Management Discussion

Srinivasa Rao - Head of Business, Pigment Dispersion, Ducol Organics & Colours Limited
Good afternoon, everybody. My name is Srinivasa Rao, and I Head the Pigment Dispersions business of Ducol. Joining me on this call are Mr. Gunendra Pal Singh, Head of Waterproofing and Construction Chemicals, and Mr. Rupesh Nikam, our Group CFO.

On behalf of Ducol Organics & Colours Limited, I welcome all participants to our first-ever Earnings Conference Call. We appreciate your interest in the company and thank you for joining us today. As this is our first interaction with the investor community through conference call, we will take the opportunity to introduce Ducol, outline our business operations, highlight key developments, and share our strategic priorities going forward.

I'll begin with an overview of the company and our pigment dispersions business, followed by Mr. GP Singh, who will discuss the waterproofing and construction chemical business that includes Bitumag and XChem. Mr. Rupesh Nikam will then take you through the H1 FY '27 financial performance.

Coming to company overview, Ducol Organics & Colours Limited was incorporated in 1994 and has over three decades of experience in specialty chemicals industry. Over the years, we have built a strong presence in pigment dispersions, supported by our manufacturing capabilities, technical expertise, R&D facilities, and long-standing customer relationships.

Building on this foundation, Ducol is transitioning from a predominantly pigment-focused business into a diversified specialty chemicals platform. We are expanding into adjacent segments, such as waterproofing solutions, construction chemicals, and adhesives, allowing us to participate in a wider range of construction, infrastructure, and industrial applications, while leveraging our existing customer relationship and distribution network.

Our manufacturing footprint comprises of six facilities across four locations. Our core pigment dispersions business operates through four manufacturing units, two of which are located at Taloja and two are at Mahad. In addition, the construction and waterproofing business includes manufacturing facilities at Vadodara and Valsad, supported by our expanded presence in waterproofing and construction chemicals.

We cater to a diversified customer base across paints and coatings, inks, detergents, plastics, textile, rubber, and paper. Our customers include reputed names, such as Asian Paints, Berger Paints, Kansai Nerolac, JSW, Birla Opus, Indigo, ITC, Hindustan Lever, Bostik, Chryso, and Tremco, to name a few. Several of these relationships span over more than 20 years, built on consistent product quality, customized solutions, and technical support.

Talking about pigment dispersion, which is our core business, we offer a diversified portfolio of water-based dispersions, dry dispersions, and masterbatches. These products cater to application across paints, paper, textile, inks, foams, detergents, plastics, rubber, and other industrial segments. Our diversified portfolio also enables us to develop customized solutions based on specific customer requirements.

Our pigment dispersion manufacturing operations are spread across two facilities in Taloja and two facilities in Mahad, with a combined plant area of more than 1.5 lakh square feet. In installed capacity, our wet dispersion capacity is approximately 3,000 to 4,500 metric tons per annum, with the current capacity utilization of around 55%.

Our dry dispersion capacity is approximately 20,000 metric tons per annum and an utilization of around 70% to 75%. Our masterbatch capacity is around 1,800 to 2,500 metric tons per annum with current utilization of around 10% to 15%. Our existing manufacturing infrastructure provides us with adequate headroom to cater to incremental customer demand and support business growth through better utilization of available capabilities.

R&D is an important part of our business, as customer requirements and product specification continues to evolve. Our R&D efforts in analytical, synthesis, product development, and application laboratories are all well set. Our technical teams work closely with customers to develop customized formulations and improve product performance.

Quality control is integrated into our manufacturing process to ensure consistency and meet customer requirements. Apart from our domestic operations, we have developed an export presence across more than 30 countries, including the United States, China, South Korea, Bangladesh, UAE, Bahrain, South Africa, Ethiopia, Kenya, Tanzania, among the other countries.

We intend to further strengthen our export network by leveraging our existing customer relationships, product portfolio, and manufacturing capabilities. Going forward, our focus in the pigment dispersion business will remain on strengthening customer relationships, improving capacity utilization, and expanding our market share among existing customers.

We will also continue to focus on product development, manufacturing efficiency, and increasing the contribution of higher-value products. While pigment dispersions remain an important foundation of Ducol, our expansion into adjacent specialty chemical segments will further diversify our business and create additional opportunities.

With this overview of our established pigment dispersion operations, I would now like to hand over to Mr. GP Singh, who will take you through our non-pigment dispersion business, that is waterproofing and construction chemicals of Bitumag and XChem, and explain how these businesses fit into our larger growth strategy. Thank you.

