To, Date: 01-06-2024

The Manager **BSE Limited** **P. J. Towers, Dalal Street** **Mumbai-400001** **(BSE Scrip Code: 543389)**	**The Manager,** **National Stock Exchange of India Limited,** **Exchange Plaza, Bandra Kurla Complex,** **Bandra (E), Mumbai- 400051.** **(NSE Symbol: SIGACHI)**

Dear Sir/Madam,

Sub: Transcript of the Earnings Call for Q4 FY 2023-24 Results

Unit: Sigachi Industries Limited

In continuation to our letter dated 27-05-2024, audio recording of Q4 FY24 earnings call, please find attached herewith the transcript of the earnings call held on Monday, May 27, 2024, 4:30 PM IST. The same is also available on the company's website at www.sigachi.com .

This is for the information and record of the exchanges.

Thanking You,

Yours faithfully
For Sigachi Industries Limited

Vivek Kumar

Digitally signed by Vivek Kumar
Date: 2024.06.01 11:12:21 +05'30'

Vivek Kumar
Company Secretary & Compliance Officer

“Sigachi Industries Limited

Q4 FY’24 Earnings Conference Call”

May 27, 2024

MANAGEMENT: **MR. AMIT RAJ SINHA -- MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – SIGACHI INDUSTRIES LIMITED**
MR. O. SUBBARAMI REDDY – CHIEF FINANCIAL OFFICER – SIGACHI INDUSTRIES LIMITED

MODERATOR: **MR. RANVIR SINGH -- NUVAMA WEALTH MANAGEMENT**

Moderator: Ladies and gentlemen, good day and welcome to Sigachi Industries Limited Q4 FY24 Conference Call, hosted by Nuvama Wealth and coordinated 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ranvir Singh from the research team of Nuvama Wealth Management. Thank you and over to you, Mr. Singh.

Ranvir Singh: Thank you Chorus team. So this call is being hosted by Nuvama Wealth and coordinated by Go India Advisors. I am Ranvir Singh from Nuvama Wealth Research Team. I welcome you all. We have with us senior management team of Sigachi Industries, Mr. Amit Raj Sinha, its Managing Director and CEO and Mr. O. Subbarami Reddy, its CFO.

I now hand over the call to the management team for his opening remarks and before the Q&A session starts, over to you, sir.

Amit Raj Sinha: Thank you, Mr. Ranvir Singh. Good afternoon, ladies and gentlemen. Welcome to Sigachi Industries Limited Q4 and FY24 Earnings Conference Call. I hope you had an opportunity to review the financial results and the investor presentations available on the exchange. FY24 marked significant progress for Sigachi as we expanded our product offerings and presence across regions. We have strategically expanded our MCC production by 7,200 metric tons per annum at Dahej and Jhagadia plant, bringing our total capacity to 21,000 metric tons per annum.

MCC with its unique properties is vital across various industries from pharma to cosmetics. We prioritize maintaining quality standards and specialize in tailored MCC solutions to meet diverse clients' needs.

Let me begin by providing an overview of the business segments in which we operate. Sigachi primarily operates across three segments. The excipients, and that's specifically MCC, the operation and management and the API, leveraging five state-of-the-art manufacturing facilities in India. As highlighted, MCC stands as our core operating segment with a combined capacity of 21,000 MTPA.

The volume of MCC witnessed notable year-on-year surge, increasing by 16.47% from 12,655 metric tons to 14,740 metric tons in FY24. Substantial growth was also observed in revenue from the MCC division, increasing by 15.83% to INR301.5 crores from the earlier figure of INR260.3 crores in FY23.

Looking forward, we expect a gradual rise in the utilization of the recently added capacity. We anticipate that we will reach 50% by Q4 of FY25, further rising to 80% by FY26. With this capacity utilization enhancement, we expect further addition to the topline from the MCC or the excipient segment.

The demand for MCC as an excipient remains substantial, but its quality and pricing are being highly sought after in the pharmaceutical, the food and the nutrition industries. The total addressable market opportunity as on date is in the range of $1.4 billion. It's estimated to be around $2 billion by 2031, and we are confident in a gradual scaling up to meet this demand.

In FY25, we have allocated a capex of INR15 crores for our MCC division plant located at Hyderabad. Furthermore, to broaden our product range last year we have acquired 80% in Trimax Bio Sciences incorporating API in our offerings. This strategic move provides us to capture a larger share of the pharmaceutical value chain.

The synergies between our excipients and API offering holds significant potential for expanding our market share. By elevating regulatory approval for Trimax products, Sigachi will serve non-regulated and semi-regulated markets before moving towards exporting to the regulated markets. We anticipate the API segment to achieve approximately a 25% margin EBITDA as we transition to catering to the regulated markets. To facilitate our growth plans, we have earmarked INR60 crores for capex to expand the Trimax capacity by 150%, adding up nearly 150KL at the end of which the total capacity will be 250KL.

Additionally, our plans of establishing the CCS project at the Dahej facility is there to – which would enhance our product portfolio in the excipient section. The customer base for MCC and CCS are all complementary and overlap including the potential overlap from the API customers. These products complement each other, and which is such a diverse portfolio, we anticipate capturing a larger portion of our customers' wallet.

