SECTOR PRIMER · INDIA

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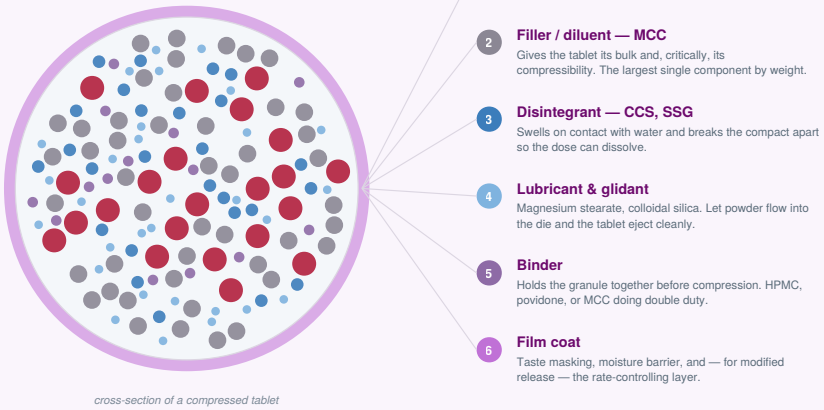
Pharmaceutical Excipients & Cellulosics

A ground-up guide — from the physics of a compressed tablet to the companies supplying the world's formulation industry from Gujarat.

Anatomy of a tablet

The active molecule is a minority of the mass — the rest is engineering



cross-section of a compressed tablet

The molecule is the easy part. The particle is the product.

INSIDE THIS REPORT

ORIENTATION

How to read this report

This report is built for someone starting with zero knowledge of the sector. It follows a deliberate arc: understand **what a tablet has to survive** first, because every product, price point and competitive moat in this industry falls out of two simple physical problems. Only then do the market numbers, the regulatory architecture and the companies make sense — not as facts to memorise, but as consequences of the science.

By the end, a beginner should be able to look at any company in this space and answer three questions on sight: **What does it make?** (bulk cellulose powder, pharmaceutical-grade MCC, a functional derivative, or an engineered system) — **How hard is that to make?** (how far up the particle-and-dossier problem it reaches) — and **Why does it earn the margin it earns?** (grade mix, qualification depth, or commodity scale). Those three questions, repeated, are the entire analytical toolkit.

THE ONE IDEA TO CARRY THROUGHOUT

Cellulose has to be **made cheaply** and then **shaped precisely**. Making more cellulose is a **scaling problem** — easy, forgiving, and open to anyone with a reactor and a dryer. Making every particle in every batch behave identically for a decade, and proving it to a regulator, is a **control problem** — hard, unforgiving, and where nearly all of the engineering skill, cost and profit in the industry live. Hold that contrast and everything else follows.

A NOTE ON WHAT THIS SECTOR IS NOT

Excipients are frequently described as "inactive ingredients," which is true chemically and badly misleading commercially. The active molecule is often a minority of the tablet by mass and sometimes less than one percent of it. Everything else — whether the tablet can be manufactured at 300,000 units an hour, whether it survives shipping, whether the dose dissolves on schedule three years later — is excipient work. The industry sells the physics of the dosage form, not the chemistry of the cure.

SECTION 1

The vocabulary — API, excipient, formulation

These three words are used loosely in conversation but mean distinct things in the industry. Getting them straight is the foundation for everything else, because the entire competitive landscape is organised around which of them a company actually supplies.

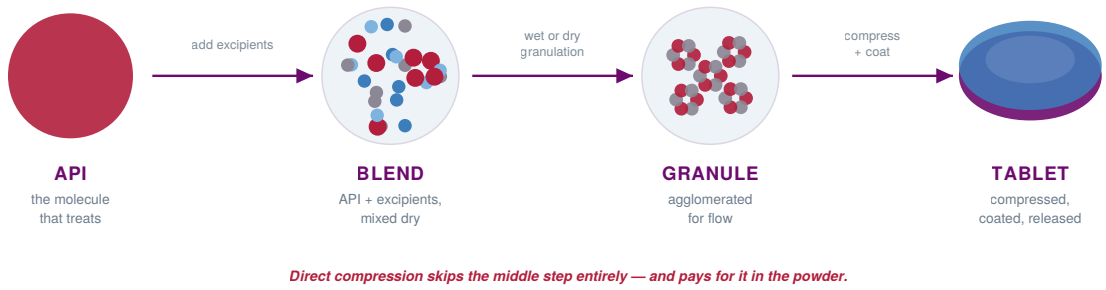


Figure 1.1 — The build-up from a molecule to a finished tablet. Each step adds a layer of engineering and a layer of value — and the excipient supplier's job is to make one of those steps unnecessary.

API — the molecule that treats

The **active pharmaceutical ingredient** is the substance with the therapeutic effect. It is what the patent covers, what the regulator's efficacy review is about, and what the drug is named after. It is also, very often, a difficult powder: sticky, poorly flowing, electrostatic, and present in quantities far too small to press into a tablet on its own. A 5 mg tablet of API would be invisible. The industry that makes APIs is a different industry — different chemistry, different capital intensity, different customers — and it is not the subject of this report.

Excipient — everything else in the dose

An **excipient** is any component of the finished dosage form other than the active. Fillers, binders, disintegrants, lubricants, glidants, coatings, colours, preservatives. The old term was "inactive ingredient," and the old assumption was that these were inert bulking agents bought on price. That assumption is obsolete. A modern excipient is specified on a dozen physical parameters and is chosen because of how it *behaves*, not what it is made of. This report is about the largest and most technically interesting family of them: **cellulosics**, and above all **microcrystalline cellulose (MCC)**.

Formulation — the recipe and the process together

A **formulation** is the specific combination of API and excipients, at specific grades and ratios, manufactured by a specific process. This is the crucial point: a formulation is not a recipe, it is a recipe *plus* a method. Change the grade of filler and you have changed the formulation, even if the ingredient list reads identically. That single fact is the source of the entire commercial moat described in Section 7.

Term	What it is	Regulatory status	Bought by	Difficulty
API	The therapeutic molecule	Approved as part of the drug; own DMF	Formulators, CDMOs	High (chemistry)
Excipient	Every other component	No standalone approval — qualified inside the drug	Formulators, CDMOs	Low to very high
Formulation	Recipe + process + grades	The thing actually approved	Patients, via the brand	High (integration)

Table 1.1 — The three core terms. Adjacent terms worth knowing: a *grade* is one supplier's specific particle specification of a material; a *monograph* is a pharmacopoeia's minimum quality standard for it; a *DMF* is the confidential process dossier filed with a regulator; and a *CDMO* is a contract manufacturer that formulates on someone else's behalf.

> **RULE OF THUMB**
>
> If it is on the label as the drug, it is an **API**. If it is in the tablet but not on the front of the box, it is an **excipient**. If changing it would require refiling paperwork with a regulator, it is part of the **formulation** — and that is nearly always true, which is why excipient suppliers are so rarely swapped.

Why these three words decide the whole competitive map

This is not merely terminology. Which of the three a company touches determines almost everything about its economics. A firm that makes **bulk cellulose powder** competes in a commodity-but-massive business where pulp-buying efficiency and energy cost win. A firm that makes **pharmaceutical-grade MCC** competes on particle reproducibility and on a regulatory dossier that takes years to build. And a firm that makes **co-processed, engineered excipient systems** competes on a scarce formulation-science capability that keeps most rivals out entirely.

Keep this triad in mind as a lens. Every company profiled later in this report is, at heart, a particular *mix* of these three activities — and the most important strategic move in the whole sector, repeated again and again, is a company trying to shift its mix from the easy, crowded end toward the hard, defended end. The rest of the report simply gives you the science to understand *why* that shift is so hard, and the numbers to see *who* is winning it.

> **THE THREE QUESTIONS TO ASK OF ANY COMPANY**
>
> **1 · What does it make?** — technical powder, pharma-grade MCC, functional derivative, or engineered system.
>
> **2 · How hard is that to make?** — which really means: how far up the particle-control and documentation problem does it reach.
>
> **3 · Why does it earn the margin it earns?** — grade mix, customer qualification depth, or commodity scale.
>
> These three questions, asked repeatedly, are the entire analytical toolkit of this report. Everything that follows is built to let you answer them on sight.

