



“The Sukhjit Starch & Chemicals Limited Q4 FY '25 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to The Sukhjit Starch & Chemicals Limited Q4 and FY '25 Earnings Conference Call. As a reminder, all participant line 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Aman Setia. Thank you, and over to you, sir.

Aman Setia: Thank you, ma'am. Good afternoon, ladies and gentlemen. I am Aman Setia, Senior VP, Finance and Company Secretary of The Sukhjit Starch, extend a very warm welcome to all of you joining us for today's call to discuss our Q4 and FY '25 results. We truly value your ongoing support and commitment.

We want to assure all our current and prospective investors that we are dedicated not only to achieve strong operational and financial performance, but also to uphold the highest standards of transparency and best practices. I trust you have reviewed our Q4 and FY '25 financial results which are available on the Stock Exchange.

Regarding our Q4 and FY '25 performance, here are some key highlights. For FY '25, our revenue from operations stood at INR1,486 crores against INR1,370 crores in FY '24, showing a growth of 8.41% and EBITDA for the year stood at INR110 crores. During Q4, our net sales stood at INR359 crores and EBITDA at INR17.43 crores.

On financial front, you will kindly appreciate that the long-term bank borrowings of the company have almost been reduced to nil and the debt equity ratio of the company is just 0.15. During the year, the company has also announced a stock split of the existing equity shares having face value of INR10 each to equity shares having face value of INR5 each.

Today, from management team, we have with us Mr. Bhavdeep Sardana, our Senior VP and CEO; and Mr. Rakesh Chawla, our Senior VP and CFO. I now hand over the call to our CFO, Shri Rakesh Chawla, to provide more insight on the results.

Rakesh Chawla: Good afternoon, and thank you, Amanji. As Mr. Aman has explained most of the thing, I will just add to that. I would like to provide a detailed summary of our financial results for the quarter and the year ended financial '25. In this quarter, our revenue as it has been operations stood at - INR359.14 crores and our EBITDA was recorded at INR71.43 crores. EBITDA margins are lower as compared to previous quarter. It is closed at 4.85%. Regarding our net profit, we have achieved INR2.4 crores for the quarter and profit after tax margin stood at 0.68%.

Looking at the performance for the year, our revenue from operations stood at INR1486.19 crore showcasing a substantial year-on-year growth of 8.4%. Our EBITDA for the period was INR109.79 crores with EBITDA margin of INR7.39 crores. Additionally, our net profit for the year reached at INR39.48 crores.

For a more in-depth analysis of our operational performance, I will now turn the call over to Mr. Bhavdeep.

Bhavdeep Sardana:

Thank you, Mr. Chawla. Dear friends, I'm pleased to present our operational performance for the fourth quarter and the full fiscal year 2025. For the year ended March 2025, despite a dynamic and challenging operating environment, our company has demonstrated resilience and delivered a commendable performance.

The starch industry as a whole encountered several headwinds throughout the year. Elevated raw material cost, coupled with limited export opportunities due to shifts in the global tariff structure created a very challenging market environment. Domestically, demand from certain end-use sectors remained subdued, impacting overall industry growth. However, despite these obstacles, our company has maintained a strong revenue momentum, achieving our top line of INR1,486 crores, reflecting an 8.41% growth compared to the previous fiscal year.

Our margins experienced pressure during the year, primarily driven by volatility in maize pricing. This was influenced by fluctuating demand from ethanol producers and pricing pressures in finished goods across certain downstream sectors. We expect these challenges to ease in the second half of FY '26 as improved maize availability from the rabi harvest and spring crops in key producing states is anticipated to stabilize price fluctuation.

Additionally, the central government's recent policy decision to allocate significant quantities of rice to ethanol manufacturers is expected to alleviate pressure on maize demand, thereby improving overall raw material availability and pricing dynamics. Throughout the year, we have adopted proactive procurement strategies that ensured a consistent and uninterrupted supply of raw materials. This has been critical in sustaining production levels across all our manufacturing facilities, allowing us to meet customer demand without disruption.

