



**“Sigachi Industries Limited Q1 FY '25 Earnings
Conference Call”**

August 06, 2024



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MODERATOR: MR. PRIYA SEN – GO INDIA ADVISORS



*Sigachi Industries Limited
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Moderator: Ladies and gentlemen, good day and welcome to Q1 FY '25 Conference Call for 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 "*" then "0" on your touch tone phone. Please note that this conference is being recorded.

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, Shlok. Good afternoon, everybody. And welcome to Sigachi Industries Limited Earnings Conference Call to discuss the Q1 FY '25 results.

We have on the call Mr. Amit Raj Sinha – Managing Director and Chief Executive Officer, and 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. Good afternoon, ladies and gentlemen. Welcome to Sigachi Industries Limited Q1 FY '25 Earnings Conference Call. I hope you have had the opportunity to review the financial results and the investor presentations available on the exchange.

I am pleased to report that Sigachi Industries has started FY '25 on a strong note, delivering strong performance across all business segments. As a leading manufacturer of excipients, Sigachi operates predominantly across three segments, excipients, especially microcrystalline cellulose, operations and management, and API. Our operations are supported by five state-of-the-art manufacturing facilities.

Our core segment, MCC, standouts for its unique binding properties, making it a top choice as a directly compressible binder, and offering broad API compatibility. Our MCC manufacturing facilities at Dahej, Jhagadia and Hyderabad have a combined capacity of 21,000 metric tonnes per annum, efficiently serving domestic and export customers as well.

In the O&M segment, we have established partnership with prominent entities like Gujarat Alkalis, Aditya Birla Group, ONGC, Lord's Chloro. The growth trajectory of this segment aligns with our strategic objectives. Recently we have added Adani Solar Power at Mundra to our client rosters. We are confident in our ability to maintain excellence in this segment with significant growth potential ahead.



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Last year, we acquired Trimax Bio Sciences, adding the API segment to our product portfolio. Our current production capacity stands at 100 KL, and we plan to expand it to 250 KL with an estimated CAPEX of around Rs. 60 crores.

Lastly, we are in the process of setting up a CCS facility at Dahej which is located 1 kilometer from the original unit. This facility would be dedicated for the production of Cross Carmellose and complex excipient products. With an estimated CAPEX of nearly Rs. 90 crores, the initial production capacity will be 1,800 metric tonnes per annum, which will be scalable up to 3,600 MTPA.

This facility will significantly enhance our product portfolio in the excipients segment, the customer base for MCC and CCS are complementary with potential overlap for API customers. Positioning us to capture the larger portion of our customer spending with these complementary products.

Geographically, our expansion has been remarkable with our presence now extending to over 65 countries. In the Middle East, we have formed strategic joint ventures to further our reach. Our wholly owned subsidiary, Sigachi MENA FZCO has established partnership in the UAE and Arabia, and Sigachi Arabia having a collaboration with Saudi National Projects Investment Limited. We anticipate that these partnerships will significantly improve our revenue growth moving forward.

We will continue to explore opportunities in our core segments of excipients, API and O&M, and of course, allied trading. We are committed to continuous improvement, focusing on enhancing our R&D capabilities and implementing cost effective manufacturing processes. This will enable us to maintain our position as a preferred manufacturer with the highest quality standards.

I now invite Mr. OS Reddy to give you a brief on the Financial Performance. Over to you, Mr. Reddy.

O. Subbarami Reddy:

Thank you, sir. Good afternoon, ladies and gentlemen. I am pleased to present a comprehensive overview of our Company's Financial Performance for the 1st Quarter of FY 2025.

The Company delivered a strong financial performance in Q1 FY 2025, marked by robust growth across key metric. Operating income exhibited a year-on-year revenue increase of 13% to Rs. 96 crores. EBITDA demonstrated a similar strength, rising by 28.05% year-on-year to Rs. 21 crores, translating to a margin of 21.94%. Net profit also recorded substantial growth, surging by 17.43% year-on-year to Rs. 12.8 crores with a PAT margin of 13.38%.

Building upon the momentum from the previous fiscal year, Q1 FY 2025 was characterized by robust financial performance. Revenue from MCC has experienced a year-on-year growth of 2.79%, increasing from Rs. 69.88 crores to Rs. 71.83 crores. In Q1 FY 2025, revenue from



operations and management grew by 18.54% to Rs. 10.10 crores from Rs. 8.52 crores. Revenue from the API segment for quarter one financial year 2025 is Rs. 8.99 crores.

