

### Issue Details

<b>Issue Size</b>	Rs. 125.43 Crore	<b>Price Band:</b>	Rs.161 – Rs.163
<b>IPO Date:</b>	01 <sup>st</sup> Nov 2021 to 03 <sup>rd</sup> Nov 2021	<b>Offer Ratio:</b>	QIB: 50%, NII: 15%, Retail: 35%
<b>Bid Lot</b>	90 Equity Shares and in multiples thereof		

### Company Profile

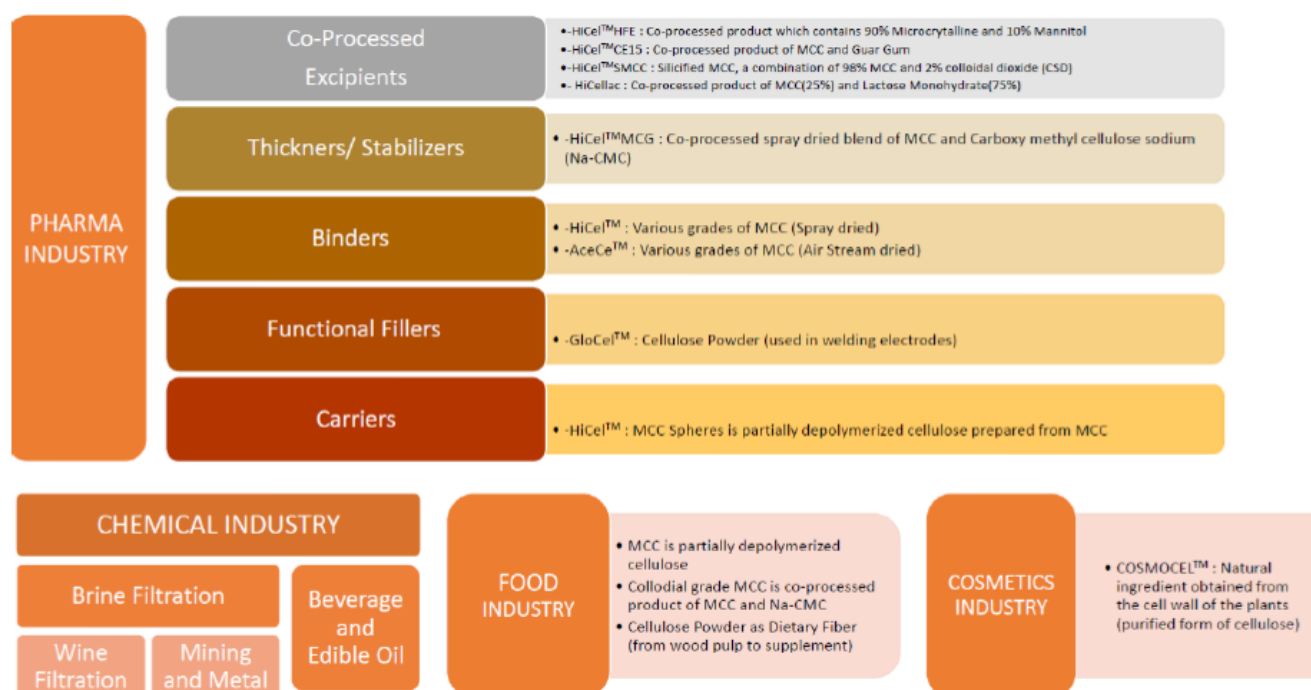
Sigachi Industries Limited was incorporated as a private limited company in 1989, with the business to manufacture chlorinated paraffin and hydrochloric acid in their manufacturing unit situated at Hyderabad. In the year 1990, the company diversified its product portfolio to manufacture microcrystalline cellulose (“MCC”). Presently, the company manufactures 59 different grades of MCC at their manufacturing units, situated at Hyderabad and Gujarat with an aggregate installed capacity of 11,880 MTPY. The company has entered into operations and management agreements with Gujarat Alkalies and Chemicals Limited (“GACL”) for operating and managing the manufacturing units owned by GACL and for contract manufacturing of sodium chlorate, stable bleaching powder and poly aluminum chloride in the said units.