Gunendra Pal Singh - Head of Waterproofing and Chemicals, Ducol Organics & Colours Limited
Thank you, Mr. Rao. Good afternoon, everyone. My name is Gunendra Pal Singh. I'm Head of Waterproofing and Construction Chemical Business at Ducol. As Mr. Rao explained, Ducol has built a strong foundation in the pigment dispersion industry over the past three decades. Building on this foundation, we are expanding into non-pigment dispersions with opportunities across construction, infrastructure, and industrial applications.

This marks an important step towards becoming a diversified specialty chemicals player. This transformation is an important part of our Ducol 2.0 strategy. Our objective is to develop a diversified specialty chemicals platform by combining our established pigment dispersion business with complementary businesses in waterproofing, adhesives, sealants, and construction chemicals. The acquisition of Bitumag and XChem are important steps in this direction. They allow us to expand our product portfolio, access new segments, and create opportunities to leverage our existing customer relationships. I will now explain these businesses in greater detail.

Let's start with Bitumag overview. We acquired 100% of Bitumag effective 15th April 2025, for a transactional value of approximately INR39.7 crores. Bitumag operates in the waterproofing segment, manufacturing waterproofing membranes and elastomeric compounds for roofing, basements, bathrooms, terraces, podiums, decks, highways, bridges, tunnels, and residential and commercial buildings.

Following the acquisition, we commissioned a second manufacturing line as part of the negotiated deal, doubling Bitumag's capacity to approximately 10 million square meters per annum. Current utilization is around 25% to 35%, giving us headroom to scale as demand grows without significant near-term expansion.

Our immediate focus is on improving utilization and expanding the distribution network. Strengthening Bitumag's international presence is an important part of our strategy. Qualibit in Malaysia has been sourcing from Bitumag for more than five years, and through our association with Qualibit, we are working towards expanding in Southeast Asia.

Approximately 20% of Bitumag's capacity has been earmarked for this market, subject to customer qualification and validations. Our Middle East, Africa and, our -- sorry, our distribution tie up with Altek International is expected to support expansion across Middle East, Africa and subcontinent. These partnerships provide access to established regional networks and will gradually increase the contribution from international markets.

Now, let me share the XChem business overview. Coming to our second edition, XChem Polymers India Private Limited, which is based in Pardi, Valsad, Gujarat. We signed the share purchase agreement on March 26, 2026. XChem operates in adhesives, sealants, waterproofing chemicals, and performance chemicals, serving construction and industrial applications such as flooring, HVAC insulation, footwear soles and uppers, EVA applications, concrete, and commercial and industrial buildings.

This strengthens our presence in construction chemicals and opens up new product categories for existing customers. The acquisition of a 100% stake has been completed for an aggregate consideration of approximately INR75 crores. This comprises INR35 crores paid in cash for the initial 50.67% stake, a balance cash consideration of INR7 crores payable within two years, and INR30 crores discharged through a share swap under which approximately 17.65 lakh Ducol shares are being issued to XChem promoters at INR170 per share.

XChem has an installed capacity of approximately 20,000 metric tons per annum with current utilization of 30% to 35%. This gives us an opportunity to scale by increasing utilization, expanding the customer base, and leveraging the broader Ducol platform. Now, about strategic synergies between Ducol, Bitumag and XChem. The addition of Bitumag and XChem is strategically important as it allows us to offer a broader range of specialty chemical products. While our traditional pigment dispersion business caters to paints, coatings and industrial segments, Bitumag and XChem expand our presence into waterproofing membranes and construction chemicals.

We see opportunities to leverage our existing customer relationships and distribution networks to introduce these additional products. Customers who currently procure pigment dispersions from Ducol may also have requirements for waterproofing membranes, adhesives, sealants, and construction additives, creating opportunities for cross-selling and increasing our share of business.

Similarly, the acquired businesses can benefit from Ducol's established customer network, manufacturing experience, and technical capabilities. Bringing these businesses under a common platform is expected to improve market reach, expand product offerings, and create a more diversified revenue base across industries and applications.

Now, looking at growth opportunities and outlook. Looking ahead, our focus will be on strengthening the market presence of Bitumag and XChem, improving manufacturing utilization and expanding our customer base across domestic and international markets. At the overall business level, we will

continue to focus on higher value specialty products, product innovation, and technical capabilities. Our objective under Ducol 2.0 is to build a diversified specialty chemicals platform supported by strategic partnerships, operational improvements, and long-term customer relationships.

With this, I would like to hand over to Mr. Rupesh Nikam, our CFO, who will take you through the financial performance of the company for H1 financial year 2027. Thank you.

