To,

Date: 04.02.2023

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

Dear Sir/Madam,

Sub: Transcript of the Earnings Call for Q3 FY 2022-23 Results held on 01.02.2023

Unit: Sigachi Industries Limited

In continuation to our letter dated 02.02.2023, audio recording of Q3 FY 23 earnings call, please find attached herewith the transcript of the earnings call held on Wednesday, February 1, 2023, 5:00 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

SHREYA MITRA

Digitally signed by SHREYA MITRA
Date: 2023.02.04 16:20:08 +05'30'

Shreya Mitra

Company Secretary and Compliance Officer

Sigachi Industries Limited
Q3 & 9 Months FY23 Earnings Conference Call
February 1, 2023

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY23 Earnings Conference Call of Sigachi Industries Limited.

As a reminder, all the participants' lines will be in 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.

I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you, sir.

Anuj Sonpal: Good evening everyone and a very warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the investor relations of Sigachi Industries Limited. On behalf of the company, I would like to thank you all for participating in the company's Earnings Call for the 3rd quarter and 9 months ended of the financial year 2023.

Before we begin, let me mention a short cautionary statement. Some of the statements made in today's earnings call may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to the management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's Earnings Call is purely to educate and bring awareness about the company's fundamental business and a financial quarter under review.

Let me now introduce you to the management participating with us in today's earnings call and hand it over to them for opening remarks. We have with us Mr. Amit Raj Sinha – Managing Director and Chief Executive Officer and Mr. O. S. Reddy – Chief Financial Officer.

Without any further delay, I request Mr. Amit Raj Sinha to start with his opening remarks. Thank you and over to you, sir.

Amit Raj Sinha: Very good evening everybody. It's a pleasure to welcome you to the Earnings Conference Call for the 3rd Quarter and 9 Months the financial year 2023. Firstly, I hope everyone is keeping safe and doing well.

In the interest of some of the people who are new to the company, let me first start by giving a brief overview of the company after which Mr. O. S. Reddy, our CFO, will brief you on the financial performance for the quarter under review.

Sigachi was incorporated in the year 1989, and today, we are one of the leading manufacturers of microcrystalline cellulose in the world. Our company manufactures high-quality cellulose-based excipients which predominantly find usage in the pharmaceutical, supplement, and food industry. The company has created a niche in manufacturing highly innovative pre-formulated excipients and 60+ widely used varieties of excipients of international quality standards apart from customized solutions. From our state-of-the-art R&D facility, we ensure continuous innovation to efficiently meet evolving customer demands.

Our manufacturing facilities – we have two of them in Gujarat and one in Telangana – from where we ensure supply chain reliability to our customers in India and across the globe. Our total capacity of these 3 facilities is more than 13,800 metric tons per annum, which we are further enhancing through our ongoing CAPEX plans to 21,000 metric tons per annum. We, at Sigachi, have a global sales and distribution network and export to more than 45 different countries across Asia, Australia, the American continent, the EU region, and the Middle East.

In recent months, the company has also ventured into certain new business initiatives of OTC and branded generic products and human nutritional products as well.

Now, I request our CFO to give you a brief on the financial performance after which I will give you the operational highlights for the quarter. Over to you, O. S. Reddy.

O. Subbarami Reddy: Good evening everyone. Let me first brief you on the financial performance for the 3rd quarter of the financial year 2023. The operating income for the quarter was around Rs. 69 crores, representing an increase of about 5% year on year. EBITDA reported was Rs. 14 crores, an increase of approximately 10% year on year, and the EBITDA margin stood at 20.35%. Net profit reported was around Rs. 10 crores, an increase of 3% year on year while the PAT margin percentage was 14.24%.

For the 9 months ended for the financial year 2023, the operating income for 9 months FY23 stood at approximately Rs. 230 crores, which was a significant increase of 29% year on year. The operating EBITDA stood at Rs. 46.5 crores, seeing a growth of 21% year on year. EBITDA margins were 20.25%. Net profit stood at around Rs. 36 crores, which grew by 27.5% while the PAT margin stood at 15.77%.

Now, I hand over the call back to our MD to give you the operational highlights. Over to you, sir.

Amit Raj Sinha: On the operational front, the revenue growth for the 9-months FY23 ended was primarily driven by realization growth of 17% and volume growth in the range of 2% on a year-on-year basis. Our focus on high-margin yielding product mix and cost-effective manufacturing processes and effective management of inventory resulted in the increase of EBITDA and profitability. During the quarter, the company was successful in being able to pass on increased freight and raw material prices to the customers.

The company is constantly striving to improve upon its R&D capabilities, cost-effective manufacturing processes, and thereby remaining a manufacturer of choice with the highest quality standards.