With over 30 years of continuous growth, three multi-locational manufacturing facilities and consistent focus on delivering premium quality product, the Company is one of the leading manufacturers of cellulose based excipients in India, in terms of volume (Source: Research Report on Microcrystalline Cellulose Industry). The company is engaged in manufacturing microcrystalline cellulose (“MCC”) which is widely used as an excipient for finished dosages in the pharmaceutical industry. The company manufactures MCC of various grades ranging from 15 microns to 250 microns. The major grades of MCC manufactured and marketed by the Company are branded as HiCel and AceCel. The company also manufactures various grades of this product in combination with various chemicals like colloidal silicon dioxide, carboxy cellulose sodium, mannitol etc. to cater to the growing market of the co-processed excipients. The company operates three manufacturing units namely, Unit I situated at Hyderabad and two manufacturing units, Unit II and Unit III are situated at Jhagadia and Dahej, respectively located in Gujarat.

### Competitive Strengths

- One of the leading manufacturers of cellulose based excipient industry in India with over 30 years’ experience
- Pan India and International Market Presence
- Well experienced management team with proven project management and implementation skills
- Comprehensive product portfolio enables company to serve diverse end-use applications
- Presence across diverse industry verticals with long standing relationship with the company’s customers
- Growth led by continuous investment and focus on R&D
- Quality Assurance and Quality Control of the company’s products
- Strategically located manufacturing facilities
- Government Incentives

## The Industry-Wise Product bifurcation of the Company is provided below:



## Object of the Offer

(in Rs. Lacs)

Particulars	Amount
<b>1. Funding Capital Expenditure</b>	
a. For expansion of production capacity for MCC at Dahej, Gujarat	2,815.82
b. For expansion of production capacity for MCC at Jhagadia, Gujarat	2,924.13
c. Funding capital expenditure to manufacture CCS at the proposed unit	3,229.87
<b>2. General Corporate Purposes<sup>(1)</sup></b>	<b>(●)</b>

(1) To be finalised upon determination of the Issue Price and updated in the Prospectus prior to filing with the ROC. The amount utilised for general corporate purposes shall not exceed 25% of the Gross Proceeds of the Issue.

## Financials (Restated Consolidated)

Particulars (Rs. In Lacs)	As at 30 June, 2021	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2019
Equity Share Capital	768.25	768.25	768.25	307.30
Other Equity	9,555.62	8,651.69	5,690.27	4,180.97
Net Worth	10,323.87	9,419.94	6,458.52	4,488.27
Total Borrowings*	2,559.11	2092.70	3,037.94	2,519.11
Revenue from Operations	5,495.39	19,275.58	13,906.26	12,898.81
EBITDA	1238.00	4,204.44	2,965.00	2,985.12
Profit Before Tax	1,155.06	3,848.37	2,534.39	2,472.84
Net Profit for the year	898.97	3,026.03	2,031.55	1,901.27

\* Total Borrowings include long term borrowings and current maturities

## **Comparison with peers**

The company is engaged in manufacturing of microcrystalline cellulose ("MCC") which is widely used as an excipient for finished dosages in the pharmaceutical industry. They believe there are no listed entities similar to its line of business and comparable to their scale of operations, hence comparison is not possible.