As we diligently execute our strategic expansion plans, we are confident in our ability to unlock economies of scale and enhance operational efficiencies. These endeavors are fundamental to achieving the sustainable growth and delivering long term value to our stakeholders.

This concludes my formal presentation. Now we would be delighted to answer any questions you may have. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Dhruv Mukesh Bajaj from Smart Sync Investment Advisory Services. Please go ahead.

Dhruv Bajaj: Congratulations on a decent set of results. My first question was that sir, our margins on quarterly trend has increased drastically, despite lower revenues on the Q-on-Q front. So, was this due to some moderation on the raw material front or there is some change in product mix?

O. Subbarami Reddy: Thank you. This is product mix and also our US operations performed well, and that contributed overall performance, and thereby increased the margins.

Dhruv Bajaj: Okay Sir and sir, how has been the pricing scenario in MCC in the past few years? And some key capacity addition in the industry except ours, where we increased post our IPO? And what is the current capacity utilization in that particular segment if you can share that?

O. Subbarami Reddy: Yes, sure. Capacity utilization, by 31st March, 2024, we were at around almost, from unit wise if you see, Dahej around 93.4% and Jhagadia it was 97.3% and Hyderabad unit also 93%. Overall, it was around 94%. And during the 1st Quarter, Dahej unit it is around 56% and Jhagadia it is 53%, and Hyderabad it is 86%. Overall, it is 66%. This is because the expanded capacities, we have increased the capacities in Jhagadia and Dahej by 7,000 metric tonnes, around 3,600 metric tonnes each at Jhagadia and Dahej. This we are yet to occupy. This is the 1st Quarter, going forward we will occupy this, by next year we will occupy full, FY '26.

Dhruv Bajaj: So, this capacity will work at optimal capacity by the next year, right?

O. Subbarami Reddy: Yes, correct. And coming to pricing, this pricing is little in this quarter this is on moderate, there is no not much growth in pricing because we are concentrating on the volumes to our capacities. And going forward it will increase.

Dhruv Bajaj: Got it. But it is expected to be stable, right, that's what I am trying to understand?

O. Subbarami Reddy: Yes, stable. But only thing is not much increase would be there, but it will not come down basically.



- Dhruv Bajaj:** Got it. And sir, since I am a bit new to this business, so can you please share the nature of our O&M work and the margin profile in that particular segment?
- Amit Raj Sinha:** CFO, I will just speak on this. So, the nature of the O&M work is such that we carry out operations and management of specific plants in the vicinity or in the premises of the big players, specifically the chemical players. So, if you look at the Grasim Industries, we operate their stable bleaching powder plant. So, they give us the asset and they give us the utilities with our technical expertise, we run their chemical process plants, and we give them savings in cost, we give them improvements in the yield, and of course they earn better money when Sigachi operates. This is the way we operate. And especially for certain products where we have been having O&M across a reasonable volume of the total capacity in India, we are able to balance out our expertise across these plants and give them a cost saving to the customers.
- Dhruv Bajaj:** What is the margin in this type of business, if I can understand that?
- Amit Raj Sinha:** Yes, it's usually between 21% to 23% EBITDA.
- Dhruv Bajaj:** Similar to our overall business, right?
- Amit Raj Sinha:** Absolutely.
- Dhruv Bajaj:** Sir, if I can just squeeze in another question. Can you say what are the expected revenue contribution from Sigachi MENA and Sigachi Arabia in the coming years? And how have they behaved in this particular quarter?
- Amit Raj Sinha:** So, Sigachi Arabia and Sigachi Global, the two joint ventures under Sigachi MENA, our wholly own subsidiary, we are still doing the setup of the whole total business and building up of our team members there for potential businesses. So, at this moment, in the last quarter we have had no revenues from our joint venture partners there. We did have revenues directly from our core business of excipients, APIs, and food and nutrition, but nothing from the joint venture which have been formed.
- Dhruv Bajaj:** So, are you planning some CAPEX on that spend in the coming two to three years or something or that will be more of like a distribution business?
- Amit Raj Sinha:** No, it is not distribution business. With our Sigachi Arabia, our joint venture partner, we have given them if the business in Arabia moves ahead positively, we will commit to a CAPEX in Saudi after three years.
- Dhruv Bajaj:** I am just trying to gauge that, in the next two to three years we do not have any new CAPEX plan.
- Amit Raj Sinha:** No, none at this moment.
- Dhruv Bajaj:** Got it sir. That is very helpful. Thank you.



