



RE-ENERGIZING FOR LEAP TO 3

SUDARSHAN CHEMICAL INDUSTRIES LIMITED

72ND ANNUAL REPORT | 2022-23

Theme introduction

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Re-energizing for LEAP to 3

As the world makes a slow and uneven recovery post Covid pandemic and is still grappling with various geo-political complexities, the one thing that is certain, is that we live in an increasingly uncertain world. The global economy slowed down due to various macro-economic events and, the overall businesses have faced several crises. Sudarshan was no exception. The Company's financial performance was impacted by a subdued demand coupled with rising raw-material costs and indirect material costs. However, the recent setbacks re-energised the company to perform better, and we have emerged stronger than ever.

Since embarking on its 'LEAP to 3' journey in 2018, Sudarshan has remained steadfast in its strategy to become one of the top 3 pigment players globally. Despite facing numerous challenges, the company has not wavered from its long-term vision. Instead, these hurdles have served as a catalyst for Sudarshan to channel its focus and energy, strengthening its resolve towards achieving its goals. The company firmly believes in its strategy and continues to emerge as a resilient force in the pigment industry.

The Company's overall vision to be one among the top 3 pigment manufacturers in the world is still very much intact.

With the external factors becoming unpredictable, the company continued to focus on the 'LEAP to 3' vision,, including actively looking at new opportunities in the market including for our new products while ensuring enough actions within. We identified three focus areas for immediate action – cost optimisation, working capital reduction and driving capex commercialization. This focussed approach and a re-energised workforce led to the Company bouncing back in Q4 and closing the year with stronger than anticipated.

The recent rebound has proven, that the Company is re-energised and ready to LEAP into the future and the next phase of growth. We believe that this will be an interesting and exciting phase for us as we look forward to tapping into new markets globally, exploring new businesses and new product innovations that will help Sudarshan grow from strength to strength.

Hence **Re-energizing for LEAP to 3** is a befitting theme for Sudarshan's 2022-23 Annual Report. It reinforces and encapsulates our vision to be among the top three pigment players in the world. Sudarshan's **Lead, Enhance, Accelerate and Perform** strategy underpins our approach to business in the coming years.