Rupesh Nikam - Group Chief Financial Officer, Ducol Organics & Colours Limited
Thank you, Singh sir. Good afternoon everyone. Myself, Rupesh Nikam, Group CFO of Ducol Groups. I will now take you through Ducol Organics & Colours Limited financial performance for the first half of FY '27. Starting with our consolidated performance, revenue from operations for H1 FY '27 stood at INR112.26 crores compared with INR64.52 crores in corresponding period of the previous year, registering growth of 74%.

EBITDA for the period was at INR12.79 crores with EBITDA margin 11.39%. Profit before tax stood at INR8.83 crores while profit after tax was INR6.47 crores. Earnings per share for the period stood at 3.61. Our performance during this period reflects the contribution of our existing operation and the acquired business. We remain focused on improving operational efficiencies, optimizing cost, and strengthening profitability as we continue to scale our business.

Looking for contribution from acquired business and Bitumag and XChem. Coming to the contribution from acquired business of Bitumag and XChem, these businesses form an important part of our expansion strategy. During H1 FY '27, Bitumag reported revenue of INR32.62 crores with EBITDA of INR3 crores.

XChem reported revenue of INR31.84 crores with EBITDA of INR3.09 crores. For looking forwards standalone financial performance, coming towards standalone performance, revenue from operation for H1 FY '27 stood at INR48.71 crores. EBITDA stood at INR6.70 crores with EBITDA margin of 13.76%, while profit after tax stood at INR2.15 crores.

We remain focused on maintaining operational discipline, improving manufacturing efficiencies and strengthening profitability across our businesses. As we expand through acquisition and organic growth, our financial priorities remain centered on sustainable growth, operational efficiency, and disciplined capital allocation.

Thank you all. Now we can proceed for floor question-and-answer.

Questions & Answers

Operator
Thank you very much. [Operator Instructions] The first question is from the line of Mahesh Kumar from MU Investments. Please go ahead.

Mahesh Kumar - Analyst, MU Investments
Hello, sir. Thanks for the opportunity. Am I audible? Hello?

Srinivasa Rao - Head of Business, Pigment Dispersion, Ducol Organics & Colours Limited
Yes, Mahesh. You are.

Mahesh Kumar - Analyst, MU Investments
Yes. So sir, my first question will be that we are mainly -- we were mainly into the pigment side in

business. So we are now expanding to be non-pigment business such as waterproofing, construction, chemical and adhesives. So if you can just give me few reasons like why we are diversifying our business from pigment to non-pigment?

Gunendra Pal Singh - Head of Waterproofing and Chemicals, Ducol Organics & Colours Limited
Mr. Rao, I'll take this question. GP this side.

Srinivasa Rao - Head of Business, Pigment Dispersion, Ducol Organics & Colours Limited
Yes GP, please go ahead.

Gunendra Pal Singh - Head of Waterproofing and Chemicals, Ducol Organics & Colours Limited
Yes. Thanks, Mr. Mahesh, for the question. I think our strategy is to diversify into complementary specialty chemical categories that offer attractive growth opportunities and strengthen our overall market positioning. Waterproofing and construction chemicals are supposed to are supported by increasing infrastructure development, urbanization, residential construction, and industry activities industrial application across.

By entering these segments, we aim to leverage our existing manufacturing capabilities, technical expertise, and established customer relationships, while reducing our dependency on a single product category, which we have been there for last three decades. The acquisition of Bitumag and XChem have enabled us to accelerate this expansion, rather than build these businesses entirely from the ground up. I hope I...

Mahesh Kumar - Analyst, MU Investments
Okay, sir. So sir, we are doing these acquisitions. So if I am, like, I would like to understand how this is helping to diversify the company revenue and reduce the dependent on the pigment dispersion? What is the target revenue by acquisition going ahead?

Gunendra Pal Singh - Head of Waterproofing and Chemicals, Ducol Organics & Colours Limited
Rupesh, will you take this question on target?

Rupesh Nikam - Group Chief Financial Officer, Ducol Organics & Colours Limited
Sir, basically, right now, previous year we had achieved revenue of INR52 crores from Bitumag. And this year we expected growth of at least more than 40%, 45% as compared to previous year for this financial year. And going forward, this Bitumag business will give us approximately 3 times revenue growth within a next three years. Same we are considering for the XChem business. It gives right now, current our capacity -- the previous year Bitumag has achieved revenue of around INR72 crores and this financial our target was approximately in between of that. For next year onwards we are considering a 3 times revenue growth from this XChem business itself, considering our revenue growth.