- Moderator:** Thank you. The next question is from the line of Dipesh Sancheti from Mania Finance. Please go ahead.
- Dipesh Sancheti:** What is the target revenue contribution of the Company looking from the regulated markets?
- Amit Raj Sinha:** For which product are we speaking this, Dipesh?
- O. Subbarami Reddy:** Dipesh, our exports are two-thirds in MCC. You are talking about MC C or which product you are talking about?
- Dipesh Sancheti:** Yes, I am talking about MCC.
- O. Subbarami Reddy:** Yes, two-thirds for exports and one-thirds will be domestic.
- Dipesh Sancheti:** MCC as well as API.
- Amit Raj Sinha:** Dipesh, here if I would add. CFO, you go ahead, if there's anything else then I will add in later.
- O. Subbarami Reddy:** Dipesh, in API, at present we are selling at domestic only, and we are focusing on regulatory market, but it will take some time, maybe nine months or so. And we have filed some European licenses for EDQM and already a safety is there for intermediate, and then we are looking for the final API also. It takes a little time. Now we are focusing on domestic market for the APIs. MCC, anyway, we are already supplying for the exports regulate the market.
- Amit Raj Sinha:** Dipesh, I will just add in. For the MCC, of course, CFO has indicated two-thirds. For the APIs, when we have taken over the Trimax Bio Sciences, the CEP filings for the Trimax were zero. They were primarily into advanced intermediates and were a US FDA approved facility. So, taking that as the base we have commenced, and we have filed in three CEP filings for our products in EDPM, European Union. And for the current financial year we have a target that we will find in a total of nine CEP filings for our APIs. Once these CEP filings are approved, then of course the regulatory sales commence. We believe that in the next nine months or so we should start having approvals coming in from the EDPM.
- Dipesh Sancheti:** And how will the increased capacity impact your market share and revenue in the API segment?
- Amit Raj Sinha:** So, revenue in the API segment in the current financial year, revenue from the regulated markets is going to be miniscule. We might still have some exports in the ROW markets, but revenue from the regulated markets is going to be very small, insignificant actually. So, I do not see any impact on this regulatory finance coming in for the APIs in the current financial year.
- Dipesh Sancheti:** No, I am talking about the market share which is there currently. Currently you have increased the capacity in API, right?
- Amit Raj Sinha:** No, we have not increased the capacity. The capacity in API continues to be at 100 KL reactor capacity. We intend to invest further to add it up to 250 KL, not at this moment.



Dipesh Sancheti: And what is the capacity utilization this quarter?

Amit Raj Sinha: Capacity utilization is around 70%.

Dipesh Sancheti: Can you provide me details of your recent OEM contract base, especially the partnership with Adani Solar Power?

Amit Raj Sinha: So, what exact details would you need, Dipesh?

Dipesh Sancheti: I mean, what is the nature of the operation and maintenance? Because what you said right now about I think the other Company, that you manage some other Company's operation and maintenance.

Amit Raj Sinha: Yes, for Grasim Industries.

Dipesh Sancheti: For Grasim, yes. So, for Adani Solar, I mean, for solar power how does that work?

Amit Raj Sinha: No, I mean, do you want me to explain you the production process or the operation process? That's not really part of the earnings call purview.

Dipesh Sancheti: What is the nature of the contract? As in what are we going to do?

Amit Raj Sinha: It's an operation and management contract, Dipesh. We run their operations for the solar power plants.

Dipesh Sancheti: Does that open avenues to other solar power plants also?

Amit Raj Sinha: Of course. See, we have built up some competence in the solar power segments. The kind of turnaround we have from the solar energy to their panel boards is better than what other vendors have. We are trying to showcase this to the other solar power manufacturers nationally and internationally to show that if Sigachi comes in as an O&M partner, you guys stand to benefit by so and so percentage. And this is what people come in and kind of look at us as an alternative partners for their O&M.

Dipesh Sancheti: I also wanted to ask is, what is the margin situation in these kind of contracts? Because they are basically service contracts, right, so the margins would be much higher. I mean, you mentioned about 20%, 25% you are having margins. I thought that the margins should be much higher in this.

Amit Raj Sinha: No, no. 20%, 23% is the most reasonable margin range which we have experienced. Until the product is a dangerous process or until there are very high technical capabilities essential, the margins, I do not see them going so much beyond. Because the OEM or the asset owners also purview of our picture of what does that whole process entail. So, they are not going to let us go with a margin of 35%, 40%. I do not see that happening anytime.