With this, we now open the floor for a question & answer session.

Moderator: We will now begin the question & answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Praful Siddharth from Shravas Capital. Please go ahead.

Praful Siddharth: My first question is on the fund-raise which we are doing. We are doing approximately Rs. 300 crores for expansion into intermediates and APIs. Could you please throw some more light on what exactly are we looking at with these new investments?

Amit Raj Sinha: At this moment, we are actively exploring options to see which way we can diversify beyond the excipient range and still have the same customer base; naturally, that is the API and the intermediates. So, we are looking to see various options available. We still don't have anything firmed up but we shall keep you posted on things as and when they are in firmed-up stage.

Praful Siddharth: My second question is, how do you see the demand scenario in the end-user segment? Do you see any slowdown in terms of deferment of orders or anything of that sort, especially in the pharma segment?

Amit Raj Sinha: Praful, what we have seen in the last couple of months is that there has been a slight slowdown in our demand understanding from the developed markets. That's primarily the EU and the US region. We believe that it is kind of temporary and hopefully we will have the 4th quarter being better than the 3rd quarter.

Praful Siddharth: Do you see any volume degrowth in the next couple of quarters or are we going to be alright right?

Amit Raj Sinha: It is difficult to make out if there would be a degrowth but we are working to see how we can get back the volumes that we lost in Q3.

Moderator: The next question is from the line of Munjal Shah from AMA Services Private Limited. Please go ahead.

Munjal Shah: Sir, there are a couple of questions. Firstly, based on the raising of funding for the pharma in the intermediates facility or the plans to move into that range, the entire industry of API basically is too clustered and it's very highly competitive. So, I would like to know your thought process for venturing into the same. My second question is related to trademarks. I think the copyrights and trademarks of R&D are given by the company to the promoters, i.e., Mr. Sinha's Trust. I would like to understand the mindset behind the same. Because, if the trademark and the copyrights remain with the company, I think the intangible value of the company would also increase. Because that is the strength of the entire R&D. I would like to know the thoughts of management on the same.

Amit Raj Sinha: Mr. Munjal, on your first question on the API, what we believe is of course, it is a competitive market. There is no market that is without competition. However, the market which caters to the developed segments like the US or the EU region and which of course have USFDA approval, they are a niche in itself, and there, there is a better level of realization and better levels of margins that come in. At this moment, our lookout is to see that we have such facilities in our fold and that is our current focus. We would not really like to compete among the masses and be looking at competing locally, rather we would be looking at competing on an international level among the USFDA set of manufacturers. In terms of synergies, as of now, these excipients are sold to the formulators. We have developed markets. We have the US and the EU and the Australian region where we are selling a reasonable bit of our excipients. What we see as synergies is that the same set of customers would be our base when we venture out into the APIs because the formulation and the customer remain the same; it is just that we are adding in one more chemistry. That is it. The compliance, the regulatory needs, everything remains the same. It is just one more chemistry being added up. So, I see this as a very good synergy.

O. Subbarami Reddy: On the trademarks, Amit Raj Sinha has spent his personal time and efforts even before joining the company, and after joining the company and he has developed it. Earlier, as a commodity, the company was selling this product, but after HiCel and AceCel different brands he developed and then it was given for free of cost for the company till 2025. 2025 onwards, there is a royalty for 10 years up to 2035. This was the thought behind it. It is completely the hard work and thought process of Mr. Amit Raj Sinha behind this.

Munjal Shah: I would add one more point here. Basically, the company, Sigachi Industries, belongs to Mr. Sinha and the family, right? So, basically, anything which is developed for the company, if it stays inside the company, it would be beneficial for all the stakeholders involved in the company. Because, basis the trademarks on R&D, if it remains with the promoter Trust and not in the company, I think this will be very negative for the minority shareholders because till 2025, yes, the promoters have agreed that the company can use it without any royalty payment, but I think it would be more beneficial for the company as a whole that the trademarks and copyrights stay with the company as because Mr. Sinha is a protomer of the company, right? They are not employed by the company. They are the promoters of the company. So, I would request the management if they can think on the same once again, and also regarding the royalty, I request the management that they can have royalty as a percentage of profits and not a part of the sales, it would be very beneficial on the overall basis. That is just a suggestion from my end.

And one more question I would like to chip in is that we are also getting into human nutrition and the OTC business. Are both these businesses also synergistic to our excipient's business? I hope you are not getting into any diversified field where suddenly the focus can be shifted from our basic products. I would like to have your thought process.

O. Subbarami Reddy: Your suggestion of moving Royalty as part of topline to part of the profits, is anyway under consideration and then we will announce it at an appropriate time. And for branding and all, before joining Sigachi itself, he worked a lot of time, he spent a lot of thoughts & processes, and he created different brands for the company. Anyway, your suggestion of shifting from top line to bottom line, that is under consideration. We will announce it at an appropriate time.