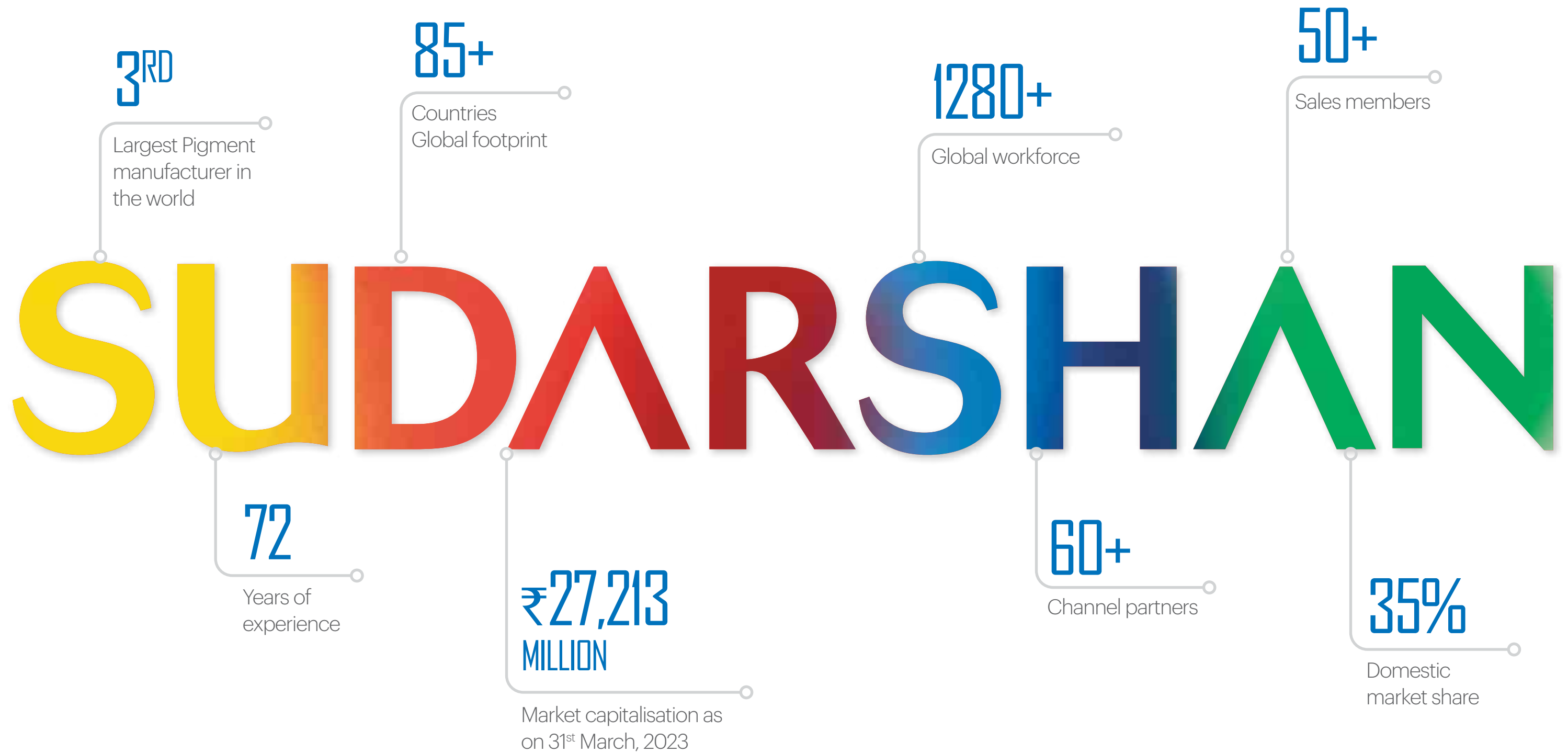
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Key highlights

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About us



Founded in 1951 and headquartered in Pune, Maharashtra, Sudarshan Chemical Industries Limited continues to be a leading player in India's pigment industry. With an experience of over seven decades, we have fortified our market position by delivering world-class pigments.

Catering to diverse sectors such as coatings, plastics, inks, and cosmetics, our comprehensive range of offerings includes organic, inorganic, and effect pigments, along with dispersions with speciality pigment at its core.

Our cutting-edge manufacturing facilities comply with stringent international quality standards. With a global presence spanning 85 countries, we stay true to our commitment to providing innovative pigment solutions to our esteemed customers.



Our Vision

To be amongst the top three pigment players in the world



Our Mission

To be a world-class Global Colour Solution provider with an innovative and vibrant culture



Our Values

- Seva (Service)
- Courage
- Commitment and Passion
- Respect
- Trust

Upholding an Illustrious Legacy

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Since the inception of our journey, we have laid a solid foundation for our sustained growth. This has helped us achieve organisational resilience, agility, and adaptability. Our journey of over seven decades is a testament to our ability to navigate challenges successfully and emerge stronger. We have consistently looked beyond business, shaping a transformative blueprint for success.

Phase1 | Establishing the business

1951-1988

- 1951 : Founded as Sudarshan Chemical Industries Private Limited
- 1952 : Started the first manufacturing facility in Swargate, Pune
- 1961 : Began manufacturing of Organic pigments
- 1967 : Commenced exporting globally
- 1973 : Inaugurated manufacturing facility at Roha
- 1976 : Got listed on BSE



1951-1988

Phase2 | Taking the next leap in technology

1989-2006

- 1989 : Collaborated with the world leader, DIC, Japan
- 1993 : Became the first Indian chemical company to be ISO:9001 certified
- 1994 : Initiated manufacturing plant in Mahad for Pthalos and Effect pigments
- 1999 : Introduced SAP across all functions



