THE SUKHJIT
STARCH AND CHEMICALS
LIMITED

EVOLVING WITH NATURE

Ref: SSC/VPF/SE/2024-25/3739 Dt: 12/11/2024

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To, The General Manager-Listing Department BSE Limited 25th Floor, P.J. Towers, Dalal Street, Fort, Mumbai - 400 001 **Ref: Security Code: 524542**	To, The General Manager-Listing Department The National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051 **Ref: Symbol: SUKHJITS**

Reg: Transcript of Earnings Call hosted on November 08, 2024

Pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the Conference Call / post Earnings Call hosted by the Company on November 08, 2024 to discuss Q2 & H1 FY25 results, is attached herewith.

You are requested to kindly take note of the same.

Thanking You,

Yours Faithfully,
For THE SUKHJIT STARCH & CHEMICALS LTD

Aman Deep Setia

Digitally signed by Aman Deep Setia
Date: 2024.11.12 10:26:11 +05'30'

Sr. VICE PRESIDENT (FINANCE)
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"The Sukhjit Starch & Chemicals Limited

Q2 and H1 FY '25 Earnings Conference Call"

November 08, 2024

MANAGEMENT: **MR. AMAN SETIA –SENIOR VICE PRESIDENT FINANCE AND COMPANY SECRETARY – THE SUKHJIT STARCH & CHEMICALS LIMITED**
MR. BHAVDEEP SARDANA –SENIOR VICE PRESIDENT AND CHIEF EXECUTIVE OFFICER –THE SUKHJIT STARCH & CHEMICALS LIMITED
MR.RAKESH CHAWLA – SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER – THE SUKHJIT STARCH & CHEMICALS LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to The Sukhjit Starch & Chemicals Limited Q2 and H1 FY '25 Earnings Conference Call. 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. Aman Setia. Thank you, and over to you, sir.

Aman Setia: Good morning, ladies and gentlemen. On behalf of the Sukhjit Group, I Aman Setia, Senior VP, Finance and Company Secretary of The Sukhjit Starch & Chemicals Limited, extend a very warm welcome to all of you for joining us for today's con call to discuss our Q2 and FY '25 results. We truly value your ongoing support and commitment. We want to assure all our current and prospective investors that we are dedicated to achieve strong operational and financial performance.

During the quarter, the company has announced a stock splitthat is a subdivision of the existing equity shares of the company having face value of INR10 each to face value of INR5 each. This will enhance the liquidity of company shares and create value for the shareholders. I trust you have reviewed our Q2 H1 FY '25 financial results, which are available on the stock exchange as well as on our website.

Today, joining us from the management team are Mr. Bhavdeep Sardana, Senior VP and CEO; and Mr. Rakesh Chawla, Senior VP and CFO. For a detailed overview of our financial performance, I will hand over now to our CFO, Mr. Rakesh Chawla.

Rakesh Chawla: Good morning, everyone. Thank you, Setia ji. I am delighted to welcome all our stakeholders to today's call. I would like to provide a detailed summary of our financial results for the second quarter and first half year financial year '25.

In the second quarter, our revenue from operations reached INR363.87 crores, demonstrating a remarkable 13% increase compared to the previous years. This significant growth reflects our ability to leverage market opportunities effectively. Our EBITDA was recorded at INR32.11 crores. Regarding our net profit, we achieved INR16.83 crores as profit before tax and INR12.63 as profit after tax during the quarter.

Looking at our half year results. Our revenue from operations stood at INR753.70 crores, showcasing a substantial year-on-year growth of 17%. Our EBITDA for the period was INR64.15 crores and profit before tax was INR35.0 crores. Our financial -- on financial front, our long-term debt has reduced to around INR79 crores with a very low net debt to equity ratio of 0.14.

Now for operational performance, I will now turn the call over to Mr. Bhavdeep.

Bhavdeep Sardana: Thank you, Mr. Chawla. I'm excited to announce that this quarter, our revenue from operations reached INR363.87 crores, marking a healthy 13% increase compared to the same quarter last year. This substantial growth is a testament to our enhanced sales volumes and the effectiveness of our strategic and operational initiatives.

In the quarter ending September 2024, our company has expertly navigated a challenging landscape marked by pricing pressures, limited availability of raw materials. Despite these obstacles, we continue to experience healthy demand across our markets. The evolving demand of FMCG sector, coupled with the growing needs in the pharma sector, has significantly contributed to expansion of our...

