"Sigachi Industries Limited
Q3 & 9M FY'25 Earnings Conference Call"
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MODERATOR: **MS. PRIYA SEN – GO INDIA ADVISORS**

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 and 9 Months FY '25 Earnings Conference Call of Sigachi Industries Limited, hosted by Go India Advisors. 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 star then zero on your touchtone phone.

I now hand the conference over to Ms. Priya Sen from Go India Advisors. Thank you, and over to you, ma'am.

Priya Sen: Thank you, Rutuja. Good afternoon, everybody, and welcome to Sigachi Industries Limited Earnings Conference Call to discuss the Q3 and 9 months FY '25 results. We have on the call Mr. Amit Raj Sinha:, Managing Director and Chief Executive Officer; Mr. O. Subbarami Reddy, Chief Financial Officer; and Mr. Vivek Kumar, Company Secretary and Compliance Officer.

We must remind you that the discussion on today's call may include certain forward-looking statements and must be, therefore, viewed in conjunction with the risks that the company faces. May I now request Mr. Amit Raj Sinha to take us through the company's business outlook and performance, subsequent to which we will open the floor for Q&A. Thank you, and over to you, sir.

Amit Raj Sinha: Thank you, Priya, and good afternoon, everyone. I extend a warm welcome to all of you to the earnings conference call of Sigachi Industries Limited to discuss the financial and operational results of Q3 and 9 months FY '25. The financial results and investor presentations have been shared on the exchanges, and I trust you have had the opportunity to review them.

Sigachi continues its journey of steady growth and strategic expansion. This quarter, our core business in pre-formulated excipients delivered robust performance with both revenue and volume increasing by 29% and 22.5% year-on-year for the 9-month period. These results underscore our unwavering commitment to providing high-quality products and solutions to our customers.

Our R&D initiatives remain a cornerstone of our operations, driving innovation and continuous improvement. This focus enables us to expand our capabilities and deliver products that set industry benchmarks. In our O&M business, operating as an asset-light model, we have maintained strong momentum by partnering with esteemed clients like Gujarat Alkalies, Aditya Birla Group, ONGC, Lords Chloro Alkali and Adani. We are strengthening our footprint here.

Exciting opportunities lie ahead, particularly in the Middle East, where we are making strategic inroads. Our foray into the API segment last fiscal continues to gain traction with a focus on catering to domestic markets while diligently working on obtaining the required certifications for expansion into regulated markets. Of the 9 CEPs targeted for filing this fiscal, we have already filed 4, marking a significant step towards enhancing our access to regulated markets, which will boost our top lines and margins.

We already possess 20 acres of SEZ land in Dahej designated for our development of complex excipient and Croscarmellose Sodium. The groundwork has already commenced and the necessary regulatory clearances are underway. This facility is expected to further strengthen our leadership in excipient manufacturing upon completion.

I'm also proud to share that our Sultanpur facility has been audited and approved by Intertek on behalf of Global Alliance for Improved Nutrition, that is GAIN. This recognition reaffirms our dedication to the highest quality standards, enabling us to supply our premium base blend brand of vitamins and minerals premixes to clients worldwide.

I would like to emphasize that Sigachi's unwavering commitment to R&D has been instrumental in broadening our product portfolio. The company delivers exceptional products across pharma API intermediates, pharma excipients, film coating, and food and nutrition segments. Our comprehensive presence across the pharmaceutical ecosystem not only diversifies our revenue stream, but also strengthens the long-standing relationship we have had with our leading formulators.

As we continue to diversify and grow our presence across 65-plus countries and 2 strategic joint ventures established last fiscal with Saudi National Projects and iConnect position us strongly to capitalize on emerging opportunities across products and service lines. At Sigachi, our focus remains steadfast on quality, innovation and sustainable growth. These pillars, combined with our diverse portfolio, ensure enduring value for our stakeholders as we build a future defined by excellence and trust.

I now invite CFO, Mr. O.S. Reddy, to share the financial and the operational highlights for the quarter. Over to you, Mr. Reddy.

O.Subbarami Reddy: Thank you, sir, and good evening, everyone. Let me take a moment to brief you on the financial performance for Q3 FY 2025. The company delivered a strong performance this quarter, showcasing robust growth across key financial metrics. Operating income increased by 25.7% year-on-year, reaching INR139.41 crores. EBITDA witnessed a significant growth, rising 46.9% year-on-year to INR33.2 crores with an EBITDA margin of 23.81%. Net profit surged by 26.54% year-on-year to INR20.51 crores, translating into a PAT margin of 14.7%.