Our manufacturing expansion project remains on track. As we move forward, we are optimistic about leveraging emerging opportunities for sustainable growth. This expansion will enhance our production capacity and enable us to serve our customers better across various sectors.

Looking ahead, we continue to focus on deepening customer engagement, driving strategic initiatives and embedding sustainability into our operation. These priorities are integral to our long-term vision of creating enduring value for all our stakeholder. We believe that these efforts, combined with a disciplined approach to cost and operational efficiency will sustain our growth trajectory in years to come.

In conclusion, we are confident in the promising and future prospects of our company. Our dedication to long-term value creation, strategic initiatives and disciplined fiscal management positions us well for continued growth. With a strong foundation and a forward-looking strategy, we are exceptionally positioned to seize emerging opportunities and drive growth in the coming years. Our commitment to innovation, quality and customer satisfaction remains at the core of our success even in these trying time. We are confident that these initiatives will enable us to navigate this period effectively and set us on a solid path to achieve our ambitious goals.

I now welcome any questions from the participants.

Moderator:

The first question is from the line of Pritesh Chheda from Lucky Investments.

- Pritesh Chheda:** Sir, at the end of the year, when you look at the last quarter for us and the industry, is there any particular movement that we have seen in the starch prices because what is the P&L for the 9 month and the P&L for quarter 4 is different? So, your comments on the starch prices and its impact on P&L, if any, or any other impact coming into the P&L?
- Bhavdeep Sardana:** Of course, maize prices, you're talking about the industry, maize prices affected everyone in the industry, and we were not immune.
- Pritesh Chheda:** So my question is -- my question is, I wanted to understand your P&L. So what went into the period for lower margins in the quarter 4 for you?
- Bhavdeep Sardana:** So I will explain to you broadly, multiple factors, raw material pricing, one, finished good pricing as well. The prices of finished goods were not as what they should be to sustain higher margins because the raw material prices went up. So pretty logical on that. Now I can't give you specific what went down, how much price had went down, that I can't share with you.
- Pritesh Chheda:** Can you share the extent of price drop, at least in the starch prices in the last 3, 4 months?
- Bhavdeep Sardana:** See, starch pricing is -- somebody present in South India to vis-a-vis to somebody in North India, pricing would be different. But across the board, I think it is safe to assume a 10% drop in price of starch. It could be more for some, it could be less for some. I can't comment on -- comment beyond this.
- Pritesh Chheda:** Can you highlight the reason for the drop? And what is the incremental position or forecast, if any?
- Bhavdeep Sardana:** We mentioned in the opening remarks that the global tariff structure impacted the export opportunities. So therefore, there was more material by manufacturers to sell within India. So that was the reason for the drop. And of course, the maize pricing did not correct in line with the finished good pricing.
- Pritesh Chheda:** Okay. So basically, international starch prices were lower because of which the domestic availability of starch automatically becomes higher and the realizations are lower. So that's how we should correlate?
- Bhavdeep Sardana:** You can say -- yes, it's a very simple demand-supply situation. There was higher supply during that period.
- Pritesh Chheda:** Okay. This lower maize price, the benefit of it should flow incrementally -- or you think otherwise? And second, have the starch prices started improving or they are where they are after this fall?
- Bhavdeep Sardana:** Starch prices should start improving. And maize pricing should fall in line or should come into fruition once the arrivals pick up more. And I think we would have more clarity as we move towards a full robust rabi arrival.