Moderator: Ladies and gentlemen, we have lost the management line connection. Please stay connected while we reconnect them. Thank you.Ladies and gentlemen, thank you for patiently holding. We have the management line back on the call.

Bhavdeep Sardana: Hello. I'll begin my remarks again. I'm excited to announce that the quarter, our revenue from operations reached INR363.87 crores, marking an increase of 13% compared to the same quarter last years. This substantial growth is a testament to our enhanced sales volumes and the attractiveness of our strategic and operational initiatives.

In the quarter ending September 2024, our company has expertly navigated a challenging landscape marked by pricing pressures and the limited availability of raw materials. Despite these obstacles, we continue to experience healthy demand across our markets. The evolving demand of FMCG sector, coupled with the growing need in the pharma sector, has significantly contributed to expansion of our market. Additionally, as India embraces sustainable and eco-friendly solutions, maize starch is emerging as a leading renewable and biodegradable material.

Notably, we have managed to sustain our margins despite pressures from rising raw material prices and its unavailability. We are also seeing a resurgence in rural demand and promising growth opportunities within the paper and textile segments. These dynamics reinforce our confidence in achieving further improvements in both revenue and volume.

With increased demand for maize as a raw material, not only for human consumption but also for power generation to support this demand, government is encouraging maize cultivation and crop diversification to benefit all industrial users.

Our expansion is on track with results from partial commissioning expected to begin in Q3, strategically positioning us for future growth. We are also committed to refining our product portfolio and improving our operating margins.

Looking ahead, we are actively exploring various avenues for growth as mentioned earlier, we are...

Moderator: Ladies and gentlemen, we have lost the management line connection. Please stay connected while we reconnect them. Thank you.Ladies and gentlemen, thank you for patiently holding. We have the management line back on the call.

Bhavdeep Sardana: Yes, I think there's a system error, not a telecom error. Anyway, I'll mention the last point I was making.We are considering both Greenfield projects and acquisition of existing brownfield facilities, carefully assessing market conditions and conducting thorough internal evaluations to take decisions. This strategic approach to expansion is designed to facilitate sustained volume growth and bolster our competitive position within the maize processing industry.

In conclusion, we are confident in the promising trajectory and future prospects of Sukhjit Starch & Chemicals Limited. Our dedication to long-term value creation, strategic initiatives and disciplined financial management positions us well for continued growth.

With a strong foundation and forward-looking strategy, we are exceptionally positioned to seize emerging opportunities and drive sustainable growth in the coming years. Our commitment to innovation, quality and customer satisfaction remains at the core of our success, ensuring we create lasting value for our stakeholders.

With this, I open the forum for any questions.

Moderator: Thank you very much. We will now begin the question and answer session.The first question is from the line of Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: Sir, in last quarter, we had mentioned that we can bridge the gap between us and the industry leader by better setting of our capacities as well as capacity expansion. So there's 1%, 2% of margin gap. So please can you explain how can we reach that like better setting of capacity, how can you utilize our capacities better as well as what percentage would come from the economies of scale in this context?

Bhavdeep Sardana: So it's an ever evolving -- it's an evolving situation. You can see that there's been a considerable jump -- 13% jump in sales for the quarter as compared to the previous year. So that is due to some expansion which came online, and some more will happen. Alongside that, when we look at the larger expansions to also come in, I'm not talking about the expansions we are on the cusp of completion.

But if you look at a Greenfield or a brownfield, so that would add -- especially a Greenfield would add -- we will be considering a large capacity addition, which would be energy efficient which would be -- which would have all the benefits of economies of scale. And that would accrue towards lowering our overall cost. And that would give us industry benchmark -- the best in industry benchmarking for margins, et cetera. We would be going nearer that. I hope that answers your question.

Madhur Rathi: Yes, sir. So I can expect that the majority of improvement that will come in our margin towards the industry leader would be from the new 1,000 tons per day capacity that we are planning. Is that correct?

Bhavdeep Sardana: It can be 1,000 tons, it can be a variable quantity, depending on the product mix we decide for the location.

Madhur Rathi: Okay. Got it, sir. Sir, I wanted to understand how much -- how many months of inventory do we carry on our books. And I think as maize prices are increasing, can you expect the margin improvement due to inventory gains in H2 of this year?

Bhavdeep Sardana: See, we carry about -- again, if we see a stability in pricing, we -- and if we see a forward-looking increase, we tailor our inventory management accordingly. For now, we are looking to be between 2 to 3 months of inventory management, maybe we extend to 4 months also.