And your second question on food and nutrition, a certain portion of excipients is anyway involved.

Amit Raj Sinha: Mr. Munjal, in terms of diversification to the healthcare segment, if you completely now have a look at what is our intention for the fund-raise, our intention is to grow beyond excipients and get into synergistic APIs. I am sure you would realize that if one is already having a portfolio of excipients and APIs, it would be just as logical to be having brands which are in a B2C space, which is the branded generic space. So, it is natural that we come to a stage where we are able to give our excipients and APIs for job work, get it done at facilities where there is enough capacity available, and when we have a distribution system in place, we just kind of have the consumption happening in the B2C space. That's very logical. In terms of nutritional, it is the same logic because there are ingredients what we are making which go into nutritional space and they kind of get consumed by every other food player as a nutritional additive. So, it becomes logical that these are diversification with literally no negatives, no downsides. These are good diversification to get into because the pharma, food & nutrition, and the branded generic healthcare are just so related. I hope I managed to answer your questions.

Munjal Shah: Sir, one more last question if it is fine with you. Basically, when we are getting into the human nutrition and the OTC business as well as we are getting into API and intermediates, will these divisions or maybe the businesses be margin accretive to our excipients business or we are focusing more on volume-based business? If you can just throw some light on the same.

Amit Raj Sinha: If we look at each of these divisions individually, they might probably be maybe 100 basis points plus or minus around our current margin of 21% to 22%. But if I look at it cumulatively as a vertically integrated pharmaceutical player, the overall benefit in the margin, and the customer perception of Sigachi would add in much more than what it would be on an individual division basis. So, cumulatively together, we would be far more. I believe, over the years, as each of these divisions gain ground and penetrate deeper into the market, we should be staring at far better margins than what we are currently actually having.

Munjal Shah: And we keep on the guidance of growing at 20% maybe for a couple of years coming down the line till we get the new CAPEX in place? I think both plants in Gujarat – Dahej and Jhagadia – probably will start contributing from Q2 FY24 if I am not mistaken.

Amit Raj Sinha: Q2 would be the commissioning and trial. We would probably have a couple of orders but our firm belief is that we would be able to match quality standards from the end of September or maybe the 1st of October. My estimate is that by the 1st of October, we should start seeing this on the balance sheet. Q2 is the trial and commissioning phase where we will have production but we're not really looking at having them on the balance sheet. Maybe we will have to see that there are certain norms which are there in terms of compliance for pharmaceutical products. Once those compliances are in place, we see that happening probably by September. So, by September end, we should start having these on the balance sheet.

And of course, I don't foresee the growth getting lower than 25% year on year. That is our prime focus at this moment and defending the EBITDA margins at this moment is the prime focus. There is nothing else.

Munjal Shah: Can we consider Q2 as the quarterly run rate or Q3 would be…. because till the new capacities come in, I believe all the capacities are fully utilized. I don't know if we have a chance of volume growth. So, can we consider Q2 to be consistent for Q4, Q1, and Q2 in the forthcoming quarters or Q3 revenue would be the consistent run rate?

Amit Raj Sinha: I believe the Q3 of FY24 would show us the CAPEX turning into sales. 1st of October onwards, we should be able to add into the new CAPEX cycle turning into sales.

Munjal Shah: Basically, I wanted to know regarding Q4 FY23, Q1 FY24, and Q2 FY24, when I am considering all these quarters, can we take a run rate of Rs. 80 crores a quarter to be reasonable or it would be around Rs. 70-odd crores?

Amit Raj Sinha: Rs. 80 crores should be very fair. In Q2 of FY23, we have already done a top line of Rs. 84 crores. So, keeping a run rate of Rs. 80 crores over the next 3 quarters is a very fair estimate from our side, sir.

Moderator: The next question is from the line of Raj from Ajaf Partners. Please go ahead.

Raj: Looking at your expansion, how do you think the peak sales would be if expanded to 21,000 tonnes?

Amit Raj Sinha: If you could just amplify the question? Peak sales of 21,000 tonnes? What is it that you are looking at as an answer?

Raj: You talked about expanding your capacities to 21,000 tonnes. On the expanded side, how do you think the sales figure would be?

Amit Raj Sinha: If we just look at our average realization of what we are having as of date and probably maybe over a certain number of years, we add in capacity utilization of 90%, I believe it would be minimal at that level if not more, because realizations, as we go, will only get better because of the product mix.

Raj: If we take 5 years from now, how far do you aspire to take the company to – Sigachi Industries?