1989-2006

Phase3 | Going global

2006-2018

- 2006: Achieved a net revenue of ₹400 crore. Created a state-of-the-art technology R&D centre at Sutarwadi
- 2007 : Set up Sudarshan Europe BV, a subsidiary
- 2009: Expanded footprints in the USA, incorporation of Sudarshan North America Inc.
- 2010 : Received a Sword of Honour from the British Safety Council
- 2014 : Achieved a net revenue of ₹1,000 crore
- 2017 : Certified as a dream company to work for in the Chemical Sector



2006-2018

Phase4 | Raising the bar

2018-2023

- 2018 : Established Sudarshan Mexico S. de R.L de CV.
- 2020: Established Sudarshan Japan Limited
- 2023: Successfully completed commissioning of Capex programme for ₹750 crore
- 2023: Launched a wide range of new products



2018-2023

Message from the Managing Director



Dear Shareholders,

In the last fiscal year, the global economy continued to face multiple challenges and uncertainty due to prevailing geo-political events be it COVID-19, Ukraine war, resulting in a slowdown across the world. Spiralling costs of raw materials, supply chain disruptions and tighter monetary policies have all had an adverse impact on demand across industries, including the pigment industry. This resulted in a sharp reduction in demand and significant pricing pressures on Sudarshan, adversely impacting our sales volumes and hence, financial performance.

However, as the famous philosopher Friedrich Nietzsche said, 'That which does not kill us makes us stronger', and I firmly believe that difficult times, often, contain within them the opportunity to reenergise and emerge stronger, that is precisely what Sudarshan did.

So, it is with immense pride that I present to you, Sudarshan's Annual Report for the fiscal year 2022-23. The theme for this year is aptly titled **Re-energising for LEAP to 3**. Our workforce regrouped and emerged re-energised to close the year on a positive note.

Resilience at Sudarshan

Sudarshan continues to be a resilient company built on a strong foundation, committed towards its long-term strategy, and is poised for growth. In order to meet the uncertainties, additional 3 initiatives were very well driven in the fiscal year - prioritising cost reduction, optimising working capital and ensuring commissioning of all capex projects.

This year we continue to emphasize and accomplish on the 4 main pillars of our long-term strategy :

- 1. Launching New Products:** All pending CAPEX projects with a total investment of ₹ 750 crore have been completed. Consequently, Sudarshan's product portfolio has undergone a complete transformation. We now offer the widest and broadest portfolio of enhanced products that have given us a definitive edge in international markets.
- 2. Foraying into New Businesses:** We are proud to announce that we have successfully launched the following four new businesses.
 - CACP
 - Solvent Dyes
 - Pigment Preparation
 - Digital Inks
- 3. Strengthening Go to Market Strategy:** Additionally, we have strengthened our Go To Market strategy. The overall market reach has improved including our distribution network along with reinforcing our presence in Asian markets.
- 4. Achieving Cost Leadership:** All aspects of our business operations were monitored closely, and stringent cost-reduction measures were implemented that resulted in significant cost savings. We optimised our inventory successfully and reduced global inventory days which has helped in reducing net-working capital.

Highlights of our financial performance

Despite the various setbacks we faced last fiscal, we ended FY 2022-23 with a stable financial performance. Our total income from operations stood at ₹ 2,302 crore in FY 2022-23 as compared to ₹ 2,201 crore in FY

2021-22, marking a growth of around 5%. EBITDA for the period ending March 31, 2023, was ₹ 211 crore versus ₹ 275 crore last year. We registered an EBITDA margin of 9.2% in FY23 versus 12.5% over the same period last year. Our PAT for the year was ₹ 45 crore, compared to ₹ 130 crore for the same period last year.

During the fiscal year, we focused on optimising our working capital, especially inventory levels and accounts receivable, to generate free cash flow. This has successfully reduced our working capital debt levels. I am pleased to state that our multi-pronged strategy in the focus areas have borne fruit, as corroborated by a strong revival in our financial parameters during the fourth quarter of FY 2022-23.