## **Key Risk Factors**

- The company is yet to place orders for 83% of the equipment, plant and machinery for expansion at existing facilities situated at Dahej and Jhagadia as well as for installation at the proposed unit. Any delay in placing orders or procurement of such plant and machinery may delay the schedule of implementation and possibly increase the cost of commencing operations.
- The company is reliant on the demand from the pharmaceutical industry for a significant portion of their revenue. Any downturn in the pharmaceutical industry or an inability to increase or effectively manage sales could have an adverse impact on the company's business and results of operations.
- The company's wholly owned subsidiary has incurred losses in the past.
- The company's subsidiary had a negative Net Worth in the past.
- The company has experienced negative cash flow in the past and may continue to do so in the future, which could have a material adverse effect on their business, prospects, financial condition, cash flows and results of operations.
- There are outstanding litigations involving the Company which, if determined adversely, may affect their business and financial condition.
- The company's Promoters, Directors and members of its Promoter Group have extended personal guarantees with respect to loan facilities availed by the Company. Further, the company's Promoters, Directors and members of its Promoter Group have provided their property as collateral security for loan facilities availed by them. Revocation of any or all of these personal guarantees or withdrawal of such property may adversely affect company's business operations and financial condition.
- The average cost of acquisition of Equity Shares held by the company's Promoters could be lower than the Issue Price.
- The company has certain contingent liabilities and their financial condition and profitability may be adversely affected if any of these contingent liabilities materialize.
- The company has in past entered into related party transactions and they may continue to do so in the future.
- The company's Subsidiary has availed certain unsecured loans which may be recalled at any time.
- The company is subject to foreign exchange control regulations which can pose a risk of currency fluctuations.
- Fluctuation in the exchange rate between the Indian Rupee and foreign currencies may adversely affect the value of the company's Equity Shares, independent of its operating results.

(Please refer the entire list of risk factors given in section II (page 24 onwards) given in RHP)

## **Disclaimer:**

The information contained herein are strictly confidential and are meant solely for the information of the recipient and shall not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written permission of JM Financial Services Ltd. ("JMFS"). The contents of this document are for information purpose only. This document is not an investment advice and must not alone be taken as the basis for an investment decision. Before taking any decision to invest, the recipient of this document must read carefully the Red Herring Prospectus ("RHP") issued of Sigachi Industries Limited October 22, 2021 to know the details of IPO and various risks and uncertainties associated with the investment in the IPO of the Company. All recipients of this document must before acting on the given information/details, make their own investigation and apply independent judgment based on their specific investment objectives and financial position. They can also seek appropriate professional advice from their own legal and tax consultants, advisors, etc. to understand the risks and investment considerations arising from such investment. The investor should possess appropriate resources to analyze such investment and the suitability of such investment to such investor's particular circumstances before making any decisions on the investment. The Investor shall be solely responsible for any action taken based on this document. JMFS shall not be liable for any direct or indirect losses arising from the use of the information contained in this document and accept no responsibility for statements made otherwise issued or any other source of information received by the investor and the investor would be doing so at his/her/its own risk. The information contained in this document should not be construed as forecast or promise or guarantee or assurance of any kind. The investors are not being offered any assurance or guaranteed or fixed returns on their investments. The users of this document must bear in mind that past performances if any, are not indicative of future results. The actual returns on investment may be materially different than the past. Investments in Securities market products and instruments including in the IPO of the Company are highly risky and they are generally not an appropriate avenue for someone with limited resources/ limited investment and low risk tolerance. Such Investments are subject to market risks including, without limitation, price, volatility and liquidity and capital risks. Therefore, the users of this document must carefully consider all the information given in the RHP including the risks factors given in section II, page 24 onwards before making any investment in the Equity Shares of the Company.

In rendering this information, JMFS assumed and relied upon, without independent verification, the accuracy and completeness of the details/data provided by the Company by way of DRHP. JMFS does not warrant the accuracy, reasonableness and/or completeness of any information mentioned in this document. Also, JMFS takes no responsibility of updating any data/information in this document from time to time. JMFS, its affiliates/associates and any of its directors, officers, employees and any other persons associated with it shall not be liable for any loss, damage of any nature, including but not limited to direct, indirect, punitive, special, exemplary, consequential, as also any loss of profit in any way arising from the use of this document in any manner whatsoever.

This document is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject JMFS and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this report may come, are required to take note of such restrictions and comply with the same.

## **Registration details:**

JM Financial Services Ltd.  
Stock Broker – Registration No. - INZ000195834  
Corporate Identity Number: U67120MH1998PLC115415  
Registered office Address: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai, Maharashtra Pin- 400025.  
Tel: (91 22) 6630 3030 |Fax: (91 22) 6630 3223  
Corporate office Address: 5th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai, Maharashtra Pin- 400025.  
Tel: (91 22) 6704 3000/3024 3000 |Fax: (91 22) 6704 3139.