One more word: functionality

A useful sub-distinction inside "excipient" is between **bulk** and **functional** roles. A bulk excipient is there to occupy volume. A functional excipient is there to *do* something measurable — swell, dissolve, lubricate, retard release, mask taste. The line matters commercially because functional excipients are specified more tightly, qualified more carefully and priced far better. Microcrystalline cellulose is unusual in that it is used as both: it is the industry's default bulk filler *and*, at the right grade, a genuinely functional binder. That dual identity is why a single material anchors an entire sub-sector.

SECTION 2

The science — two problems in one tablet

A tablet must solve two entirely separate physical problems at once, and they pull in opposite directions. Almost everything about how these products are designed, priced and defended competitively flows from this single split. Master this section and the rest of the report is just application.

Figure 2.1 — The two problems. The tablet must be strong enough to survive manufacture and shipping, and weak enough to fall apart on schedule inside a patient. They are tuned by different levers, and they fail in completely different ways.

Problem one — the tablet has to survive being made

A tablet press fills a steel die with loose powder, hits it with ten to thirty kilonewtons, and ejects a solid object — up to several hundred thousand times an hour. Two things have to work. First, the powder must **flow**: it has to fall into the die reproducibly, or tablet weights vary and the batch fails uniformity. Second, the powder must **compact**: the particles have to bond into a solid that resists breaking.

Materials bond under pressure in one of two ways. Brittle materials — lactose, dicalcium phosphate — fracture into fresh fragments that lock together. Plastic materials deform permanently and create large areas of intimate contact. Microcrystalline cellulose is the outstanding **plastic** filler: it deforms rather than shatters, producing exceptionally hard tablets at modest compression force. That single mechanical property, discovered in the 1950s, is why MCC became and remains the most widely used tablet filler on earth.

This problem is forgiving. It shows up immediately, on the press, in numbers an operator can read: tablet hardness, friability, weight variation, capping. If it goes wrong you know within an hour and you fix it by changing the blend or the force. It is *engineering by adjustment*.

HOW COMPACTION SHAPES THE PRODUCT

Particle size and shape are sized directly to the job — larger, rougher, more porous particles flow better and interlock harder. Bulk density is tuned so the die fills consistently. A lubricant is added so the tablet ejects, but too much of it coats the particles and *destroys* bonding — so even the easy problem has a knife-edge inside it. All of this is tuned empirically and is largely reversible.

Problem two — the tablet has to give the dose back, for years

Having built something deliberately hard, the formulator now needs it to fall apart in minutes in the gut, release the API into solution, and keep doing exactly that for a shelf life of two to three years across every climate the product is sold into. Disintegration is handled by a **disintegrant** — croscarmellose sodium, sodium starch glycolate, crospovidone — a polymer that absorbs water and swells several times its volume, blowing the compact apart from within.

This is where the industry's real difficulty lives, for three reasons.

- **The failure is invisible at release.** A tablet that passes every test today can fail dissolution at the twelve-month stability pull — eighteen months after the batch was made, and long after the same material went into a dozen other products.
- **The causes are present in parts per million.** Residual peroxides in a binder can oxidise a sensitive API. Aldehydes in a cellulose ether can react with an amine drug. Trace nitrites in an ordinary filler can, in the right chemistry, contribute to nitrosamine formation — the impurity class that has driven repeated global product recalls and is now the subject of a standardised industry risk-assessment questionnaire, updated by the IPEC Federation in 2025.
- **Moisture moves.** MCC typically carries a few percent water. That water is harmless in most formulations and quietly destroys a moisture-sensitive API in others — which is why low-moisture grades exist and sell at a premium.

So the excipient maker is defending against an invisible, time-delayed enemy using process control and analytical rigour, on a material the customer will not re-test from scratch. It is *engineering by prevention*, and it is the opposite of forgiving.

THE CORE ASYMMETRY — COMMIT THIS TO MEMORY

Compaction and flow → "will it press?" → **a mechanical problem: visible, immediate, fixable on the line.**

Release and stability → "will the dose still arrive in 2029?" → **a control problem: invisible, delayed, purity- and process-driven.**

This is why a handful of manufacturers dominate the high-specification end while almost anyone can grind cellulose. It is also why the money and the failures both cluster on the same side: not in the chemistry of the material, but in the reproducibility of the particle and the completeness of the paperwork that proves it.

Why this makes a commodity look like a specialty

Here is the fact that surprises every newcomer. Microcrystalline cellulose is not a protected molecule. Its chemistry is public, unpatented and roughly seventy years old: take purified wood pulp, hydrolyse away the amorphous regions with dilute acid, wash, neutralise, dry, mill. A competent chemical engineer can make cellulose powder in a week.

And yet the pharmaceutical grades of that same material sustain durable pricing, long customer relationships and mid-to-high-teens margins, while the technical grades sell as a low-margin commodity. The difference is not in the molecule. It is in the particle, the consistency and the dossier — the three things Section 3 is about.

THE TEST THAT SEPARATES THE TWO MARKETS

Ask a supplier for the same product twice, six months apart, and measure the particle-size distribution, bulk density, moisture and compactability of both lots. A commodity producer will give you two materials that both meet the monograph and behave differently on a press. A pharmaceutical producer will give you two that are indistinguishable. The monograph is the floor, not the specification — and the gap between them is the entire business.

SECTION 3

Why the particle is the hard problem

Solving for chemistry is a recipe problem. Solving for particle architecture is a process-control problem. Recipes are easy; control is subtle. This asymmetry is the single most important thing to understand about the economics of the industry — it explains who earns what, who competes with whom, and why the whole sector is racing "up the grade ladder."

Chemistry: get it right once and you are done

The hydrolysis step that turns pulp into microcrystalline cellulose is mature and mechanical. Acid strength, temperature and residence time determine the degree of polymerisation; hit the window and you have MCC. There is no ongoing cleverness required and nothing proprietary to protect. A bigger reactor is not a *harder* reactor, just a bigger one.

Particles: you cannot simply scale them up

If particle engineering were solved by choosing a target size, every producer would sell an identical product — and they visibly do not. Three properties make it fundamentally harder:

- **It is a distribution, not a number.** A customer does not buy "100 micron MCC"; they buy a whole curve — the fine tail that fills voids, the coarse tail that carries flow, and the fraction of dust that causes segregation. You must reproduce the shape of that curve, batch after batch, from a natural raw material that itself varies.
- **It is made at the drying step, and drying is coupled.** Spray drying is where the agglomerate is born: slurry solids, droplet size, inlet and outlet temperature, and residence time together determine particle porosity, density and moisture. Change one and you change all the outputs at once. This is where genuine process know-how lives, and it is why capability tracks decades of operating experience rather than capital spend.
- **The consequence is felt in someone else's factory.** A slightly denser lot does not fail your test — it fails your customer's tablet press, six weeks later, on a product you have never seen. You are engineering blind, against a specification the customer often cannot fully articulate.

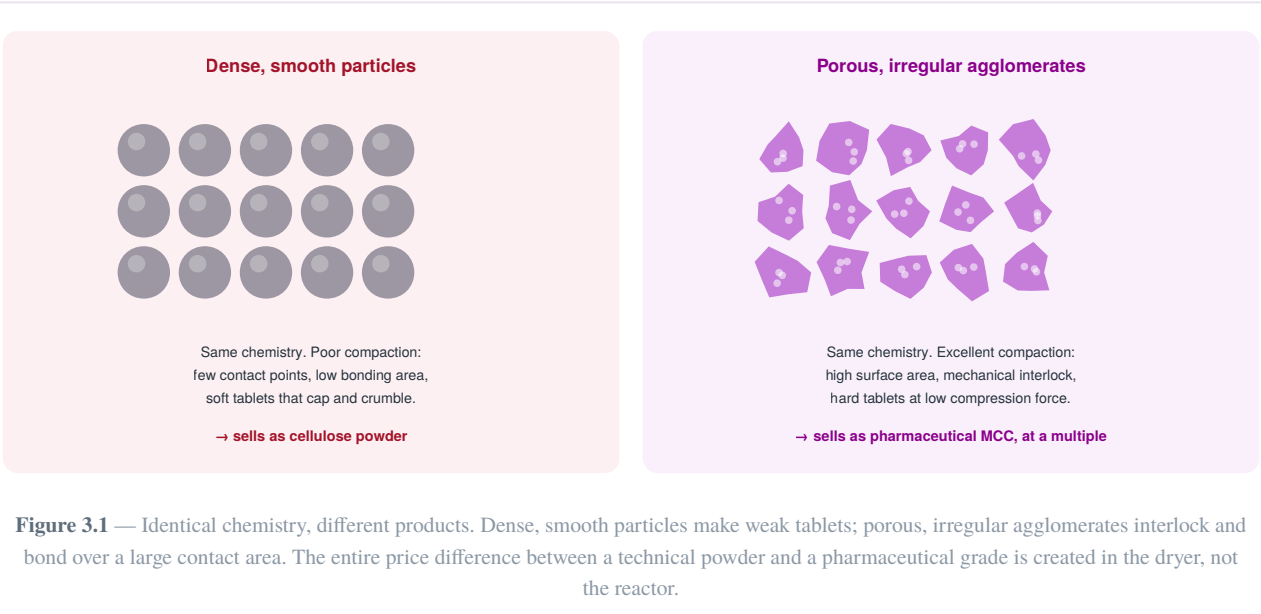


Figure 3.1 — Identical chemistry, different products. Dense, smooth particles make weak tablets; porous, irregular agglomerates interlock and bond over a large contact area. The entire price difference between a technical powder and a pharmaceutical grade is created in the dryer, not the reactor.