Mahesh Kumar - Analyst, MU Investments
Okay. Okay, sir. And what will be the sustainable EBITDA margins and will this acquisition help us to grow our margins going ahead?

Rupesh Nikam - Group Chief Financial Officer, Ducol Organics & Colours Limited
Sir, for the consolidation right now we had, if you check out this financial year for H1 '27, shows our EBITDA margin is around 9.5% for both the businesses, that is XChem and Bitumag. And we are targeting for at least 10.5% for this financial year and next financial year we will slowly and regularly

it will goes up to consolidated level, that is 12% to 15% EBITDA.

Mahesh Kumar - Analyst, MU Investments
Okay, sir, that's all. That was insightful. Thank you for answering my questions and I'll jump back. Thank you.

Rupesh Nikam - Group Chief Financial Officer, Ducol Organics & Colours Limited
Thank you, sir.

Operator
Thank you. The next question is from the line of Mayuresh Raut from InvestValue Capital Private Limited. Please go ahead.

Mayuresh Raut - Analyst, InvestValue Capital Private Limited
Yeah. Thank you for taking my question. Sir, so my first question is that how do our three business verticals complement each other and create growth opportunities for the company?

Srinivasa Rao - Head of Business, Pigment Dispersion, Ducol Organics & Colours Limited
Let me answer that. If you look at the three businesses, which is pigment dispersion business, waterproofing business and the construction chemical business. There is lot of commonality in the customers. Whether it is paints, coatings or whether it is waterproofing or adhesives, the end users are more or less the same. So we intend to leverage on the existing customer base of Ducol traditional customers and add on to that. This is where we see the energy -- synergy and also a very good possibility of cross-selling the products across customers of all the three companies.

Mayuresh Raut - Analyst, InvestValue Capital Private Limited
Okay, sir. Sir, one more question, so how is the integration of Bitumag progressed since the acquisition and what are the synergies which we have achieved so far?

Srinivasa Rao - Head of Business, Pigment Dispersion, Ducol Organics & Colours Limited
GP, would like to detail on that?

Gunendra Pal Singh - Head of Waterproofing and Chemicals, Ducol Organics & Colours Limited
Yes, sure. So as we shared we acquired Bitumag in April 2025. The integration has been ongoing, but the business management is completely under the fold and we have got complete charge of operations and business and as you could see from results, we grew almost 35%, 40% last year. And as Rupesh mentioned, we really intend to even grow at a higher growth in Bitumag. On operational -- the operational level, we actually commissioned a second line mid of last year, which is helping us really scale this growth, in the Bitumag business.

And in terms of synergies, Ducol and Bitumag both have majority business into OEM business, which is predominantly paints and coatings, where we got common customers as our OEM customers and we have been able to leverage synergies on both sides really, especially on Bitumag side where we've been able to use the Ducol OEM relationships to build our business further and expand and add new product categories to our supply portfolio.

Mayuresh Raut - Analyst, InvestValue Capital Private Limited
Got it. Got it, sir. And, sir, last one. So could you share an update on the Polybit partnership in Southeast Asia, particularly regarding the validation and customer validation and qualification?

Gunendra Pal Singh - Head of Waterproofing and Chemicals, Ducol Organics & Colours Limited
Yes. Thank you for that question. Polybit has been our customer for last five years, so we had a strong relationship with them in a certain product category where they had a they had an opportunity for an Indian supplier. But since Bitumag acquisition, Ducol has really build that relationship further converted that into a partnership and agreed agreement where they'll be utilizing almost 20% of our capacity.

And to really fulfil those volumes we are going beyond the current product portfolio where we are really expanding the product categories which they were buying from Bitumag. And also, we are really getting into new segments with them in that market. So there are few categories which are very unique to that market. In India, we are the only manufacturer really making that product and exporting to Polybit in that market.

Mayuresh Raut - Analyst, InvestValue Capital Private Limited
Okay. Yeah, thank you. Thank you so much, sir, for taking my questions and giving a detail explanation. Good luck to you, sir.

Gunendra Pal Singh - Head of Waterproofing and Chemicals, Ducol Organics & Colours Limited
Thank you.

Operator
Thank you. The next question is from the line of Divya Reddy from Sunshine Capital. Please go ahead.

Divya Reddy - Analyst, Sunshine Capital Limited
Hello, good afternoon. Am I audible?

Operator
Yes, you are. Please proceed.

Divya Reddy - Analyst, Sunshine Capital Limited
So sir, I wanted to know what growth opportunities does the Altek Dubai distribution arrangement offer in the Middle East, Africa, and the Indian subcontinent?