Amit Raj Sinha: That's a very long call. I appreciate your thoughts and your long outlook. We believe that investors should come in for the long haul. Our prime focus that as I spoke to Mr. Munjal, our prime focus is that we continue to grow at a minimum year-on-year growth of 25% if not more while defending our EBITDA margins. So, you should see that it could be a slight, related diversification either more market, better products, vertical integration, all these things coming in. And that should be what should be able to defend us in terms of our margins and in terms of the place where we play.

Moderator: The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Sir, firstly, about the volume loss. What has been the loss in volume and the key reasons for the same for this quarter?

O. Subbarami Reddy: Volume for 9 months if we see, this is overall 10,750 metric tons is the installed capacity and around 10,000 metric tons we have produced and sold around 9,859 metric tons. Overall, our utilization is 91% and when we see it unit-wise, at Dahej 85% at Jhagadia it is 97% and at Hyderabad, it is 94%. In 9 months period, it is fine. As far as Q3 is concerned, a little drop is there in volumes. But we hope in Q4, again we will regain and then we perform well. On 9 monthly basis, 91% is the utilization.

Saket Kapoor: On a 9 monthly basis, it is 91% and the dip happened for the 3rd quarter. So, what were the utilization levels for….?

O. Subbarami Reddy: Only thing is had it not been there, it would have increased from 94% to 95%. It is maybe another 2% to 3% increase.

Saket Kapoor: But the revenue dip is more than that, I think Rs. 82 crores to Rs. 69 crores.

O. Subbarami Reddy: Yes, we are seeing in Q2, there is very good growth. Almost Rs. 85 crores we have done in terms of revenue and first quarter also, we have done well. And in Q3, we have done only around Rs. 69 crores. When we compare it to Q2, there is a dip.

Saket Kapoor: What was the reason, sir? Why was the turnover lower?

O. Subbarami Reddy: Market sentiment itself was not good for the 3rd quarter. Normally, when we compare every year also, Q3 when we compare to Q2 and Q4, this is a normal scenario. And this time because the global sentiments were not good, that is one of the reasons.

Amit Raj Sinha: I believe that there are 2 reasons for the dip. Of course, the CFO spoke on the overall sentiments wherein the discretionary spending on nutraceutical or nutritional products has been restricted in the developed markets, primarily the EU and the US. The second reason is that in the 2nd quarter, we had the ocean freight rates abnormally high. And around 65% to 70% of our produce is exported out and our contract terms are mostly CIF. So, our revenue had incorporated the increased ocean freight as well. Now, over the last 3-4 months, we have had a drop in the ocean freight component and there as well, there is a slight reduction in our effective CIF because the ocean freight components have dropped. These two could be the prime reasons attributable to the drop in Q3.

Saket Kapoor: But when we look at our employee cost, employee cost benefits have gone up Q-on-Q from Rs. 8.29 crores to Rs. 10 crores. What explains this increase in employee cost?

O. Subbarami Reddy: The reason for this is we have deployed field staff for OTC and generics and the revenue is yet to generate, and because of this, the employee cost and employee benefit have increased. And also, we have one segment – operational and management segment – wherein the cost of manpower is around 60% to 63% and that business has increased. Normally, when we compare to the total overall income, the percentage of O&M income would be around 6%. This time, it is around 15%, which means around Rs. 90 lakhs there is increase in this quarter. Because of that also, the manpower cost will increase. The portion of O&M income increases because predominantly it is consisting of manpower costs only, 63%. Otherwise, in the manufacturing sector, our regular this thing around 10% is there. But for that, the manpower cost would be higher. That is one reason. We and the field staff already we have deployed for OTC and generics. Because of that, that is the reason.

Amit Raj Sinha: Mr. Saket, I will just add, in the last quarter, we commenced an O&M contract with ONGC, Dahej. Sigachi's team has been deployed at ONGC site Dahej for O&M, and there, we have added around 120-odd people team members there. And those revenues have just started trickling in. That's another reason for the people cost showing reasonably higher than what it was in the last quarter.

Saket Kapoor: Which company you mentioned? I am not getting the name.

Amit Raj Sinha: Oil & Natural Gas Corporation – ONGC.

Saket Kapoor: What is the scope of work for ONGC we are doing? I was looking for the number for the O&M work we do for Gujarat Alkalies also. If you could give the breakup?

Amit Raj Sinha: Gujarat Alkalies, we are doing a reasonable level of different O&M for their plant. Stable bleaching powder, hydrazine hydride, chloromethane, sodium chlorate – these are what we do at GACL. At ONGC, the contract has just commenced and we are still settling down. The exact scope we will be able to tell you once things firm up. Right now, we haven't yet firmed up but the contract has commenced. We should be able to update you at probably the next earnings call.