The proof is in where the value sits

In a technical cellulose powder, the pulp bill dominates and there is little else. In an engineered, co-processed pharmaceutical excipient, the raw material shrinks to a fifth of the cost and the conversion process, the analytics, and the regulatory dossier become the dominant items. This maps directly onto the company analysis later: the players who reached the top of the ladder did so by mastering *particles and paperwork*, not by making better cellulose.

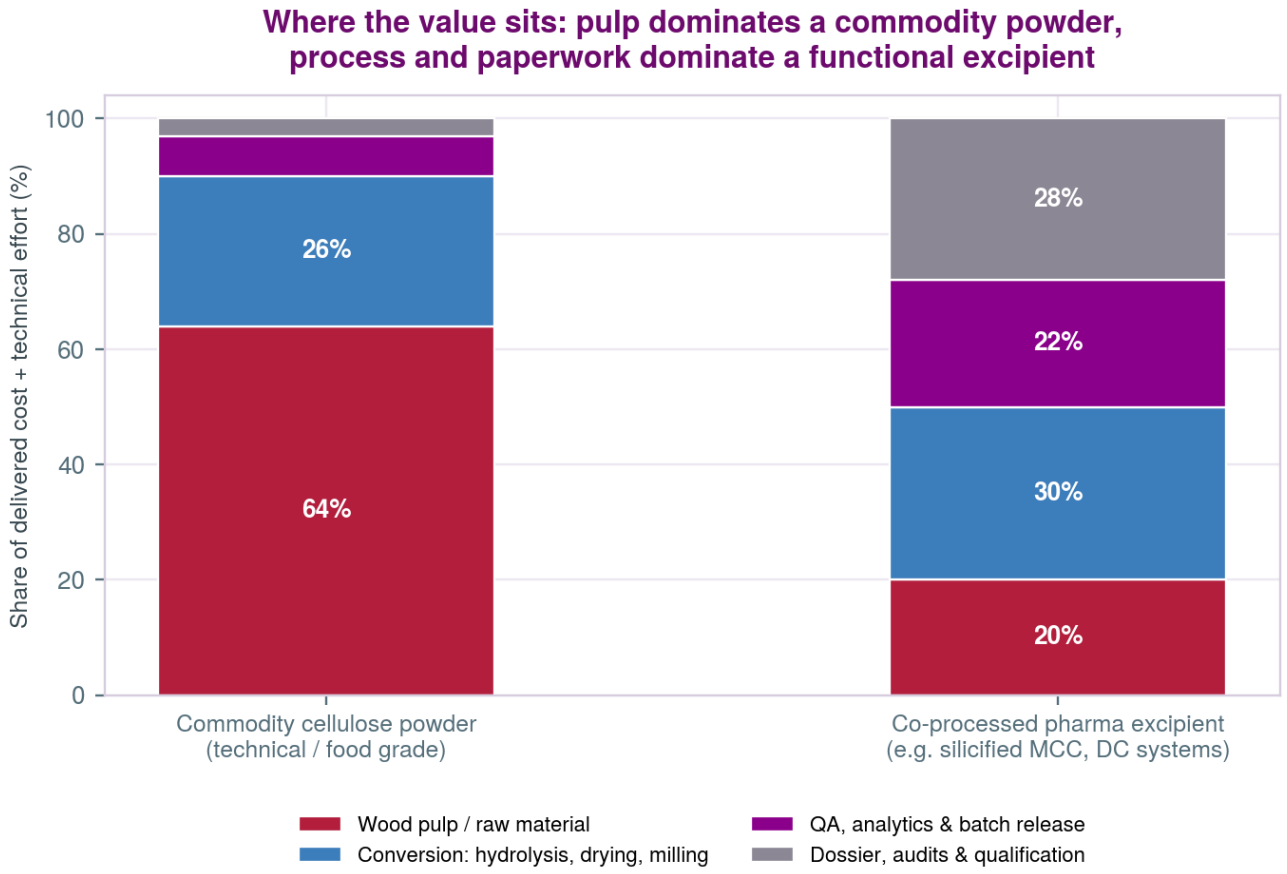


Figure 3.2 — Where the money goes. In a commodity powder the pulp is roughly two-thirds of the story. In an engineered excipient the raw material shrinks to a fifth, and conversion, analytics and qualification become the dominant cost — the physical reason the hard end of the market is defended by process know-how rather than by raw materials. *Indicative split; illustrative of structure, not a costing.*

The grades are the same molecule

Nothing makes the point better than the grade table itself. The numbers below are the industry's common shorthand, and the chemistry is identical down every column. What differs is particle size, density and moisture — and those differences decide the application and the price.

Grade shorthand	Typical mean particle size	What it is for	Why it costs what it costs
PH-101	~50 µm	Wet granulation; the default workhorse	Baseline pharmaceutical grade
PH-102	~100 µm	Direct compression; better flow	Coarser agglomerate, tighter control
PH-200	~180 µm	High-speed direct compression	Flow at the limit of what MCC can give
PH-105	~20 µm	Fine filler for low-dose blends	Fines are hard to make and harder to handle
PH-112 / low-moisture	~100 µm, <1.5% water	Moisture-sensitive APIs	Extra drying, tighter packaging, niche volume
PH-302 / high-density	~100 µm, high bulk density	Small tablets, high fill weight	Density is set in the dryer, not the mill

Table 3.1 — Grades of one material. Every row is chemically microcrystalline cellulose complying with the same pharmacopoeial monograph. The grade numbering originated with the first commercial producer and became the industry's common language; competitors sell "102-equivalent" material against it. *Figures are typical industry reference values, not any one supplier's specification.*

CARRY THIS INTO THE COMPANY SECTION

When you later read that a producer is "adding premium grades" or "commissioning a spray-drying line," this table is why it matters. Moving from selling PH-101 to selling PH-200, low-moisture and co-processed material is not a volume story — it is the same tonnes sold at a higher realisation, to customers who are much harder to win and much slower to leave.

SECTION 4

Granulation vs direct compression — why cheap excipients exist

A natural question: if particle engineering is so valuable, why does anyone still buy the cheap grades? The answer reframes the whole industry — because for most of pharmaceutical history, the formulator did the particle engineering themselves, in their own plant, for free.

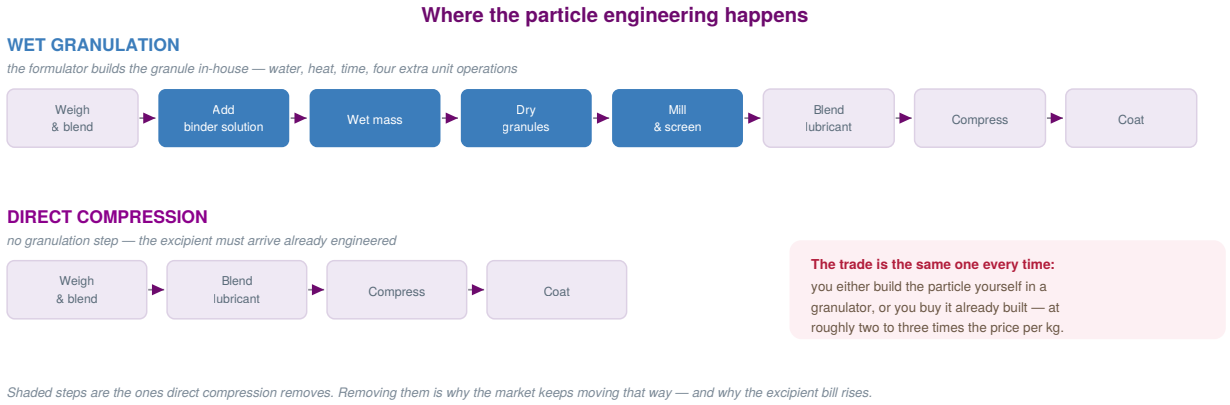


Figure 4.1 — The two process routes. Wet granulation builds the granule in the customer's factory using water, heat and time. Direct compression deletes those steps — which means the particle must arrive from the supplier already built.