- Pritesh Chheda:** So, the lower starch -- the lower maize prices because of the government's availability of rice for ethanol, that lower maize prices has still not shown through your P&L. It will show through your P&L. Is that assumption correct?
- Bhavdeep Sardana:** I'm not understanding exactly what you said. Can you explain that again, please? Your follow-up remark?
- Pritesh Chheda:** The lower maize prices because of government's --government making rice available for ethanol and corresponding lower pressure on maize crop by ethanol as an industry. So that lower maize prices, is it a part of your P&L or it will be a part of your P&L?
- Bhavdeep Sardana:** For the immediate future, yes, it will be a part of the P&L. As of now, it is not.
- Pritesh Chheda:** Correct. So basically, now for you incrementally over the next quarters, next 4 quarters, 6 quarters, we will see improving maize price or reducing maize price plus improving starch price?
- Bhavdeep Sardana:** That is our assumption.
- Pritesh Chheda:** Okay. My last question is for improving starch price, what is the precondition for an improving starch price, if you have a thought there?
- Bhavdeep Sardana:** Sir, your voice is not at all clear. Your voice is coming muffled and mumbled.
- Pritesh Chheda:** So for improving starch price, what should be the preconditions for an improving starch price?
- Bhavdeep Sardana:** It's a very general question, it's an extremely general question. It can have multiples and multiples of answers. And I don't want to give you a very detailed reply, simply say that I think demand and supply should favorably match, and we are hoping that, that will be the case. And once that happens, the price stabilization and price realization for the industry will as a whole will improve.
- Pritesh Chheda:** Okay. And sir, lastly, was there any mark-to-market impact of any...
- Moderator:** Sir, sorry to interrupt. I would request you to please rejoin the queue for your follow-up question. The next question is from the line of Madhur Rathie from Counter Cyclical Investments.
- Madhur Rathie:** I wanted to understand regarding the...
- Moderator:** Sir, I request you to please use your handset.
- Madhur Rathie:** Sir, I wanted to understand regarding the decline in the -- starch prices by 10%. Sir, have any other product prices declined as well during the Q4? And sir, regarding the imports -- domestic overcapacity due to imports being not. Sir, are these imports from the domestic producers or from export -- imported starch that is coming in India?
- Rakesh Chawla:** The prices of other products then starch they were not that deep fall, but there was some -- you can say degradation there also. Second part, I could not understand.

- Madhur Rathi:** Sir, I wanted to understand regarding this overcapacity due to tariffs. So I'm trying to understand, is this production that was -- the starch that was produced in India being diverted into India or this is a product that is coming?
- Rakesh Chawla:** Your voice is breaking, but what I have understood that you are saying whether exports have been diverted to Indian market, that what you are trying to say, sir?
- Madhur Rathi:** Yes, sir. Yes, sir.
- Rakesh Chawla:** Of course, as Mr. Sardana has explained in his opening remarks, the tariff geopolitical situation is not in favor of exports. Obviously, the production meant for exports has to be diverted into the local indigenous market. That is the reason for the demand and supply gap.
- Madhur Rathi:** Okay. Sir, our 400 ton capacity was expected to come by Q4 FY '25. So, what is the status on that? And sir, we had expected a 25% increase in volumes going forward. So are we on track for that for FY '26? Or how is the status of that?
- Rakesh Chawla:** We are very much on track. Everything is there. But this unforeseen tariff and other things that has resulted in oversupply in India. Obviously, the results of that expansion will not be visible in this quarter.
- Madhur Rathi:** Sir, what kind of volumes can we expect for FY '26? And sir, from which quarter can we expect the 400 ton plant to start giving us meaningful volumes?
- Rakesh Chawla:** You can say as far as -- since we have expanded in starch and some part in derivatives, the derivatives positive results will be visible in the June quarter. The starch, you can say expansion that may be visible in the Q3 and overall impact in overall industry is whether the corn prices will remain stable, then the supply will, you can say regularise as far as exports are concerned. Only then we will be -- we are keeping our fingers crossed. And hopefully, it should be streamlined in the Q2 and surely in the Q3.
- Madhur Rathi:** Sir, I'm trying to understand what is the percentage overcapacity in the country, like what percentage of the...
- Bhavdeep Sardana:** I don't have that -- I'm cutting you short there. We don't have that data to share with you publicly. What percentage, etcetera, because the starch industry is not listed, not every player is listed, we can only talk about us. Our expansions, which you asked about are partly in play and will be fully in play in the coming -- in this financial year.
- Madhur Rathi:** Sir Right, sir. And sir, is this due to the tariff that U.S. has imposed or even otherwise, there are issues in exports to other countries also?
- Bhavdeep Sardana:** It is partly due to the U.S. tariff and certain Southeast Asian policies, including China, wanting to enter Southeast Asian markets, which it was previously absent from for a decade.
- Madhur Rathi:** Sir, so the concern is more on the oversupply of starch and the lack of exports or high maize prices? Sir, what is the primary concern?