On 6th April 2023, the Company completed the sale of its freehold, clear, and marketable titled land admeasuring around 5.76 Acres along with the structures standing thereon located at 162, Wellesley Road, Pune for a net consideration of ₹356 Crore. The proceeds realized from this sale are being used for strengthening the Balance Sheet of the Company.

Building a global culture

Our people are our biggest strength and as we transform into a global organisation, to fulfil our mission – **'To be world-class global colour solution provider with an innovative and vibrant culture'**, we are focused on building a truly global workforce. We have implemented several comprehensive initiatives and programs based on our core values, which we believe will be instrumental in creating a positive, inclusive and vibrant, work-culture at Sudarshan. For us, our people are the key differentiators, as they have been helping us in successfully executing our strategy and building a global culture.

Sustainability at Sudarshan

Sustainability has always been a priority for Sudarshan. As a chemical company, we are cognizant of our impact on the environment and constantly strive to minimize

our environmental footprint by embedding sustainability into all aspects of our operations. We have recently released Sudarshan's maiden ESG report, with the theme **'Growing together for a Sustainable Future'**, derived from the Company's larger purpose of – **'Growing together by being Spiritually Fulfilled, Socially Just, and Environmentally Sustainable'**.

We recently participated in the annual EcoVadis Sustainability Rating assessment and have achieved the prestigious Silver Recognition Level, raising our score from 57 last year to 67 this year. This accomplishment places us among the top 25% of companies worldwide with sustainable business practices.

Making a difference.

Sudarshan has always had a culture of giving back to the community. We have implemented several CSR initiatives by working closely with several stakeholders at the ground level. We have in place a dedicated and structured program – 'Sudha', through which we seek to make a long-term, positive and visible difference to the communities we operate in.

Poised for Growth

Despite the setbacks in the last two years, Sudarshan has clearly mapped and factored the various extrinsic and intrinsic influences in its long-term strategy.

The extrinsic factors like consolidation of the pigment industry at the top; major challenges with one of the key North American supplier; the adoption of the China-plus-one strategy by companies seeking to reduce their reliance on China; emergence of India as a strong player in global chemical industry along with stabilization of raw material prices and continuing high energy costs in Europe, are both a challenge and an opportunity for Sudarshan.

As we step into the new fiscal year, we remain both, vigilant and optimistic. Sudarshan has been able to turn the intrinsic factors into advantages like the completion of new capex projects

has resulted in a comprehensive product portfolio; a significant headroom is now available to grow in non-traditional geographies; the overall productivity improvement has resulted in cost competitiveness and finally getting the unwavering support of the most important Sudarshan asset - Energized teams with entrepreneurial mindset.

We are poised to leverage these opportunities and regain growth, further consolidating our market leadership position. However, we will maintain our current levels of rigorous fiscal discipline, optimise our operations and control costs to bolster our competitive edge and improve our financial performance.

In conclusion

Although it has been a difficult and demanding year, it has been an immensely rewarding one. Our people have demonstrated to us that resilience, creativity, and collaboration can overcome the most challenging of situations. I am confident that our success this past year has inspired all of us at Sudarshan to Re-energise for LEAP to 3. This strategy has served us well and I believe that it will help build the necessary momentum to leap forward into a brighter tomorrow.

I would like to conclude by expressing my heartfelt gratitude to all our stakeholders for their continued dedication, hard work, guidance, and faith in us. I look forward to growing together with all of you and achieving our collective dream of being a leading global player in the pigments industry and leaving behind a better world.