- Dipesh Sancheti:** Because O&M was actually a very, I mean, interesting concept. So, I just wanted to know what are the industries which we can provide O&M with?
- Amit Raj Sinha:** So, solar is just a new entry. In fact, I would say we have built a competence over the last 15 months. Sigachi's historically the strength has always been in chemical process plants. So, we are we are trying to kind of build upon it. And at the same time at this moment as we speak, we are working to see how we are adding up competence in our desalination plants. Because in our subsidiary in the Middle East, we see desalination as a national asset there, and there are annual contracts which are given now to players. So, we are trying to build up competency to see that we qualify ourselves and subsequently participate in the tenders.
- Dipesh Sancheti:** Because I mean, I could see from your slide, in Slide 12, you mentioned that the O&M business has grown from Rs. 9 crores to almost Rs. 35 crores. Where do you see going it for the next two years, especially with Adani also coming in and we will be, I mean, trying for more companies?
- Amit Raj Sinha:** Yes. So, we believe that it has got an infinite growth opportunity primarily because Middle East is a complete O&M market. That means everything in the Middle East runs on operation and management. The owners do not run their plants anytime. And that's one of the prime reasons that with our joint venture partners, we believe we should be able to penetrate much faster and much deeper into the O&M of various industries there as we build the competence for it.
- Dipesh Sancheti:** And just the last question now if I can squeeze it. What is the ROE, which is expected over the next, in FY '25 as well as FY '26? Because ROE has somehow dipped over all these years.
- O. Subbarami Reddy:** Yes, Dipesh, this year also more or less small change would be there, going forward it will improve. Because all the investment we have into the system and the fruits are yet to come. This expanded capacity also have just started utilizing once we reach to the peak then this ROC and ROI will improve.
- Dipesh Sancheti:** All the new investment will generate the same ROE or will be a better ROE?
- O. Subbarami Reddy:** Better ROE. But the occupancy levels should increase to get a better ROE.
- Moderator:** Thank you. The next question is from the line of Nihal Shah from Prudent Broking Services. Please go ahead.
- Nihal Shah:** Sir, as we do not have any CAPEX planned for another couple of years, as we said on the call, so do we expect the debt levels to reduce in this year or the next? Because last year our debt almost doubled, it increased quite a lot. So, are we planning to reduce that in coming time from the cash flow that we generate?
- O. Subbarami Reddy:** Yes, definitely by end of this year, almost debt would be zero level would be there.
- Nihal Shah:** That's great to hear. So, how will we be able to do so? Because the cash conversion cycle of our Company has been pretty high last year, so how do we plan to bring that down as well?

O. Subbarami Reddy: Now we have concentrated to reduce the collection period, debtor collection period. And now anyway as a strategic plan, we are increasing our raw materials because raw material prices are going up and then we thought of taking that advantage. And anyway, small term loan is there that's why it is showing. But anyway, we are paying it off during the year. Then only working capitals would be there. Against that, again, some current assets mean liquid assets also would be there in terms of margin money or FDs that will nullify this thing. Net adjusted debt would be zero.

Nihal Shah: So, in the O&M business, is there the collection period higher than our product business of MCC, API and other ones?

O. Subbarami Reddy: Not so, there it is around 45 days.

Nihal Shah: And for the MCC business it is around?

O. Subbarami Reddy: It is around 60, even nowadays it is increasing up to 90, 95. There is some problems in some other countries, but we are getting at once. And then there is some delay, and after solving their problem in the countries, currency issues and all, they are paying it off. There is no threat or there is no this thing, but some delay they are requesting, for want of business we are also extending ourselves some support.

Nihal Shah: So, this year we can bring it down from around 180 days to how much days, do we have any target in our mind?

O. Subbarami Reddy: You need to say operating cycle?

Nihal Shah: Yes.

O. Subbarami Reddy: At least 30 days it will come down overall, and then slowly we will reduce it.

Moderator: Thank you. The next question is from the line of Vilina Jain from Perpetuity Ventures LLC. Please go ahead.

Vilina Jain: Sir, I wanted to understand what the current debt situation is related to the acquisition of Trimax.

O. Subbarami Reddy: Yes, acquisition of Trimax, you are asking about debt situation?

Vilina Jain: Yes.

O. Subbarami Reddy: Already we have raised preferential share warrant for this. We have raised around 100 Cr for the total Rs. 160 crores for recreation and expansion. And there are Rs. 60 crores kept aside for the expansion of the API facility from existing 100 KL to 250 KL. Another 150 KL will increase, but that also fund is there and then there is no need to raise any debt.

Vilina Jain: Also, if you could explain how the raw materials are different for CCS and MCC?