Srinivasa Rao - Head of Business, Pigment Dispersion, Ducol Organics & Colours Limited
Thanks. Yeah, I'll just start with that and GP you can add on to that. So we are using the relationship with Altek to penetrate the coating customers in Middle East, Africa. Altek is an distribution company, they already have a set of customers to whom they supply lot of raw materials which are common to the industry where we also operate in. So this partnership helps a lot in getting entry into these markets. That's where we are looking at a good synergy by partnering with Altek as a distributor of our product in these regions.

GP, you would like to add?

Gunendra Pal Singh - Head of Waterproofing and Chemicals, Ducol Organics & Colours Limited
Yeah. Along with the dispersion opportunity there, Africa as a market for waterproofing and construction chemicals does not have much manufacturing capabilities there. So they are mostly importing the waterproofing product categories from other continents. And India, as a largest manufacturer of sheet membranes, bituminous sheet membranes as I mentioned from Bitumag, we've got a good opportunity to support that market.

Currently, being catered from Europe. Of course, there are some advantages of Europe export there. But considering our large volume production in Bitumag, we will be able to really stay competitive while entering into those markets. So and Altek having a footprint there already in terms of technical support are helping us and we got a understanding with them to really penetrate that market.

Divya Reddy - Analyst, Sunshine Capital Limited
Okay. And also, sir, if you could just provide some information on how much growth does management expect from the existing pigment dispersion business compared to the contributions from Bitumag and XChem?

Srinivasa Rao - Head of Business, Pigment Dispersion, Ducol Organics & Colours Limited
The existing pigment dispersion business in India is for all the large coating manufacturing companies; we are practically present in every industry that uses pigment dispersion. The growth in this field is directly related to the growth of coating industry, that's point number one. Having said that, our growth journey and ambition centers around aggressively growing in export market both in Middle East and Africa and we are also making efforts to enter the South Asian market. These markets, our presence and footprint has been limited, and partnering with the right partners like Altek is one of them, helped them in growing significantly in these markets.

Divya Reddy - Analyst, Sunshine Capital Limited
Okay, sir. Thank you so much, and good luck to you.

Srinivasa Rao - Head of Business, Pigment Dispersion, Ducol Organics & Colours Limited
Thank you.

Operator
Thank you. The next question is from the line of Sushrut Desai from SDA Capital. Please go ahead.

Sushrut Desai - Analyst, SDA Capital
Hi. Good afternoon. Can you hear me?

Operator
Yes, sir.

Sushrut Desai - Analyst, SDA Capital
Hello? Can you hear me?

Operator
Yes, Mr. Desai, please proceed.

Sushrut Desai - Analyst, SDA Capital
So sir, two questions from my side. One is given that the historical clientele of Ducol has close to 70% or maybe more overlap with XChem and Bitumag. Would it be fair to say that these clients themselves will be enough to absorb the majority of the unutilized capacity which we have in both XChem and Bitumag over the next two to three years because as Mr. Nikam suggested that we are looking at a high growth rate over the next couple of years. So is this a fair assumption?

Gunendra Pal Singh - Head of Waterproofing and Chemicals, Ducol Organics & Colours Limited
Yeah, I'll take this. We see our existing customer base as a significant growth driver for XChem and

Bitumag. This is already more than 70% of overlap in the historical clientele. Ducol has built a strong established position in core business which is largely between Ducol and Sudarshan. Our strategy is to gradually increase the share of our customer's overall requirements that we cater to by offering a wider range of products through Ducol, XChem, and Bitumag.

We are already seeing customers increasingly purchasing additional products from us as their penetration in the market increases, they need more products and more technologies where XChem and Bitumag are able to really support them. And while existing customers provide a strong opportunity to absorb substantial portion of our available capacity, we will also continue to acquire new customers and expand into new segments.

Sushrut Desai - Analyst, SDA Capital
Understood. And sir, second question being, since you said that most of your Ducol's existing clientele are also getting into waterproofing, construction chemicals as we have seen advertisements of Asian Paints, Berger for waterproofing and constructions. Apart from these two, can you throw some light on what the three companies together, Ducol, XChem, and Bitumag, are also exploring in terms of newer verticals in specialty chemicals?

Gunendra Pal Singh - Head of Waterproofing and Chemicals, Ducol Organics & Colours Limited
Sorry, could you just repeat the question again?