Madhur Rathi: Okay. And sir, then you expect some kind of margin improvement from this over the H2?

Bhavdeep Sardana: Yes, that -- we are expecting that with certain extra capacity of products and debottlenecking which we are on the cusp of completion, if that happens, we are hopeful that margin expansion will happen. But again, it's -- we are hopeful and that's the effort. Let's see how the next quarter plays out.

Madhur Rathi: Okay, sir. Got it. Sir, just a final few questions. Sir, what percentage sir, we highlighted that the FMCG and pharma sectors are giving us a market expansion or addressable market expansion in our base portfolio. Sir, so what percentage of our products or the revenue would come from these value-added segments versus the commoditized segments?

Bhavdeep Sardana: We don't share that data. It's confidential in nature. But it is safe to assume that our focus has been for -- in particular for our company, in addressing gaps which were not there. And there were certain gaps in the -- in our FMCG and pharma strategy which we are -- where we are leveraging our locations to address these gaps.

Madhur Rathi: Okay. Sir, just a final question, sir. Our competitor, Gujarat Ambuja, sir, they can import the GMO corn in the (unaudibale) area (0:13:37) and they can export, sir. So the new capacity that we are planning, sir, are we planning on the similar lines? As well as, sir, are there any plans for further forward integration into corn or starch derivatives, like the fermentation derivatives that the competitor is doing?

Bhavdeep Sardana: So I'm not aware of Gujarat Ambuja fermentation production or the status of it. But we are well aware of the number of products which we can manufacture prospectively from maize. Fermentation is a very broad term, and the market for fermentable products is huge. I'm sure the competition has done their diligence. And it's -- the technology is available. We are aware of where to go and get the technology. So if there is a market case for it, if there is a market for it in India, our company would not shy away because it is directly related to our business.

As far as import of maize is concerned, for any Greenfield or as we think that opportunity also exists for at least 2 of our units, so that benefit is there for us also as compared to our competition. And any new unit we set up or any Greenfield project we look at or any brownfield we consider, we will look at all sustainable avenues for raw material security.

Madhur Rathi: Okay, sir. Sir, so any plans or if you can just -- are there any sort of broad outlook of what kind of -- this 1,000 tons per day, what kind of expansion are we planning or in what terms are you planning this expansion right now?

Bhavdeep Sardana: Pardon?

Madhur Rathi: Sir, 1,000 tons per day expansion that we are planning going forward. Sir, so I wanted to understand, has there been any broad understanding? Because you said that in last quarter, there would be a concrete plan in the next 3 to 4 months. So that's what I'm asking regarding.

Bhavdeep Sardana: Yes. So there are certain variables which we are evaluating, and we want to take a decision on a firm footing. So we are a little bit away from that -- for that decision. As far as our intent is concerned, our intent is not there. But being a responsible corporate, the timeline may have to extend because we are unable to lock in on an existing location or on a new site. So the process of elimination is on and it's taking a little bit longer.

Moderator: The next question is from the line of Shivkumar Prajapati from Ambit Investment Advisors.

Shivkumar Prajapati: During the last quarter, you had mentioned that there are potential plant shutdown in China. So just want to understand, like what's the recent development over there? And we were also targeting some international markets like Malaysia, Indonesia and Africa. So could you please share like what all reasons -- regions we are targeting?

Bhavdeep Sardana: So we are looking at the Southeast Asian market. We are -- we have started our export journey, although small but that effort is on. And we've achieved some very initial success, small success, and we are hopeful that it will turn into something bigger. As far as the Chinese starch industry is concerned, I'm not very well qualified, and I don't remember making a statement that their plants were shut. There are certain limitations on them in terms of how they operate. But I can't comment beyond that.

Moderator: The next question is from the line of Kumar Saurabh from Scientific Investing.

Kumar Saurabh: So my first question is the current 1,600 TPD, what is the utilization? And the proposed 400 TPD extension, how we are looking at capacity utilization plan, when it will get fully utilized and what is the asset turn it will work on?

Bhavdeep Sardana: So we are looking at -- presently, we are at about 85% utilization. And going forward, we should be -- we will try to go up to 90%. Because this is the beauty of the small expansion which is available to us, that which -- what we are doing is kind of a debottlenecking. It is akin to adding a large capacity, but at a fraction of the cost. We are nearly complete with our efforts. And this debottlenecking will bring us as close to 90%.