- Amit Raj Sinha:** So, Vilina, I will tell you, both of them are from the same family of cellulose. MCC, the raw material is purified pulp. And purified pulp is technically cellulose and the finished product for the purified pulp comes out as microcrystalline cellulose. Now, the raw material for the Cross Carmellose sodium is CMC, carboxymethyl cellulose. And that gets converted into Cross Carmellose sodium. So, basically they are all very similar in their procurement and the same family of raw materials. We would definitely have synergies in purchase of the raw material for MCC and raw material for CCS.
- Vilina Jain:** What is the status of CCS as of this quarter in terms of environmental clearance?
- Amit Raj Sinha:** So, just four days back we have had another review by the Gujarat Pollution Control Board EC Committee, and I believe we have cleared all their queries. I do not foresee any further queries coming in. So, that should imply that in the next four weeks we are expecting to get the EC clearance document.
- Vilina Jain:** And lastly, sir, if you could elaborate on your go-to-market strategy for the combined MCC and API product offerings?
- Amit Raj Sinha:** So, our go-to-market strategy is primarily focused on the regulated markets. Like we spoke earlier, 65% of our production in the excipients is for the export market. Out of 65%, nearly 50% of our markets are the regulated markets which are US, Europe, Australia and the UK. So, considering that 50% of the Sigachi produce are in the regulated market, I would want to synergize this with our APIs going into the same set of customers in these regions once we have the regulatory approvals coming in for our APIs. For the other regions, we will continue to operate via distributors because it's not worth it to have our own individual presence, because distributors have the last mile connectivity with the end customers, especially in the Southeast Asian market.
- Moderator:** Thank you. The next question is from the line of Manav Vijay from MV Investments. Please go ahead.
- Manav Vijay:** So, the first question in regarding the JV that we have with Saudi National project. So, we were expecting to do \$180 million sales in this year FY '25. So, are we on course to do the same sir this year?
- Amit Raj Sinha:** So, Manav, it was such that when we had our board meeting in the subsidiary and in the JV, our joint venture partners worked out a comprehensive plan and it came out with a \$180 million sales. And because it was a documented thing, it came to Sigachi MENA, our subsidiary, and from there it came to the parent Company. And because it was a big transaction, we had kind of posted it to the stock exchange. Now when we look at it deeper, we realized that we need to be gradual in this because \$180 million, there is market potential available. But for that, for the kind of bid bond, for the kind of tender valuation which we have to put in money, it will be tremendous and probably our working capital and our cash flow will not permit us to put in that level of funding upfront. So, we are trying to balance out as to what is it that can be tapped into

and what is the kind of revenue we can have by having contracts and tenders in place for our subsidiary.

Manav Vijay: Sir, let's say if you have done your reworking, what kind of number can we expect this year?

Amit Raj Sinha: So, it will be very difficult to put in place, Manav, because we are still kind of setting up the bank accounts and putting the people in place. So, it will be very premature to give you any number. It was a documented board meeting outcome, and it had to be shared with the exchange, and rightfully it was just done so that there is nothing which remains price sensitive only with us.

Manav Vijay: So, the next question is regarding the money that we had raised through warrants to the press group. So, of that money we were supposed to do some CAPEX in the Dahej, some in Jhagadia and also some in Hyderabad for the upgradation as well as, I believe, for the expansion as well. What is the status of these three works, sir?

O. Subbarami Reddy: Manav, this Dahej and Jhagadia almost it is in the flag, maybe 95% already we have spent. That Rs. 50 crores were allotted for Dahej and Jhagadia, that is almost incurred. And for Hyderabad facility Rs. 22.1 crores were allocated, and in that around Rs. 5 crores we have incurred. And there is this API unit, Raichur, we have paid around Rs. 93 crores, Rs. 94 crores for the acquisition and the expansion is set to yet place.

Manav Vijay: But Mr. Reddy, so the result filing that you have done today, on Page 8 where you put out the proceeds to get from the warrant and the amount incurred till 30th of June, there in both these projects, in Dahej, Jhagadia and Hyderabad, in total Rs. 71.5 crore, the total amount spent in June 30 is 0. You are saying that 95% has been spent at Dahej, so these two things do not match, sir.

O. Subbarami Reddy: Yes, this we have incurred from our internal accruals and some towards from bank debt, Dahej and Jhagadia. If you see this Rs. 92 crores to Rs. 93 crores already we have paid from this preferential share warrants. And there is Rs. 50 crores allotted for Dahej and Jhagadia that has been incurred. The only thing is, once we collect the amount then that will be paid off, the loan. Technically we have incurred because we do not want to delay the project and then we have to complete it. That's why we have arranged the funds. Our internal accruals are also arranged around more than Rs. 20 crores and then we have completed.