Saket Kapoor: GACL contribution to the O&M part? Were the utilization levels at 100% for the quarter for the unit we have done work for Gujarat Alkalies?

Amit Raj Sinha: 100% I don't think so because there, again, the production is dependent on the market acceptance of those products. For stable bleaching powder, if the market demand is very good, then automatically it peaks whereas chloromethane and hydrazine hydride, are still in the commissioning stage. The plant was inaugurated by our honorable PM. Both of these plants are still in the commissioning stage and the production has still not reached its peak. In fact, it has not even started its 20% or 30% capacity utilization. It is just at the trial stage. Once it starts peaking, we should have far better numbers in our O&M.

Saket Kapoor: But will you be able to give O&M breakup for this quarter and for the 9 months? And my next question was regarding the preferential allotment part. Sinha-ji, you were mentioning that there will be commercial production of the unit in the 3rd quarter of the next financial year. And the preferential allotment, I think, is we will be raising the capital. There is a deadline of 18 months. So, the shares will be allotted before the 2nd quarter itself?

Amit Raj Sinha: Share warrants have been issued. That makes it to 25% upfront payment and the balance 75% is over the 18 months cycle. Of course, commercial production will commence way before the 18 months expire. But both of these are not really related.

Saket Kapoor: Can you explain then what the purpose of this fund-raising is when you are coming up with a new capacity and diversification? And for that, you have your internal accruals.

Amit Raj Sinha: Yes, that’s right. Saket sir, we had communicated earlier that the deployment of funds for this is for possible acquisition. We are looking at opportunities in the market that synergizes with our product portfolio at this moment keeping our customer base the same. On that account, we are looking at certain opportunities and we are still in discussion and on the active lookout. As and when we have things firmed up, we will come back for the regulatory approval and we will update the stock exchange, sir.

Saket Kapoor: Okay, that is the work in progress?

Amit Raj Sinha: Yes, that is a work in progress, absolutely.

O. Subbarami Reddy: Saket, you had asked about the O&M income. For Q3, we achieved Rs. 6.85 crores and for the 9-month period, we achieved Rs. 17.67 crore whereas, for last year, we achieved around Rs. 13.4 crores.

Saket Kapoor: So, this year we will be ending somewhere around Rs. 26 crores or Rs. 27 crores, briefly?

O. Subbarami Reddy: That is futuristic, but we hope we will achieve it.

Saket Kapoor: Last one more point, sir. How will the profile of the company look post the expansion which we have envisaged today? How the revenue mix will looks like from the different segments? If you could give us some color. And lastly, also, sir, how did you build these books? I think we have a lot number of allottees when we see the list. What process did we follow in building up this book in getting these people as the preferred allottees? Only to understand the process. Barring these 2 big funds, there were even people getting 5,000 shares. What was the process followed for the 60 lakh warrants which were issued to around 63 individuals?

Amit Raj Sinha: In terms of the process being followed, I believe that there were only 2 sectors, the promoters, and the non-promoters. In terms of non-promoters, we had a select group and among them, it was between them to decide to see who is it that would be coming in and who would be the allottee. It was on them to see how they broke it up between themselves. No specific structure was followed. The structure was followed for the promoters' side, but of course, on the non-promoters' side, it was internal to them. There was no specific structure that was followed.

In terms of which way, the company would look when all these divisions grow and expand, I believe what we are heading towards is we are laying the seeds for being a healthcare conglomerate having expertise in the excipient chemistry, building on expertise or by virtue of acquisition in API chemistry, developing distribution system for the healthcare B2C segment and of course the O&M which also on the B2B part. On the B2B part, we also have the related diversification of food & nutrition. I believe the biggest among all these verticals would be the pharma vertical which would probably contribute 60% to 70% of our revenue a couple of years down the line. Balance 30% of our revenue would come in from all other verticals. I hope I answered your question.

Moderator: The next question is from the line of Rajesh Jain from NB Investments. Please go ahead.

Rajesh Jain: Sir, I had 2-3 questions. The first one is the reason for the delay in the commissioning of our plant at Dahej.

Amit Raj Sinha: We have had approximately a 2- to 3-month delay from what we are seeing. One of the prime reasons for the delay is certain civil works, civil contractors, and certain equipment not being received as per schedule because certain big equipment like spray dryers which can only be built once the equipment is positioned. The civil work can only be completed once the equipment is in position. On account of that, we are staring at a 2- to 3-month delay. That is one of the prime reasons.

Rajesh Jain: Second is regarding the CCS plant. What is the status of the approval from the pollution board?

Amit Raj Sinha: We have submitted the environmental clearance application. We believe that we should get the EC within the next 6 months. I believe that in another 6 months, we should be in a position to commence civil work. Because, while the EC approval comes in, all the groundwork for layout approval and every other non-pollution approval would be placed. The moment the EC documentation is through, we would immediately commence with our civil work and of course every other planning which is entailed in a project planning.