Building on the momentum, revenue from the MCC segment rose by 56.72% year-on-year, increasing from INR73.53 crores in Q3 FY '24 to INR115.24 crores in Q3 FY '25. Revenue from the O&M segment grew by 12.91% year-on-year to INR9.88 crores, while the API segment continued INR8.85 crores during Q3 FY '25.

In addition to the strong operational and financial performance, we are pleased to report that the company continues to maintain a stable financial position. CARE Ratings Limited has reaffirmed Sigachi Industries Limited's credit rating for its bank facilities, maintaining a stable outlook with a rating of CARE A- for long-term facilities and CARE A2 for long-term/short-term facilities.

As we move forward with the execution of our strategic growth plans, we remain confident in achieving greater economies of scale and improving operational efficiencies. These efforts set a strong foundation for our sustainable growth and long-term value creation for our stakeholders.

This concludes my remarks. We would be delighted to address any questions you may have. Thank you.

Moderator: Thank you very much. The first question is from the line of Deepesh Sancheti from Manya Finance. Please go ahead.

Deepesh Sancheti: My first question is, when will the new MCC capacity reach full utilization?

Amit Raj Sinha: For the Q4 of FY '25, we are looking to touch 50% capacity utilization. I believe in the next 4 quarters thereafter, we should be able to touch 80% to 90% capacity utilization.

Deepesh Sancheti: Sorry, could you repeat that? In Q4, you're expecting it to be fully commercialized? That's what you said, right?

Amit Raj Sinha: So it's already fully commercialized. We are already at around 35% to 40% capacity utilization. In Q4, I expect us to cross 50% capacity utilization of the new added capacity, not the old capacity. Old capacity is already hovering around 90%, 95%, 98%. The new capacity, I expect it to be touching 50% in Q4.

Deepesh Sancheti: Okay. And by next year -- next, FY '27...

Amit Raj Sinha: Yes, so by Q4 of next financial year, I expect it to touch in the range of 80% to 90%.

Deepesh Sancheti: The new capacity?

Amit Raj Sinha: Yes, yes, right.

Deepesh Sancheti: Okay. And when is the CCS plant expected to commercialize?

Amit Raj Sinha: So I'm expecting the environmental clearance in the next 4 weeks. So there has been a file movement in the last 2 weeks. And I believe once the environmental clearance comes in, we will commence our civil works for the CCS project. Right now we're only doing the boundary wall and the non-CEC activities.

Deepesh Sancheti: Okay. And how much does it -- I mean, how much will the new MCC capacity contribute to the revenues?

O.Subbarami Reddy: Yes. Here, already last year, we achieved a turnover of 13,469 metric tons by March 31, 2024. Now during 9 months, we achieved 12,682 metric tons, which is combined. In 9 months itself, almost we'll be reaching 13,649 metric tons, last year's full turnover. And in 9 months, we achieved 12,682 metric tons. It is -- as Amit sir told, by end of this year, we will achieve more than 50%. And next year, we'll be achieving full operational capacity, maybe 80% or so.

Deepesh Sancheti: Okay. And will there be any additional fund which will be required for future expansion?

Amit Raj Sinha: Which product do we...

Deepesh Sancheti: No. I mean, I'm trying to say, overall, will there be any additional funds requirement or any capex which will be done by the company? Is there any future capex which is in line also?

O.Subbarami Reddy: Of course, whenever the growth demands, we'll go for -- future expansion always would be there. But as and when there is a this thing formed -- details are available, then we'll inform.

Amit Raj Sinha: So over and above that, on a regular basis, we always keep debottlenecking and looking for opportunities to streamline our processes and inch up our capacities by a small margin. When it's a drying section, then we work to see how is it that we can equip and balance the drying section, and then sometimes it's something else. So we keep debottlenecking and keep adding up capacities as we progress on our production capacity. So I think those small parts always keep coming in, and they are not major.

Deepesh Sancheti: Okay. Now with the approvals coming in and the capacity also -- I mean, the future capacity also increasing, how will our margins improve? And how will our ROE -- will our ROE be the same? We are right now doing around 16%, 16.5%. Will we reach towards the 20% mark? Or we expect the ROE to be the same?

O.Subbarami Reddy: Going forward, it will definitely increase, we hope, because once the capacities are touching at higher -- maximum capacities, then overheads share in the per unit cost will come down and overheads will be absorbed, and then later on it contributes the entire portion to the profits. Definitely, we hope it will increase, yes.

Deepesh Sancheti: Is this also with the margins?

