

**Sigachi Industries Limited**  
**Q4 FY23 Earnings Conference Call**  
**May 29, 2023**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Sigachi Industries Limited Q4 FY23 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 this conference call, please signal an operator by pressing “\* then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Chaiti Gujarati from Valorem Advisors. Thank you and over to you, Mr. Sonpal.

**Chaiti B. Gujarati:** Good morning, everyone. Welcome to you all. My name is Chaiti B. Gujarati from Valorem Advisor. 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 earning conference call for the 4th Quarter and first half of the financial year 2023.

Before we begin as always let me mention a short cautionary statement. Some of the statements made in today’s concall maybe forward looking in nature. Such forward-looking statements are subject to risk and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management’s belief as well as assumptions made by and the 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 financial quarter under review.

Now let me introduce you to the management participating with us in today’s earning’s call and give it over to them for opening remarks. Thank you and over to you for Mr. Amit Raj Sinha, managing Director and Chief Executive Officer and Mr. and OS Reddy – Chief Financial Officer and Ms. Shreya. Mitra – Company Secretary. Mr. Amit Raj Sinha. Please take over.

**Amit Raj Sinha:** Thank you, Chaiti. Good morning everybody. It is a pleasure to welcome you to the earnings conference call for the 4th Quarter and the Financial Year Ended 2023.

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. OS 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 pharmaceutical supplements and the food industry. The Company has created a niche in manufacturing highly innovative pre-formulated CPNs and 60 plus widely used exceptions of international quality standards apart from offering customized solutions. From our state-of-the-art R&D facility, we ensure continuous innovation to efficiently meet evolving customer demands.

We have two manufacturing facilities in Gujarat and one in Telangana. from where we ensure supply chain reliability for our customers in India and across the globe. Our total capacities of all these three facility 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 chains and distribution networks exporting to more than fifty countries across Asia, Australia, the Americas, Europe and Middle East.

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

**OS Reddy:**

Thank you, Mr. Sinha and good morning everyone. Let me first brief you on the 4th Quarter financial perform. The operational revenue for the quarter was Rs. 72.4 crores, representing a flat growth on a year-on-year basis. EBITDA reported was Rs. 12.2 crores, a decrease of approximately 16% year-on-year and the EBITDA margin stood at 16.85%. Net profit of tax reported was Rs. 7.3 crores, a decrease of 37% year-on-year, while the PAT margin was 10.08% a decline of 592 basis points on the year-on-year basis. For the financial year ended 2023, the operational income stood at Rs. 3 lakh 2 crores representing an increase of around 21% compared to FY22. Similarly, operating EBITDA stood at Rs 58.7 crores, an increase of 10.5% year-on-year. EBITDA margin are reported at 19.43% net profit stood at Rs. 43.6 crores, an increase of 8.7% year-on-year and PAT margin stood at 14.43% during FY23. Now I hand over the call back to our MD to give you the operational highlights.

**Amit Raj Sinha:**

Thank you OS Reddy. On the operational front, the revenues for the quarter Q4 FY23 primarily was driven by the realization growth of nearly 15% on year-on-year basis. The focus on high margin yielding product mix and cost-effective manufacturing processes, effective management of inventory resulted in an increase in EBITDA and profitability. During the quarter, the Company was successful in being able to class 1 increase rice and raw material prices to the customer. The company is constantly striving to improve upon its R&D capabilities and cost-effective manufacturing processes and thereby remain a manufacturer of choice with the highest quality standards. With this, we open the floor for further question and answer session.

**Moderator:** Thank you. We will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Our first question comes from Aditya with Motilal Oswal Financial Services. Please go ahead.

**Aditya:** So, we wanted to understand that incrementally when we are looking at the ROEs and ROCs on a year-on-year basis they are going. So, how should we read this?

**Amit Raj Sinha:** What I understand is that you have a concern on the drop in the ROC and the ROE.

**Aditya:** So, incrementally is going down and even when we adjust for the capital working together, understand that the set is yet to generate revenue for the Company, but when we even adjust for that, it is coming down even though our realizations year-on-year is going up. So, just wanted to understand from you how the?