Manav Vijay: So, sir, in that case, can you explain what will be the outcome of the upgradation or the expansion? Because right now we have a capacity of 21,000 tonnes, after you spend this Rs. 72 crores we moved to what, sir?

O. Subbarami Reddy: See, after incurring that only that is 21,000 tonnes. That Rs. 50 crores is for rising that to the Rs. 21 crores. That Rs. 50 crore is one part of that, there is no separate allocation, that is for upgradation of that facility there are pallets and R&D labs we have put, and then coatings. And there is this expansion towards the PCB norms and all, for this we have incurred, that already

we have taken care. That is fund allotted from the preferential share warrants only. Meanwhile, without stopping the project we have completed. That's why in my previous this thing somebody has asked about the loan, debt portion. Debt portion I said that we will repay it. We will get the preferential share warrants amount also and then we will repay that, there will not be any long term debt for FY 2025.

Manav Vijay: So, sir, my last question is regarding an announcement that I believe you guys have made on LinkedIn where you have mentioned something to do with the capsule coating and you mentioned that it would be a revolutionary technology. If you can just tell, let's if you can explain what this technology is? What did you guys are trying to do? Something more on that would be really helpful, sir.

Amit Raj Sinha: So, I think, Manav, we will come out with the press release at the appropriate day. We are just building up the excitement in the social media for this launch. We have not declared it anywhere. But we will come out with a press release going to the Stock Exchange on the appropriate day.

Manav Vijay: And sir, is that day too far in future or is it something nearby?

Amit Raj Sinha: No, it is not too far, it is close by. That's why the excitement. Otherwise, the social media, the memory is just about 24 hours to 48 hours, it will be down. So, it is not very far, it's reasonably close.

Manav Vijay: Sir, so maybe one last question. So, on Page 10 of your PPT, you have given plant wise volumes that you have done in this quarter, and then on Page 19 you have given a submission of the entire volume down. So, these figures do not match, sir. If you can just maybe let's say after this call or later if you can let's say post it, because if we sum up these numbers given on Page 10, it comes up to roughly 3450 times, whereas I believe that in the PPT on Page 19 you mentioned some 3,500 or so, 3,540.

O. Subbarami Reddy: You are talking about Page 9?

Manav Vijay: So, this is page 10 and page 19, these two volumes do not match, sir.

O. Subbarami Reddy: Yes. One production and the other one is sales. Yes, this Page 19 is sales quantity and Page 10 is sales.

Manav Vijay: Okay, Okay, sorry my bad. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Devanshu, which is an individual investor. Please go ahead.

Devanshu: My question is to CEO, sir. Last quarter I think you mentioned that one of the clients did not give you the order and you held back sales. I just want to understand, first, why is there a quarter-on-quarter decline? Because I was of an expectation that you will get revenue from the client,

so if you can just throw some light on that, did you get the sales from the client that you had mentioned last quarter?

Amit Raj Sinha: So, we of course got the sale, Devanshu. And on quarter-on-quarter decline, I will tell you that historically we have always had this thing where our Q1 sales are lesser than the preceding quarter sales. If I am able to recollect, I think it's more than six, seven years that we have had this thing that after the Q4 sales, in the Q1 there is a sequential drop.

Devanshu: My second question is again in the line of API, like I know that domestic market has a lower margin. And the Company aims to go into regulated market because the margins are pretty good in regulated market. Can you just throw some light what's your plan and what's the status on API, what the licenses look like? Did you got any approval, or have you filed any approval or request something like that?

Amit Raj Sinha: Devanshu, I just spoke around 20 minutes back that we have filed three CEPs for our APIs, and for the current financial year we intend to file a total of 9 CEPs. At this moment we have not got any approval, but I believe that we will commence getting our CEP approval from EDPM or maybe in another nine months. So, maybe by the Q4 you should expect approvals to come in, and that is when we will start our sales cycle for the regulated markets.

Devanshu: I think one last question, I will just squeeze that in. One of your competitor again, Asahi Kasei, who's a Japanese Company, they also did an investment in MCC in 2023 worth around Rs. 753 crores, right. I just want to understand, because they are expecting a surge in demand, and you are also expecting a surge in demand. I just want to understand that if everyone does a CAPEX, which basically means the increase the capacity, how much of the demand the global team is looking for? Because every Company in the global world is doing CAPEX, just want to understand the balance between supply and demand.