Kumar Saurabh: Okay. And when we'll be able to utilize this 2,000 TPD fully?

Bhavdeep Sardana: So I said that in our opening remarks that by Q3, the full thing should start happening. And by, I think, Q4, we should be fully receiving the benefits or starting to receive the benefits in Q4.

Kumar Saurabh: Okay. And sir, I'm new to the company, so I was looking at history. And somewhere between FY '12 to FY '18, though we grew on sales, the profit remained flat because of the margins contracting. And we are seeing a similar cycle where we are almost at the similar margin where we were in FY '18. So my question is around what happened and during those 6 years, why the profit and the margins couldn't grow? And do you see similar -- being an industry expert, do you see something similar in this cycle repeating?

Bhavdeep Sardana: See, what happened in FY '12, '16, India's base of consumption manufacturing, everything was low. The base effect, if you take that forward to today and the way the government is trying to grow the economy, and I'm talking about the macroeconomics of it. If the way that is going to happen, I think companies such as ourselves which are enablers for all the brands in the market, we are partnering them in the market of -- it's the Nestle's, ITCs, Dabur, the QSRs, if they grow, the quick commerce grows, I think our business is also going to grow at the same pace or the way the demographic dividend goes into lifestyle or what is normal for the middle class.

What is essential for the middle class becomes aspirational for the bottom of the pyramid. So as that happens, I think with money in the pocket and UPI, I think consumption story is going to be good for the country, and companies such as ours should benefit. So yes, these are tailwinds which are positive tailwinds. Minor headwinds do happen.

And I allude to headwinds of probably raw material pricing pressure. India is at the cusp of -- at a tipping point of growing more maize. And this whole demand versus supply for the time being is affecting profit margins of our industry as well as -- I mean, I'm sure of my competition also is feeling the pinch of maize pricing. So this should ease out better.

Kumar Saurabh: Okay. And sir, there was one mention of food park. And I think we are not pursuing it anymore. So what is the role of these food parks and why we are not pursuing this opportunity now?

Bhavdeep Sardana: See, I think you may have misunderstood it. Our food park is fully operational. All assets, et cetera, are being used. We don't see a need for a food park for our business at -- or a new food park for our business or as a business expansion scenario for us specifically. So we are looking at focusing on our maize derivatives business.

We've seen the growth over the last few quarters. And going ahead, our focus -- our immediate focus in the short to medium term is on growing our maize processing business in our existing plants. And as I had mentioned, we are considering expanding. So whether it's a Greenfield or a brownfield, it would be maize processing based only.

Kumar Saurabh: Okay. And sir, last question, and I don't want the exact number because of competitive reasons. But in terms of sectors like FMCG or pharma, where are our broad bigger exposures? Which are our like top 3 sectors? And if you can give a band also, that would be fine.

Bhavdeep Sardana: See, we have 4 locations and we have varying capacities across locations. And we've had to forgo relationships with the blue chip customers, if I may use that term. And the blue chip customers in our proximity to our locations could be in paper, textile, pharma, FMCG. So we foregone certain relationships because we did not have the capacity.

Now when we are on the capacity-adding journey, product-wise or the basic grind-wise, we are adding those. So we are adding what we deemed to be profitable. It may not be that the A sector is better than the B sector. We have seen what is better for our unit. So we are growing accordingly. And because of that strategy, the ratio keeps on changing.

Moderator: The next question is from the line of Keshav Garg from Counter Cyclical Investments.

Keshav Garg: Sir, I just wanted a clarification. Sir, our current installed capacity is 1,600 TPD, which if I understand correctly, in -- by the fourth quarter, it will go to 2,000 TPD. Sir, is that understanding correct?

Bhavdeep Sardana: Yes.

Keshav Garg: And sir, how soon can we ramp up this whole capacity of 2,000 TPD?

Bhavdeep Sardana: How can we ramp up? We have already ramping up. We've been saying -- working on it for the last few quarters and we are on the final leg of completion. Some results have started coming in, as you can see from our sales increase this quarter. And going forward, those results would accrue slowly and slowly. And by Q4, the entire play of the capacity expansion would be in play and Q1 would be -- would see the full effect.

Keshav Garg: Sir, so by first quarter of FY '26. Sir, on a year-on-year, sir, what -- sir, will we see 25% increase in the sales volume?