**Amit Raj Sinha:** That is right, Aditya. But what I see is that the drop is on account of the additional CAPEX that is being put in into the two facilities where it is in the last stages of the CAPEX cycle and very soon we should be seeing this being commercialized. So, what I believe is once the CAPEX cycle gets commercialized, we should start seeing it getting better back to the FY21 figures.

**Aditya:** Okay and in FY23 when we compare employee benefit expenses, it has it close to double. So, what are we investing in and where? Where are the expenses going towards?

**Amit Raj Sinha:** Yes, Aditya actually could just I mean repeat the question what has doubled?

**Aditya:** Employee benefit expenses, salaries.

**Amit Raj Sinha:** Okay. So, you mean the people expenses, yes, correct.

**Aditya:** So, it has gone from 21 crores to 38 crores.

**Amit Raj Sinha:** That is right so if you see the various verticals we are operating in prime among them are the operation and management contracts and over and above that, we also have the healthcare vertical. So, in O&M, what we have seen is over the last financial year our revenues in that particular vertical have nearly doubled. More than doubled. So, along with that, because that is the contract wherein we supply expertise and the team to run the plants, the overall cost expenditure for that O&M vertical has gone up reasonably high and that of course shows on the master balance sheet. Parallely in the healthcare vertical, what is seen is that, as you start, taking baby steps of penetrating into various markets, you need to have a setup of team members to be able to run and operate at various, local talukas, districts and we have been having a reasonable hire. Now, in spite of the reasonable hire, these the healthcare vertical, does not translate itself to an immediate as much sales. So, we should see the sale going up in the current financial year and it should definitely be better when compared to the people expenses vis-a-vis be the top line.

**Aditya:** Got it, sir. Also wanted to understand just one question before I go back to the question queue. Wanted to understand from you your strategy and when do we plan to launch (Inaudible) 0:09:46.2 and also we have because we had highlighted in the perspective that we start investing from FY22 to FY23 and we are not.

**Amit Raj Sinha:** So, yes, if I can understand the question correctly, Aditya when do we plan to launch? I did not get it.

**Aditya:** The CCS, the Croscarmellose.

**Amit Raj Sinha:** Yes, the CCS, Croscarmellose. So, the Croscarmellose this moment the application for the environmental clearance has been accepted by the Ministry of Environment and Forests and it is under scrutiny where what we believe is in the next four to five months we should have the approval and immediately with that we should be commencing our civil work and once the civil work commences, we should take an estimate, 15 to 18 months before the commercial production starts showing on the balance sheet.

**Aditya:** Sir more questions, I will get back into the question queue. Thank you.

**Moderator:** Thank you. Our next question comes from the line of Meet with Niveshaay. Please go ahead.

**Meet** Yes sir, can you provide some guidance or update on the CAPEX side?

**Amit Raj Sinha:** CFO, would you be able to bring out the details?

**OS Reddy:** Yes. This CAPEX we are incurring the expansion is going on at our existing brown facilities Jaghadia and Dahej the facilities once after this expansion additional 7000 metric tons per annum capacity will come into force and almost this will come into operational from October. FY2023 onwards, coming October onwards, it will come it is almost in the verge of completion. This is the status anything you would like to more for now more further.

**Meet** Second question is, what is our current realization?

**Amit Raj Sinha:** Could you please repeat the question?

**Meet** What is our current realization?

**Amit Raj Sinha:** Current realization is around the average realization is around 208.85 we can say 209.

**Meet** Can you repeat the figure? What is this?

**Amit Raj Sinha:** 209.

**Meet** 209, okay and what is the guidance for the revenue growth in FY24?

**Amit Raj Sinha:** Yes, we hope this will continue because in FY23 we could not do much more because the expanded capacities, we did not come into operational and these are expected to come into operational. From October onwards, second and third quarter onwards, total revenues will pick up and the realizations also and the growth rate will continue.

**Meet:** OK, sir my last question is revenue growth in FY23 was primarily driven by price growth so any guidance for the volume. Right. So, any guidance for the volume growth in FY24.

**Amit Raj Sinha:** Yes, that is correct. Yes. The expanded capacities are coming into force from October onwards. Right now we do not have the capacities enough to sell more quantities, almost we have achieved the complete at around 95% of utilization is we are running the capacity and October onwards, the enhanced capacities also will come into force and additional sales will happen.

