDA margin (%)	11.4	6.0	7.5	8.4	9.9
Adj PAT (INR mn)	1,594	520	2,203	3,435	5,531
YoY (%)	42.9	(67.4)	323.7	55.9	61.0
Fully DEPS (INR)	20.3	6.6	28.0	43.7	70.4
RoE (%)	6.1	1.3	5.6	8.2	11.9
RoCE (%)	5.6	4.0	7.2	9.6	13.9
P/E (x)	48.3	147.9	34.9	22.4	13.9
EV/EBITDA (x)	24.1	15.6	11.5	9.5	7.5

Note: Pricing as on 27 May 2026; Source: Company, Elara Securities Estimate

Rating: **Buy**
 Target Price: **INR 1,212**
 Upside: **24%**
 CMP: **INR 979**
 As on 27 May 2026

Key data

Bloomberg	SCHI IN
Reuters Code	SDCH.NS
Shares outstanding (mn)	79
Market cap (INR bn/USD mn)	77/804
EV (INR bn/USD mn)	92/959
ADTV 3M (INR mn/USD mn)	318/3
52 week high/low	1,604/726
Free float (%)	91

Note: as on 27 May 2026; Source: Bloomberg

Price chart



Source: Bloomberg

Shareholding (%)	Q1	Q2	Q3	Q4
	FY26	FY26	FY26	FY26
Promoter	16.4	8.2	8.2	8.2
% Pledge	0.0	0.0	0.0	0.0
FII	8.5	8.5	8.2	8.0
DII	23.5	24.2	24.6	24.9
Others	51.6	59.1	59.0	59.0

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(5.1)	(8.8)	(3.7)
Sudarshan Chemical	11.6	(2.6)	(11.2)
NSE Mid-cap	0.6	(2.3)	3.4
NSE Small-cap	7.7	2.0	2.8

Source: Bloomberg

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Financials (YE March)

Income Statement (INR mn)	FY25	FY26	FY27E	FY28E	FY29E
Total Revenue	33,456	97,872	106,024	115,245	124,621
Gross Profit	15,719	48,154	53,774	57,366	61,318
EBITDA	3,810	5,899	7,970	9,627	12,279
EBIT	2,148	2,427	4,383	5,867	8,323
Interest expense	483	1,649	1,504	1,362	972
Other income	363	1,085	811	693	628
Exceptional/ Extra-ordinary items	(1,036)	(297)	-	-	-
PBT	992	1,566	3,689	5,198	7,980
Tax	390	1,158	1,291	1,559	2,234
Minority interest/Associates income	(44)	(185)	(194)	(204)	(214)
Reported PAT	558	223	2,203	3,435	5,531
Adjusted PAT	1,594	520	2,203	3,435	5,531
Balance Sheet (INR mn)	FY25	FY26	FY27E	FY28E	FY29E
Shareholders' Equity	40,383	38,540	40,506	43,673	48,907
Minority Interest	-	-	-	-	-
Trade Payables	13,985	15,340	15,487	17,269	19,910
Provisions & Other Current Liabilities	10,633	8,924	7,511	7,913	8,374
Total Borrowings	20,847	21,190	21,190	17,190	10,190
Other long term liabilities	11,460	13,239	14,570	13,400	13,342
Total liabilities & equity	97,307	97,233	99,263	99,444	100,723
Net Fixed Assets	23,466	22,659	22,071	21,811	21,855
Goodwill	68	68	68	68	68
Intangible assets	1,309	1,441	1,441	1,441	1,441
Business Investments / other NC assets	10,792	13,421	13,253	13,345	13,439
Cash, Bank Balances & treasury investments	15,113	10,749	10,327	8,629	8,460
Inventories	24,652	24,436	25,968	26,219	25,922
Sundry Debtors	12,250	16,790	17,870	19,367	20,693
Other Current Assets	9,657	7,669	8,264	8,564	8,844
Total Assets	97,307	97,233	99,263	99,444	100,723
Cash Flow Statement (INR mn)	FY25	FY26	FY27E	FY28E	FY29E
Cashflow from Operations	370	3,440	3,704	6,942	11,685
Capital expenditure	(946)	(2,704)	(3,000)	(3,500)	(4,000)
Acquisitions / divestitures	-	-	-	-	-
Other Business cashflow	(14,538)	4,353	811	693	628
Free Cash Flow	(15,113)	5,089	1,515	4,135	8,314
Cashflow from Financing	29,667	(9,453)	(1,937)	(5,834)	(8,483)
Net Change in Cash / treasury investments	14,553	(4,364)	(422)	(1,699)	(169)
Key assumptions & Ratios	FY25	FY26	FY27E	FY28E	FY29E
Dividend per share (INR)	4.5	5.0	5.5	6.0	6.5
Book value per share (INR)	513.9	490.5	515.5	555.8	622.4
RoCE (Pre-tax) (%)	5.6	4.0	7.2	9.6	13.9
ROIC (Pre-tax) (%)	7.0	5.1	8.7	11.3	16.2
ROE (%)	6.1	1.3	5.6	8.2	11.9
Asset Turnover (x)	2.0	4.2	4.7	5.3	5.7
Net Debt to Equity (x)	0.1	0.3	0.3	0.2	0.0
Net Debt to EBITDA (x)	1.5	1.8	1.4	0.9	0.1
Interest cover (x) (EBITDA/ int exp)	7.9	3.6	5.3	7.1	12.6
Total Working capital days (WC/rev)	459.7	196.7	141.2	124.0	108.5
Valuation	FY25	FY26	FY27E	FY28E	FY29E
P/E (x)	48.3	147.9	34.9	22.4	13.9
P/Sales (x)	2.3	0.8	0.7	0.7	0.6
EV/ EBITDA (x)	24.1	15.6	11.5	9.5	7.5
EV/ OCF (x)	247.7	26.7	24.8	13.2	7.9
FCF Yield	0.0	0.0	0.0	0.0	0.0
Price to BV (x)	1.9	2.0	1.9	1.8	1.6
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0