Sushrut Desai - Analyst, SDA Capital
Sure. So basically, we've seen that some of Ducol's existing clientele like Asian Paints, Berger, Birla Opus, they're all getting into waterproofing and construction chemicals and that is why this XChem and Bitumag have been acquired over the last two to three years to basically grow more where the clients are growing. But apart from these two, you think any other verticals where some of these marquee clients of yours are also investing for the future and so are we getting ready in that vertical? For example, Mr. Rao spoke about adhesives as a division. So could you throw some light on that?

Gunendra Pal Singh - Head of Waterproofing and Chemicals, Ducol Organics & Colours Limited
Yeah, thanks. Pretty clearly, I think adhesives by virtue of our XChem acquisition, we also got a foothold into the adhesives market. And adhesives specifically for construction chemical, leather industry, shoe, furniture, and other segments. So that's an opportunity for us to really expand further and really serve the market because that market is also seeing a strong growth trajectory. And customers like Asian Paints, Pidilite, Henkel, they are well entrenched and they're really growing in that segment. So with our OEM approach where we really provide technology in white label, I think we've got a opportunity there to really go further and grow very further also. So definitely adhesives is one area, but it's pretty early days we can really look at strategy, which is in under preparation, I would say.

Sushrut Desai - Analyst, SDA Capital
Understood. Sir, just last question which is a little strategic from my side and feel free any of you can answer. But would it be fair to say that over the last three years, it is evident from your investor presentation that the platform has been built by the management to now scale and leverage the existing and the new customer relations. So would it be fair to say that the management over the next couple of years is targeting like something around a INR500 crores top-line opportunity given if we annualize the current results, you are in the range of INR250 crores already? Would it be a fair

assumption over the next few years, this is the short-term strategy by the management?

Gunendra Pal Singh - Head of Waterproofing and Chemicals, Ducol Organics & Colours Limited
Mr. Rao?

Srinivasa Rao - Head of Business, Pigment Dispersion, Ducol Organics & Colours Limited
Sir, we believe that combined platform is well-positioned in next phase of growth. Our immediate objective is to 3 times revenue of our current top-line from FY26 base. With established customer base, expanded product portfolio, available manufacturing capacity and experienced team, we are confident to scaling our business towards INR400 crores to INR500 crores revenue milestone around the next three years of time line. Our growth strategy is to go alongside our existing customers, many of whom are expanding into infrastructure, real estate, construction and industrial sectors. This creates an opportunity for us to expand our product offerings and increase our share of business.

Sushrut Desai - Analyst, SDA Capital
That's it, sir. Thank you. Thank you so much, sir, and all the best for the future.

Srinivasa Rao - Head of Business, Pigment Dispersion, Ducol Organics & Colours Limited
Thank you, sir.

Operator
Thank you. The next question is from the line of Maitri Shah from Sapphire Capital. Please go ahead.

Maitri Shah - Analyst, Sapphire Capital
Yeah, hello. Good afternoon. Am I audible?

Operator
Yes.

Maitri Shah - Analyst, Sapphire Capital
Yeah. Hello, sir. Few questions on my on my side. Firstly, could you mention the contribution from Ducol, Bitumag, and also XChem for the first half of this year?

Rupesh Nikam - Group Chief Financial Officer, Ducol Organics & Colours Limited
From revenue contribution from Ducol is INR48.71 crores, from Bitumag INR32.63 crores, and from XChem INR31.83 crores.

Maitri Shah - Analyst, Sapphire Capital
Okay. Got it. And the margins on the acquisition acquired company is what range are the margins right now at the EBITDA margin?

Rupesh Nikam - Group Chief Financial Officer, Ducol Organics & Colours Limited
EBITDA margin from Bitumag is around 9.19%, whereas XChem 9.71% with a PAT margin of 7.04% for Bitumag and XChem 6.37%.

Maitri Shah - Analyst, Sapphire Capital
Okay. Secondly, once we grow, you mentioned that we want to grow 3 times in the next three years, we have the capacity in place, and we also get more export collaborations in place. So how do we expect these margins to kind of grow over the next three years with more in utilization capacity and

with higher products higher value products contributions increasing?

Rupesh Nikam - Group Chief Financial Officer, Ducol Organics & Colours Limited
Yeah, definitely, ma'am. As already mentioned, that our EBITDA targeted EBITDA for next three years will be in between 12% to 15%. And considering the profitability in terms of production volumes increase, when capacity utilization improve, we expect operating leverage to play an important role. Better absorption of fixed cost and improve manufacturing efficiencies and economies of scale should support for the margin improvement.

Maitri Shah - Analyst, Sapphire Capital
And our current export share in the business, what percentage is that export contribution right now?

Rupesh Nikam - Group Chief Financial Officer, Ducol Organics & Colours Limited
Right now, it's around 10%.