**Meet:** So, capacity utilization for the new capacity will be around. Can you guide for number, yes.

**Amit Raj Sinha:** Yes, 7000 is the total quantity, but initially in the first year maybe around 30 to 35% utilization would be there. That's right and over a period of two years, Sir the 100% utilization will be there on expanded capacity also.

**Meet** Okay sir. Thank you.

**Amit Raj Sinha:** Thank you.

**Meet:** Thank you. Our next question comes from Anil Mana, an investor. Please go ahead.

**Anil Mana:** Yes. Thanks for the opportunity. So, my question would be what would be the revenue for FY24, the first question.

**Amit Raj Sinha:** So, Mr. Anil, what we expect ourselves is that we definitely see top line growth averaging between 25 to 27%. So, basis whatever is our current top line, we should be looking at a 25 to 27% growth in the coming FY.

**Anil Mana:** OK, out of that first two quarters would be minted and will grow up from quarter three, right? That's right, Sir.

**Amit Raj Sinha:** That's right, absolutely.

**Anil Mana:** And my second question would be operating profit margin? What would be the margin in FY24?

**Amit Raj Sinha:** That is a very difficult question to answer given the kind of volatility which is observed in the international market. What we see is that we are trying to get back to our EBITDA and margins what we have seen in FY22. We are confident of getting back to those figures in the near term.

**Anil Mana:** Okay, FY22 means around 21%.

**Amit Raj Sinha:** Yes, alright. Thanks

**Moderator:** Thank you. Our next question comes from Munjal Shah, an investor. Please go ahead.

**Munjal Shah:** Thank you, management for the opportunity. Sir, I have a couple of questions sir. The first question is relating to the gross margin. So, basically quarter-on-quarter as well as year-on-year we are seeing that the gross margin has been around 56%. So, considering last eight quarters, I think 56% is the gross margin we have. So, it is a top gross margin which we have. So, any room for improvement in gross margin going ahead, that is the first question. Secondly sir, the PAT margin has like so basically the EBITDA margin and PAT margin have like fallen down drastically. So, there is an impact of 4% on the EBITDA margin and close to 6% on the PAT margin, so any chances of improving the margins going ahead and the rationale behind it. So, these are my questions and then I will squeeze in a few more questions if I get the opportunity. Thank you.

**Amit Raj Sinha:** These gross margin now there is likely to be improved going forward because this is a combination of mix of the products. Definitely we will see there is an improvement in this and EBITDA coming to EBITDA and PAT margins, the there is a decline because there are other new segments are there which we have invested lot of amount towards the fixed cost or revenue expenditure whatever fixed there. The fruits are yet to come from those segments like OTC generics, food nutrition all these things, and moreover this, even coming to PAT, there is an increase of the finance cost also EBITDA anyway, it does not have any impact on that. This increase is because we have incurred some amount of capital expenditure from our internal accruals and also the utilization of working capital limits have increased because of that there is an increase in finance cost and PAT is impacted and going forward we hope we will maintain FY22 figures we will resume the figures of FY22.

**Munjal Shah:** Other so other questions so when we are mentioning that apart from MCC, we are getting into different segments like generics. So, basically we said healthcare and if you also have O&M so basically are these segments on the same gross margins or EBITDA margins as our MCC business or there will be differentiating margin factors.

**Amit Raj Sinha:** They are little lower, O&M is good, but the other segments are little lower when we compare to MCC, but it is a volume game and then that is an additional revenue up from MCC even MCC one more thing we did not have enough capacities to sell more units and get good margins and that is anyway, whatever the additional profit it comes, that is beyond the cost and because of

non-availability of capacities, we could not sell in FY23 and FY24 now. October onwards we enhanced capacities will come into force that also will add to boost EBITDA and PAT margins.

**Munjal Shah:** Sir, my next question is when we come to the product MCC. So, the new additional capacity is expected to come from October 2023. So, sir do we have any orders on hand currently and into which segments because I think we do 75% of business in pharmaceutical segment on an export level and we were planning to push more into the food and beverages sector, so any update on that sir?