O.Subbarami Reddy: Yes, margins also. Both margins...

Deepesh Sancheti: Because from last quarter, we saw a slight dip in the margins. If you can tell me the reasons for that also?

O.Subbarami Reddy: Yes. In the last quarter -- you are comparing Q2 versus Q3?

Deepesh Sancheti: Yes. I'm comparing Q2 -- and also, is it right to compare Q2 versus Q3?

O.Subbarami Reddy: Yes, yes. Because Q2, there was -- PLI income is there major around INR12 crores. And overall when we see, always Q3 income is lower than Q2 when we compare historically. Q4 is this thing -- highest turnover would be there, highest turnover and margins. And next Q2 and then Q3 and then Q1, if I give the ranking. That is the reason Q3 always it is a little lower than Q2. Once we remove this top line, the PLI income, which was considered in Q2, then still there is this thing -- comparatively lower income is there. That is the reason. Q2 always higher than the Q3 revenue.

Deepesh Sancheti: Okay. And the PLI income, which you said that it is realized in Q2. Do we expect any further PLI income coming in any of the next quarters, maybe in Q4 or Q1?

O.Subbarami Reddy: Yes, yes. Every quarter. I think this year, we hope we'll expect around INR9 crores to INR10 crores of PLI income. Once approval is received, then we'll recognize. Maybe in next year first quarter or second quarter it may be.

Deepesh Sancheti: Next year first or second quarter. Okay. Now how have been the funds which have been raised by IPO and preferential being used in this entire expansion? Could you give us a breakdown?

O.Subbarami Reddy: Yes. In the IPO, we have raised INR125 crores.

Deepesh Sancheti: And you did a preferential also, right?

O.Subbarami Reddy: Yes, yes, we did a preferential. In preferential, INR286.45 crores we have raised. So far, we have received -- till quarter ending, 31st, we have received INR122 crores. And in that, we have spent towards the acquisition of our Trimax API unit. That total API unit cost is INR125 crores, and 80%, it is already acquired for INR100 crores, and the balance 20% we'll be going to acquire within a period of 3 years, and there is a purchaser's call option, we can exercise it.

That is INR122 crores. And there is some funds are -- INR16.75 crores are in deposits. And the balance amount, we are to receive, around INR166 crores. Now we have received around INR16 crores, another INR140 crores -- another INR150 crores we are yet to receive.

Deepesh Sancheti: Okay. So even for future expansions, I'm sure this INR166 crores will suffice, right?

O.Subbarami Reddy: Yes, yes.

Deepesh Sancheti: We don't need to go for additional, maybe a preferential route or higher. What is the debt right now?

O.Subbarami Reddy: Debt, as of now, long-term debt is, the net adjusted debt is 0 we can say because FDs are there. And debt is mainly towards working capital is there.

Deepesh Sancheti: Okay. Mainly it's the working capital loan. That is about INR130 crores?

O.Subbarami Reddy: Yes. Maybe INR100 crores -- INR90 crores is there, but it is revolving. It comes -- as of now, if you see, yes, it is around INR90 crores.

Deepesh Sancheti: Okay. And last question would be what is the revenue split across pharma, nutra and food and cosmetics after receiving the GAIN certificate? And how is it expected to change?

O.Subbarami Reddy: Yes. After receiving GAIN certificate, the food and nutra share will go up. As of now, the MCC, 80% is there. Within MCC, the major goes -- 65% almost goes to this pharma and 20%, 25% goes for food, and balance is for cosmetics and paints. And overall revenue if you see, MCC is 80% and O&M is 8%. Last year, it was 9%. This year, it is 8%, because the other income has gone up. As a percentage, its share has come down. Though the absolute figures, it has increased O&M. And API is around 7% and other income is 4%.

Deepesh Sancheti: You have also mentioned in your commentary that you have filed for 4 new APIs. When should we see any significant revenue coming in from APIs? And for going ahead in FY '27, what is the mix which you see from APIs from MCC?

O.Subbarami Reddy: In this thing, now we are concentrating -- we are in the process of filing regulatory licenses. Once we get the regulatory licenses, API export will come -- export income will increase, wherein we get decent margins. In domestic, hardly -- the margins are very low. Yes, that is the case. And your next question, can you please repeat -- the percentage you were asking...

Deepesh Sancheti: Yes, I'm talking about how much -- going ahead in FY '27, what is the company -- what is the, I mean, expectations from the company that this is the percentage of revenues which you'll make from MCC, and this is a percentage -- I mean, a higher share from API?