Granulation is free particle engineering

In wet granulation the formulator wets the powder blend with a binder solution, agglomerates it, dries it, and mills it to size. What emerges is a granule with good flow and good compaction — manufactured in-house, out of whatever cheap powder went in. The formulator has performed, with their own equipment, exactly the transformation that a spray-drying line performs. So the incoming excipient can be ordinary: any monograph-compliant MCC will do.

This is the same structural trade that appears in every industry with a "make or buy" step in the middle. Where the customer has the equipment, the time and the tolerance for four extra unit operations, they will do the work themselves and buy the cheap input. Where they do not, they must purchase the finished property.

Why formulators keep abandoning it anyway

Wet granulation is expensive in ways that do not appear on the excipient invoice. It adds four unit operations, a drying step with its energy bill, a validated cleaning cycle between products, significant footprint, and — critically — it exposes the API to water and heat. Many modern molecules, and nearly all biologically derived ones, do not tolerate that. Continuous manufacturing, which regulators have actively encouraged, is also far easier to implement without a wet step.

So the industry keeps drifting toward **direct compression**: blend, lubricate, compress, coat. Fewer steps, less equipment, no water. And the moment you delete the granulator, the compressibility has to come from somewhere — so you buy it, in the form of a premium grade or a co-processed system, at roughly two to three times the price per kilogram.

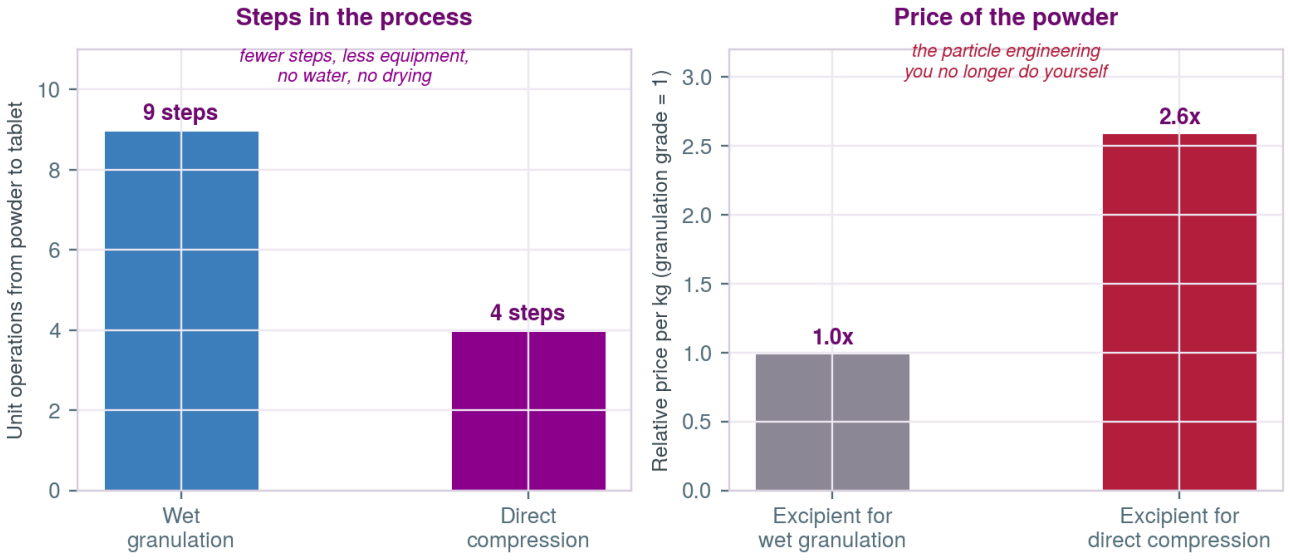


Figure 4.2 — The economics in two numbers. Direct compression removes roughly half the unit operations (left) and pays for it in the powder (right). The excipient bill rises, the total cost of manufacture usually falls — which is exactly why the shift continues. *Step counts are typical; price ratio is indicative.*

THE REFRAME THAT UNLOCKS THE WHOLE INDUSTRY

Cheap excipients are not "worse" excipients. They are excipients sold to a customer who is still doing the particle engineering themselves. The premium grade is not a better molecule — it is **the customer's granulation step, pre-performed and sold in a bag**.

This single idea explains why the same material spans a wide price range, why the market keeps migrating toward the expensive end without anyone deciding to pay more, and why a producer's position on the grade ladder is really a statement about how much of the customer's process it has absorbed.

The trade-off, and why it defines the market

Wet granulation still accounts for a large share of installed capacity, particularly in high-volume generic manufacture in India and China where the equipment is long since depreciated and labour is cheap. That installed base is the reason a durable market for standard-grade MCC exists at all, and it is not going away quickly. But it is not where new lines are being built.

The direction of travel matters more than the current split. Every new plant designed for continuous processing, every moisture-sensitive molecule, every attempt to shorten a validation cycle pushes a formulation toward direct compression — and every one of those decisions permanently upgrades the specification of the excipient that formulation will buy for the rest of its commercial life. Demand mix, once shifted, does not shift back: the granulator has been sold.

WHAT THIS MEANS FOR A SUPPLIER

A producer selling only standard grades is exposed to a stable but structurally shrinking share of the market, competing on price against everyone. A producer with spray-dried, low-moisture and co-processed capability is selling into the growing share, competing against a handful of firms, and is embedded in a formulation that would need to be re-qualified to replace. The capital difference between those two positions is a dryer. The commercial difference is the whole business.

SECTION 5

Grade classes & the value ladder

Two naming systems get mixed together in this industry, which is a common source of confusion. Once untangled, the grade classes reveal the sector's central commercial fact: as you climb the grade ladder, difficulty, barriers to entry and margins all rise together.

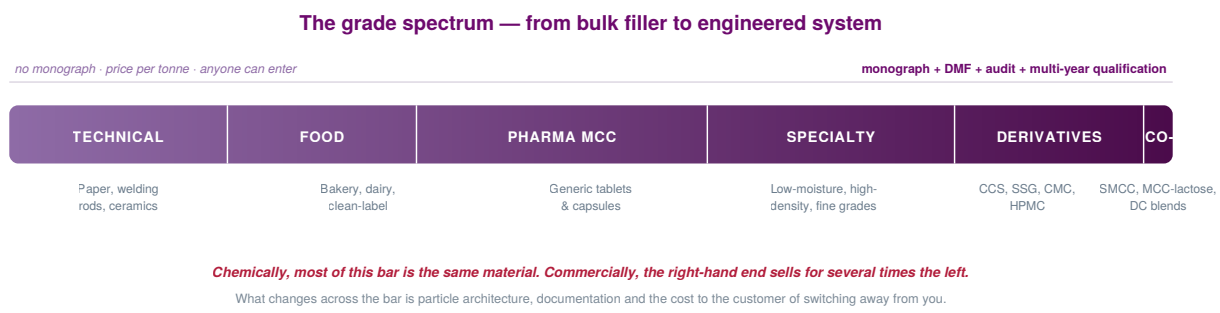


Figure 5.1 — The grade spectrum. Moving left to right, the chemistry barely changes; the particle architecture, the documentation burden and the customer's cost of switching all rise sharply.

The two naming systems

The first system is **compendial**. A pharmacopoeia — the United States Pharmacopeia–National Formulary (USP-NF), the European Pharmacopoeia (Ph. Eur.), the Japanese Pharmacopoeia (JP), the Indian Pharmacopoeia (IP) — publishes a *monograph* defining the minimum identity, purity and assay requirements for "Cellulose, Microcrystalline." Meeting a monograph is binary: you either comply or you cannot sell into that market. Crucially, monographs say very little about particle size, density or compactability — the properties the customer actually cares about.