**Amit Raj Sinha:** So, Mr Munjal, on this front, we do not really get upfront orders on hand on a very long term basis. Our orders are usually 6 to 9 months forward-looking and at this moment we have comfortable orders to cater for the next 3 to 6 months. Now in terms of percentage consumption of microcrystalline cellulose in the pharma and the nutraceutical industry vis-a-vis food, the consumption of the food is far lower than what it is in the pharmaceutical and the nutraceutical. Industry, considering that overall dynamics of pharmaceutical is improving, we believe that by its very nature it should be able to increase on an 8 to 10% annual. The pharma industry. Food should be much less it should be 5 to 6% on an annual basis. We do not foresee any issues in capacity utilization ramp up as we commission our new CAPEX Mr. Munja.

**Munjal Shah:** Okay so thank you, sir. So, can we assume that like the 7 crore profit in the quarter four would be the bottoming out of the profits going ahead with the quarters expected to come ahead because we had a huge employee expense which we have already booked in, that is close to 12.5 crores. So, I assume that whatever Teams trend we need to build for the new businesses which we are adding would have been incorporated and going forward probably if the operating leverage comes into play. So, can we assume the same.

**Amit Raj Sinha:** Yes, O&M operational and management income that is predominantly on manpower expenses will be there and last year FY 22, our revenue was 13.2 crores and FY23 it was 26.4 almost it is doubled and in coming years also it increases and when this pie increases, then the fixed cost employee benefit expenses also will go up and the other segments also generics are OTC. These segments also basically the manpower expenses will be higher. There is no other manufacturing facility kind of thing. This is only purely on marketing friend, that's why the employee cost will be more when this revenue increases. This employment expenses, whatever it is, there is an increase that will commensurate with the revenue growth. So, there will not be any.

**Munjal Shah:** So, sir, my question was regarding that specifically that we have incurred a cost of 12.5 crores in the quarter 4, right? So, we assume that the team which we required to build in to penetrate the areas for different segments would have been on the books. So, we assume that the cost related to the manpower would probably remain same in the quarters going ahead. If we are not adding in more team members that was the first thing and secondly, going ahead, I was just checking that if we can assume that the operating leverage that the team which we have

already hired will start getting its revenues for the Company would come into the picture. So, that was my other question to that. So, these were my two questions for this particular thing.

**Amit Raj Sinha:** Mr. Munjal what we see is we believe that the team members would start contributing and there would be an overall increase in the top line there is. No doubts on that, however, you know, we all are there in the system wherein there are annual increments given considering that there are a team of 1100 team members in Sigachi. The annual increment also gets effective 1st of April and the top line, the jump in top line would start trickling in towards the end of Q2 when the CAPEX starts getting commercialized. We, however, believe that it should start getting better. The Q4 we should be having a better quarter than what we had in the Q4 sir.

**Amit Raj Sinha:** OK, so that Q2 would be better than Q4 that is what you're trying to put forward. Okay so that we can expect the improvement in the financials from Q2 FY24, sorry, is it correct in my understanding?

**Amit Raj Sinha:** So, we also believe as much, sir, there are certain variables which are also not known to us, but we also believe that Q2 should start getting better than what the Q4 FY23 was.

**Munjal Shah:** Okay and so how are we seeing the response in our newer segments where we are pushing in our products? So, how are we seeing the response in the market currently?

**Amit Raj Sinha:** At this moment, Mr. Munjal, we are taking baby steps. We are showing our presence across the markets, across the segments to the customers. So, at this moment, our prime focus is to drive growth. To drive penetration so that there is presence across all the retail outlets and that is the focus and we are not really looking at margin generation because the margin generation in a B2C does not come in so quickly. So, focused at this moment is only growth. In the food and nutrition, we have gone beyond the small baby steps. We have commenced a reasonable level of exports. We are in discussions with a good number of distribution system and end customers across the globe to be testing our products, sampling our products and we believe this particular financial year we should have far better performance than what we had in FY23.

**Munjal Shah:** Okay, so that is regarding the new segment, Sir, basically when we say that we have more of the realization growth for FY23, so that is you said 15%. So, going ahead apart from the new capacities coming in which we are mentioning that we will have utilization of 30 to 35%. So, that will be the additional volume growth which we will have in this particular year, but do we also assume that there will be a further realization growth going ahead.