O.Subbarami Reddy: Yes, yes. Definitely, this API share will increase, and we hope these margins are sustainable, and then even we can do better also with the contribution of API. FY '27, the API contribution will be more. And definitely, we hope this growth will continue, 25%, 30% growth, it will continue.

Deepesh Sancheti: Can we expect about 15% coming in from APIs?

O.Subbarami Reddy: Yes, yes. We hope -- more than that actually. It is more than. Far, far more than that we are expecting.

Deepesh Sancheti: 25%, 30%. I mean, that's the reason I wanted the figure from [Inaudible 0:19:31].

O.Subbarami Reddy: Yes, yes.

Moderator: The next question is from the line of R.A. Modi from abacus. Please go ahead.

R.A. Modi: So sir, I would start off with a question. Margins are a big concern for the company now considering how we are growing, considering different sectors are growing. Last quarter, we faced a heavy decline in margins and we weren't sure of the reasons exactly about the last quarter. So, my first question would be, last quarter, why was the major decline -- and it's continuing.

If we see year-on-year for Q3, the margins have been declining and investors are not able to get the returns which they were expecting before, considering the revenue growth, considering the expansion plans.

Secondly, when the API approvals have started coming in, when you are starting the API for production, the margins -- with lower capacity, are the margins going to hit more. And overall, is the company -- for the next 2, 3 years, margins would be a major concern? Or is there some ways we are trying to improve that from the year coming?

O.Subbarami Reddy: Yes, Mr. Modi. Coming to your first question, the margins declined in Q2 and Q3. As we informed in our previous call also, we are penetrating our products. Because we expanded capacities comes into operational, then we are -- to penetrate into the market, some price reductions we've done. And then once that is settled down, slowly, gradually, we'll increase, and then our margins will also go up. First we are concentrating on market share. That is one of the reason. And going forward, it will go up.

And coming to your API this thing, CEP regulations are underway. Once we go into a regulatory market, the margins also will increase. As of now, the overheads are not meeting. That's why in the API, we are not getting any margins presently. Once we get the CEP filings and once we enter into a regulatory market, then the margins are higher side, and then we'll scale up the operations also, then we hope our profits also will increase in API business also.

Overall, now this is -- because we just expanded the capacities to grab the market share, we are adopting this strategy. That is the reason in Q2 and as well as Q3 also, margins are declined little.

R.A. Modi: So the overall objective of the company currently is giving preference to expansion. Capturing market share from the competitors is more important than delivering value to the investors by giving better returns. So there's a clear, I guess, preference of the company. Is that correct?

O.Subbarami Reddy: There is one thing, sir, there is a long-term objective and a short-term objective. In short term, we may this thing -- our margins will come down a little. But in long term -- we are looking for long-term objective, so that in long run, we'll secure our market and then we'll get decent margins. That is our strategy we are moving.

R.A. Modi: So in the coming next few years also, if we are expecting the MCC capacity to be utilized 80%, 90%, then we were planning in the previous quarter to further expanding the MCC capacity. So in this growth expansion phase, according to my calculations, the next 3, 4 years, margins would be a major issue for the company to capture market share...

O.Subbarami Reddy: Yes, yes. See, next 2, 3 years or 3, 4 years, it's not -- see, by next year, we'll be reaching our operational capacity maximum 80%, 85% we'll reach. And then even now also, we are just planning out to -- once we are securing the customers, once we are known for supplying the qualitative material, and then once the comfort comes, then slowly, gradually, we'll increase the price. Yes, we have different strategies, our marketing team, they are going ahead with that, and then let us see. But the margins, we hope -- with a strategy to increase the margins only we are moving ahead.

R.A. Modi: Right. Also coming to finance costs, quarter-on-quarter, finance cost has risen by 100%. So what was the reason for that?

O.Subbarami Reddy: Yes. The major reason is the company is growing and a lot of amount towards working capital, it is there, because the DSOs also -- there is an increase in DSOs and now we are trying to reduce the DSO, debtors outstanding. And also the inventory also, it is in the higher side is there, because with an anticipation to increase the prices of wood pulp, we have kept it, huge inventory, because that is also one of the reasons.

And slowly, it comes down. Now we have taken a decision not to increase any this thing stock, and also receivables also, we have put a target to the sales team to reduce it to 90 days, so that finance cost also, it comes down.

R.A. Modi: Also in the last quarter we had discussed, there were losses which the company were facing from the Middle East unit. And I guess the revenues are still not coming from the Middle East unit and it was becoming a cost center for the company. So what are the updates currently?