The second system is **commercial**. The grade numbers — 101, 102, 105, 112, 200, 302 — were introduced by the first large commercial producer and became the industry's lingua franca. Every competitor now sells material described as "102-equivalent" or "200-type." So the market talks in one company's private product codes, layered on top of a public quality floor that does not describe the product. The key overlap: **the monograph is a licence to compete; the grade number is the actual specification**, and the gap between the two is where all the differentiation lives.

Why grade class drives everything about the product

As you climb, the process lengthens, the analytics multiply, the batch sizes shrink and the customer base narrows. Standard grades are sold in tonnes to hundreds of buyers. Co-processed systems are sold in hundreds of kilograms to dozens of buyers, each of whom has written the product into a regulatory filing. Value per tonne and margin both rise — because higher-grade product is technically harder *and* sold to fewer, more demanding, more committed buyers.

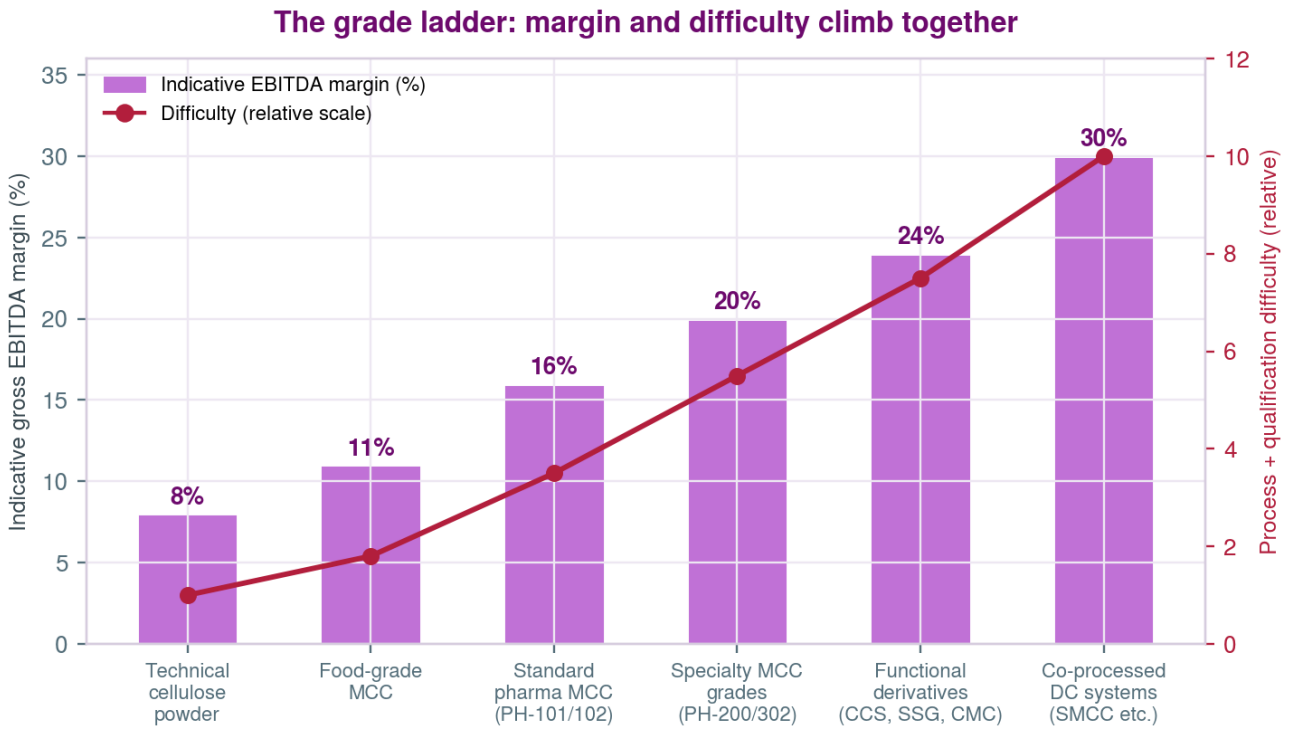


Figure 5.2 — The value ladder. Both manufacturing difficulty and typical margin climb together as specification rises. This single relationship is the strategic spine of the entire sector. *Margins are indicative of segment economics, not company disclosures.*

THE STRATEGIC SPINE

Every serious player in this industry is trying to climb *up* this ladder — from technical and food-grade powder toward pharmaceutical grades, functional derivatives and co-processed systems — because that is where difficulty protects margin from competition. When you read the company section, watch for this single move repeating: **everyone is climbing the grade ladder, and the ones who cannot are being squeezed against the pulp price on one side and the customer's purchasing department on the other.**

A crucial exception: the co-processed excipient

One product family breaks the clean "one material, one monograph" logic. A **co-processed excipient** is two or more existing excipients physically combined during manufacture — silicified microcrystalline cellulose, for example, in which MCC is spray-dried together with colloidal silicon dioxide, or the MCC–lactose systems sold for continuous direct compression.

It is not a new chemical entity: every component is already an approved excipient, so there is no toxicology programme and no new-substance approval. But it is also not simply a blend, because the co-processing changes the particle surface and delivers performance that a physical mixture of the same two ingredients does not. For years this left the category in a genuine regulatory grey zone — it sits between "mixture" and "material," and the pharmacopoeias have only gradually built standards for it. That ambiguity is precisely why it is profitable: the performance is patentable or protectable as know-how, the regulatory path is short, and the barrier to a commodity producer copying it is a spray dryer plus a decade of formulation credibility.

Product	What it is	Regulatory path	Switchable?	Class
Cellulose powder (technical)	Milled pulp, no hydrolysis	None required	Freely	Commodity
MCC (monograph grade)	Hydrolysed, dried, milled	Monograph + DMF	With re-qualification	Pharmaceutical
Functional derivative (CCS, SSG, CMC)	Chemically modified cellulose	Own monograph + DMF	Rarely, slowly	Specialty
Co-processed system (e.g. SMCC)	Two approved excipients, processed together	Components approved; system filed as used	Effectively not	Engineered

Table 5.1 — The dividing line is **documentation and switchability**, not chemistry. "Higher grade ⟹ harder to make" holds in practice, but the more useful test is: how expensive would it be for the customer to replace you? The co-processed system is the extreme case — replacing it is a reformulation.

A DISTINCTION WORTH HOLDING ON TO

Barriers in this industry are not built from patents. Almost nothing here is patented. They are built from **the customer's cost of change**. That cost rises steeply with grade, and it is the only durable moat in a business whose core chemistry expired before most of its customers were born.

SECTION 5 · CONTINUED

A visual catalogue of the products

Everything discussed so far — the vocabulary, the two problems, the grade ladder — now comes together as physical products. This is the entire product universe of the sub-sector in two pictures. Spend a moment here: once you can place these on the ladder, every company in the report becomes legible as "the firm that makes *these* products."

The cellulosic family — one polymer, six businesses

These are all cellulose. They differ in how far they have been processed away from wood pulp and how tightly the resulting particle is specified. This is the axis Accent Microcell, Sigachi and Chemfield all compete along.

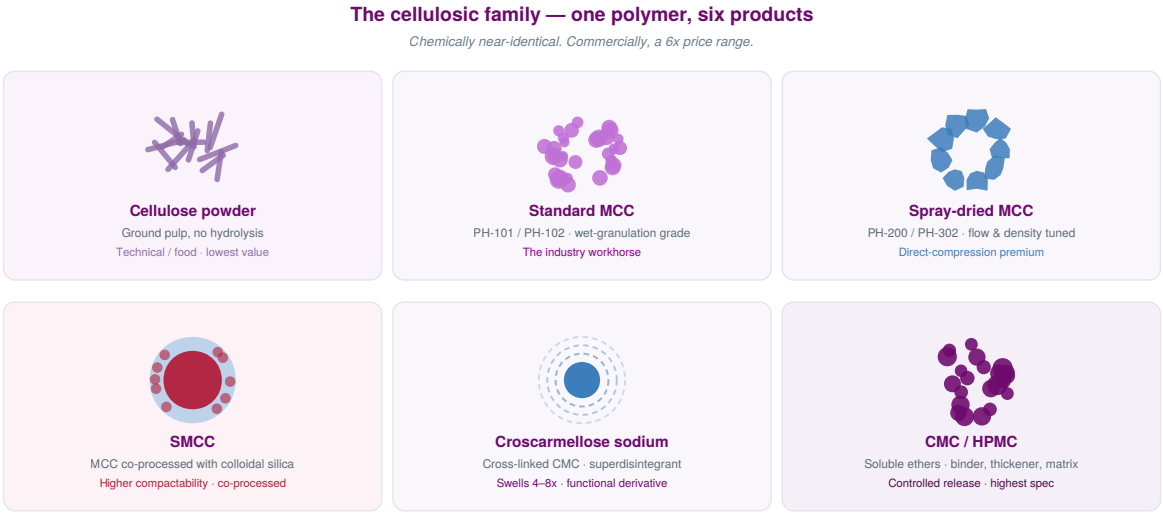


Figure 5.3 — The cellulosic family. From ground pulp, through the standard and spray-dried MCC grades, to the co-processed and chemically modified derivatives at the top of the ladder. The visual difference between the tiles is the particle; the commercial difference is a multiple.