**Amit Raj Sinha:** Yes Mr. Munjal because our overall objective is to see which way we can offer differentiated products to the customer, not just the routine ones. So, when we offer differentiated products,

the overall level of competition is less. The value add to the customer is far more and effectively our margins are better. So, what you say is correct.

**Munjal Shah:** Okay and sir in the newer segments, we are specifically focusing on a B2B model or a B2C model?

**Amit Raj Sinha:** In the newer segments, if you can just simplify which segment are you talking of.

**Munjal Shah:** So, when we are talking about neutral nutraceuticals, healthcare segment.

**Amit Raj Sinha:** Okay so yes. So, in the B2C model are primarily in the healthcare and rest all other modules for Sigachi stand to be at B2B. The Food and nutrition is B2B. The nutraceutical is B2B. The pharma is B2B. Everything else is B2B other than the healthcare vertical.

**Munjal Shah:** Okay. So, 3 verticals basically in to B2B and the healthcare one is in B2C.

**Amit Raj Sinha:** That is right sir.

**Munjal Shah:** Okay and sir my last question is regarding sir. I suggested in the last concall, I had made a request and a suggestion as well. So, with due respect, sir, did the management had time to give the thought on the royalty part to convert that from sales to profit from 2025 onwards?

**Amit Raj Sinha:** Yes sir that is already been in the discussion in the boardroom, Sir and at appropriate time it will be declared before the royalty commences.

**Munjal Shah:** OK. Thank you, Sir.

**Amit Raj Sinha:** Positively indicated and we assure you on that. I mean there is no two way about it.

**Munjal Shah:** Okay. So, thank you so much for answering my questions patiently. I will get back in queue

**Moderator:** Thank you. Our next question comes from Aditya with Motilal Oswal Financial Services. Please go ahead.

**Aditya:** Sir the majority of my questions have been answered, but just a few questions that I had was so what was the revenue from API in FY23?

**Amit Raj Sinha:** Yes, Aditya, whatever revenue from?

**Aditya:** API, the pharma business that we just started.

**Amit Raj Sinha:** Okay. The pharma business for API has not yet commenced sir, we are actively looking out for a potential target to look to see which way it can get integrated, but there is no development

on that front as of now. Right now, we still continue to sell inactive ingredients, inactive pharmaceutical ingredients.

**Aditya:** Okay and this is developed in our facility only, right?

**Amit Raj Sinha:** That's right. That's right.

**Aditya:** Sir, in last couple of con-calls there was some discussion around Sigachi raising capital through issuing words. So, any update on that?

**Amit Raj Sinha:** So, actually, Mr. Aditya, it is a combination of finding a suitable target and then accordingly working to see what is the kind of fund involvement, what is the funding required and then working to see which way we can balance out the funding for that particular target. So, it is a work in process at this moment and as and when we have an update, we will of course issue an advisory.

**Aditya:** Okay sir also one small request going forward, if we can show revenues coming from because we have got different verticals now. We have got B2C Health Care, we have got new test verticals, we have got the main business and C and then split of revenues going forward in our presentation. That would be super helpful.

**Amit Raj Sinha:** That point is taken at this I would suggest let the verticals take couple of baby steps before it becomes meaningful to be shown.

**Aditya:** No, because whatever thing that if only if you can show because O&M is going at a fast pace so. MCC only I can see, is that it is coming down from 97, 95 and 90. It was 90% as of FY23. If you can Show how much revenue is contributing, how much revenue other segments is contributing and how much MCC is contributing fares. I think that is the point well taken.

**Amit Raj Sinha:** We shall see that we have these breakup of the pharma, the O&M and others. I think that way it will I think we have fair detailing available for the investors and I think that should be good enough.

**Aditya:** Thank you so much.

**Amit Raj Sinha:** Thank you, Mr. Aditya. Good talking to you.

**Aditya:** Likewise.

**Moderator:** Our next question comes from Meet with Niveshaay. Please go ahead.

**Meet:** Sir, you were saying your EBITDA margin impacted due to new segment and also our new capacity is coming right in Q2 or Q3. So, we will need some more starting operational cost. So, how we will maintain our EBITDA margin 21% guidance. So, how we will maintain that?