Warm regards,

Rajesh Rathi

Managing Director

**Financial
performance**
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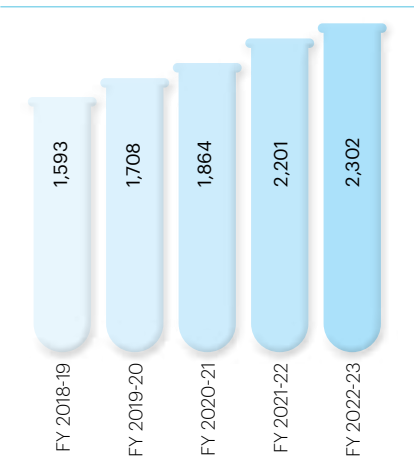


Financial performance

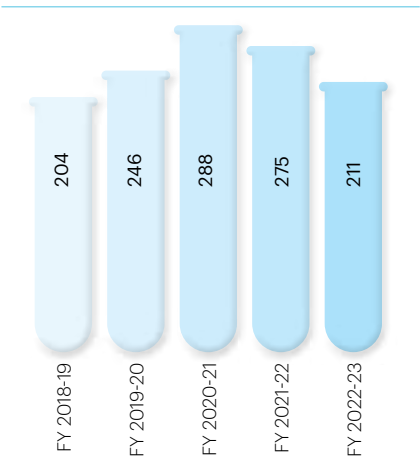
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Consolidated Financials

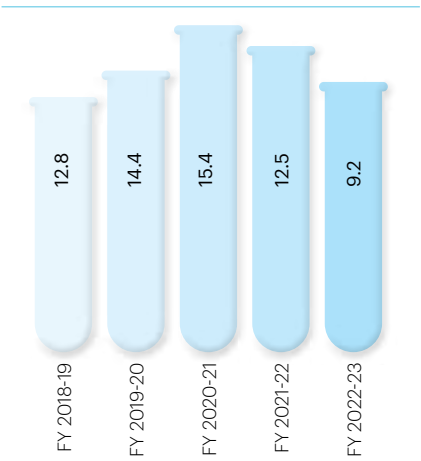
Income from operations (in ₹crore)



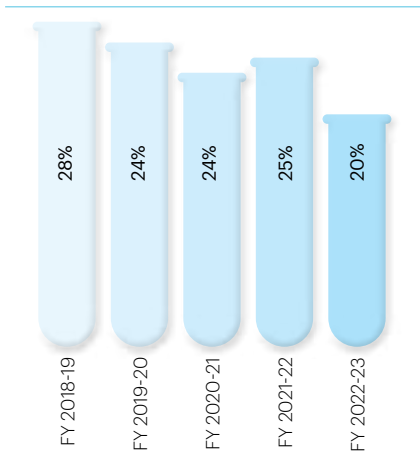
EBITDA (in ₹crore)



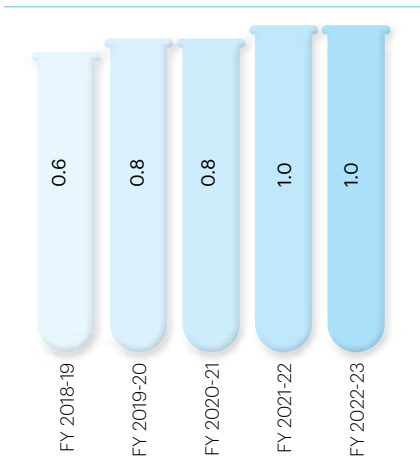
EBITDA margin (%)



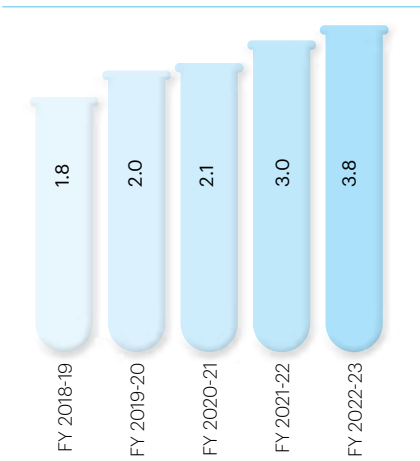
Working capital % to income from operations



