

Company Name: Sigachi Industries Limited**Operational Highlights:**

- Sigachi is a 32 year old company which started their manufacturing unit at Hyderabad in the year 1989 by originally producing paraffin oil but gradually shifted its attention towards cellulose based excipients.
- The company is the leading producer of Microcrystalline Cellulose (MCC) in India and has a wide product range of 60+ MCC grades.
- Sigachi is also the number one player in pre-formulated excipient across the globe and also has been awarded two patents in this category of products.
- A total of three strategically located manufacturing facilities in Hyderabad, Jhagadia and Dahej with a total installed capacity of 13,200 MTPA.
- Sigachi holds a long standing pan-India presence along with export operations in 45 countries across globe including America, Australia, UK and many more which gives the company a distribution strength.
- Sigachi holds 22 approved Drug Master Files (DMF) the USFDA, 3 Suitability Certificates from EDQFM and also holds many certifications required by regulated markets of UK, Australia, etc.
- Operating in multiple segments, Sigachi's prime business pharma vertical constitutes 75-77% of the revenue, while food and nutraceuticals contributes to 13-15% whereas the cosmetics and chemical segments combined make up 7-10% of the total turnover.
- Most of the pharma growth comes from the traditional line of business that is the solid oral dosage form. Other forms include injectables and nasal sprays.
- Lately, Sigachi has forayed into co-processed excipient where the tablet manufacturer just has to take the active ingredient and blend it with this inactive excipient instead of taking different functional excipients that was done previously.
- In terms of sales, the company is predominantly export oriented wherein 15% of the revenue comes from the US, 14% from EU including UK and approximately 12% from Australia.
- MCC plays as integral role as an anti-caking agent in the food industry. Sigachi exports more than 400-500 tonnes to one of the biggest dairy in the Australia and NZ market.
- Another important property that the cellulose imparts is anti-crystal formation in ice-creams and yogurts. The ice-creams which we get today are absolutely good to the mouth feel and this is because of MCC.
- Cellulose beads that are used in facial scrubs which makes skin look clearer and healthier is one of the product that Sigachi manufactures in cosmetic segment.
- Sigachi aims at growing domestically and globally by increasing MCC capacities at Dahej and Jhagadia through brownfield capex and also foraying into Croscarmellose Sodium by undertaking a greenfield capex.

Key Questions & Answers discussed during the Conference:

- **Where are the competitors placed in international market geographically and who are they?** We have competition majorly in developed markets such as Taiwan, Ireland, Netherlands, USA, etc. Du Pont from America is the leader in excipients, followed by JRS Pharma which is Germany based company, then we have company from Taiwan named Mint Tai.
- **Is there any substitute to cellulose based excipients in solid oral dosage?** In Solid oral dosage there is no substitute of cellulose based excipients and its been in market for more then 65 years now.
- **Why would a formulator buy excipients from Sigachi?** Our certificates that we hold for quality and our manufacturing facilities gives them comfort and confidence to buy products of Sigachi.
- **How is Sigachi able to survive giants such as Du Pont extra?** One is pricing and other what I think is comfort of finding products of wide range and tailor made according to the needs. Also, our product adds more value as we prepare our products after a detailed conversation with customers and understanding their needs.
- **Sourcing of wood pulp from domestic manufacturers could give better margins then why are we not doing that?** Sourcing wood pulp from Indian manufacturers could give better margins but many a times in the past it has happened that quality of wood pulp is not consistent, and we cannot stand that as the quantity we manufacture is of 1,100-1,200 tonnes per month and the customers are also going to react for inconsistent quality.
- **In the long run, which segment will contribute more as compared to MCC pharma?** The growth of pharma segment is now steady. But in the food industry segment, Sigachi is still tapping surface though 13-15% of revenue is contributed by this segment, but this is still negligible. India's consumption of processed food is 10% households. So, as employment among female increases there is direct relation of increase in consumption of natural processed food and every natural processed food comes with cellulose fibre. So, growth in cellulose in food segment is tremendous.
- **India is net importer of MCC and Sigachi is exporter, so is Sigachi planning to expand in Indian markets?** Sigachi is not much focusing on Indian market due to inherent reasons as export markets are more matured, they pay more timely also there are many incentives paid by government for exports and in export market regulatory certificates hold better value as Sigachi has many certificates approved such as US FDA, European FDA. So we are able to show case ourselves better.
- **Is any segment seeing stagnation stage?** Pharma industry continues to grow and specially the external factors now contributes to growth, food and nutraceuticals industry has seen tremendous growth in last 2 years. Cosmetics constitutes to minor chunk and last 2 years were difficult but things do seem to be clearer. Sigachi is not seeing any vertical which is getting stagnant.
- **What are the entry barriers?** Sigachi manufactures variety of products ranging from 5-80 microns and huge range of complexity is involved in the process to prepare goods.
- **Due to current external factors there must be rise in cost of manufacturing?** We see increase in prices because all the prices have gone up, fuel costs have gone up tremendously, But positive part is we are able to pass on price increase to our customers.

- **How is price volatility managed?** 80% of pulp required throughout the year is contracted with 5 companies and for rest 20% it is opportunistic. So, when there is price drop or supplier has more stock the company tries to procure at a discounted price. Even in sell side we have contractual agreements supporting price volatility. But in semi-regulated markets such as Middle East, Africa, Russia, etc. pricing is done quarter to quarter.
- **What is Sigachi's competitive advantage among giants and what is our market share?** For 32 years we have been mastering cellulose base chemistry only, by understanding morphology, powder and all. So, mastering this has given us an edge among others. Also, we are comfortable at tailor made products for our customers by understanding their needs and preparing accordingly. Also, ground work which we do at our R&D Labs and innovations which we are able to bring.
- **Sales of entire INR 180-190 crores is coming from MCC right now?** In our product portfolio, we have operations and management revenue also coming in. There are certain trading products which are being manufactured at contract manufacturers place and which are being exported out along with other cellulose based excipient to our customers. This all sums up roughly 5%. So it is not completely MCC.
- **What is terms of agreement between Gujarat Alkalies and Sigachi?** The company has operations and management agreements with Gujarat Alkalies and Chemicals for operating and managing the manufacturing units owned by GACL and for contract manufacturing of sodium chlorate, stable bleaching powder and poly aluminum chloride. We were able to increase our capacity by 35% without incurring any capex and the time frame of contract is of 5 years.

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