Bhavdeep Sardana: We are hoping that the sales volume increases by that much, yes. Again, it is a factor of many conditions -- market conditions, et cetera, that will decide. We -- our company focuses more on profitable sales. So we look at what is -- if you need to conserve maize, maybe towards -- to take it forward to the next quarter. And if we don't see margin accretive sales, we may stop and change our product mix, and that may impact overall top line. But yes, the higher volume is available to us.

Keshav Garg: Right, sir. And sir, what is the price of maize? Currently, sir, I understand it has decreased to around INR21 kg, sir, is that understanding correct?

Bhavdeep Sardana: If you are getting it, I'm sure you can sell it to me also. But I'm not -- it's INR21 is not the price. The price at the growing market is between INR22.75 to INR23.50, depending on -- that's the average price, ballpark price is close to INR23, INR23.50.

Keshav Garg: Okay, sir. Sir, so on a quarter-on-quarter basis, sir, has the maize price come down or gone up? Or is it stable?

Bhavdeep Sardana: See, it's too a broader term. These prices have been fluctuating. We are -- when you look at what happens in terms of India, the crop distribution between Rabi & Kharif. So we are at the -- we crossed Rabi. So price goes up after Rabi goes -- Rabi gets consumed and before Kharif comes in. So naturally, there has been a price increase in that period. But now since Kharif has come in, prices stabilized to what Rabi crop was towards the end.

Keshav Garg: Right, sir. And sir, what's our average replacement capex per annum that we need to incur to maintain our facilities and infrastructure?

Bhavdeep Sardana: It again varies. So if you see, we've spent about INR25 crores to INR30 crores on capex this year for debottlenecking, and we do about INR25 crores -- we did about INR35 crores to INR40 crores in the previous year, I think. And that's the figure if I remember correctly. So replacement capex, we are is not that high as compared to, say, a textile industry or someone else.

But again, it depends on how we are wanting to do. But it's not very high. So it would again vary. There's too many variables on it for me to say. But I will not be able to give you an exact figure. Maybe you can send an e-mail if you want an exact figure, and I can come back to you on it. But rest assured in our inventory is not very high.

Keshav Garg: Sure, sir. Sir, so beyond this 2,000 TPD capacity, sir, is there further scope for debottlenecking? Or we'll have to go for a Greenfield expansion?

Bhavdeep Sardana: There will be minor scope for debottlenecking in terms of this thing. But our sites has adequate land. We can add a Greenfield on an existing site or go to a brand-new location. So this is our dilemma. This is what we are working on. You can understand, with multiple locations and avenues, we are talking to state governments, we are talking to the investment promotion agencies of various governments. So we are doing a process of elimination working on that.

Keshav Garg: Sir, and our -- this food park, sir, how big is that food park? And sir, once we lease all of it, sir, what kind of lease -- annual lease rentals can we generate potentially?

Bhavdeep Sardana: See, it's -- we are close to 70% of full utilization in terms of lease rental from the food park and, say, about 30% -- say about 20%, 25% more can be sweated. More so on that, there is land available in the food park for expansion. But we are trying for certain customers to come and set up. We are in talks with them while we are evaluating our growth options. We are trying to pitch potential customers so that we can have a customer supplier relationship within the project site. So that's something new which we are looking at. And as a company, we are working on it. Let us see how that plays out.

Keshav Garg: Sir, so how big is the food park in terms of acreage?

Bhavdeep Sardana: It's 55 acres.

Keshav Garg: Sir, so we are making -- like we made INR34 crores of revenue from food park, which is basically rental. Sir, but on PBT -- sir, on PBT basis, only INR69 lakhs. So rest is all depreciation?

Aman Setia: It's an infrastructure project. So in the initial year, the depreciation is quite high.

Keshav Garg: Sir, so basically, except for depreciation, there is no cost. Sir, basically, it's cash flow only?

Aman Setia: No, there is cost also. The revenue includes the rentals as well as the sale of steam and sale of the different products, which food park is providing to the units inside it. So that involves the fuel cost and the operational cost like the water treatment plant operational costs etc. etc.

Keshav Garg: Okay. Sir, so -- and what's the difference between stand-alone and consolidated? Sir, basically, what is the subsidiary for? What is the business of the subsidiary and plans over there?

Aman Setia So the food park is a material subsidiary we have. You have understood the business of -- it's a lease rental based model. And other 2 subsidiaries are just they are providing some kind of machinery support to Sukhjit. And we don't have any other material subsidiary.

Moderator: The next question is from the line of Naitik from NV Alpha Fund.