Note: Pricing as on 27 May 2026; Source: Company, Elara Securities Estimate

Exhibit 1: Quarterly financials

Consolidated (INR mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Q4FY26E	Variance (%)
Revenue	27,899	13,494	106.7	21,030	32.7	22,554	23.7
EBITDA	2,274	1,270	79.1	379	500.0	620	266.7
Depreciation	504	571	(11.8)	1,006	(49.9)	1,016	(50.4)
Interest cost	408	210	94.7	364	12.1	364	12.1
Other income	158	233	(32.2)	217	(27.2)	217	(27.2)
Profit before exceptional items	1,520	722	110.5	-774	NA	-543	NA
Exceptional item	-157	616	NA	454	NA	0	NA
PBT	1,520	722	110.5	(774)	NA	(543)	NA
Tax	852	103	731.2	-68	NA	-179	NA
Adj. PAT	668	620	7.8	(706)	NA	(364)	NA
Reported PAT	825	3	26,257.8	-1,160	NA	(364)	NA
Minority Interest	38	44	(13.9)	(7)	NA	0	NA
Adj. PAT to equity-holders	630	575	9.5	(699)	NA	(364)	NA
Adj. EPS	8.0	7.3	9.5	(8.9)	NA	(4.6)	NA

Source: Company, Elara Securities Estimate

Earning call highlights

- ▶ **Recovery was volume-led:** Management clarified Q4 growth was driven by volume recovery, not price hikes; no major price increases were taken in Q4.
- ▶ **Destocking largely behind:** Customer destocking in legacy Heubach products is now largely over. Customers have started buying again after the insolvency-led inventory overhang.
- ▶ **Broad-based demand recovery:** Q4 saw recovery across regions and end-use segments, with coatings being the key driver for the acquired business.
- ▶ **Heubach – FY27 guidance retained:** Management expects the acquired group to post EBITDA of ~EUR 35mn in FY27, led by volume recovery, value capture and integration benefits.
- ▶ **Medium-term EBITDA ambition unchanged:** SCHI is confident of achieving EUR 90–100mn EBITDA from the acquired business in the next 3–4 years.
- ▶ **Integration benefits still ahead:** Full integration benefits are expected over the next two financial years, driven by value capture, GCC migration and SAP integration.
- ▶ **GCC/SAP progressing:** GCC is expected to be fully operational over the next 6–8 months. One SAP integration is targeted by year-end.
- ▶ **Legacy margin to remain healthy:** Management expects legacy Sudarshan to maintain healthy margins by passing on RM and energy cost increases to customers.
- ▶ **Legacy growth outlook:** Management expects legacy business to grow 8–10% in FY27, subject to no major geopolitical disruption.
- ▶ **RM/energy cost pressure visible:** Petroleum-derived RMs, energy and logistics costs have increased; and SCHI is using its global footprint and region-wise pricing actions to protect margins.
- ▶ **Energy cost now meaningful:** Energy cost for the global business is around 6–7% of revenue post increase.
- ▶ **RIECO (RIECO Industries) turnaround underway:** RIECO revenue grew to INR 2.68bn in FY26 from INR 2.28bn in FY25, while EBITDA improved from INR 170mn loss to INR 100mn profit.
- ▶ **Capacity not a constraint:** Management said existing capacity is adequate to meet the 3–4-year EBITDA target; no major volume capex is required.