Rajesh Jain: As and when you get the approval, how many months it would take to commission the plant?

Amit Raj Sinha: My estimate is that, on the optimistic side, it would be 15 months; on the pessimistic side, it would be an 18 months cycle, not more than that.

Rajesh Jain: And my last question is, for both these new ventures – the premix as well as the OTC products – we were expecting some contribution during the current financial year. If you could give us the latest status of these 2 ventures?

Amit Raj Sinha: In the current financial year, we believe that these should add up to a couple of crores at this moment. These couple of crores are primarily on account of certain trial lots, certain trial dispatches, and certain trial orders coming in from certain select customers. We are still sampling a lot of other customers. We are pushing aggressively for sales in certain new markets because here the customer profile changes. I believe that both of these independently would add up to a couple of crores in the current financial year.

Rajesh Jain: When we had spoken, maybe not in the previous call, maybe 6 months back, it was given that around Rs. 10 crores to Rs. 15 crores or so revenue would come from the premix. Can that be expected during the current financial year?

Amit Raj Sinha: No, sir. It was our overestimation when we spoke of that. I agree with you because I recollect that we had estimated a reasonable positive. However, probably on account of certain international scenarios, certain markets are rather dull. So, we believe that it should only be a couple of crores for each of these segments towards the end of this financial year.

Rajesh Jain: But based on whatever the initial reaction and also getting the customers' reaction, how much we can expect in the next financial year for these 2 divisions?

Amit Raj Sinha: On the positive side, we are looking at, at least Rs. 10 crore to Rs. 12 crore on each of these verticals.

Rajesh Jain: Irrespective of these 2 divisions' contribution, still you are confident of achieving 20% growth on the overall company's revenues for next year?

Amit Raj Sinha: Yes, sir, absolutely. That remains our prime focus. And we believe we can because we will have new capacities come in into our core product and that should give us a jump.

Moderator: The next question is from the line of Sushrut Gokhale from Caprize Investments. Please go ahead.

Sushrut Gokhale: Last H1, our volume was 6,800 metric tons. And for these 9 months, we have a volume of 9,800 metric tons. In the last con-call, you mentioned that in FY23, we will do somewhere around 14,000 metric tons. Still, we are on that guidance or would you revise it?

O. Subbarami Reddy: 14,000 metric tons is the yearly capacity right now that is available and post expansion that would be 21,000 metric tons capacity. That is the overall capacity available.

Sushrut Gokhale: What will be the full-year volume guidance for FY23 and maybe for FY24?

O. Subbarami Reddy: That is futuristic but somewhere around 13,000 odd would be there nearly 14,000 metric tons.

Moderator: The next question is from the line of Praful Siddharth from Shravas Capital. Please go ahead.

Praful Siddharth: Since you said that we will be targeting developed markets for the APIs and intermediates, would the focus be more on the generic side of the APIs or how do you look at things panning out here?

Amit Raj Sinha: In the beginning, we would want to take care of our cost structure by focusing on something like the generics, but as we go deeper into whatever company we look at acquiring, our objective would be to see how we have the regulated system come in. We have DMF filed with the USFDA and probably see how we can gradually focus on better ones like ANDAs because that is where the actual cream lies.

Praful Siddharth: But what do you think would our right to win be in this generics market because already the competition intensity is very high. What would be our right to win? Because we got to build on our cost structures very effectively to actually win the market. How do you see this playing out?

Amit Raj Sinha: If I can understand your question correctly, you are asking me where you see yourself in the generics market. Is that so?

Praful Siddharth: Yes, sir. I mean, we need to compete in terms of costs, right? Because, in the US market, the reality is you got to win based on your costs. Do you think we can get to that position?

Amit Raj Sinha: Yes, sir. There is technological competence available. It is very much possible. There are players who are making 28% to 30% EBITDA in the developed markets. So, nothing actually stops us. However, when we look to acquire a plant, we can't really start off running a full marathon on the first day. You have to gradually build it up. I believe that starting off with generics taking care of the cost structure and gradually transforming ourselves to be able to put in a DMF application and getting it approved and having it audited would set us apart.

Praful Siddharth: But don't you think we are spreading ourselves too thin? Because, we have already entered into OTC, healthcare, nutrition, and now APIs and intermediates.

Amit Raj Sinha: I believe that when the company is small and flexible, there is a lot possible. When it becomes big and rigid, it gets difficult. The downside of getting into all of this is absolutely nil. There is no downside, there is no negative. I don't really have to fear any kind of risk coming in. It is just complementary product lines, the same customer, or the same raw material being there. So, I believe that these are very good things and that will only make us stronger through this kind of diversification.