O.Subbarami Reddy: Yes. In Middle East, the volume should go up to get the margins. Right now, the volumes, we are just in the process of increasing the margin -- these volumes. Due to top line -- once the top line increases, it absorbs the overheads, and then slowly it will turn into the profits. And also the activities of Sigachi Arabia, working activities, we are going to start. Once we start that activities, the revenue comes from there. Going forward, maybe in another 2 quarters, we hope we'll see a positive margin, positive figures there.

R.A. Modi: So for the next 2 quarters also, we are going to face losses from Sigachi Arabia?

O.Subbarami Reddy: Yes. The thing is there the operational expenses only. There are no this thing, we don't have any setup, but only to meet the operational expenses, this revenue should go up, volume should go up. But next 2 years -- that is a very small this thing, but even loss is also very small. But going forward, in another next 2 quarters, it will turn into a positive, we are expecting.

R.A. Modi: Also for the API segment, what capacity utilization are we going to reach in the Q1 of FY '25?

Amit Raj Sinha: So Mr. Modi, we are not really looking at capacity utilization at this moment. Our focus is to see that we balance out our cost by selling into the domestic, and in the meanwhile, have our regulatory filing pipeline strengthened.

R.A. Modi: So we have received approvals, and I guess approvals were supposed to start coming in from Q4. So we are not looking to capture any regulated markets? We are not...

Amit Raj Sinha: So regulated market capture is not really -- it's a long activity. We have filed CEP applications. We have had certain queries and discussions to take it forward. So that process is on, but we still haven't received any CEP approval for our subsidiary.

R.A. Modi: Okay. So right now we are only planning to sell it to the domestic markets. From which quarter are we really planning to scale up the API segment and potentially start exporting to regulated markets?

Amit Raj Sinha: So possibly from Q2, we should be looking at having our -- in the Q2, we should be looking at having our CEP approvals. And possibly from Q2, if not from Q3, we should be having sales into the regulated markets as well.

R.A. Modi: So the major growth which the revenues will be coming from is MCC itself till Q3 of next year?

Amit Raj Sinha: Yes. MCC and, of course, a combination of food and nutrition, because right now we have the GAIN approval in place, and that should give us an upper hand in terms of getting additional orders from the Global Alliance of Improved Nutrition, the World Food Program body.

R.A. Modi: So strategically, the acquisition of Equinox, was that a correct move made by the company considering the amount of capital which has been deployed there and no returns have been generating from the last 1, 2 years and the coming 1 year, too?

Amit Raj Sinha: So we believe it was the most appropriate decision for the pricing that was. It was a U.S. FDA-approved facility for advanced intermediates, and we had a ready-made updated facility wherein we could transition that to APIs. And we are in the process of doing that. I'm sure you believe that the pharma industry is not very easy to break through, not very easy to come out. It takes time, and that is what is the process which is on.

R.A. Modi: If MCC is such a cash cow for the company, delivering such good margins, such good returns, why is the company not focusing quickly on expanding the MCC, getting more market share and going into so many different segments?

Amit Raj Sinha: So we are not going into so many different segments, Mr. Modi, they're all complementary, they are synergistic. When you're giving excipients, it's but natural that you would want to give your customers APIs as well.

Moderator: The next question is from the line of Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: I'm trying to understand our cash flow statement. Sir, our inventory days have increased from around 60 days in 2019 to around 100 days in 2024. So why is that?

O.Subbarami Reddy: Yes. We have maintained higher inventory because there is an indication in the market that the prices will go up.

Madhur Rathi: I was speaking about receivable days, I'm so sorry. Sir, our receivable days have increased. So why is that?

O.Subbarami Reddy: Yes. Receivables, now we have given little leverage to the customers. Recently, we have given instructions to our sales team to bring it down to 90 days. Now it is there around 107 days is there, the DSO days. And now we have advised to reduce it to 90 days. Gradually, we'll bring it down.

Initially, there was a problem in certain countries that even though the customers are rich and then they wanted to pay it, but their local regulations and the foreign currency issues, they couldn't pay. Now we are getting it. And also, we are taking corrective action also. Going forward, if any such kind of issues are there, we are asking for LCs or advances.

Madhur Rathi: Sir, so because of issues with regulations in export countries, we couldn't get our money back?

O.Subbarami Reddy: Yes. But almost in that also, more than 50% we have received, the balance also we are receiving.

Madhur Rathi: Okay. Sir, I couldn't understand that properly, sir, because due to export regulations in our customer country, our debtors have increased?