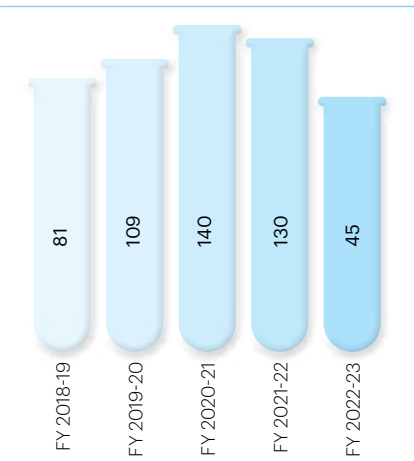
Debt to equity ratio



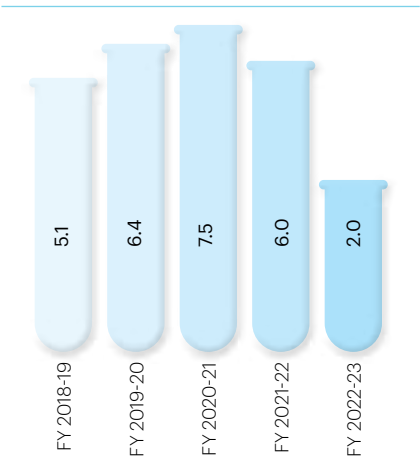
Debt to EBITDA



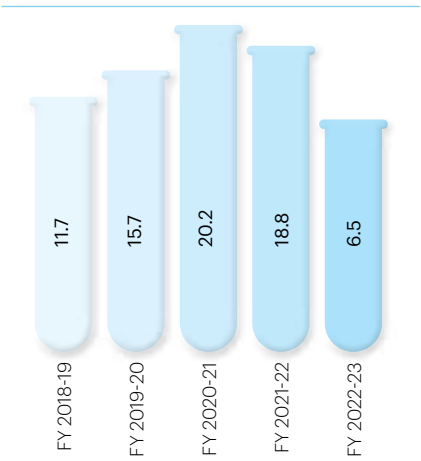
PAT (in ₹crore)



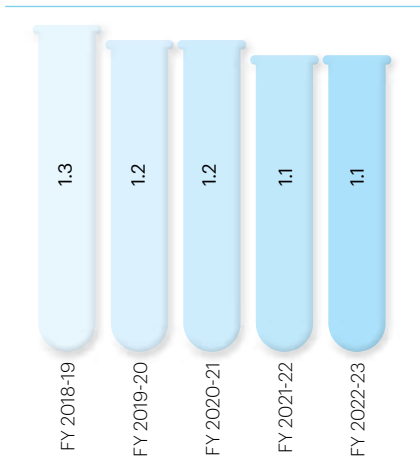
PAT margin (%)



EPS (in ₹)

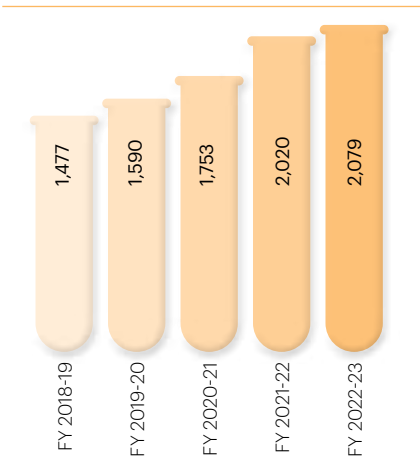


Current ratio

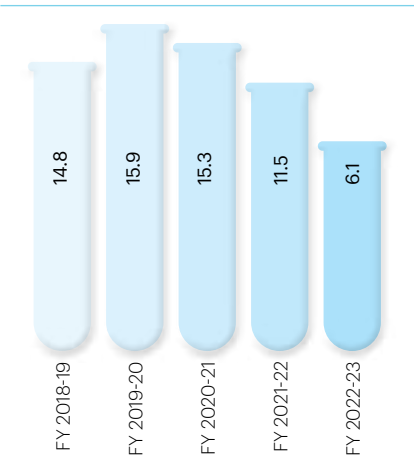


Pigment business financials

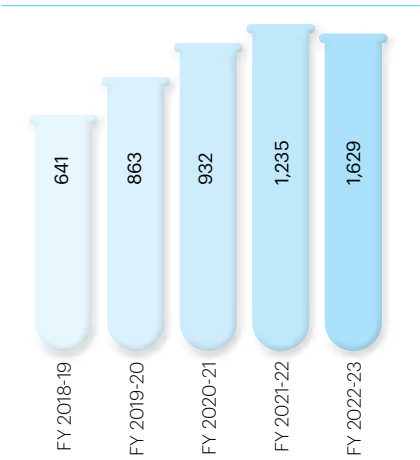
Income from operations (in ₹crore)