Naitik: Sir, I just need a clarification on the 400 TPD that we are adding. Is it entirely through debottlenecking? And if yes, which location is this happening in?

Bhavdeep Sardana: It's not entirely debottlenecking. There is some product expansion, which we've done. So that I would not classify as debottlenecking, and -- but yes. And I must add that all through internal accruals and spread across all our units.

Naitik: Spread across all units, okay. And what would be the money that you would be spending on this then?

Bhavdeep Sardana: We spent close to between INR44 crores and INR45 crores.

Naitik: Got it, got it. And sir, you also mentioned there's been some partial commissioning. Can you give the figure of how much out of this 400 TPD is already commissioned?

Bhavdeep Sardana: See, I would say that some benefits have started accruing in products, where we have experienced an increased production capacity of products. So that helped us. And going forward, once that happens in Q3, we'll be able to share more details then.

Naitik: Okay. Sir, just one last clarification. So out of this 400 TPD, can you at least give the breakout how much is through debottlenecking and how much is brownfield?

Bhavdeep Sardana: I would say majorly would be new product lines, which add certain capacities -- for product capacities, which enable higher grinding. And one could construe that adding a new product in an existing field was also debottlenecking because it helps you process more. So it's a great question, and I don't really know how to answer it.

Moderator: The next question is from the line of Sukhbir Singh from SMIFS Limited.

Sukhbir Singh: Sir, my first question is, is it possible to provide the breakup of the revenue like for starch business, starch derivative and by-product for H1?

Bhavdeep Sardana: Not really. Sorry, we can't share that. Thank you.

Sukhbir Singh: Okay, sir. No issue. And sir, my second question is, like we face pricing pressure in Q2. So like is it going to continue in the near future? Or like is it getting eased out currently?

Bhavdeep Sardana: So we are experiencing pricing pressure. We are experiencing certain -- increased demand for certain products, and we are hoping that pricing pressure for our products, that gets positively offset with the raw material stability. So the effect has been more on raw material input rather than the prices of our finished goods.

Sukhbir Singh: Okay. And sir, my third question is like, what would be the total capex for FY '25?

Bhavdeep Sardana: Around INR32 crores.

Sukhbir Singh: Around INR32 crores. And so, is it possible to provide for FY '26 also, sir?

Bhavdeep Sardana: Your voice is not clear.

Sukhbir Singh: Hello. Am I audible now?

Bhavdeep Sardana: Yes, better.

Sukhbir Singh: Yes. So even for like FY '26, is it possible to provide like...

Bhavdeep Sardana: No, not really. We can't do that right now.

Sukhbir Singh: Okay, sir. And sir, my next question is like on the -- is there any like how much is the time period for the lag of raw material -- increase in raw material price and like the contracts are on a quarterly basis or monthly basis with the customers?

Bhavdeep Sardana: It is a 3- to 4-month lag between maize -- passing on the maize price, let's say, to our customers.

Sukhbir Singh: Okay. And sir, how much time does it take for the -- from the customers who would like to get the approval for a new product?

Bhavdeep Sardana: It depends on from company to company and capability to capability. We can be onboarded by a customer -- a blue chip customer within 6 months because we have the capability of working with them. And I mean, 6 months means starting business. And it could take as much as a year, 1.5 years for a new company which don't -- do not -- which does not have the requisite infrastructure.

Sukhbir Singh: `Okay, sir. And sir, my next -- last question is on the industry side. Like sir, how is the -- what is the size of the like Indian starch market currently? And at what rate is it growing?

Bhavdeep Sardana: See, our industry typically grows -- should grow higher than the GDP. The exact starch market is a guess figure because most of the players are not listed. You cannot understand -- one cannot predict what is their capacity levels or their utilization levels. At -- if you read what our competition says, the listed players, say, and if we infer from that, if we at INR1,500 crores ballpark revenue, if we are around 10%. So you can then take the size accordingly. But these are figures given by others, not by us.

Sukhbir Singh: Okay, okay, sir. And sir, like one more question. On the debt, like how much will we be repaying the debt in FY '25?

Bhavdeep Sardana: There is no debt. We are a debt-free company.

Moderator: The next question is from the line of Aditya from Securities Investment Management.

Aditya: Sir, my question is on your procurement of maize. So generally, how does this happen? So do we procure maize during the Kharif season, which gets utilized over the next 5 to 6 months? Or we are regularly purchasing maize from the market?