In the O&M segment, we have established partnerships with renowned entities such as Gujarat Alkalis, Aditya Birla Group, ONGC, Lord's Chloro Alkali, the group trajectory of the segment aligns with our objectives. We have recently added Adani Solar Power at Mundra to our client roster. We're confident in our abilities to maintain excellence in this segment, moving forward, we see significant room for growth.

Geographically, our expansion has been remarkable, extending our approach to encompass the Middle East through our strategic joint ventures. Our wholly-owned subsidiary, Sigachi MENA, FZCO, has established partnership in the UAE with revenue potential to reach $54 million by FY29. Additionally, Sigachi Arabia, another subsidiary has collaborated with Saudi National Projects Investment Limited with anticipated revenue of approximately $180 million in FY25.

We will be exploring opportunities in the segment in which Sigachi operates, that is excipient, API, O&M and certain opportunistic trading. We are committed to continuous improvement, focusing on enhancing our R&D capabilities and implementing cost-effective manufacturing processes. This is to maintain our position as a preferred manufacturer with the highest quality standards.

I now invite Mr. O.S Reddy to give you a brief on the financial performance. Over to you, Mr. Reddy.

Moderator: Mr. Reddy, please go ahead.

Subbarami Reddy: Thank you, sir. Good afternoon, everyone. I am pleased to report a strong performance in Q4 FY24. Our operating income in Q4 FY '24 was 43.78% year-on-year, reaching INR104.1 crores. EBITDA experienced a robust growth, rising by 33.6% year-on-year to INR16.3 crores with a margin of 15.65%. Net profit also saw a significant growth, increasing by 108.22% year-on-year to INR15.1 crores with a PAT margin of 14.6%.

In FY '24, our financial performance remained robust. Overall revenue saw a significant year-on-year growth of 32.08%, rising from INR302 crores to INR398.9 crores in FY '24. Revenue from O&M grew 32.45% to INR35.1 crores from INR26.5 crores in FY '23. EBITDA grew by 30.49% year-on-year to INR76.6 crores with a margin of 19.2%. Net profits amounted to INR57.2 crores, increasing by 31.19% year-on-year. PAT margins stood at 14.34%.

We'd like to highlight a declining trend in our return on capital employed, primarily due to ongoing capacity expansion plans and increased capital work in progress. As of FY '24, this capital work in process stood at INR96.6 crores and we expect that as we bang more O&M projects and once the expansion capacities come out, ROCE will gradually increase in the future. We remain optimistic about the favourable impact of our growth initiatives in the coming years.

As we continue with our strategic expansion initiatives, we are confident that unlocking economies of scale and enhancing operational efficiencies will be pivotal for our future success. These efforts underscore our commitment to sustainable growth and delivering long-term value to our stakeholders. That concludes my updates and now we can open the forum for question and answers.

Moderator: The first question comes from the line of Harmanpreet Singh, an individual investor. Please go ahead.

Harmanpreet Singh: Actually, I joined the meeting a bit late. So, could you please tell me the status of our expansion plans at what stage they are? Like MCC expansion.

Amit Raj Sinha: So, Mr. Harmanpreet Singh, the expansion is all on track. The erection and commissioning is over the product validation is at close. We are already at 10% capacity utilization as we move in this current month.

Harmanpreet Singh: Okay. Thank you, sir. Yes.

Amit Raj Sinha: Yes. Thank you.

Moderator: Thank you. Next question comes from the line of Munjal Shah, an individual investor. Please go ahead.

Munjal Shah: Thank you, sir. Thank you for the opportunity. Congratulations to the management for good numbers. Sir, my first question is regarding the gross margin. Sir, when we are comparing year-on-year, there has been a drastic decline of close to 7%,-7.5% on the gross margin basis? So, that is my first question. Secondly, sir, there has also been a huge surge in the debtors. So, if you can just throw some light on that particular thing? And, sir, when are we expecting the CCS facility to start? There is no progress on the CCS facility. So, these are my three questions right now. Thank you.

Subbarami Reddy: Thank you. Yes Thank you, Munjal Shah. This gross margin, not much these things are declining. Let's say because of increased material pricing, there is a little, maybe around 5% variation is there when we compare to last year and this year. And gross margin and that is because of gross margin is mainly on account of increased raw material prices.

And debtors, in certain countries, there are receivables are getting delayed like Egypt and also the turnover in the last few months, that is in the last end of the month, it is end of the year, that is higher sales are taking place. That is one of the reasons. These things will regularize in maybe another three, four months or the next six months' time.

We are finding, the customers are also finding some of the alternate measures to release the amount at the earliest. And the third one is CCS. CCS project, anyway, now we have, we are yet to obtain the regulatory licenses. And maybe we will complete it by one and a half years time. We can, the CCS project will come into operation.

Amit Raj Sinha: Munjal Shah, I will just add into what the CFO speaks. The environmental clearance for the CCS project is still not obtained. We have a situation where for the last three months, the authorities have not really sat on the table to have a meeting because of the impending elections. So everything is on a standstill in terms of decision making at the state level. So we are just helpless. We are waiting that the first week of June comes in and hopefully we will have the committee meetings coming in and the state level decision making body taking decisions and giving us the EC for commencing the project.