O.Subbarami Reddy: Yes. That is one of the factors. See, they wanted to remit, but because of the currency non-availability or some issues in their bankers, then they couldn't remit. Now those things are resolved and then we are getting the amounts. More than 50% we have received and the balance around less than 50%, we are going to get it. And also, we have informed our sales team not to give much credit, so that if there is any outstanding, then we're pushing them to collect the collections.

Madhur Rathi: Okay. And sir, second question...

Moderator: I'm sorry to interrupt you, Mr. Rathi, but there is some disturbance which we are getting from your line, sir. When the management is speaking, please self-mute yourself.

Madhur Rathi: Sure, I'll do that. Sir, if I look at our asset base, it has increased from around INR50 crores to around INR270 crores. I'm just talking about the property, plant and equipment. So it has gone up by 5x. So when can we expect some kind of -- so first question was, sir, what kind of payback period was expected before you made any kind of investments?

Sir, second part would be, sir, what is the incremental top line as well as margin can we expect from this investment that we have done? And another thing is, sir, what is the INR55 crores goodwill that has been created in our books? Sir, these are my questions regarding the...

O.Subbarami Reddy: Goodwill is on account of the acquisition. When we acquire, then the consideration paid minus the book value of the assets that normally will be kept as a goodwill. That is the acquisition of our Trimax Biosciences.

Madhur Rathi: So that is our API plant, right?

O.Subbarami Reddy: Yes, yes. That is API plant. The book value, because see, the land and building and it was procured much earlier and then the prices at that time were lower side, and we have taken the valuation of the existing total plant and it is a USFDA approved facility. And it takes 2 to 3 years to build up this facility. And then again from there, to get USFDA facility, it takes another 2 to 3 years.

All these things we have considered and then the valuation we have taken. The difference between the purchase consideration and the book value that goes to the goodwill, that is the purchased goodwill. And your first 2 questions, sir, can you please repeat, your audio also is not clear, I couldn't catch.

Madhur Rathi: So these were regarding our asset base has increased from around INR50 crores to INR270 crores as of September end. I wanted to understand what could be the incremental revenue and margins we are expecting from this? And similarly, what kind of payback period was expected when we made this margin, and when can we achieve full utilization of this facility?

O.Subbarami Reddy: Yes. As we informed, this growth will continue now. Until last year, we don't have any additional capacities to supply into the market. And now we have expanded our capacity from -- it was 14,000 to 21,000. In this increase, we are -- now in this year, we'll be touching around 50%, and next year, we'll be touching around 80%, 85%. And thereon, we'll get full capacities and then our overheads also will come down and margins will increase.

That is one part. And the existing growth rate will continue, means every year around we hope 25% to 30% growth it will continue. And going forward, we expect that the margins will increase. Once the occupancy of the plant increases, the margins also will increase.

Madhur Rathi: And sir, regarding the payback period for this investment that we have done?

O.Subbarami Reddy: Yes, yes. The payback period, it would be around 3 years.

Madhur Rathi: Okay. So by FY '27, we can expect to get all the investments, return from PBT perspective?

O.Subbarami Reddy: Yes, yes. In our business, it is around 3 years only, the payback period.

Moderator: The next question is from the line of Ankur Sanwariya, an individual investor.

Ankur Sanwariya: My first question is, sir, on a stand-alone basis, since the volume of MCC has increased by 15%, how come the revenue has decreased by 13% on a stand-alone basis?

O.Subbarami Reddy: Yes. Here, the volume which you are showing, that is consolidated volume. You are talking about the 5,400 metric tons which is there. But in stand-alone, the volume in Q2 was 4,618 metric tons. And in Q3, it is 4,424 metric tons. There is a decline in the volume, 4.2%, because historically if you see, Q2 always higher than Q3.

And again, Q4 is much higher than Q3. It is like that. And the revenue also, in Q2, INR95.2 crores, and Q3, it is INR92.51 crores. There is a little decline historically, if you see also. And because of that, there is around INR4 crores decline is there when we compare to Q2 versus Q3.

Ankur Sanwariya: So since we are saying that there is an indication of increase in the price of raw material, hasn't there been any increase in the raw material prices from last quarter?

O.Subbarami Reddy: Raw material prices is never a constraint, but we are getting at most competitive prices, and we are sourcing at the right time, and it's not an issue. Even whatever the increase is there further that can be passed on to the customers.

Ankur Sanwariya: Okay. Sir, my next question is regarding -- in your balance sheet, you mentioned that you have granted the warrant on 30th August 2024. But according to me, it should be '23.

O.Subbarami Reddy Yes. 18 months, it's coming -- 18 months will be up to February '25. February '25 minus 18.