The functional family — what each material is hired to do

The second axis is role. A formulation is a team of materials, and a supplier's breadth across these roles determines whether it sells a product or a solution. Note that the highest-value roles — release modification and coating systems — are dominated by chemically modified cellulose ethers and polymers, which is the direction every cellulosic producer eventually tries to move in.

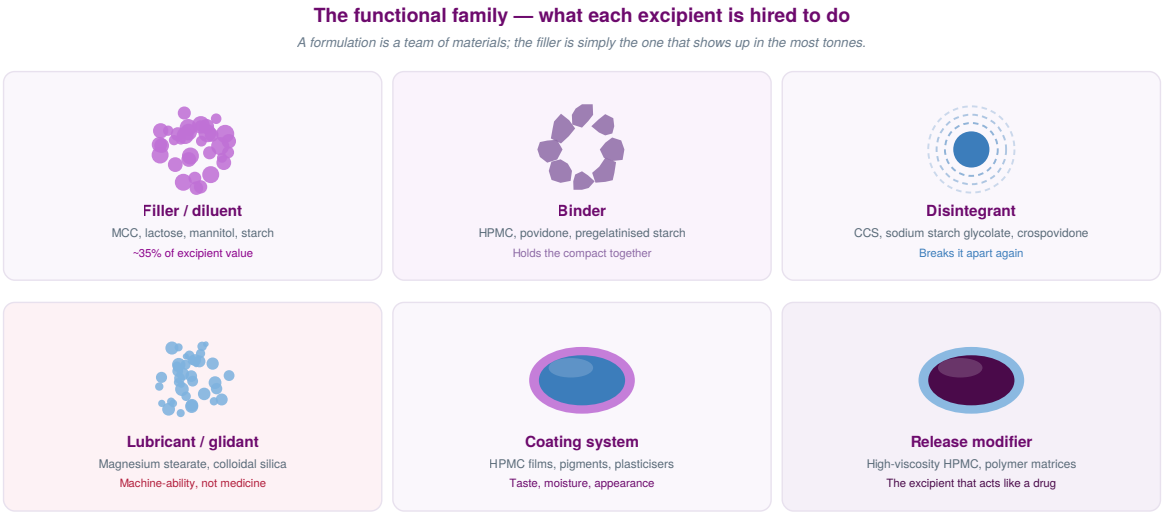


Figure 5.4 — The functional family. Fillers carry the tonnage; disintegrants and release modifiers carry the margin. A producer that only makes fillers is a volume business; one that spans roles becomes a formulation partner.

HOW TO USE THESE TWO PICTURES

Every product in this industry sits somewhere in these two galleries. When you read a company profile, map it back here: Accent Microcell lives in the first three tiles of the first gallery and is building into the fourth and fifth; Sigachi occupies the same tiles and has diversified sideways out of the gallery entirely; the global majors own the bottom-right of both. The whole competitive map is just "who occupies which tiles, and who is trying to move rightward."

SECTION 6

The industry & its demand drivers

Having covered the science, we now turn to the numbers — the market size, its shape, and the concurrent demand cycles that make this a structurally growing rather than cyclical business. It is also, as we will see, a market whose published size should be treated with real caution.

GLOBAL EXCIPIENTS 2025	PROJECTED 2030	FORWARD CAGR	MCC SHARE OF POOL
~US$10.8 bn	~US$15 bn	~6%	~12%

The global pharmaceutical excipients market is generally put at roughly **US$10–11 billion** in 2025, growing at a mid-single-digit rate toward **US$15 billion by 2030**. Microcrystalline cellulose is around **US$1.3–1.5 billion** of that, growing slightly faster at **6–7%**, of which pharmaceutical applications are roughly half and food, nutraceutical and cosmetic uses make up the balance. Asia-Pacific is the fastest-growing region and India the fastest-growing country within it.

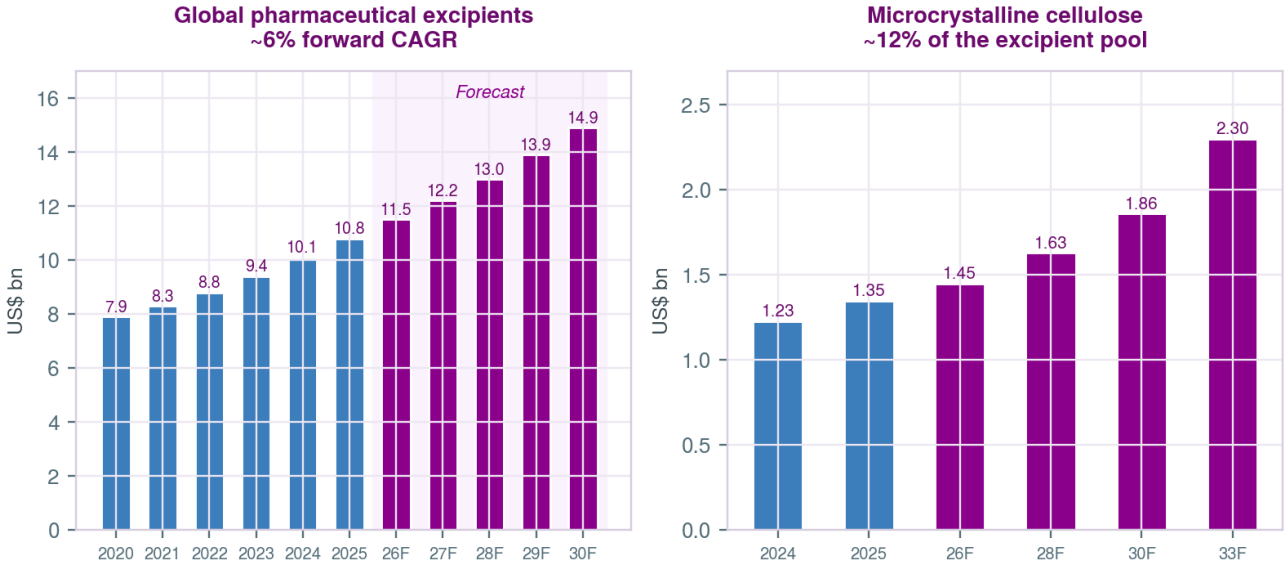


Figure 6.1 — The excipient pool and the MCC sub-segment. Neither is a hypergrowth market. The investment case in this sector is not about the size of the pie — it is about mix, share and the durability of customer relationships. *Mid-point of published estimates; see Figure 6.2.*

A TRAP TO AVOID — DO NOT BUILD A THESIS ON A MARKET-SIZE NUMBER

Published estimates of this market disagree violently. For the *same* year, reputable research houses put the global excipients market anywhere from US$8.6 billion to US$11.5 billion — a spread of roughly a third — with forecast CAGRs ranging from 4% to 8%. The disagreement is not sloppiness; it reflects genuine definitional choices about whether to include food-grade material, packaging components, solvents and captive production.

Treat these numbers as establishing an order of magnitude and a direction, nothing more. The figures that actually matter for an investment case — a company's tonnage, its grade mix, its customer concentration and its realisation per tonne — are all disclosed by the companies themselves and do not require a market-sizing study at all.