Munjal Shah: Okay, sir. Sir, just coming back to the gross margin. So what can be the sustainable gross margin percentage considering the product mix we have?

Amit Raj Sinha: So, Mr. Munjal, I'll just add in, you know, one of the other reasons for a slight dip in the gross margin is on account of the, you know, the API vertical building up some revenues. Because API vertical, we are just getting started and it's baby steps. Naturally, the gross margins are not as healthy as what is there in the matured excipient vertical.

So what we believe is, like I indicated in my opening message, that as we kind of reach out to the developed markets, the regulated markets, we should be maturing ourselves at around 25% EBITDA for our API vertical in the developed markets.

Munjal Shah: Okay. Thank you, sir. So can we expect maybe the EBITDA margin and the gross margin to regulate in coming two quarters with capacity utilization expected to improve in the MCC division?

Amit Raj Sinha: So capacity utilization of MCC will definitely improve. However, like you know, the value of APIs are much more than the value of excipient . And if the value of APIs are going to make up a significant portion of our sales, there is going to be a slight hitch in terms of coming back to what we were two quarters back. But we are working to see how we can regularize this in the next three to four quarters.

Munjal Shah: Okay. Basically, what has been the volume in terms of APIs? So if there's any ballpark figure you can share, because in the presentation, it has been only MCC and O&M. But if you're talking about scaling up API in the coming years, if you can just share certain information related to the API segment, it would be really helpful?

Amit Raj Sinha: Sure, sure, Mr. Munjal, not an issue. Our current capacities of the API are by virtue of the reactor capacities. And the current reactor capacity, what has been acquired is 100 KL. There has been -- in the shareholder agreement, we have had a declaration and an agreement where we will together put in additional 150 KL of reactor capacity, adding up to a total 250 KL. Now, by basic thumb rule, what it does imply is that this 250 KL should give us an added revenue of nearly INR200 crores to INR250 crores on an annual basis at 100% capacity utilization. So we are in the process of kind of building up our capacity utilization for the installed 100 KL. And once we reach a certain figure, we will be kind of commencing the activities and the civil works and erection commissioning for the balance 150 KL of the reactor capacity.

Munjal Shah: Okay. Sir, then what would be the current API capacity utilization for 100 KL, roughly, if you can just...?

Amit Raj Sinha: It's around 35%-40%, sir.

Munjal Shah: Okay. And sir, what can be the optimum? So I know it cannot be 100%, but what can be the optimum utilization level for this 100 KL?

Amit Raj Sinha: So I would say 80% to 85% is a very fair optimal utilization of the capacity. Considering that there are regulations to be met and the product changes do take time, 80%-85% I think is a healthy mark for capacity utilization.

Munjal Shah: And sir, what do you -- and what can be the reasonable time for us to reach that 80% to 85%?

Amit Raj Sinha: So it's a give and take wherein our focus should be, are we interested in increased capacity utilization or are we interested in an increased capacity utilization by additional focus on developed markets? So our focus right now is to have a healthy mix of capacity utilization combined with a healthy mix of regulatory filings into the EU region and the U.S. region. So this combination is only going to give us good yields. That is what is going to improve our gross margins in the APIs.

Munjal Shah: Okay. So then, sir, I think we must have a pipeline of DMF filings for the developed markets?

Amit Raj Sinha: Yes, DMF and the CEP filings, Certificate of Suitability to the EDQM for the European Union.

Munjal Shah: Okay. So if you can just put in a number, what is the pipeline currently? What products have we applied for the DMF approval?

Amit Raj Sinha: Sir, at this moment, we have already filed three filings to the CEP. There are additional four to five filings which are slated for this current financial year to the CEP.

Munjal Shah: Okay. And, sir, if you can just help -- in future, if you can just help with what is the pipeline? So basically when we are building a pipeline of DMF, what is the approximate market size of the products for which we are applying? So it could be, at least we can have a ballpark figure in mind of how we are progressing ahead in the API segment as well.

Amit Raj Sinha: So Mr. Munjal, it's a complicated question to answer because the market size might not really be relevant. I might be looking at a niche segment where there are limited players or where I have a better competence than my complicators. So that might not really be the actual relevance in terms of selecting as to which product to go into. It's a combination of a lot of things which includes competence, the niche-ness, the newness of the product, and of course the markets.

Munjal Shah: Okay. Noted, sir. Thank you so much for answering me patiently. I'll get back into the queue.

Amit Raj Sinha: Thank you, Mr. Munjal.

Moderator: Thank you. Next question comes from the line of Nihal Shah with Prudent Broking. Please go ahead.

Nihal Shah: So I had a question like we have added about two new contracts in the O&M segment as well. So what would be the margin profile in that? And can we see employee costs going higher like when we had the new ONGC contract as well that went high? So do we expect that to be the case with this as well?

Amit Raj Sinha: So, Mr. Nihal, I believe the employee costs is going to be high because in the Middle East, the employee costs are substantially higher. That's number one. However, we believe a part of it will be offset by the increased revenue we have for our O&M.