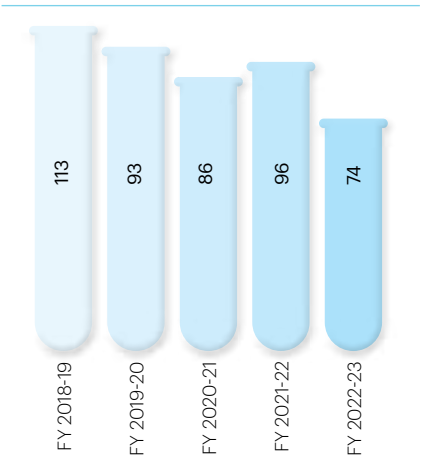
Return on Capital Employed (%)



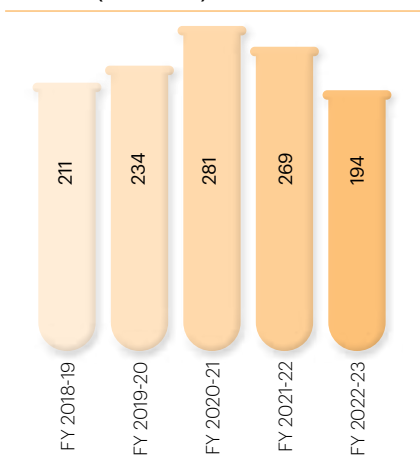
Gross block (in ₹crore)



Cash conversion cycle



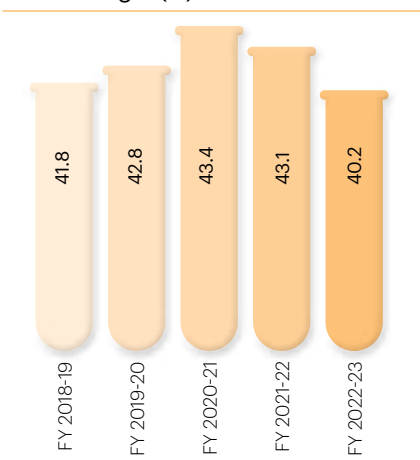
EBITDA (in ₹crore)



EBITDA margin (%)



Gross margin (%)





Operational highlights



Macro trends

- The pigment industry is witnessing consolidation among its leading players, which can lead to increased efficiency, economies of scale and stronger market positioning.
- India is emerging as a formidable player in the global chemical industry, indicating substantial growth and advancements in manufacturing capabilities.
- Raw material prices in the pigment industry are stabilising, providing a more predictable cost environment for manufacturers.
- Despite high energy costs in Europe, the pigment industry continues to thrive and adapt, showcasing resilience and potential for innovation.

Our key differentiators

- Strong manufacturing base in India.
- Comprehensive product portfolio.
- Readily available capacities for quick volume ramp-up.
- Quality consistency.
- Robust technical services capability.
- Improved cost competitiveness through productivity enhancement.
- Energised teams with an entrepreneurial mindset.
- Strong focus on ESG and product stewardship.