Bhavdeep Sardana: See, our maize procurement strategy is catered to ensuring our units' operational stability. And each unit we try between 2 to 4 months of raw material coverage. We try for that. So that drives our strategy. You know our locations are -- we have 2 in the north, 1 in the East, 1 in Center South. So we try to take benefit of the local crop and we try to take benefit of the smaller crops around us and we work accordingly. So each location gets maybe 2, sometimes even 3 crops in a year.

Aditya: Understood, sir. So now on this margin question. Now if I look at your commentary for the last 2, 3 quarters, we have been saying that we are going to increase the prices. But this doesn't seem to be reflecting in the numbers. On one hand, we are seeing that the demand is good. So ideally, the price pass should be quicker. But that is not happening. So if we can just elaborate why is the price pass-through taking so much time? And how is the industry demand supply situation? Is there a situation that there is excess supply in the market which is leading to lagging the price pass-through to the customer?

Bhavdeep Sardana: Can you -- your first part of the question, you asked -- you asked me, 3 or 4 points. I missed out the first 2. Can you be a little bit more clear?

Aditya: Yes, sir. My question was, if I look at the commentary for the last 2, 3 quarters, we have been saying that we are going to pass-through increase maize prices to the customers. But that is not being reflected in the numbers because the margins are still lower. On the second, sir, you have mentioned that the demand is good for the product. So ideally, when the demand is good, the price pass-through should be quicker. But that is not happening. So I just wanted to understand why is that the case?

Bhavdeep Sardana: Okay. So I get what you're saying. And I'll simply say that the price of maize and the availability of maize has been -- the demand for maize crop for industrial use and supply has been very neck to neck. And therefore, pricing of maize and especially by the ethanol players who have to honor their contracts, otherwise they get blacklisted, leads to a certain aggressive covering of maize to ensure that they are not at default of contracts. That leads to a certain disruption in the market which, while the demand for our product is there, as reflected in our sales, the margin gets depleted. I hope that's -- broadly speaking, that's what has happened in the last few quarters.

Aditya: No, sir, I understand the prices of maize has increased. But why hasn't the end product prices moved to a similar extent? Because we've been communicating...

Bhavdeep Sardana: As product prices have also increased but the margin has remained same or shrunk. Our margin has been the same in the last 3 quarters.

Moderator: The next question is from the line of Shivkumar Prajapati from Ambit Investment Advisors.

Shivkumar Prajapati: So I noticed that Gujarat also reported the numbers and their maize division grown by around 6%, but we have grown by like double of that. So does this indicate that we are gaining market share? So any sense on this, sir?

Bhavdeep Sardana: See, a one quarter performance, I mean, we hope to -- if we repeat it quarter-on-quarter. And vis-a-vis competition, if the performance is the same, then only I think the strong entrance can be made. I don't know what their sales strategy has been. I can't comment on that. And -- but yes, we are growing and we want to grow and we want to increase our top line and our operational margin. And our efforts are on to do that.

Shivkumar Prajapati: Okay. Okay, sir. And sir, like, will we witness consolidation in this industry going forward? Because I think just 3 or 4 players are listed rest all are quite small players. And are there any strategies to acquire the small firms in order to grow?

Bhavdeep Sardana: See, if I have to acquire an asset, an existing asset, it has to align with our strategy. And sometimes, it is counterproductive to acquire a very small asset with less infrastructure. Sometimes it is better to build Greenfield infrastructure. So -- if opportunities are there in the market and as I've mentioned in my opening commentary, we are under evaluation and we will only consider buying the brownfield if it fits in with our overall strategy.

Shivkumar Prajapati: Okay, sir. Sir, one more question. Like all the players are expanding their capacity. So is there any like challenge of overcapacity going forward?

Bhavdeep Sardana: I think with our overall GDP growth rate and the way the market is growing, and if you look at Southeast Asia as a region growing, and I'm not talking -- if we ignore China and if we look at other countries in Southeast Asia, the way they are growing, I think the opportunity is there for us. And not everyone in the industry is growing at the same time.

So if the installed capacity is, say, between 15,000 to 20,000 tons per day, simple back-of-the-paper calculation as per other's data, and if you add 6% to it, it is less than 1,000 tons. And 1,000 tons coming every year is not happening.

Shivkumar Prajapati: Okay. Understood. And sir, do we have any plans to foray into ethanol division?

Bhavdeep Sardana: We are evaluating the sector. We are looking at it. It is very easy for us to get into it if we wish to. But our immediate view and our focus is growing the maize business. But we are aligned to the demand of ethanol by Government of India and this opportunity exists for us. But we've not looked at it in terms of immediately setting up any facility.