Nihal Shah: Okay. So the margins would be lower than the current O&M contract that we have, or it will be in line?

Amit Raj Sinha: I believe it will be in line with what we are going because getting a business or getting into a business with lower margins is no big feat. You don't really need to plan for it. Our objective is that we kind of qualify and penetrate into businesses which give us a better profile margin.

Nihal Shah: Okay. And on the APIs front, so how is the competition scenario with China for like MCC and for the APIs as well that we have?

Amit Raj Sinha: So in competition from China, even there in the cellulose field, in the MCC field at this moment, we have our competitors primarily from the developed markets that is US and Europe. China is not really there in the play among the top 7 to 10 manufacturers. In terms of API it's a complicated mix of N minus 1, N minus 2 stage and the product where you are selling. So, China cannot be ruled out in terms of the value chain, but one has to properly strategize to see which way the sourcing and the manufacturing capabilities align with the cost proposition of what the customer wants.

Nihal Shah: Okay. So what is the main competitive edge like we have competition from the developed countries, we have competition from China. So where is it that we stand out in the crowd?

Amit Raj Sinha: I mean competitive edge for us in excipient is in terms of volume and scale competitive edge, I mean, all this is there in the presentation, but nonetheless competitive edge is in terms of assurity of supply because we have five facilities across in India. Even in the COVID there was continued supply to our customers across the globe. Competitive edge is in terms of sourcing the raw material from the FSC certified organizations which are sustainable.

Nihal Shah: Okay. Thank you. Thank you for answering my questions.

Moderator: Thank you. Next question comes from the line of Khush Shah from Niveshaay Investments. Please go ahead.

Khush Shah: So I had a couple of questions. First, for the JV announced this fiscal year which business segment of Sigachi will serve this region through the JV?

Amit Raj Sinha: So our subsidiary Sigachi MENA is going to be the front end for serving all the needs of the JV partners in the GCC and Saudi Arabia.

Khush Shah: Okay. The second question would be regarding the projection of $180 million in revenue by FY25. With the Sigachi Arabia JV and S&P, do we have the capacity to meet the demand? Could you please elaborate?

Amit Raj Sinha: So we, of course, have the capacity to meet the demand. It is just that we have to see what are the kind of products the joint venture partner have envisaged in the breakup of the $180 million. Now, they are seeing this as an opportunity. We have to work out to see how much of it can be facilitated from our in-house facilities and what are the other products which will classify itself as opportunistic trading, sourcing and trading.

So for this, we will have to work out and see what is it that can be catered from in-house and what is it that can be catered from our channel partners who are across the globe.

Khush Shah: The last question would be when will your API capacity ramp up and contribute to the revenue?

Amit Raj Sinha: So in the last financial year, the gone by financial year or rather I would say the first financial year of the acquisition we have already had a sales turnover adding up to around INR 45 cr for the part of the year. So it has already added up to a reasonable level of capacity and capacity utilization of the 100 KL. It is already coming in sir.

Khush Shah: Thank you sir. That’s from my side.

Amit Raj Sinha: Thank you Mr. Khush.

Moderator: Thank you. The next question comes from the line of Harmanpreet Singh an individual investor. Please go ahead.

Harmanpreet Singh: Sir actually I want to ask you, actually I was looking at the profit and loss and I have seen that our profit and loss net profit decreased vis-a-vis last year FY23. So could you explain what are the reasons for this and what we are doing to increase in FY25?

Subbarami Reddy: Yes. Thank you, Mr. Harmanpreet Singh. This is in absolute terms, there is a profit in INR57.27 crores is the net profit for the financial year ending 2024 and previous year it was INR 43.53

crores and in terms of the percentage as you said there is a slight decline is there. In absolute terms there is around INR13.73 crores increase is there.

Harmanpreet Singh: Sir, actually in the -- like I was looking at the you have uploaded in that chain that it's saying that the total income for the period in FY24 is 4,112 and previously it was 4,146. So actually it has decreased, and it could be seen in the equity per share previously it was 1.35 and now it is 1.30?

Subbarami Reddy: This is mainly there is an increase in material cost slightly because of that there is a change.

Amit Raj Sinha: No. I think there is some confusion. Mr. Harmanpreet Singh could you just repeat what you said I didn't get it. I think I missed something.

Harmanpreet Singh: Sir, actually I am looking at the profit and loss figure for total income for the period for FY24 is 4,112 and it was 4,346 in FY23. So I was asking that what are the reasons for the decrease in income and what we are doing in FY25 to increase our net income.

Amit Raj Sinha: What was the figure for FY23?

Harmanpreet Singh: Sir, for FY23 it is 4,146 and earning per share was 1.35 and now it is earning per share is 1.30.

Amit Raj Sinha: Yes something is wrong.

Subbarami Reddy: Yes. Mr. Harmanpreet Singh just you can see the financials. In FY23 you are talking about revenue or only EPS?

Harmanpreet Singh: Sir, actually I am talking about total income for the period. In profit and loss total income for the period is 4,146. Sir actually revenue in FY24 is 31,749. Other income is 1,157. So actually at the end of the PL it is saying that total income for the period is 4,112 which is a bit less than the last year which was 4,146 and earnings per share is 1.30 last time it was 1.35.