- Bhavdeep Sardana:** Both are equally important as of now. What we produce is in our hands. So as a company, we are trying to pivot to a different product mix to ensure that we keep growing, and we hope to grow more profitably.
- Madhur Rath:** Sir, so apart from starch in other products, sorbitol, etcetera, is the same situation there more or less or over there, things are...
- Bhavdeep Sardana:** No Mr. Chawla mentioned, I'll cut you there. Mr. Chawla mentioned that other prices have been relatively stable. We've not seen that kind of pressure. It would have been just a seasonality in those products. So, we are confident that our company will have a better performance going forward. The volume growth has been there, as you can see.
- Madhur Rath:** But with additional capacity coming, our own capacity and the other industry players also adding capacity, so things it seems, will get worse before they get better?
- Bhavdeep Sardana:** That is one opinion. Like I said, we --what we produce is in our hands. We are trying to have a product mix which is optimal for growth, and we are optimizing our capacities accordingly.
- Madhur Rath:** Sir, is it possible for us to basically produce less of starch and more of other products? Or is the production constant like for a given capacity, we cannot vary our...
- Bhavdeep Sardana:** There is a certain degree of room which we have where we can moderate according to demand and supply. Of course, there is for each plant, each company, it would be the same case. As our own strategy, we try to have a diverse product portfolio mix. And even in certain basic products, we try to do a certain customization, as I have mentioned in the previous calls, if you had participated, you would have known that we try to maximize as much customization for our customers, so that we try to stay immune to demand and supply pressures.
- Moderator:** The next question is from the line of Naitik from NV Alpha Fund.
- Naitik:** My first question is if you could give the capacity that we had in FY '25, I believe it was 1,600 tons. So safe to assume that that is the capacity we operated at, and – sorry...
- Bhavdeep Sardana:** Yes, that's right.
- Naitik:** Right. And what sort of utilization did we have on the 1,600 TPD?
- Bhavdeep Sardana:** We were doing about -- between 75% to 80%. I won't give you the exact figure, but in that range.
- Naitik:** Right. And by next year, we will be at 2,000 TPD. Is that assumption correct?
- Bhavdeep Sardana:** Yes. And we should be at the same utilization level.
- Naitik:** Got it. And sir, my second question is what percentage of our revenue did we derive from derivatives for the full year?
- Bhavdeep Sardana:** I can't share that with you. It's confidential in nature.

- Naitik:** Right. Got it. And sir -- wanted one clarification, the impact that we see on the margin was largely due to starch prices sort of decline. And usually in the case of decline in maize prices, we don't see such higher impact, right? That's what we have historically seen, right?
- Bhavdeep Sardana:** I don't know what you're trying to say. Can you repeat that last?
- Naitik:** So what I'm trying to understand is the amount of drop we saw in the margins in the last quarter was primarily attributed to the decline in the prices of end products, right? Otherwise, if we -- in cases where we have seen a decline in maize prices, we usually don't see such high impact on the margins, right? Is that understanding correct?
- Bhavdeep Sardana:** No. So it was a mixture of both. It was higher maize pricing and a fall in maize starch pricing because of demand-supply -- equation being impacted. So it was a double-edged sword, you could say or doing factors both. So you can't say one versus the other.
- Naitik:** Right. So sir, let's say, for example, in the next year, the prices of the end product remain the same or they stabilize, they go back to the levels that they were earlier, but the maize prices fall a bit more. So in that case, are we going to see margins improving? Or are we not going to see margin improving? That is what I...
- Bhavdeep Sardana:** But naturally, we will see margins improving.
- Moderator:** The next question is from the line of Saurabh from Banyan Capital.
- Saurabh:** I have a couple of questions. The first one is that the GMO corn is not allowed in India. So are the derivatives from non-GMO corn also not allowed or let's say, the derivatives can be imported freely or with the duty?
- Bhavdeep Sardana:** So GMO corn and GMO derivatives are not allowed in India at all.
- Saurabh:** Okay. Got it. Secondly, you said starch prices on an average have sort of fallen by about 10% on an average depending on sort of different places. So also, could you give in terms of numbers, what has been the decline on an average on derivatives? Like you did say relatively, but whether we are talking about 2%, 3%, 7%, 8%. So if you could sort of give a little detail on that, that would be helpful?
- Bhavdeep Sardana:** So I think it would be closer to 2% to 3%, but derivatives. So I would not say it has been an impact of total blowout. If you can see our FY '25, we've had an overall growth in the period. And while I'm not going to share how much volume growth was there, but volume growth was there even in the face of depressed starch prices. So, it's been -- as a company, when you have a diverse portfolio mix, it plays pretty well.
- Saurabh:** Right. No, obviously, the industry is also growing at some percentage. So across the industry, the volume growth would have been there. That's one part. And also just trying to understand high level, right? See, from a maize processing business industry standpoint, now everyone is expanding capacities, right, whether it is listed or some of the even unlisted players at a reasonable on reasonable size in the next, let's say, 12 to 18 months.