Shivkumar Prajapati: Okay, sir. And sir, if you talk about fermentation, then how easy or, say, difficult it is to implement these things? And what can be the opportunity size for us if we plan in the future?

Bhavdeep Sardana: I think some pharma companies have pivoted to fermentation within India to grow basic chemicals. And right now, since they are growing for in-house consumption, if they get into the market for exports or selling to others if the market is big enough, we can also explore a particular product out of the entire portfolio of fermentable products.

So it's too early to say that which product one should manufacture and how much they should manufacture. The market is evolving and the opportunity vis-a-vis China, if -- because China has a significant fermentation capacity. Now how that plays out, how the Chinese look at the export market and how competitive India is for the long-term versus how much is India's own internal consumption of fermentable products will decide our decision-making.

Moderator: Due to interest of time, we will take last question from the line of Saurabh Kumar from Scientific Investing.

Saurabh Kumar: Sir, your efforts on the long-term debt has been commendable. We have reduced from almost INR200 crores to INR80 crores. But if we look at FY '22 versus current data, our sales has increased by only 30% whereas our inventories have more than doubled. And also that is reflected in how the short-term borrowings have grown from, I think, INR140 crores to INR260 crores.

So why -- if you can explain why there has been so much of disproportional rise in inventory, which is also leading us to higher short-term debt? And what is the strategy behind it or what is the reason behind it? And can we again go back to same kind of inventory levels with the reduction in short-term borrowing also, proportion to the kind of sales growth we are having?

Bhavdeep Sardana: Saurabh-ji, it's a very decent question. See, our maize procurement strategy was different in 2022. That was the appropriate strategy. So therefore, the inventory was less, so therefore finances, capital portion to inventory was less. As I mentioned that -- and in 2022, ethanol was not a significant player and India had a 15% or a 20% -- up to a 20% surplus for exportable surplus. All our end-user stocks used to be there season to season and also at the end of the year.

What we are seeing now is that there is a monthly industrial demand is consistent. They are close to 2.5 million to 3 million tons. And there are low end user stocks. And our efforts to make sure that raw material sustainability is there has led to a higher coverage, which ensures that our plants are running and we are honoring our commitments in the market and growing our business. But it has a finance cost to it.

Saurabh Kumar: Okay. And sir, in one of the questions, to answer, you mentioned that...

Bhavdeep Sardana: Saurabh ji, I'll further add. Let's say, tomorrow the crop turns 70 million tons. The government is making an effort to get the overall maize crop doubling from 35 million tons. And if there is an exportable surplus, we'll go back to a shorter inventory model.

Saurabh Kumar: Got it, got it, sir. Got it. And sir, 2 small questions. One bookkeeping question. What is our maintenance capex? And second question is, I think in today's con call, you spoke about some corrections you have made in your FMCG and pharma strategy. So if you can elaborate a little bit more about it and how it is going to impact the company growth. These are the 2 questions.

Bhavdeep Sardana: So our maintenance capex varies. Like this year, say, we are doing about INR30 crores, INR32 crores, which is a mixture of, you could say, maintenance capex and forward-looking and new -- either new product addition or something like that. So it will vary year-on-year. And it depends. There is no hard and fast rules as in the, say, a textile industry where maintenance capex is pretty high. But not necessarily for us and the way we choose our plants, et cetera, et cetera plus there is also certain in-house engineering strengths where we keep our capex down. So we don't probably benchmark ourselves to our industry on that point.

As far as adding FMCG and pharma, our more focus has been to drive sales in our -- at our units located in proximity to the customers around us. And when we did not have large capacities or larger capacity of A product or B product, we could not approach certain customers. Now since we've started debottlenecking, adding new products, we are approaching customers who are helping us in improving our operational margins. And that's led to some increase in FMCG and pharma.

Moderator: Thank you. Ladies and gentlemen, this was the last question. I would now like to hand the conference over to the management for closing comments.

Aman Setia: Thank you. I would like to thank everyone for taking out time and joining us on today's call. I hope we have been able to respond to your queries adequately. We look forward to your continued support as we navigate the road ahead together. If you have any further queries, you may reach out to our Investor Relations Partner, Orient Capital. Thank you very much, ladies and gentlemen, and have a good day.

Moderator: Thank you. On behalf of The Sukhjit Starch & Chemicals Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.