Subbarami Reddy: No,you are talking about standalone or consolidated figures because nothing is matching.

Harmanpreet Singh: Actually, I am talking about standalone.

Subbarami Reddy: Standalone the income is total revenue is 317.49 is the revenue from operations.and other income is 11.57 and total is 329.07. Yes, sir. This is FY24.

Harmanpreet Singh: Yes, sir. And FY23?

Subbarami Reddy: And FY'23? Total income is 296.99.

Harmanpreet Singh: Yes, sir. Sir, but I am talking about the total income for the period. At the end of P&L, total income for the period is 4,112 which was 4,146 last year.

Subbarami Reddy: Okay, okay. That is profit, net profit. Okay.

Harmanpreet Singh: Net profit, yes, sir.

Subbarami Reddy: What is your question, please?

Harmanpreet Singh: Sir, actually I am asking what are the reasons for decrease in profit and what we are doing in FY25 to increase it? What are our plans?

Subbarami Reddy: Yes, that decrease is a very small amount. That is because of around INR33 lakhs, INR33.75 lakhs only. And this is on account of increased material prices.

Harmanpreet Singh: Okay, sir.

Subbarami Reddy: And yes, you have any question on EPS? EPS also you are asking.

Harmanpreet Singh: Sir, actually I want to understand that what we are doing in FY25 so that our income increases on standalone basis?

Subbarami Reddy: FY25. Definitely it will increase.

Harmanpreet Singh: Sir, what are the…

Subbarami Reddy: Standalone or consolidated?

Harmanpreet Singh: Could you explain what are the steps like you are forcing material cost to come in down or what -- actually, I want to understand what we are…

Subbarami Reddy: Capacities? Yes, yes. The increased capacities comes into operational. And for the increased capacities, there will not be much increase in overheads. Fixed overheads remain constant, and the capacities will increase, and profit also will increase in FY25.

Harmanpreet Singh: Okay, thank you, sir.

Subbarami Reddy: Yes, thank you. Thank you, Harmanpreet Singh.

Moderator: Thank you. Our next question comes from the line of Manav Vijay with MV Investments. Please go ahead.

Manav Vijay: Yes, sir. Thank you very much, sir. So, first my question is regarding the NCP. So, in FY24, again such a capacity of 14,000 tons with around 14,700 tons. Now, since this additional 7,000 tons has become operational, so what you mentioned in the opening remarks is that we should expect a 50% utilization for the year. Correct, sir?

Subbarami Reddy: Yes, yes. Yes, yes. So, the increased capacity will reach 50%. By Q4.

Manav Vijay: So, 50% by Q4. So, what will be the average for the full year?

Amit Raj Sinha: That is very difficult to mathematically break it up. There are cycles of the product and I think it would be inappropriate to have an average for the year because the graph is not really straight forward. It's exponential. So, it will be incorrect for us to have an average. What we believe is currently we are at 10% capacity utilization. Next month, we should be better than this. By Q2, we should be better. And finally, by the time I touch Q4, we should be averaging at 50% on a quarterly basis.

Manav Vijay: So, sir, so the next question in this case would be regarding the other realization that should be having on MCC. So, I believe that for the year, our average was around INR2,00,000 for actually per ton. Now, compared to FY23, I believe this number has come down. Is it possible for you to help us understand what -- so let's say, what kind of number they expect for next year in terms of average realization?

Subbarami Reddy: Yes, next year, it will go up. Because last year, we pushed our quantities because 14,740 is the total quantities we sold. Because of that, I mean, we have compromised little on pricing. But this year, it will definitely, it will increase further. At least 5% increase would be there. Because keeping in view of our coming expansion capacities, we wanted to grab the market and in that process, we have pushed our products.

Manav Vijay: Okay. Fair enough. Next question is regarding the O&M. So, with around INR36 crores of sale their own predictive source of sales in FY'24, what do we expect for FY'25?

Subbarami Reddy: FY'25, yes, that is, we are -- we expect around, I don't know, it's a futuristic statement, but of course, we'll around some 50, 55, -- between 50 to 60 will be there.

Manav Vijay: Okay. So, now, maybe around 40% increase, INR 50 to 60 crores growth is what you are saying?

Subbarami Reddy: Yes, yes, yes.

Manav Vijay: Okay. So, next is regarding the Trimax. So, INR 45 crores is what you have done this year. With around, I believe, 35% utilization. Again, for FY'25, what do you expect that company to do, API to do?

Subbarami Reddy: This year around…

Manav Vijay: We are looking at an increased capacity. Yes, sir please continue. Sorry.

Subbarami Reddy: This year, we are looking around INR100 crores top line for the listing. Anyway, the capacity expansion, it may come up in the last quarter or so -- or just we are thinking, keeping up of the regulatory licenses and we want -- our primary focus is on to enter into a regulatory market.

Manav Vijay: Okay. But as far as this year is concerned, so, you expect to run almost at full capacity. So, roughly around…

Subbarami Reddy: Yes, 100-120 would be there. It depends upon the pricing, the products, what we manufacture and sell. That's why it ranges from INR100 crores to INR120 crores also. Around INR100 crores.