Our achievements

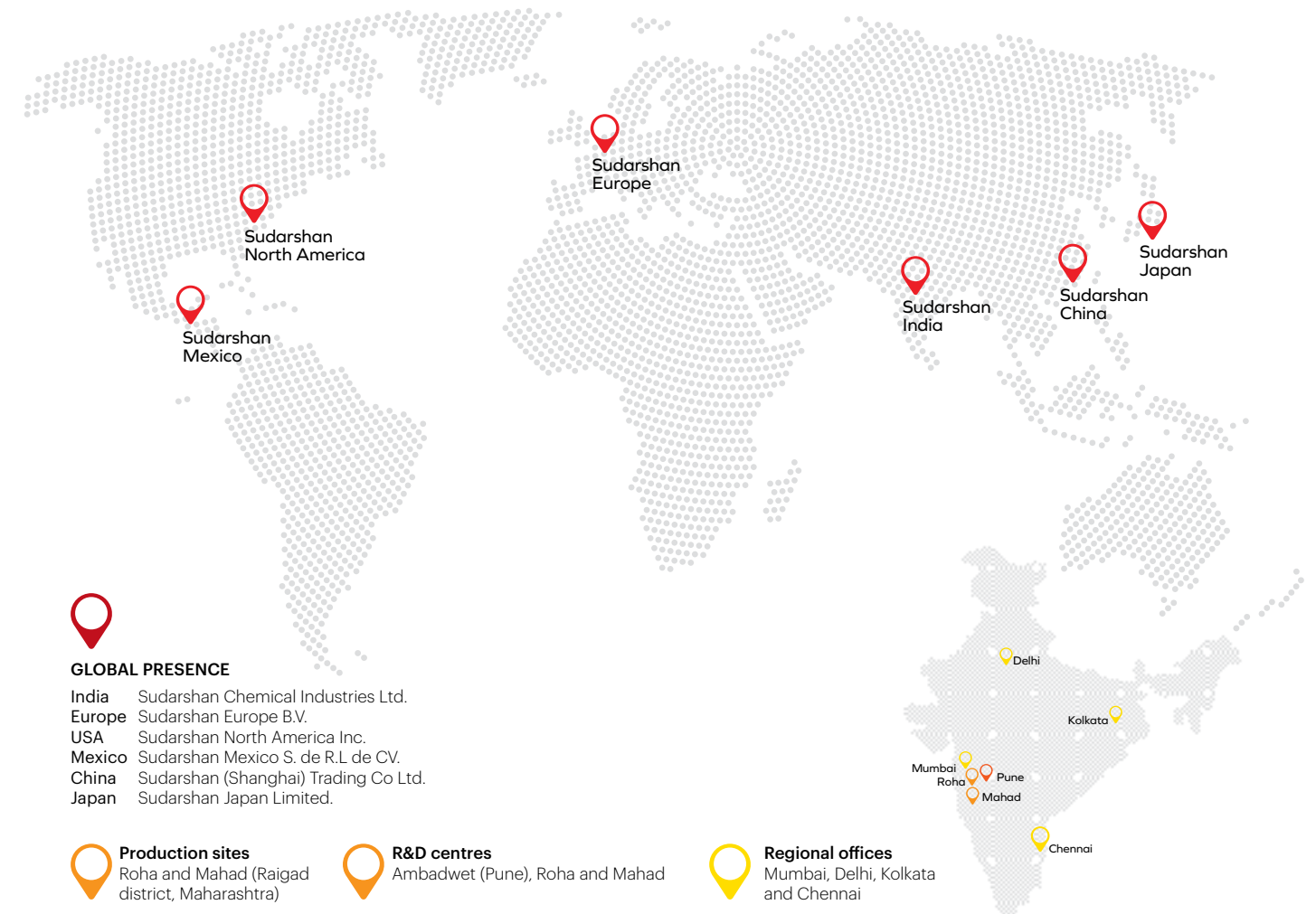
- Successful commissioning of all new capital projects.
- Effective cost reduction initiatives.
- Achieved a significant reduction in inventory across various Strategic Business Units (SBUs) through improved supply chain management.
- Strengthened customer relationships and built deeper connections with customers, fostering long-standing partnerships.
- Developed a leaner team with strong and capable leadership, enhancing overall organisational efficiency.
- Transformed waste streams into profitable opportunities.



Growing our global footprint



We have always aspired to make our superior-quality pigments available in every market in the world. To this end, we have successfully extended our horizons beyond our domestic reach into foreign markets through our overseas subsidiaries. Our extensive technical acumen, robust manufacturing facilities, and innovation-led approach have facilitated this expansion. Moreover, our diverse range of pigments and ongoing advancements for quality upliftment have set us apart from other industry players.



Map not to scale. Only for representation purpose