Ankur Sanwariya: But in the balance sheet, you have mentioned it was allotted in August '24. I think it should be '23.

O.Subbarami Reddy: Yes. You're right.

Ankur Sanwariya: Now it is only 10 days left for this period to be over.

O.Subbarami Reddy: No, no, no. It's not like that. See, not 10 days. 10th of August, we have allotted. Now the deadline is 5th -- mostly we'll receive the amount by 5th or 6th of February.

Ankur Sanwariya: 5th or 6th of February. So during this quarter, have you already received some amount or it is still pending?

O.Subbarami Reddy: We have started receiving the amount. Today, we have received around INR16 crores, and the people keep on paying, because from here, 18th to maybe first week of February 5th. We have already communicated to the investors also. All the people, they have started paying.

Ankur Sanwariya: Okay. So you are hopeful that you will receive the entire money within next 10, 15 days?

O.Subbarami Reddy: There is only one thing, Mr. Ankur. If the investor doesn't pay, the amount whatever they have paid, 25% that would be forfeited. That is an income to the company, direct.

Ankur Sanwariya: Right. And sir, one thing regarding the treatment of the PLI scheme that you are doing. Since as I understand that the PLI is directly proportional to the revenue of, let's say, the export that you're doing for MCC, if I'm not wrong. And...

O.Subbarami Reddy: No, that has nothing to do with the export, sir. That is incremental. On incremental revenue, we are entitled, till the year 2028.

Ankur Sanwariya: Okay. So, since last time you showed us other income of INR17 crores. But this time you haven't shown any other income. So is it that...

O.Subbarami Reddy: Yes, yes. That PLI income, whatever we have shown in Q2 that pertains to previous years, '23, '24. This year, we'll be getting -- we hope that will be cleared by first quarter or second quarter of next year. Once that is approved, then we are recognizing.

Ankur Sanwariya: Yes. But don't you think that it should be recognized as and when the increment sale has been made? The approval can come later. But what happens is, sir, we are never sure of the effect that will show on the balance sheet.

O.Subbarami Reddy:: Yes. On a conservative basis, see, unless the approval is not there. You can see all the central government schemes, MES is there, we have seen. And on approval basis, it is most conservative, we can recognize. Once the approval is there, we can recognize. That is the process we are following. See, unnecessarily recognizing and then tomorrow if it is not approved or -- we don't want to go for this. There is no question of non-approval also, of course, but we wanted to be most conservative in recognizing the revenues.

Ankur Sanwariya: So the approval is generally in Q1 and Q3. Is that correct?

O.Subbarami Reddy: This year, we got it in Q2. And next year also, we are expecting the same thing.

Ankur Sanwariya: Is this an yearly phenomenon or it happens quarter-on-quarter, sir?

O.Subbarami Reddy: Normally, it is a -- quarterly, quarterly, we'll submit, but yearly, they will pay us.

Ankur Sanwariya: Okay. I got it.

O.Subbarami Reddy: Going forward, they may change it also. But as of now, that is the thing which is going on.

Ankur Sanwariya: Sir, one thing more. You had targeted about 25% to 30% revenue growth year-on-year, but I think this time you will surpass 30% growth as well. Am I correct?

O.Subbarami Reddy: Yes, you are right, sir. You're right. Sometimes it is even better than that also. But on an average, that is in the most conservative basis, we hope we'll get that. Our growth is sustainable, and then we'll achieve that growth.

Ankur Sanwariya: One thing I'm really surprised by is, for last 3, 4 years, you have consistently shown compounded sales growth, profit growth, but the share price does not reflect the way you're performing. I'm sure you cannot comment on it, but we as investors are very disheartened by the share price movement that the company is showing.

O.Subbarami Reddy: Yes, of course. But anyway, our role is very, very little on that, but we can concentrate on the performance of the company and then we can perform.

Ankur Sanwariya: Right, sir. I think the performance has been great since the time I have been investing in the company. And I really hope that you continue your good work, sir.

Moderator: The next question is from the line of Manav Vijay from MV Investments. Please go ahead.

Manav Vijay: First of all, if you could just help us to understand the CCS project. We have been positive about getting the approval for last many quarters, but I would say some or the other delay keeps happening. This time, are we certainly positive that in the next 1 or 2 months, let's say, maybe in this quarter, we will get the approval?

Amit Raj Sinha: Yes. Yes, Manav. This time we are definitely confident.