Maitri Shah - Analyst, Sapphire Capital
And over the next three years, how do you plan to scale that up through the more relationships that we're tying up with?

Rupesh Nikam - Group Chief Financial Officer, Ducol Organics & Colours Limited
Yeah. So it most it goes up to 25% approximately over a next three years.

Maitri Shah - Analyst, Sapphire Capital
25% roughly. Okay. Got it. Yeah, that is it from my side. Thank you and all the best.

Rupesh Nikam - Group Chief Financial Officer, Ducol Organics & Colours Limited
Thanks.

Operator
Thank you. The next question is from the line of Yash Parkar from Patel Investments. Please go ahead.

Yash Parkar - Analyst, Patel Investments
Hi, sir. Thank you so much for the opportunity. My question is, sir, that in the first half, we have had a finance cost related to acquisitions we have done of nearly INR1.79 crores. So what is the expected trajectory of this cost over the coming quarters? And by when do you expect the associated debt burden to meaningfully moderate?

Rupesh Nikam - Group Chief Financial Officer, Ducol Organics & Colours Limited
So right now the finance cost is around INR1.79 crores for from this both the acquisitions. And we are expecting right our term loan outstanding for both the acquisition is INR44 crores for March '26. And for FY '27, consequence for scheduled repayments, it goes up to INR41.17 crores for March '27. So in future, our first target is to make the cash consideration of payment of INR7 crores for the XChem acquisition. And after that increasing the revenue pattern and profitability improvement, we will definitely make a planning for the repayment of term loan.

Yash Parkar - Analyst, Patel Investments
Okay, makes sense. And sir, given the current capacity utilization across the manufacturing facilities, particularly in the non-pigment segment. How do you envisage any significant capacity

expansion, modernization, or additional capex over the next two to three years or will the focus remain on sweating the existing assets?

Gunendra Pal Singh - Head of Waterproofing and Chemicals, Ducol Organics & Colours Limited
Right now, there is no any requirement of further capacity enhancement. There is only refurbishment cost will be there, that is not more than INR5 crores to INR7 crores, for including all the plants. Right now, we have sufficient. Yeah.

Yash Parkar - Analyst, Patel Investments
I also see that the capacity utilization is somewhere around 25% to 35%. So as the integration of these two particular companies improve, what revenue potential can we expect and from these acquired businesses, could you provide a road map for like two to three years from now?

Gunendra Pal Singh - Head of Waterproofing and Chemicals, Ducol Organics & Colours Limited
As earlier explained, that's our 3 times revenue within the next three years of plan. And that we had already prepared a road map for the same.

Yash Parkar - Analyst, Patel Investments
Okay sir. Makes sense. Thank you so much for the opportunity, and all the best for your future.

Gunendra Pal Singh - Head of Waterproofing and Chemicals, Ducol Organics & Colours Limited
Yeah. Thank you so much.

Operator
Thank you. The next question is from the line of Jimit Mehta from Mehta Investments. Please go ahead.

Jimit Mehta - Analyst, Mehta Investments
Hi, sir. Good evening. Am I audible?

Gunendra Pal Singh - Head of Waterproofing and Chemicals, Ducol Organics & Colours Limited
Yeah.

Jimit Mehta - Analyst, Mehta Investments
Hi, sir. First of all, thank you for this opportunity. So my first question was on which business segments do the management expect to drive growth over the next two to three years?

Srinivasa Rao - Head of Business, Pigment Dispersion, Ducol Organics & Colours Limited
Sorry, I think the question was not well understood. If you just repeat it, please?

Jimit Mehta - Analyst, Mehta Investments
Sir, my question was which business segments does the management expect to drive growth over the next two to three years? Which segments will help like help the revenue grow in the next coming years?

Gunendra Pal Singh - Head of Waterproofing and Chemicals, Ducol Organics & Colours Limited
Yeah. Well...

Rupesh Nikam - Group Chief Financial Officer, Ducol Organics & Colours Limited
Yeah, please go ahead.

Gunendra Pal Singh - Head of Waterproofing and Chemicals, Ducol Organics & Colours Limited
We believe both XChem and Bitumag have a significant growth potential supported by available manufacturing capacity and expanding customer base and increasing cross selling opportunities. Our expectation is that both the business can potentially achieve 25% to 30% annual revenue growth from their current base subject to market condition and execution. With this growth, we see the strong opportunity for substantial top line expansion over the next three years. On the profitability front, our production volume increase and capacity utilization improves, we expect operating leverage to play an important role for us.

Jimit Mehta - Analyst, Mehta Investments
Okay sir, understood. So with the operating leverage can we expect some increase in the margins as well?