Moderator: The next question is from the line of Kushal, an individual investor. Please go ahead.

Kushal: On the manufacturing facilities side, in Dahej, Jhagadia, and Hyderabad, there are 3 facilities and one more facility is leased out on the nutrition segment for a 9,000 metric ton capacity. It is already there, right?

Amit Raj Sinha: Yes, this is already there.

Kushal: Regarding the products when I Google, are the products similar to Herb life or Amrith Noni in Karnataka or plant proteins like that type of products?

Amit Raj Sinha: No, these are not finished products in the nutritional line. These are nutritional premixes based on label claims of the finished formulators in the nutritional or in the foods segment. These are nutritional premixes.

Moderator: The next question is from the line of Manav Vijay from Deep Financial Consultants. Please go ahead.

Manav Vijay: On a YoY basis, you have reported a 5% top-line growth. Am I right?

O. Subbarami Reddy: Yes.

Manav Vijay: Now, in the PPT as well as in the opening remarks, it was mentioned that you had a 17% volume growth and a 2% pricing growth.

Amit Raj Sinha: It was vice versa that the volume growth has been muted at just about 2% because we are already at our peak capacity utilization. So, the volume growth isn't much, but the realization growth has been fair.

O. Subbarami Reddy: Quantity is 2% and the value is 17%. That is exactly right, sir.

Manav Vijay: Sir, you have reported a 5% top-line growth of Rs. 69 crores, I believe, against Rs. 65 crores or Rs. 66 crores last year. This 5% top-line growth is a combination of pricing growth and realization growth.

O. Subbarami Reddy: Pricing is realization only. Pricing and realization both are the same.

Manav Vijay: Sorry for that. Pricing and volume. You're saying that you had a pricing growth of 2%.

O. Subbarami Reddy: Yes, that is growing in quantity, i.e., 2%.

Manav Vijay: The volume grew by 2% and pricing grew by 17%. That means sales growth should have been 19% and not 5%. I have not been able to correlate these 2 numbers, sir.

O. Subbarami Reddy: You are comparing the total turnover. That is different. But your pricing is the realization of a sale. Again, your total turnover depends upon the sales mix. We have different products. It depends upon the sales mix. The quantity for 9 months last year was 9,567 metric tons and this year 9,760 metric tons. There is a 2% difference for 9 months.

Manav Vijay: I am talking about this quarter. Because, in the PPT as well as in the opening remarks, it was specifically mentioned 17% and 2%. Help me to understand this dichotomy, please. I am sorry I am harping on this question.

O. Subbarami Reddy: No problem. The overall top line is 5%. The breakup is a quantity that is 2% in pricing for 9 months. For Q3 versus Q2, again, there is not much difference. 217.14 will be the realization for 9 months and for the first half year, it is 217.04. Hardly there is a very minute difference.

Manav Vijay: I have not been able to…..

O. Subbarami Reddy: In the 1st half year, the average realization is 217.04 and the average realization for 9 months is 217.14. Hardly there is any difference. In volumes, a slight dip is there. But when we compare it to the previous year, then there is a growth of 5%. But we are comparing the previous year's Q3 versus the current year's Q3, then there is growth. And we are talking about exactly for 9 months we are comparing with the…. you are talking about Q3 of last year versus current-year Q3 and here we are comparing 9 months' figure. That's why there is a difference.

Manav Vijay: So, what you are saying is that this 17% growth and 2% growth is in the 9 months and not in these 3 months.

Amit Raj Sinha: That's right. There is a mistake, an oversight there. It is actually for 9 months. It's not really for the quarter.

Manav Vijay: But sir, if I see on a 9 month basis, your top-line growth is around 29%. Am I right?

O. Subbarami Reddy: Correct.

Manav Vijay: So, what you are saying is that, out of that 29%, 17% belongs to volume and 2% belongs to the pricing or vice versa and the rest is the OEM work that you do?

O. Subbarami Reddy: Yes, other income is there.

Amit Raj Sinha: Other incomes are food & nutrition, the healthcare part.

Manav Vijay: Just as a matter of suggestion to you, since these 2 segments which you operate, MCC and the O&M, these two are, I would say, they are very different segments. From next quarter onwards, if you can provide these segmental numbers that would really make our lives slightly easier while doing the comparison.

Amit Raj Sinha: Clear sir, a point noted. We will do that.

O. Subbarami Reddy: If at all it is required, then we will provide it.

Manav Vijay: My second question to you, Amit, is that in this preferential allotment, you are also taking roughly 50% of this. So, it's a commitment of around Rs. 150 crores to Rs. 160 crores – a large commitment. Help me to understand from where you, let's say, intend to generate this much money that you will be putting in.