Now and obviously, the demand will not, at least the domestic demand will not grow as much. So last 2, 3 years, the exports were doing well post COVID. And now with the higher corn prices last year sort of the exports suffered. So how do you, and you are also expanding your capacities.

So how do you see purely from a strategy standpoint, you know the demand of capacity is coming up everywhere, right? That's there. Demand we know sort of grew at a certain percentage base only, right? Until sort of something changes, it would not sort of increase dramatically from there.

And exports largely, again, correct me if I'm wrong, it will be a function of how competitive we are in the export market vis-a-vis, let's say, our price of corn versus what sort of others are supplying at. So you know all of this, right? So how do you sort of now manage that sort of given where things are?

Bhavdeep Sardana:

Yes. So I must compliment you on your in-depth remark. I think it makes my job easier answering questions. If others are listening to your remarks, you've set the context very well. And in this scenario, as I said, as a company, we never had an overhang of A product. And that A product could have been starch, and we always try to have a diverse portfolio mix, and that's been our growth story over the years, and trying to listen to our customers in our vicinity.

And we hope to keep on doing what we've done well and successfully in the past, and we hope to do it even more so. Work with our closest customers in the vicinity and those who have partnered us and trusted us over the years, listen to them and listen to their requirements and grow with them.

So that is one strategy. As much and as enticing it is to keep growing and matching capacity on capacity to, let's say, listed or unlisted, it is our commitment to ourselves to grow the business. But when you see such that 1 or 2 quarters like this, the general tendency is in our company to wait and watch and conserve our capital and see how to grow for the future.

What we will do in the future, we are watching how the external environment unfolds to decide on our next phase of expansion. How we do it, the scale to do it, how fast we do it, how much we do it will all depend on how things unfold. We are at very interesting times where the country is as a nation, we are showing a lot of steel, both in terms of global diplomacy and geopolitics.

And I think we are about to turn the corner as far as global economics is concerned, whether it's partnering EU or partnering the West or adjusting with China in terms of being a manufacturing economy. India can't do without China. China can't do without India due to the trade situation.

So how as a country, we benefit from it, how the global tariffs stabilize and how the evolving situation with the EU as a trade partner happens, I think it's going to be very, very positive for our industry as well.

Saurabh:

Okay. One last question. So in terms of the total maize processing industry in India, let's say, if it is 100, how much would be the top, let's say, 10, 11 sort of larger players or top 15 players be at, let's say, how much percentage of that industry ballpark?