Manav Vijay: Okay. Fair. This helps, sir. Sir, my second question. Sir, if you can just help us to understand the MCC volumes. So I believe that in this quarter, we had around 5,400. Last quarter, quarter 2, we had 4,676, because I believe that you shared a number of 12,682 for the 9 months. If you can just help us quarter-by-quarter as to how much volume was sold in every quarter, sir?

O.Subbarami Reddy: Yes. Every quarter, even -- okay, this quarter and Q2 -- Q3 I can give, and Q1, okay. The 5,400, first of all, that is a consolidated basis. And in Q3, there is a little -- when we compare to Q2, Q3 is almost similar or a little lower than this, but Q1 is lower. Q2 is higher because -- okay, I need to check up these figures and then I will give. Q4, it will increase further.

Just as we mentioned that in Q2, we have pushed our volumes because new capacities came into the operations and then we have pushed our sales. And even we have offered some discounts, we have compromised the margins also. And Q2, there is an increase, much increase. And then Q3, it is a little lower than Q2. And Q4, it will be a good quarter.

Manav Vijay: Sir, if I'm correct, Q2, you had shared a number of 4,676...

O.Subbarami Reddy: That is on a stand-alone basis.

Manav Vijay: So what is the difference between stand-alone and consol, because I believe that every...

O.Subbarami Reddy: Consolidated, these subsidiaries are there, foreign subsidiaries, Sigachi US Inc. And there the sales happens independently. That's why always there is a difference between the consolidated and then -- even Sigachi MENA also, they are free to procure from anywhere from the world and then they can sell it in that region.

Manav Vijay: Okay. So sir, in that case, my request to you would be, let's say, whatever that you disclose on a quarterly basis, if you can just maintain, let's say, if you're disclosing stand-alone, please disclose stand-alone, because very...

O.Subbarami Reddy: Mr. Manav, one thing, just there was a question on stand-alone financials. That's why I've quoted those figures. See otherwise, we are mentioning the consolidated ones. There was a question in the stand-alone basis, that's why I gave that stand-alone figures.

Manav Vijay: Sir, my point is that we have a capacity of 21,700 tons. So whatever we will produce from those plants, we will sell that. Okay. So you might have some income from trading in MCC. That will go in the consolidated, correct, sir? Whatever manufacturing income comes, it comes in the stand-alone; and whatever trading income from MCC, that comes in the consol, sir. Is that the way it should be?

O.Subbarami Reddy: Yes. Trading will not be there. Only thing is if at all it is there, any specialized grade, which requires by our wholly owned subsidiaries, then one process we do and then we'll sell it. Any further process we do and then we'll sell it.

Manav Vijay: Okay. Fair enough. My second question would be, sir, on a quarter-on-quarter basis, our depreciation has moved up from INR3.2 crores to INR4.7 crores. Sir, whatever expansion that we had to do in MCC, that got over, I believe, sometime in quarter 1. API, we are not expanding at all as of now. O&M anyways is an asset-less business. So if you can help us to understand this 50%, 60% increase in depreciation on a quarter-on-quarter basis, if any asset became operational or you have changed some policy due to which this depreciation has moved up?

O.Subbarami Reddy: No, no. There is no change in policy. Only thing is, there was a CWIP, certain amount is there. In Q2, that was capitalized. Now there is no further much -- maybe small, small amounts will be there. But after that, there will not be any major capitalization. Whatever it was there in CWIP, it was capitalized on 30th September 2024. Because of that, there is an increase in depreciation also in Q3. Otherwise, the major portion already is done. Now this fully the capacities also have come into operational and then it is going.

Manav Vijay: Okay. My last question to you, sir, if you can help us understand what will be the tax rate for the year?

O.Subbarami Reddy: Tax rate?

Manav Vijay: Yes, correct. Income tax rate.

O.Subbarami Reddy: Yes. Tax rate, it would be around 25%, 26%, because in Dahej, this tax benefit is there, SEZ benefit. Because of that, there is -- otherwise, it is under 30% bracket.

Manav Vijay: Okay. And sir, next year, so the similar tax rate should also be applicable of 25%, 26%.

O.Subbarami Reddy: Next 2 to 3 years, we'll get that benefit.

Moderator: As there are no further questions from the participants, with that, we conclude today's conference call. I now hand the conference over to Mr. Amit Raj Sinha for closing comments.

Amit Raj Sinha: Thank you for joining our earnings con call. We hope we addressed your questions effectively and provided valuable insights into our business and growth prospects. For any additional queries or further information about the company, please feel free to contact our Investment Relations managers at Go India Advisors. Wishing you a pleasant evening. Thank you.

O.Subbarami Reddy: Thank you all.

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