Amit Raj Sinha: Devanshu, that's a very relevant question you have here. See, there are market research studies which indicate that MCC market is expected to grow, especially in the Southeast Asian region it's expected to grow between 7% to 9% up to 2035. Now, 7% to 9% is still a miniscule number considering the volume of CAPEX which is happening. Now, if we look at Asahi specifically, Asahi is the market leader, probably 90% of the Japanese market is with Asahi. And Asahi sells MCC at nearly \$10 or \$11 a KG. Whereas the other international players, we have it around \$2.5 to \$3.5 to certain grades which even sell at \$6, \$7, but definitely not the \$10 one.

So, I believe there is market growing, there is no doubt about that, because MCC is a very versatile product in the pharma food industry. However, I still believe that everybody has their niche. Asahi catering to certain segments only in the Japanese market, I mean, those certain players import the Asahi product here, but the volumes are just miniscule. And likewise, any of the other players getting exported into Japan, the volumes are miniscule because the Japanese guys just do not accept our way of working and the quality standards what they expect, I mean, they want. So, likewise, our products are primarily going into the regulated markets wherever there are



patents going off patent, I mean, the formulation going off patent. And of course, to the unregulated or the RoW markets where the volumes are far, far, far more.

Devanshu: Understood. I think this is clear, because you guys go into regulated and Japanese companies like Asahi more into....

Amit Raj Sinha: Devanshu, we cannot be focusing on all the segments. We have to have one focus, and of course for that it is regulated. The API just complement our product portfolio, the CCS complements our product folio. Everything else becomes secondary. So, RoW is primary and domestic market is a secondary thing, it's not really the focus. When we do not have as much, we look at selling it in the domestic and the RoW markets.

Devanshu: Got it. The reason I ask is, because I read various articles and that's why everyone is doing CAPEX, so everyone is expecting demands, everyone is raising supplies. So, I just want to have that balance to understand where Sigachi is placed uniquely. So, thanks for that clarification, really helps. And I am excited to also listen to the LinkedIn update, so eagerly looking for that update as well.

Moderator: Thank you. The next question is from the line of Naman Murarka from NFSL Limited. Please go ahead.

Naman Murarka: First of all, congrats on the great results. I would just start off with the question that the CAPEX which we are doing right now, from when are we going to start looking at its impact on the results on the top line? Because the top line now on quarter-on-quarter is of course growing, but not at a phenomenal pace. So, from when are we actually going to see the impact of the increase in capacity and start using the extended capacity?

Amit Raj Sinha: We should see that in the coming quarter, Naman.

Naman Murarka: So, in the coming quarters, from quarter two of FY '25 the capacity would be utilized?

Amit Raj Sinha: Yes, absolutely.

Naman Murarka: And at what CAGR are we expecting the top line to grow from last year?

Amit Raj Sinha: So, from last year, I mean, I would say that I have always claimed that we have had a growth of 25% CAGR always, we work to see that how is it that we can continue to maintain this or better this.

Naman Murarka: So, the minimum growth expected is 25%, but it can go much further than that using the capacity?

Amit Raj Sinha: Yes.

- Naman Murarka:** And if we talk about the bottom line, if we have started prepaying back the loans and there is no further CAPEX planned further, so are we going to see the impact on bottom line margins getting better from the next quarter?
- Amit Raj Sinha:** CFO, what is your feedback?
- O. Subbarami Reddy:** Yes, Naman, for time being we will maintain, the sustainability is there. And then going forward it will increase. But immediately there is no increase, bottom line margins we will maintain, it will be maintained.
- Naman Murarka:** And the next question is regarding MCC, sir. So, I have seen the product mix of MCCs comparatively going down in terms of full revenue share of the Company. So, is that an alarming sign? Because when the core revenue source on the Company is from MCC, and it's going down in terms of other products, what are your views on that?
- Amit Raj Sinha:** So, Naman, here I would say that I think you should be happy that MCC in its absolute value is going up and that Company is diversifying and have steady revenue streams from other activities which are gradually also becoming core.
- Moderator:** The next question is from the line of Abhishek Gupta, which is an individual investor. Please go ahead.
- Abhishek Gupta:** I have few questions, first is regarding the operations and management contracts that we back. So, what are the average duration of these contracts, like the Grasim, Adani Solar and Adani Enterprise that you display on this presentation? So, what's the duration of these contracts?
- Amit Raj Sinha:** Most of it for five years period.
- Abhishek Gupta:** And the revenue remains same throughout the tenure for majority of the contracts?
- Amit Raj Sinha:** No. For most of the contracts, revenue is a mix of the production. I mean, the more amount they sell, the more they produce. And the more they produce, the more revenue we get, because it is a matter of production.
- Abhishek Gupta:** So, it's correlated to their production?
- Amit Raj Sinha:** Absolutely.
- Abhishek Gupta:** And the next question I have is regarding what the previous investor told that regarding the revenue mix, the MCC has around three-fourth of our revenue mix. So, down the line five years or three to five years, where do you see the MCC revenue should be and the operations and management, considering the API as a limited growth?
- Amit Raj Sinha:** So, I see, Abhishek, APIs are going to take over. The moment we have our regulatory approvals in place, our focus will be that we completely market it in the regulated market and boom up