Manav Vijay: And, sir, on this INR45 crores of sales from API, what kind of operating margins you would have made in '24?

Subbarami Reddy: In API right now, the margins are not that great. Gross margin is around 15%-16% is there and even the operating capacities are very low and then now we are -- just wanted to -- we are in the process of getting the orders from the good customers, long standing orders and all, but it takes time. As of now, this year, not a great margins are there.

Manav Vijay : Okay. And in FY '25, when you scale this revenue of 45 to 100 or 120, at that number, what kind of operating margins are possible?

Subbarami Reddy: We are expecting maybe around… Next year also, it may not be that good, but later on in FY '26 onwards, that would be good margins would be in good percentage. Because FY '25, we are just settling down and then we wanted to enter into regulatory market. It takes even before… In FY '25 also, we may sell mostly in domestic market, and few would be there in regulatory market. But FY '26 onwards, it gives good margins. We are working for long-term good returns.

Manav Vijay : So, FY '25, 10% to 15% operating margin from the non-regulatory market, that number is possible?

Subbarami Reddy: FY '25? FY '25 yes it is… It is operating margin is around 10%-12% or even right now, we cannot really because it depends upon the entry into the regulatory market at least last quarter, one quarter before of the FY '25. Yes, right now, we cannot comment much on that. But FY '26, definitely, we will -- our plans are there to achieve good margins.

Manav Vijay : Okay. Next question is regarding the receivable. So, we had INR150 crores in the month of March '24. What that number would be currently, sir?

Subbarami Reddy: Can you repeat again? What is that INR150 crores?

Manav Vijay : INR150 crores is what we had receivable in March '24. What that number would be currently?

Subbarami Reddy: Currently, it has realized but most of the receivables are realized. But still, I think to settle down to 90 days collection period, it will take another 3 months. And then our plan is to reduce to around 70 days. 60 to 70 days in a period of 6 to 8 months. 6 months.

Manav Vijay : Okay. Last question from my side. Sir, goodwill amount is INR55 crores compared to INR44 crores in the month of September. So, this additional INR11 crores has come due to what, sir?

Subbarami Reddy: That is a revision. This entire goodwill itself is purchased goodwill. We bought Trimax Bio Sciences. The fixed assets available in the books minus the consideration. That is the goodwill.

Manav Vijay : So, sir, you had done the transaction before September 2023. And that is how INR44 crores of goodwill had come on your books. Now, how this INR44 crores has moved to INR55 crores?

Subbarami Reddy: Can you please repeat it?

Manav Vijay : Sorry, sir.

Subbarami Reddy: Yes. This is -- we have this implemented this accounting for Ind AS. As for the Ind AS the goodwill is coming to this figure, this latest figure, whatever it is, 15. The earlier goodwill is based upon normal Indian account this GAAP. Indian GAAP. And this we have revised to the Indian accounting standards. Ind AS.

Manav Vijay : Okay. So, next year this amount

Subbarami Reddy: It will not change. It will remain the same.

Manav Vijay: It will remain the same?

Subbarami Reddy: Yes.

Manav Vijay : Okay. Thank you and all the best, sir.

Subbarami Reddy: Thank you.

Moderator: Thank you. Next question comes from the line of Devanshu Kumar, an individual investor. Please go ahead.

Devanshu Kumar: First of all, congratulations for the great set of numbers. I think my question is primarily to understand in the previous calls you have given a guidance that by FY '25 you will reach somewhere around the revenue of INR600 crores. Is that guidance still intact?

Subbarami Reddy: Yes, that is still there. We hope we will reach this INR600 crores.

Amit Raj Sinha: So, Devanshu, these are the aspirational figures, and this is what inspires all of us to kind of see that as our North Star and head towards it.

Devanshu Kumar: Got it. I read somewhere in an article that the growth in MCC in worldwide is somewhere around 5% to 6% CAGR. But Sigachi is doing a 21%, 25% CAGR in revenue growth, right? And it's right now contributing 12% of your overall revenue. Now, I would like to understand three years down the line, what will be the mix of revenue coming from API versus MCC given the fact that MCC CAGR growth is muted worldwide? So, I believe your revenue growth will primarily come from API frontier. MCC will come, I think, provided you gain market share, something like that.

Amit Raj Sinha: So, Devanshu, your answer can be broken up into two different parts. First is, three years hence, the revenue mix, that's a very difficult question to answer. It's like asking, you know, the future crystal ball. However, not denying the fact that we are growing at a 33% CAGR, our objective is to capture markets, whether it is in the API or whether it is in the excipients or the MCC. Now, in the MCC, if you go into the details of transactions of the market leader, I just gave you a last four years' brief of the world's number one player. The world's number one player historically for the last 40 years was FMC Corporation, a US-based company, Philadelphia-based company.

Four years back, it got sold to DuPont. DuPont had the portfolio for a year and a half of the year and from that, the whole portfolio moved on to IFF, International Flavors and Fragments, a French company. The French company, after taking it realized that the fit was not the best.

They were not really aligning with complementarity of their old products and the new products that they bought out. Just around eight months back or eight or ten months back the whole portfolio of FMC was again sold from IFF to another family-owned company in France by the name of Roque. They are among the leaders in ingredients.