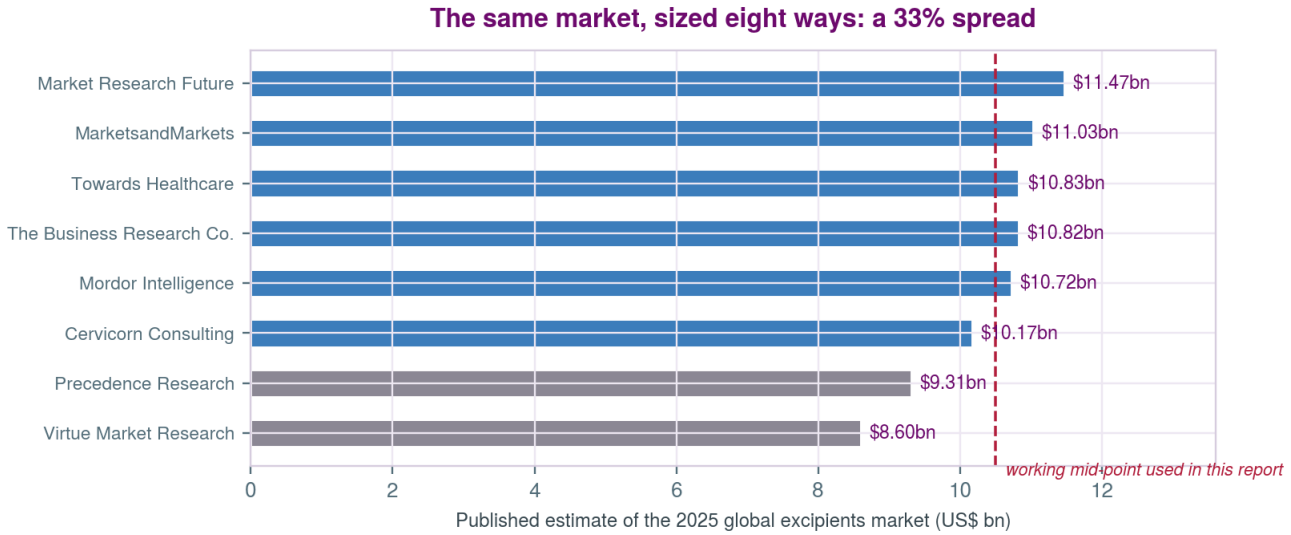


Figure 6.2 — Eight published estimates of the same market in the same year. The spread between the lowest and highest is larger than the entire microcrystalline cellulose segment. Any thesis that depends on which of these you picked is not a thesis.

The five concurrent demand cycles

What makes this demand unusually resilient is its **breadth**. It is not a single-driver story but the sum of five concurrent cycles, so no one end-market slowdown derails the thesis.

Driver	What it pulls	Why it is durable
Generic volume growth	Standard and specialty MCC, disintegrants, in bulk tonnes	Oral solid dosage remains the dominant delivery form; ageing populations and chronic disease drive unit volume irrespective of drug pricing
Direct compression & continuous manufacturing	Spray-dried grades, co-processed systems, low-moisture material	A one-way mix shift — once a plant is built without a granulator, it buys premium excipient for that product's life
Nutraceuticals, food & clean label	Food-grade MCC, cellulose gel, CMC	Lower specification but large, growing and counter-cyclical to pharma; provides volume ballast for a plant
Supply-chain de-risking	Qualification of second and third sources outside China	Western formulators are structurally dual-sourcing; India is the principal beneficiary in cellulosics
Regulatory tightening	DMF-backed, audited, documented material only	Nitrosamine and impurity scrutiny permanently disadvantages undocumented suppliers — share transfer without new demand

Table 6.1 — Five simultaneous demand cycles. Note that the second and fifth are *mix* drivers rather than volume drivers: they raise the average selling price of the same tonnes, which is why sector revenue can outgrow sector volume for an extended period.

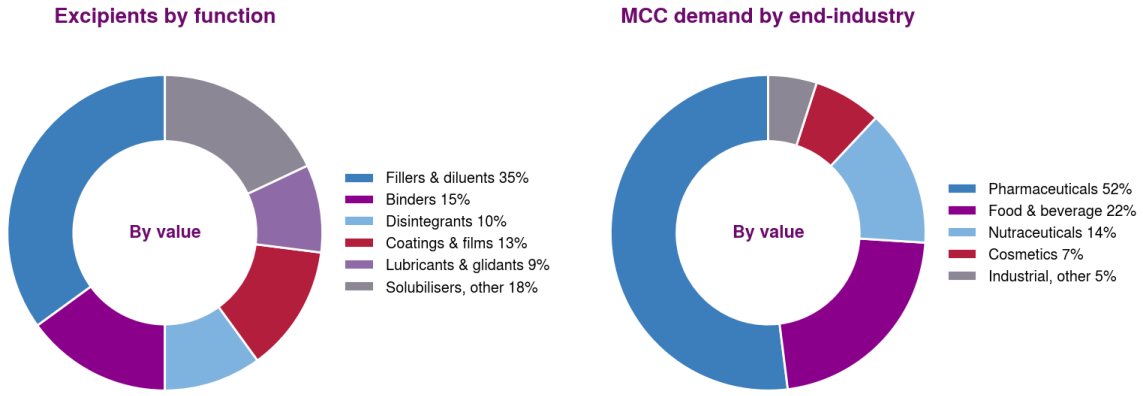


Figure 6.3 — By function, fillers and binders together anchor roughly half the excipient pool by value (left). By end-industry, pharmaceutical use dominates MCC demand but the food and nutraceutical block is large enough to keep a plant loaded through a pharma destocking cycle (right). *Indicative segment shares drawn from published market research.*

The quiet tailwind: documentation as a share-transfer mechanism

The fifth driver deserves separate attention because it is the closest thing this sector has to a structural, non-cyclical tailwind. Every tightening of impurity expectations — nitrosamines, elemental impurities, residual solvents — raises the documentation burden on the excipient supplier. Suppliers who hold a US Drug Master File, carry third-party GMP certification and can answer a standardised impurity questionnaire in a week keep the business. Suppliers who cannot, quietly lose it.

This transfers revenue from undocumented to documented producers *without any new market being created*. It is slow, it compounds, and it runs independently of the drug-development cycle. For a producer with a US-DMF and a clean audit history, it is the most reliable growth driver on this page — and it is invisible in every market-size chart.

SECTION 7

Regulation & the qualification clock

In most industries, regulation is a cost. In this one it is the moat. Understanding exactly how an excipient becomes legally usable — and what it takes to replace one — is essential to judging whether any producer's revenue is defensible. This section works through that architecture.

The peculiar legal status of an excipient

Here is the fact that governs everything: **an excipient has no independent regulatory approval in most major markets**. Unlike an API, it is not licensed on its own. It acquires regulatory standing only as a component of an approved drug product, and the party legally responsible for proving it is suitable is not the excipient maker — it is the **marketing authorisation holder**, the pharmaceutical company selling the medicine.

That asymmetry has two consequences. First, the customer, not the regulator, is the real auditor: the drug company must qualify, audit and justify its excipient supplier, and carries the liability if that judgement is wrong. Second, once a supplier has been written into an approved filing, removing them is the customer's problem, not the supplier's. The incumbent is protected by the customer's own paperwork.

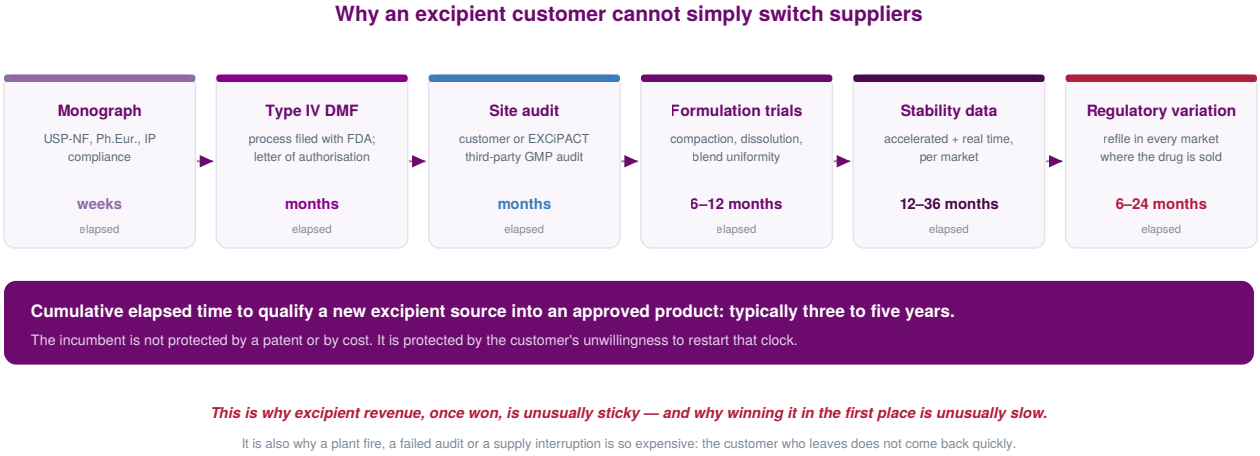


Figure 7.1 — The qualification clock. Each stage is routine on its own; in series they add up to a multi-year commitment that a purchasing department will not undertake to save a few percent on a material that is a small fraction of the cost of goods.