APIs as much as possible. And by then the 250 KL capacity also would be on track. So, I believe, that at least 35% to 40% of our revenue should be coming in from the API, operations and management should add in to around 20%, 25%, and the balance should be from the excipients, not just MCC because we will also have Cross Carmellose sodium. So, it will be combination of excipients, and the balance should add up from the excipients. And food and nutrition should be maybe a little less than 5%.

Abhishek Gupta: So, approx. 50% will be the core MCC and rest will split across?

Amit Raj Sinha: Across the APIs and the O&M.

Abhishek Gupta: Just last one, do we work on the order book structure? Like we cater to produce and do we maintain an order book something? And out of the total product sales, what is the revenue mix for the repeat orders and the new orders? Because in the last presentation you were referring to that increasing and gaining the market share, so what's the mix for the repeat orders and the new customers?

Amit Raj Sinha: So, repeat orders are typically 80% of our volumes and value, 20% is the new business development which comes in. Sometimes it goes to 85%, sometimes it even touched 90%. But we have historically seen that 80% is the repeat order, 20% is the new customer or the new grade. Sometimes if our MCC was being taken to make paracetamol, and suddenly they have started making brufen, I would also call that as a new order. Because it's not a repeat, because if brufen volumes are going to shoot up, that will give me additional business from the same customer, it was not for the same finished product. So, paracetamol volumes going up was part of the same repeat order. But if suddenly our approval is coming from brufen, and for brufen the MCC requirement has shot up, then I would technically call it as a new product and a new order, maybe from the same customer, but a new order.

Abhishek Gupta: And what's the status of the order book that we have for MCC or any other?

Amit Raj Sinha: We have a healthy six months order book in place.

Moderator: Thank you. The next question is from the line of Rama Gopal, which is an individual investor. Please go ahead.

Rama Gopal: This is regarding O&M contract with Adani Solar, sir what is our USP that such a big Company gave payment/contract to ours?

Amit Raj Sinha: I mean, if you were to bring out a single statement on USP, I might not be able to tell you anything. But I am sure you will believe that if Adani gives us the contract for O&M, there is certain USP in Sigachi that Sigachi wins the contract from Adani.

Rama Gopal: We are proud of it sir, that's why I asked.



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- Amit Raj Sinha:** No, of course. It is just that I might not have a single statement to speak on the USP. I mean, there is a presentation behind it that Adani sees and Adani questions as, and there is a technical debate and then there is a commercial bid. And then finally Sigachi wins the contract. But there is an USP behind it and there is a method in the madness of all that happens in getting such big massive contracts.
- Rama Gopal:** What I am seeing is, in the future many people are looking at us once we get such a big player in pipeline, that's why we are very much excited about.
- Amit Raj Sinha:** No, sir I would say this is absolutely right because of the focus on ESG, because of focus on sustainability, because of focus on renewable energy coming in, this industry is of course moving. And it's moving in because these big players are putting in all the facilities in-house. So, it is going to kind of expand and this expertise of what we gain in with Adani is going to kind of multiply manifold with other industries in India, and possibly even in the Middle East because this is what our joint venture partners are doing in the Middle East for getting contracts.
- Rama Gopal:** Yes, as a shareholder we are hoping for that.
- Moderator:** Thank you. In the interest of time, this was our last question for today's conference call. I would now like to hand the conference over to Mr. Amit Raj Sinha – MD and CEO of Sigachi Industries Limited for closing comments. Over to you, sir.
- Amit Raj Sinha:** Thank you all for participating in this earnings con-call. I hope we were able to answer your questions satisfactorily and at the same time offer insights into our business. If you have any further questions or would like to know more about the Company, please do reach out to our investment relation manager at Go India Advisors. Thank you and have a wonderful day.
- O. Subbarami Reddy:** Thank you.
- Moderator:** Thank you, everyone. On behalf of Go India Advisors, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.