**Amit Raj Sinha:** So, meet, growth is a combination of certain short-term targets and long term approach. Considering the kind of you know demographics we have in India, considering the kind of increased life expectancy income levels we have in India, what we believe is that healthcare is one of the most of the good segments to be in. Again, and for that we have commenced taking baby steps in the healthcare vertical and of course that results in a drop in overall EBITDA. Now to what level we are able to balance out and increase cost expenditure from the healthcare division from our pharma vertical is a subject matter of debates. Because sometimes the capacity utilization is not as we expect or the increased incremental CAPEX is not really coming in. So, the effective EBITDA does get hit. What we believe is that once we have the CAPEX cycle turning commercial, we should see a healthy EBITDA probably higher than that and by then we will also have the healthcare vertical doing reasonably well.

**Meet** Okay, Sir. Thank you.

**Moderator:** Thank you. Our next question comes from the line of Krupesh Shah, an investor. Please go ahead.

**Krupesh Shah:** Thank you for so much. Sir my first question, what is the revenue?

**Amit Raj Sinha:** Yes, Krupesh your line is not amply clear. We are not able to understand the whole statement.

**Krupesh Shah:** What's the status of the O&M agreement with ONGC

**Amit Raj Sinha:** O&M agreement with...

**Krupesh Shah:** ONGC.

**Amit Raj Sinha:** Yes, ONGC is one of our customers and our O&M continues to be operative there, Sir.

**Krupesh Shah:** Can you show throw some light on the realization of domestic and Expo?

**Amit Raj Sinha:** Realization of domestic and export. Could you just give in the break up for that?

**OS Reddy:** The realization the total is we can tell I guess in export we have done around 180 crores and 202 crores sorry. Two crores in FY23 and previous year it was 178 and domestic 74 crores in current year wherein the previous year it was 58 crores. There is the growth of exports. There is a growth of 13.2% and domestic there is a growth of 25%. But coming to realization, export realization will be obviously high that is around 20% to 25%, which is higher than the domestic.

**Krupesh Shah:** Okay, Sir, it was very helpful. Thank you, sir. Thank you so much.

**Moderator:** Thank you. Our next question comes from Shruti Shah, an investor. Please go ahead.

**Shruti Shah:** First of all, good morning and thank you for hosting us. So, my first question is in the line of what are the current utilization levels at all the three plants and shall this continue and how shall this continue in the coming quarters?

**Amit Raj Sinha:** Yes, Madam Ms. Shruti, it is annual utilization is right now it is, the hedge plant it is around 96% and Jhagadia plant it is 96.65 and Hyderabad plant, it is 93% overall it is 95% is there and almost we have now there are no additional capacities. October onwards, there is between half expansion 7000 metric tons per annum, additional facility capacities will come into picture.

**Shruti Shah:** Okay. Thank you so much for hosting us.

**Moderator:** Thank you. Our next question comes from the line of Sumitra Joshi, an investor. Please go ahead.

**Sumitra Joshi:** So, good morning all and thank you firstly for this opportunity. So, most of my questions have been answered. I just would like to summarize a few things and can you please just correct me if I have gone wrong somewhere? So, one is with respect to revenue for the next year, the projection would be around 25 to 37% increase on the revenue to last year. Second, we are looking at operating margins to be around the 21%-22%, which was in this thing March of 2000, is last to last year. Now coming to this thing with respect to growth, the growth drivers would be the new capacities which will come into action from Q2 onwards. So, basically the results would be factored in on the books from Q2 if I am not wrong. Is this understanding correct or have I missed out on some point here?

**Amit Raj Sinha:** Yes Q2 onwards. That is October, October, November, December. In the third quarter, the additional expanded capacity will come. Additional revenue also will come.

**Sumitra Joshi:** Coming Q2 would be the normalcy and then Q3 would be where this additional revenue kicks in and Q2 to Q3 and Q4 would be such that they would ensure that 25% to 37% revenue growth happens for the entire year. Is that correct?

**Amit Raj Sinha:** That will be more than that, or not less than around 27 to 29. Maybe it will increase further also there are chances because of additional capacities are coming into place.

**Sumitra Joshi:** So, Sir, last year is with respect to Q1 and Q2. Are we saying that Q4 or this particular result we have bottomed out with respect to the margins as well as the growth in revenues and Q1 and Q2 are expected to be better or they would be on similar lines to Q4?