Rupesh Nikam - Group Chief Financial Officer, Ducol Organics & Colours Limited
Yeah, definitely.

Jimit Mehta - Analyst, Mehta Investments
Okay, understood. And sir, my second question...

Rupesh Nikam - Group Chief Financial Officer, Ducol Organics & Colours Limited
In fact in both segments. Because our focus is not only just to growing revenue, but also translating higher capacity utilization into stronger EBITDA and bottom-line growth.

Jimit Mehta - Analyst, Mehta Investments
Okay sir, understood. And sir, my second question is what are Ducol's strengths in the specialty chemical industry, in terms of manufacturing capabilities, R&D, and customer relationship?

Rupesh Nikam - Group Chief Financial Officer, Ducol Organics & Colours Limited
Srini Sir? Rao Sir?

Srinivasa Rao - Head of Business, Pigment Dispersion, Ducol Organics & Colours Limited
GP, you can answer the strengths of the specialty chemical industry.

Gunendra Pal Singh - Head of Waterproofing and Chemicals, Ducol Organics & Colours Limited
Yeah, definitely. So if you look at the two companies in the brand Bitumag and XChem, they have got an experience for almost 15 years to 20 years in the Indian market, supplying through OEMs and especially on construction chemical side where we have got seven subsegments. So these two companies cover more than five segments of technologies which are used in the market space.

So today, I would say, Ducol has the privilege of supplying more than five segments in the market space from these two companies and which is going which is being funnelled through OEM relationships of big paint and coatings and construction chemical players. So we can really proudly say that we are really supplying to the market through all these five technologies or five product categories, which we don't see many players having that capability except for the two big ones, which is Sika and Saint-Gobain. So Ducol would be the Indian player to have that capability through those products and technologies.

Jimit Mehta - Analyst, Mehta Investments
And sir, as of R&D, how much we are spending if you can give the figure?

Rupesh Nikam - Group Chief Financial Officer, Ducol Organics & Colours Limited
On R&D, we are spending approximately around INR4.5 crores every year.

Jimit Mehta - Analyst, Mehta Investments
Okay. INR4.5 crores, understood. And sir, on my last question would be on the XChem currently has installed has an installed capacity of around 20,000 metric tons per annum with a utilization of around 30% to 35%. So what are the plans to improve this capacity utilization going forward?

Gunendra Pal Singh - Head of Waterproofing and Chemicals, Ducol Organics & Colours Limited
So as we have shared the growth plan on XChem is around 25% to 30% on a regular basis which where we will be increasing the capacity utilization. But there is latent potential of like unlocked product technologies which are not seeing the daylight through XChem. With the relationships, the customer relationships of Ducol and Bitumag, we would be really using the cross-selling channels to really increase further capacity utilization at XChem.

As we spoke about adhesives is another segment where we got potential to really utilize capacities even further. So that's the way we would be going forward with XChem, unlocking the technologies which were not being sold previously as well as adhesives side where we'll be expanding further with our regular growth of 25% to 30% of regular products.

Jimit Mehta - Analyst, Mehta Investments
Sir, so when can we expect the XChem capacity to achieve optimum utilization?

Gunendra Pal Singh - Head of Waterproofing and Chemicals, Ducol Organics & Colours Limited
So Rupesh, will you take this?

Rupesh Nikam - Group Chief Financial Officer, Ducol Organics & Colours Limited
Yeah. Within three years of timeline, our target is around at least 50% utilization capacity for XChem business.

Jimit Mehta - Analyst, Mehta Investments
Okay, sir. Understood. Thank you for answering my questions. And all the best for the future.

Rupesh Nikam - Group Chief Financial Officer, Ducol Organics & Colours Limited
Yeah. Thank you.

Operator
Thank you. [Operator Instructions] Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr. Rao for closing comments. Over to you, sir.

Srinivasa Rao - Head of Business, Pigment Dispersion, Ducol Organics & Colours Limited
Thank you so much. To conclude, let me reiterate Ducol is focused on strengthening its pigment dispersion business while expanding into specialty chemicals through Bitumag and XChem. Our priorities remain improving operational efficiencies, expanding our market presence, and delivering sustainable growth. Thank you all for joining our first earnings conference call. We appreciate your interest in Ducol. Thank you very much.

Rupesh Nikam - Group Chief Financial Officer, Ducol Organics & Colours Limited
Thank you.

Gunendra Pal Singh - Head of Waterproofing and Chemicals, Ducol Organics & Colours Limited
Thank you.

Operator
[Operator Closing Remarks]