What has effectively happened is that the market leader has had a loss of direction and everybody else who has had capacities, qualities, regulatory approvals and acceptance in the international markets have been captured? Of course, they were at a very premium price and because of that premium price we could give a differentiated pricing to our customers and our customers are more than happy to have a change because we gave everything else what they wanted in terms of documentation and gave them a discounted price. They came in very well, and that is how we have been having market share much more than the growth of the MCC market itself. Did I explain it to you somewhat, Devanshu?

Devanshu Kumar: Yes. Thanks, Amit. My next question is again on the same line. You said by 2030-31, MCC market will be somewhere around $2 billion, right?

Amit Raj Sinha: Yes.

Devanshu Kumar: What is our current market share and what do you basically aspire to do in one to two years? Because you were just saying that other competitors are just losing the direction of strategy and we are constantly gaining market share. Can you just give us a light of how much you can gain over the period of time? It can be one year also, but I just want to have your direction in place.

Amit Raj Sinha: Because we have installed capacity of 21,000 tons, I believe we can comfortably be touching a 90% capacity utilization of these 21,000 tons and we should be doing it. By the time we start touching 75%-80% the CFO would be coming back to the drawing board to see how we can have additional capex for funding additional growth of the same product because we don't really want to be in a situation where we starve our customers of our own products. So, I believe we are very much on track, and we will gain market share as we move ahead touching our 21,000 tons installed capacity.

Devanshu Kumar: Okay but you didn't answer what is the current market share in the world right now for us?

Amit Raj Sinha: So, MCC, the concept of market share isn't there, sir. MCC is calculated on the capacities of the manufacturer.

Devanshu Kumar: Okay, so let's say you will reach 21,000 capacity. What is the capacity of the number one player like you said DuPont? How much is that? Do you have an idea?

Amit Raj Sinha: Yes, it is estimated to be around 50,000-55,000 tons per annum.

Devanshu Kumar: Okay, that makes sense. Thanks for the explanation and I wish you all the best for the upcoming results.

Amit Raj Sinha: Thank you, Devanshu.

Moderator: Thank you. Next question comes from the line of Ankur Sawaria with Equity Master. Please go ahead.

Ankur Sawaria: Good evening, everyone. I am very happy with the set of numbers that you have given, sir and you are doing what you have been talking for the last two to three years. My question is even though we have increased our sales in different verticals, Q-on-Q, why have our top line decreased? Even though marginally but it should have increased, sir.

Amit Raj Sinha: So, thank you very much, Ankur for your kind words. It pleases us that somebody appreciates us not everybody is critical. So, thank you very much for that once again. So, that Q3 to Q4 of course, there is a marginal drop. And that is just to tell you that we are not God, and we are humans like all of us. And sometimes things go beyond our control in spite of our best efforts, and we still miss what we intend to do.

Ankur Sawaria: But sir, what would have been the reason? Was the drop in the MCC or what was the reason, sir? Because our capacity has increased, and it should have gone up.

Amit Raj Sinha: Yes. So, in the Q3, we had good sales of API to our select customers. The select customers as per schedule, whatever was the credit limit assigned to them they had not paid up. And because the credit limit was assigned to them, and they had not paid up we held back sales.

Ankur Sawaria: Okay. So, that means we have new entries more right now and sales will show up in the next quarter or so. Am I correct in assuming that?

Amit Raj Sinha: Absolutely. Yes.

Ankur Sawaria: Okay. Sir, one more critical question for the investors is that our stock was doing perfectly fine or let's say doing over the top. I would really like you to throw some light on the Caterfield Global DMCC. Are they still in the potential share allotment? What is happening? We would like more clarifications from you regarding the same.

Amit Raj Sinha: So, we have had no intimation from any of our investors who have participated in the press cap race that there will be any stall. Whatever is the media frenzy it is only media frenzy. Everything remains on track, and we don't see any hiccups in terms of pullback of what has been paid.

Ankur Sawaria: Okay. So, they would still be a part of the potential allotment?

Amit Raj Sinha: Yes. Very much.

Ankur Sawaria: My last question to you, sir is that we have been doing an excellent stock sales growth compounded year on year excellent stock sales growth compounded year on year for the last three years or five years, let me say. What do you think for the next two to three years, would the 30% sales growth still be intact or till what year do you think this will remain the same, sir?

Amit Raj Sinha: So,Ankur , my objective is to see that growth is paramount. Of course, protecting our margins but growth is paramount. We keep conserving cash, and we keep looking out for opportunities. Objective is to always be at a growth which is higher than 33% CAGR. Objective remains that and for that we keep working around to see which are complementary products in place, where there are opportunities in place, where there are growth markets coming in and expanding to geographies, markets, products accordingly. Of course, protecting our core business.

Ankur Sawaria: Absolutely. And you are still hoping that 33% is still achievable for the next because as the revenue increases sir, to increase the percentage at the same rate, becomes all the more difficult, because if in case you are a small company, growth can be taken forward when we have small sales. But now since the sales are getting bigger and bigger, then the same percentage of sales increase would be tougher. Am I correct?