**Amit Raj Sinha:** This FY24 Q1 Q2 are better lower and Q3 Q4 are higher side because in FY23 first and second quarter we have got enough capacities are there to sell more quantities and Q3 Q4 we do not have enough capacities. That is why almost we are running at 95%. That is the operating capacity and that is why there are the revenues and EBITDA and PAT are little lower in Q4 and coming to FY24 Q1 and Q2 will be a bit lower when we compare them to Q3 and Q4 because Q3 and Q4 the expanded capacities will come into place.

**Sumitra Joshi:** No, Sir. My question was with respect to this Q4 of this year, will Q1 and Q2 be on improvement lines or they would be very, very similar to the current.

**Amit Raj Sinha:** So, Mr. Joshi because the expanded capacities would not really come into play. We believe it will be more or less muted growth.

**Sumitra Joshi:** OK. So, they will be on similar lines to Q4 and the current results quarter one and quarter two would be on similar lines, correct? OK. Thank you so much.

**Amit Raj Sinha:** Thank you. Our next question comes from the line of Rajnath Yadav with Choice equity broking. Please go ahead.

**Rajnath Yadav:** Good morning, everyone. Thanks for the opportunity. My question is related to the fundraising program normally means the target I believe our fundraising has been stalled because the target Company has not been finalized. Am I correct?

**Amit Raj Sinha:** We are continuously looking and until and unless all year of activities of the target Company look positive, it is still a work in progress. I would say it is still a work in progress and as and when we have something from we will declare it to the extreme.

**Rajnath Yadav:** Why I am asking is that normally a Company finds a target Company and then go for a private placement to raise funds. But in this case it is means first we have identified the investors from where the fund will be coming and then we are searching for a target Company. So, just wanted to understand what is the reason of first mentioning some prominent names as an investor and then still we are searching for a target Company.

**Amit Raj Sinha:** It's actually a parallel process, Mr. Yadav, that we continue to look out to see which is the most appropriate target Company which aligns with our overall objective and parallelly once the target Company is kind of confirmed, we start looking out to see which is the best way to kind of fund that particular target Company acquisition.

**Rajnath Yadav:** But here we have finalized the funding and

**Amit Raj Sinha:** We have not finalized the funding, so we have not finalized the funding. It is still a work in process. We have not still finalized the funding, sir.

**Rajnath Yadav:** So, is this because some of the investors, they are my means some concerns on their part to put money anything related to that or it's normal.

**Amit Raj Sinha:** No. Is nothing to do with any concerns as of now, are the acquisition part we are still open. We are still looking and the funding part, we are still looking at various options which balances out you know the overall cost of the acquisition. So, it is still a working process sir.

**Rajnath Yadav:** And Sir domestic market, to whom among the top five or top ten pharma manufacturers to whom we are supplying our expense.

**Amit Raj Sinha:** So, in the overall case of our customers, GSK, AstraZeneca, Sanofi, Teva, Pfizer, KRK, Dr. Reddy, Sun Pharma, granule, Cipla, Lupin, Takeda, Microlab, Alcon, P&G, Himalaya, there are just about every big player in the domestic pharma Company is our customer, sir.

**Rajnath Yadav:** So, to what extent we are able to meet their shipment requirement, are we able to meet their 100% requirement or a specific grade of excipients we are able to meet?

**Amit Raj Sinha:** So, it is different for different customers, but definitely no Company gives out all the excipients requirements to only one supplier for assuring a better supply chain. I mean that is a separate subject, but there is no Company who takes all their excipients from only one supplier, sir. Some places we have nearly 70 to 80% of their supplies coming in to Sigachi and some places it is 25 to 30% it is a range.

**Rajnath Yadav:** Thank you

**Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

**Amit Raj Sinha:** Thank you all for participating in this Earnings Concall. I hope we are able to answer your questions satisfactorily and at the same time offer insights into our business. If you have any further questions or would like to know more about the Company, please do reach out to our investment relations manager at Valorem Advisors. Thank you. Stay safe and stay healthy.

**Moderator:** On behalf of Sigachi Industries Limited, that concludes this conference. Thank you for joining us and you may now disconnect