Reply to Shareholder Queries – 65th Annual General Meeting of Ultramarine & Pigments Ltd, 22nd July, 2026

1. Outlook & Guidance

We aim for a consolidated revenue CAGR of 7-10% over the next 3 years, with steady margin improvement through higher capacity, new applications and a more profitable product mix.

Management's focus will remain on :
- Capacity expansion in pigments
- Gradual scale-up in the specialty chemicals segment
- Improved product mix and growing export footprint
- Sustained investment in R&D and customer development

2. Capacity Utilization – Pigments, Surfactants

Pigments utilisation – 75-80%

Surfactants- Ranipet 90-95%; Naidupeta 70-75%

In FY26, the company has improved sales volumes, though we saw a drop in margin because of the tariffs. We were able to shift some of our sales to other geographies, and improved our capacity utilisation.

The Naidupeta project has added capacity in phases over last 2FYs hence growth will be gradual.

3. Projects/Capex

Project at Manapparai will manufacture pigments, mainly Ultramarines. Commissioning will be done in phases from FY28 to FY29.

The company is in the process of obtaining the necessary environmental clearances, and land development work has commenced.

Project will be funded through a optimum debt/equity ratio, depending on business performance and cost of capital

In addition to the pigments expansion in Manapparai, some normative capex will continue across the next few years in the operating sites, including debottlenecking at surfactants ranipet, downstream processing in surfactants in naidupeta, some investment in utilities, etc, broadly 50-60 cr over the next 4 years.

~ 175 Crs has been spent in subsidiary for Capex. We have spare capacity in CICPS so we do not plan any immediate expansion here.

5. US Tariffs, Exports & Imports

Impact ~ 17% on Pigments exports.

Uncertainty prevails due to frequent regulatory changes in US.

Volume drops in the US market were partially compensated by Europe & Asia, but margins did not catch up.

Consolidated exports FY26 Rs 226 Crs as against FY25 Rs 211 Crs.

6. Raw Materials – Pricing & Availability

Key inputs like Sulphur & Fuel have seen significant and consistent increases due to the disruption in crude supplies to India. We have managed to pass some of these on. Still the prices are on higher side, and will continue till the de-escalation in West Asia.

7. Pigments – Market, Product Mix & Margins

The demand outlook remains positive across domestic and international markets, barring major disruptions due to geopolitical issues.

We make pigments for food contact plastics, between 10-20% of volume. For cosmetic grade, product has just been seeded in market, and volumes will just be a few tons.

There is no substitution pressure, and market share gains vary by geography.

~ 20% to 30% of total sales is high grade.

~ 11% to 15% non-blue; 3 years ago that was below 5%

CICPs are being sold mainly in Coating & Plastic Applications industry, and are prized for their weather fastness and chemical properties.

8. Surfactants – Market, Product Mix & Margins

~ 10% of FY26 Growth was on volumes and balance on price.

We use an opportunistic product mix strategy to allow for nimble decision making by our business heads. We are moving away from high margin pressure products like LABSA.

Detergents were taking focus away from more profitable ventures so we have recalibrated.

We are constantly developing specialty surfactants to move beyond commoditized offerings. Both product development and customer acceptance take steady effort. Export is negligible in this business.

We have separate manufacturing facility for non-sulphonates like esters, amides, betaines, but we use the existing sulphonation capacity for industrial sulphonates.

We sell some grades of MCT and blends in the food, feed, cosmetics markets.

We sell a large portion of our surfactants in the home and personal care industry, however these are commoditized to an extent – not just in detergents but also body wash, handwash, shampoo, etc.

As of now, we do not see a risk of backward integration in the market, but we are alert to the possibility.

FY23-FY26, we have seen margin variation between (+/-) 2%. As of now dumping is not a major challenge in India.

Commoditised surfactants are usually procured by FMCG industry on the basis of price, availability and consistency in quality.

Margins are managed through right-cycle procurement, inventory management, cost-pass through and good customer relations.

9. Overall margins

At a standalone level, the Surfactants and Specialities business revenues grew 14%, whereas Pigments standalone revenues fell marginally. The margin balance therefore changed between FY25 and 26.

In Pigments, the margin compression was also a cumulative impact of tariff issue and steep increase in input cost. While we were able to switch export volumes to other geographies, the margins did not translate equally. Our domestic customers were also hit by the tariff issues.

The initial capex 6 years ago was in surfactants, which has taken time to stabilise and grow. The Revenue growth that followed was therefore not of the same margin quality. We are at high single digit ebidta in the surfactants business today and we have the plans to grow this to low to mid teens over the next 5 years.

Our pigment expansion only reached full capacity by end-FY26; as operations stabilize, product mix and margins should improve over the next couple of years.

10. Thirumalai Chemicals – Investment & Loans

Investments in TCL are strategic in nature, and are considered based on the funds required by our company for new projects. We gave the funds to support the US project, which is expected to be a high return venture.

As of now, no new additional investment in TCL is planned.

11. Other Queries

IteS Division – AI driven Automation

While AI automation is challenging, we have initiated steps to suitably automate our processes to be competitive. We view it as an opportunity, and are committed to human oversight on all automation to ensure service delivery does not slip.

It is a Stable cash generating business and operates as a separate business unity independent of chemical operations.

Remuneration of Key Managerial Personnel:

Managerial and Executive remuneration is reviewed against key result areas and P&L targets, assessed by the Nomination and Remuneration Committee.

Structural pricing, specific headwinds:

No pricing pass through is automatic. In times of volatility, there may be a lag based on the sales and inventory cycle, and the ability of the customers to absorb the increase. There are no standards for this – our business heads have operational flexibility to meet their working capital and pricing targets.

We don’t see any other headwinds currently. Gas availability for our operations has not been hugely disrupted, though there have been price increases.