- ▶ **Heubach – Gross margin higher:** Gross margin of the acquired group is 4–5pp higher than legacy Sudarshan, but fixed cost is also higher, making operating leverage critical.
- ▶ **Non-core asset review possible:** Management may evaluate non-core assets, though the thought process is still at an early stage.

Exhibit 2: Valuation

(INR per share)	
PV of FCFE over FY28E-33E	448
PV of terminal value	961
EV of the firm	1,409
Less: Net debt	208
Add: Dividend payout	12
Target price	1,212

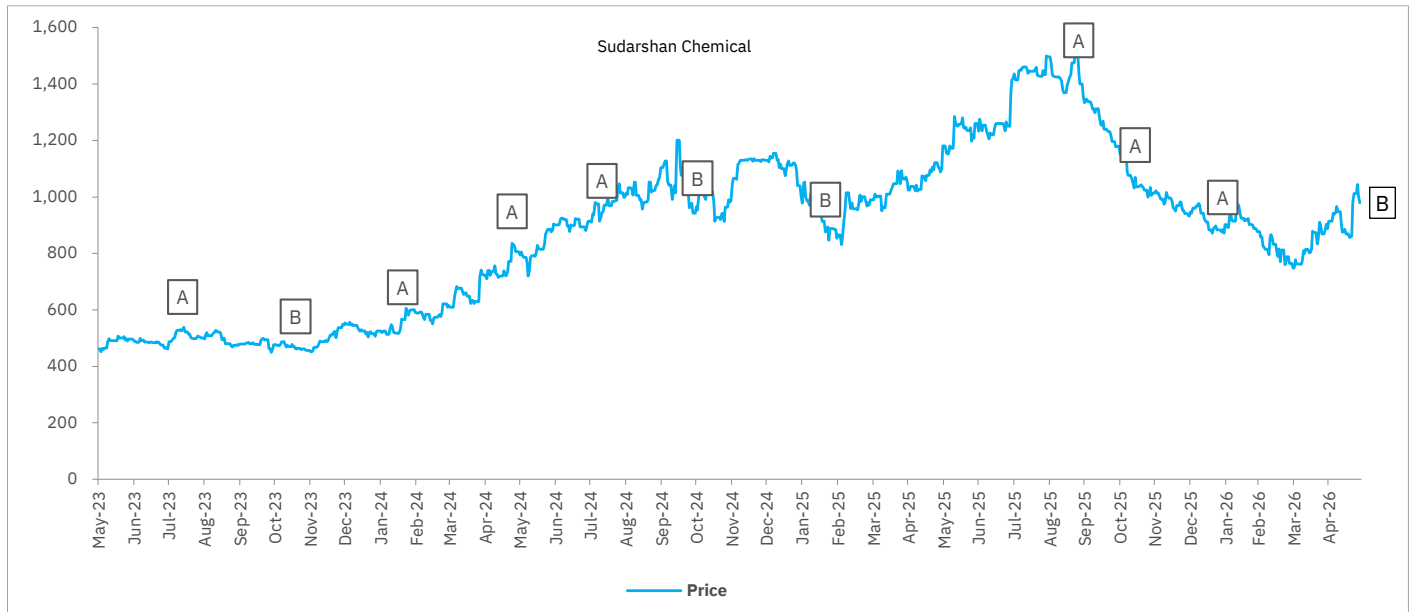
Source: Elara Securities Estimate

Exhibit 3: Change in estimate

(INR mn)	Earlier		Revised		% Change		New
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E	FY29E
Total Revenue	100,382	107,681	106,024	115,245	5.6	7.0	124,621
EBITDA	7,350	9,200	7,970	9,627	8.4	4.6	12,279
EBITDA Margin (%)	7.3	8.5	7.5	8.4	20	(19)	9.9
Net Profit	2,198	3,058	2,203	3,435	0.3	12.3	5,531
EPS (INR)	28.0	38.9	28.0	43.7	0.3	12.3	70.4
Target price (INR)		1,047		1,212		15.8	
Rating		Accumulate		Buy			

Source: Elara Securities Estimate

Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
09-Aug-2023	Accumulate	558	532
15-Nov-2023	Buy	558	464
16-Feb-2024	Accumulate	656	566
21-May-2024	Accumulate	965	835
07-Aug-2024	Accumulate	1,053	943
29-Oct-2024	Buy	1,186	953
17-Feb-2025	Buy	1,114	877
25-Sep-2025	Accumulate	1,707	1,441
13-Nov-2025	Accumulate	1,275	1,070
28-Jan-2026	Accumulate	1,047	884
27-May-2026	Buy	1,212	979

Guide to Research Rating

BUY (B)	Absolute Return >+20%
ACCUMULATE (A)	Absolute Return +5% to +20%
REDUCE (R)	Absolute Return -5% to +5%
SELL (S)	Absolute Return < -5%

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