Amit Raj Sinha: Yes, you are right, Ankur. The good point is as we grow bigger and bigger, our brand equity goes up, we are able to employ better people who are better than us, and who get us a better sense of direction, get us better market, get us better technicalities, and improve our competence. Many years back, we were not able to employ costly people. Today, we can do that. So, our level of competence also goes up, and that kind of accelerates the way we work towards ensuring that our CAGR doesn't drop.

Ankur Sawaria: Makes sense, sir. I really congratulate you once again for excellent numbers over the last four years, and all the best from my side.

Amit Raj Sinha: Thanks a lot, Ankur.

Moderator: Thank you. Next question comes from the line of Shivaji Mehta, an individual investor. Please go ahead.

Shivaji Mehta: Hi, thank you for this opportunity. So, just out of clarification, you had said you can do INR250 crores of revenue on the 250 KL of capacity in API. Is that right?

Amit Raj Sinha: Yes, on a basic thumb rule basis.

Shivaji Mehta: And my second question is on the capex outlay. If you can give some guidance for FY'25 and FY'26.

Subbarami Reddy: 25-26, or 24-25? capex.

Shivaji Mehta: No, financial year, 25. If you can give some guidance.

Subbarami Reddy: Yes, 24, 25, there would be a capex, this one, Trimax, there is some amount to be there around INR30 crores or so. Total INR60 crores it is allocated to increase the capacity from existing 100 KL to 150 KL, and then INR60 crores we need to spend. And out of which, around 50% we can incur. And from CCS side, we can incur INR30 crores. And for this one, API, this Hyderabad plant, MCC, around INR20 crores. Total INR100 crores would be there in FY'25capex.

Shivaji Mehta: Okay, and anything on FY'26? Or is that still too...

Subbarami Reddy: Yes, FY'26, another, the balance INR30 crores for expansion of this Raichur plant, and for CCS, around INR50 crores would be there. And around INR80 crores to INR90 crores would be there in FY'26.

Shivaji Mehta: Great, thanks a lot and wishing you all the very best.

Subbarami Reddy: Thank you.

Moderator: Thank you. Next question comes to the line of Ranvir Singh from Nuvama Wealth & Investment Limited. Please go ahead.

Ranvir Singh: Yes, thank you. A few questions, I think most of our questions are answered. Perceive clarity. In the Dahej Facility it seems that capacity utilization has dropped in this year. So, any particular reason? Despite this drop, the total production has been good. But particular, the Dahejseems to have shown a lower capacity utilization. Am I right?

Subbarami Reddy: Yes, this is because the expansion works are going on here. Because of that slight disturbances, and then that's why there is only a slight decrease. The production capacity was 4,000marginal.

Ranvir Singh: Okay.

Subbarami Reddy: 4,616, and this year it is 4,487. Because of the expansion work.

Ranvir Singh: And Jhagadia has made up this.

Amit Raj Sinha: That's right, yes. Jhagadia has increased far more than what it was expected to have.

Ranvir Singh: Secondly, on the realization front, I think last year it was INR208 per kg. This time calculation comes around INR185. Even if we assume that 5% increase happens as you were guiding, still that would be lower. So, is this what?

Subbarami Reddy: This year it is around INR204-205 per kg, not INR185. Yes. This is a small decrease because we pushed our products into the market keeping in mind the expanded capacities. So that we can grab the market and then continuity will be there. Because there is a strategy for it.

Ranvir Singh: While calculating this realization, we are considering only MCC revenue, right? We are not considering API or any other.

Subbarami Reddy: Yes, API anyway we cannot consider because API, the products ranges are different. Because here we can calculate like this. But API we cannot calculate. Even no company calculates.

Ranvir Singh: And in API, the capex we planned, I think the Trimax we invested initially how much? It was INR100 crores?

Subbarami Reddy: It is total plant value is INR125 crores for the 100KL in capacity. Right now we have acquired 80% of the share for INR100 crores. And the balance 20% we will acquire after 3 years.

Ranvir Singh: And then after this acquisition?

Subbarami Reddy: Purchase call option is there.

Ranvir Singh: And after this acquisition we will expand it to 250KL?

Subbarami Reddy: Yes, even before that also. The balance 20% shareholders also they will bring in equal amount. Proportionate amount for the capex expansion.

Ranvir Singh: And the last one that warrant, how much warrant has been converted or it is yet to be converted?

Subbarami Reddy: It is - some warrants we have converted. Right now around 1.6. Almost 30% we have converted. 70% we yet to convert.

Ranvir Singh: So that will get converted in FY '25 fully?

Subbarami Reddy: Yes, FY '25 fully.

Ranvir Singh: That is from my side and thanks a lot. It was a very good number and good call also.

Subbarami Reddy: Thank you sir.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. We have reached the end of the question-and-answer session. I would now like to hand the conference over to Mr. Amit Raj Sinha for closing comments.

Amit Raj Sinha: Thank you all for participating in this earnings con-call. I hope we answered your questions satisfactorily and at the same time offered insight into our business. If you have any further questions or want to know more about the company, please do get in touch with our Industrial Relations Manager at Go India Advisors. Thank you one and all and have a great evening.

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