Amit Raj Sinha: I will be generating this from my private sources.

O. Subbarami Reddy: We will raise debts. We will take loans on the personal front of the promoters. Promoter fund we will be raising.

Moderator: The next question is a follow-up question from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: I missed the last comment. For the fund-raising exercise, the source of funds for the promoters would be a personal loan. That will be how you would be funding.

O. Subbarami Reddy: Yes, promoter funding we will go for and then we will take it.

Saket Kapoor: Out of the total issuance of 1 crore 10 lakh warrants, 50 lakhs is from the promoter category, Mr. Amit Raj Sinha, and his family. For that funding, sir will be borrowing money and then subscribing to the same?

O. Subbarami Reddy: Yes, borrowing money and investing in the company.

Saket Kapoor: Mr. Sinha, what could be the reason then you have to borrow money and then go for the subscription? You would have kept your stakes lower and allowed…. That puts the interest costs and also the risk on your part to repay going ahead. Just a basic understanding of the same.

Amit Raj Sinha: Saket sir, I would put it the other way. I would put it that if the promoter is so confident in borrowing money and growing the company, everybody else should be happy about it.

O. Subbarami Reddy: Saket, otherwise, if any dilution, then that will be viewed negatively. When the promoter has got confidence in the business, then that is a good gesture only – investing. Anyway, the company requires the capital, the growth capital is required and the promoter is infusing the capital.

Saket Kapoor: For the 1s half, I think the capital work in progress was around…. In your PPT, it was mentioned that it is around Rs. 18 crores TWIP. What will be the capitalized part going ahead? How much would we be capitalizing for the year and the total CAPEX for….?

O. Subbarami Reddy: Once the projects of Dahej and Jhagadia are complete, then we will be capitalizing around Rs. 59 crores to Rs. 60 crores.

Saket Kapoor: But when I look at your balance sheet part, H1 shows Rs. 18 crores. And I think the year-ending was around Rs. 9 crores only. So, I didn't get the number, Rs. 59 crores.

O. Subbarami Reddy: That is in Q2 of next year. Once that capitalization happens…. We are not talking about 31st March. 31st March also, it would be there in capital work in the process only. Unless the commercial product comes out, we will keep it under capital work in progress only. And once this commercial production commences, then we will capitalize the entire Rs. 58 crores or Rs. 59 crores.

Saket Kapoor: Sir, just if you give me the breakup for this Rs. 18 crores, the one which is lying as of September….

O. Subbarami Reddy: Rs. 18 crores, which is completely towards this capital work in process and which we are spending towards the completion of the ongoing projects. That itself is for the spend towards the expansion.

Saket Kapoor: And this will increase to Rs. 59 crores?

O. Subbarami Reddy: Yes, after completing. Once we complete these projects by the end of September, that will increase to that extent because the total cost for increasing the capacities to 21,000 metric tons by increasing another 7,000 metric tons at Dahej and Jhagadia, the amount we are going to spend is around Rs. 58 crores to Rs. 59 crores or around Rs. 60 crores, you can say.

Saket Kapoor: Two line items. One for the other income and the other for the other expenses part. When we look at your 9 months' other income, that has moved up to Rs. 5 crores. And last year's total year number was Rs. 2.63 crores. What constitutes this?

O. Subbarami Reddy: Other income constitutes the foreign exchange gain and the interest income on our margin money deposits and fixed deposits. And around Rs. 3 crores odd is towards foreign exchange gain due to fluctuation – dollar appreciation or rupee depreciation. Because net forex earnings are there, that's why there is a gain in foreign currency fluctuation.

Saket Kapoor: To the other expenses part, we see a quarter on quarter, there is a dip from Rs. 18 crores to….

O. Subbarami Reddy: Other expenses majorly consisting of the freight element. The freight costs have come down. That's why there is a decrease in other expenses.

Saket Kapoor: That is again factored into your revenue also.

O. Subbarami Reddy: Yes, obviously. That is one of the reasons for the decrease in the total revenue. It is a small impact, but that is also one of the reasons. Otherwise, that would be included in the selling price and at the same time, the expenses will be under the other expenses.

Saket Kapoor: So, that gets the net off?

O. Subbarami Reddy: Yes, that gets net off.

Saket Kapoor: And sir, what is our working capital requirement? How much funds we will need in the next….

O. Subbarami Reddy: Roughly, it is 90 days cycle.

Moderator: Ladies and gentlemen, due to paucity of time, that would be our last question for today. I now hand the conference over to the management from Sigachi Industries Limited for closing comments. Thank you and over to you.

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 investor relations manager at Valorem Advisors. Thank you, stay safe, and stay healthy.

Moderator: Ladies and gentlemen, on behalf of Sigachi Industries Limited, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.