- Bhavdeep Sardana:** It will say it's like looking at a crystal ball and guessing. I'm sorry, I will not be able to comment, I would look at from what I hear that the top 5 are and this is again, purely on the basis of listening to somebody in their own remarks on their con calls, someone may remark that the top 5 are close to 45% of the industry.
- That could be correct, could be incorrect. I really can't comment on it because the unlisted players and their data is not available readily and it's difficult to map that. And in the last 6 months, there has been a lot of contraction, expansion due to maize pricing and the volatility in starch pricing. So can't comment.
- Saurabh:** Okay. Fair enough. Just a follow-up to this is that do you think with the -- where the starch prices have been given the raw material that the smaller marginal players potentially some part of the industry will get out of business because of losses, they wouldn't be able to sustain at sort of these prices or that might not be the case?
- Bhavdeep Sardana:** Yes, unfortunately, cannot rule that out. It's very unfortunate for any promoter to have destruction of capital. But due to this volatility, it could happen for some manufacturers.
- Moderator:** The next question is from the line of Deep Gandhi from ithought PMS. Please go ahead.
- Deep Gandhi:** Yes. Hi, sir. So first question is on the maize prices. So I think recently, government has announced the MSP to be INR24 per kg. So as far as I understand, the maize prices recently were around INR24.5. So we are expecting correction in maize prices, but it won't be that significant, right, because of this. So any sense on that?
- Bhavdeep Sardana:** Deep, your voice was not very clear, but I think I've got a sense of your question, and I will answer it. Maize -- MSP did not make that much of an impact before ethanol. Post ethanol, MSP may make an impact and alongside this, the government is aware of the ethanol producers' cost of production, and it wants to lower and buy ethanol at a lower cost.
- So therefore, it is releasing surplus rice stocks to them. So, it's a wait and watch. I can't say what will happen in the coming Kharif season because till up to the Kharif season, the government is going to release a substantial portion, I think around 2.7 million tons of rice. So that may act as a dampener on farm yard pricing hitting MSP level.
- Deep Gandhi:** Sure. But sir, what are the current maize prices? I think it's around INR24.5, you can correct me if I'm wrong. Is that number correct?
- Bhavdeep Sardana:** Yes. So as on date, if you're buying old stock, it is at this price. Going forward, there is a softening available and expected firmly in the coming rabi crop. So that is much before the Kharif crop.
- Deep Gandhi:** Sir, my question was that only. So if the MSP is at INR24 and if the maize prices are at INR24.5. So I mean we can't expect much benefit in the P&L due to maize prices falling, right? It will be a benefit of only 2%, 3% because I don't think we can buy MSP...

- Bhavdeep Sardana:** No, you've not understood. You have not understood. You have not read the government's notification. The MSP is valid, higher MSP is valid from the Kharif crop.
- Deep Gandhi:** Okay. And sir, second is on the -- just again, some question trying to understand the starch prices. So, I mean, in case if the Indian maize prices do not remain competitive with the export prices, which is the case currently. And we also hear that a lot of China dumping has already started happening in the export markets.
- So, I mean is there a possibility that the starch prices can normalize within a year because the overcapacity which is there in the domestic market, I don't think can get consumed within, say, 1, 2 years. So, do you think it will be a very long-term process in case the exports not normalize? Or even if the exports don't normalize, you are expecting starch prices to improve from here on?
- Bhavdeep Sardana:** What I'm trying to say is that any excess capacity currently in the country and with optimization with all manufacturers, no one would want to keep producing a product at -- with a higher input cost and not be able to get the pricing. So, they will find their own equilibrium. As our company -- as my own strategy, I don't want to produce a product in which I'm not getting a higher realization.
- So, we are working on strategies to get access customers, markets, applications and looking at more opportunities in derivatives. So, we are trying to spread the basket. I can talk about myself. I won't be able to comment on how the industry is going to be doing and what they are going to be planning.
- Deep Gandhi:** Sir, just last follow-up on this. So, if we want to increase the derivative revenue, I think it also requires a lot of customer approvals, which might not happen quickly, right? So, I mean it might take maybe a year before a majority part of our starch gets converted to derivatives. Is that understanding, correct?
- Bhavdeep Sardana:** It can say it can be faster also in some cases and for some products, it can be longer. So a mixed bag.
- Moderator:** Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments.
- Aman Setia:** I would like to thank everyone for taking out time and joining the call today. I hope we have been able to respond to your queries adequately. We look forward to your continued support as we navigate the road ahead together. If you have any further query, you may reach out to our Investor Relations partner, Orient Capital. Thank you so much, ladies and gentlemen, and have a good day.
- Moderator:** Thank you. On behalf of Sukhjit Starch & Chemicals Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.