The quality architecture in one table

Several overlapping instruments make up the framework. None of them is an approval; together they constitute credibility.

Instrument	What it is	Who issues it	What it buys the supplier
Pharmacopoeial monograph	Minimum identity and purity standard (USP-NF, Ph. Eur., JP, IP)	Pharmacopoeial authorities	A licence to compete; not a differentiator
Type IV DMF	Confidential process and quality dossier, referenced by customers' filings	Filed with the US FDA	Customers can cite the process without seeing it
IPEC-PQG GMP Guide	The industry GMP standard written specifically for excipients	IPEC and the Pharmaceutical Quality Group	A defensible definition of "GMP" for a non-API
NSF/IPEC/ANSI 363	US national GMP standard for excipients	NSF / ANSI	An auditable benchmark
EXCiPACT certification	Third-party GMP/GDP certification scheme for excipient makers	Independent certification bodies	Replaces repeated customer audits
Nitrosamine risk questionnaire	Standardised impurity risk assessment, updated 2025	IPEC Federation	Speed of response becomes a selling point

Table 7.1 — The quality architecture. Note the pattern: almost every instrument exists to let a customer *trust a supplier without re-auditing them*. The commercial value of each certification is the audit it makes unnecessary.

India's unusual position in this one segment

India's pharmaceutical industry is famously dependent on imports for its inputs: roughly two-thirds to three-quarters of its active ingredient requirement is sourced from China, with near-total dependence in several fermentation-derived categories. Government policy — the production-linked incentive scheme for bulk drugs, the bulk drug parks programme — is aimed squarely at reversing that in APIs.

Excipients invert the picture. In cellulosics India is a **net exporter**, and the domestic market is smaller than what its own producers ship. The two listed Indian producers between them bill more than published estimates of India's entire domestic microcrystalline cellulose consumption. They are, functionally, export businesses that happen to be located in India — selling into the United States, Europe, Latin America and the Middle East against Chinese, Japanese, European and American competitors.

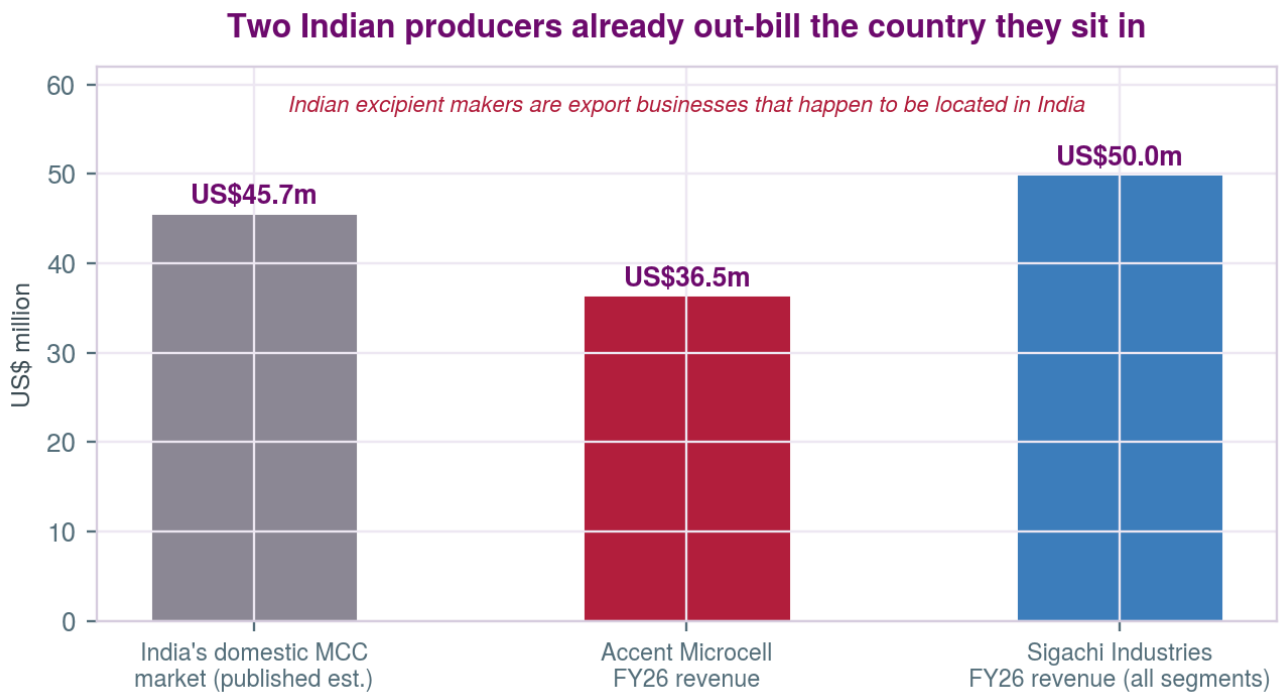


Figure 7.2 — The India paradox. A published estimate of the country's domestic MCC market sits below the revenue of either listed producer once exports and non-pharma grades are included. This is a useful warning about market-sizing studies as much as a fact about India. *Converted at approximately Rs 95.5/US$.*

Two things follow. First, there is **no policy subsidy tailwind** here — the incentive schemes target APIs and key starting materials, not excipients. Whatever these companies earn, they earn commercially. Second, their fortunes are tied to global qualification cycles and the dollar, not to Indian healthcare spending. An investor who models these businesses off Indian pharmaceutical formulation growth is modelling the wrong variable.

READING THE REGULATORY PICTURE CORRECTLY

Barrier height: high and rising — three to five years to qualify a new source into an approved product, and impurity scrutiny keeps tightening.

Barrier type: not patents, not scale, not cost. The barrier is **the customer's unwillingness to restart a validation clock** for a material that is a small share of their cost of goods.

The vulnerability this creates: the same mechanism that protects an incumbent punishes any interruption. A plant fire, a failed audit, or a supply failure forces the customer through the qualification process anyway — and once they have gone through it with someone else, the switching cost now protects your competitor. In this industry, **reliability is the product**.

SECTION 8

The parts the data misses

Three demand and revenue pools deserve separate treatment because they are systematically undercounted by headline market figures — and all three push the industry toward the premium end of the ladder.

Trading and merchant volume — revenue with no factory behind it

A characteristic of this sector that market studies never capture is that producers routinely **trade** material alongside what they manufacture: buying third-party powder, qualifying it, repackaging it under their own quality system, and selling it into their own customer relationships. Accent Microcell, for example, reported total sales volume of roughly 15,000 metric tonnes in FY26 against installed capacity of about 9,200 MTPA — approximately 70% manufactured and 30% traded.

This is not a criticism; it is a rational response to being capacity-constrained in a market where losing a qualified customer is expensive. But it matters analytically for two reasons. It inflates revenue relative to manufacturing capability, and it *dilutes margin*, because traded material earns a distribution spread rather than a conversion margin. A company whose traded share is falling as new capacity commissions will show margin expansion that has nothing to do with pricing.

Co-processing and continuous manufacturing — the premium tailwind

The second uncounted pool is the migration of value into engineered systems. Market studies size "microcrystalline cellulose" as a material; they do not capture the fact that an increasing share of MCC is sold inside a co-processed system at a materially higher realisation. Recent product launches aimed explicitly at continuous direct compression are the visible edge of this.

What makes it a *rising* tailwind is that it is driven by the very forces that constrain conventional demand: regulators pushing continuous manufacturing, formulators avoiding water and heat, and plants being designed for fewer unit operations. The harder it becomes to justify a granulation suite, the stronger the co-processing incentive. **The headwind on the old process is the mechanism generating this tailwind.**

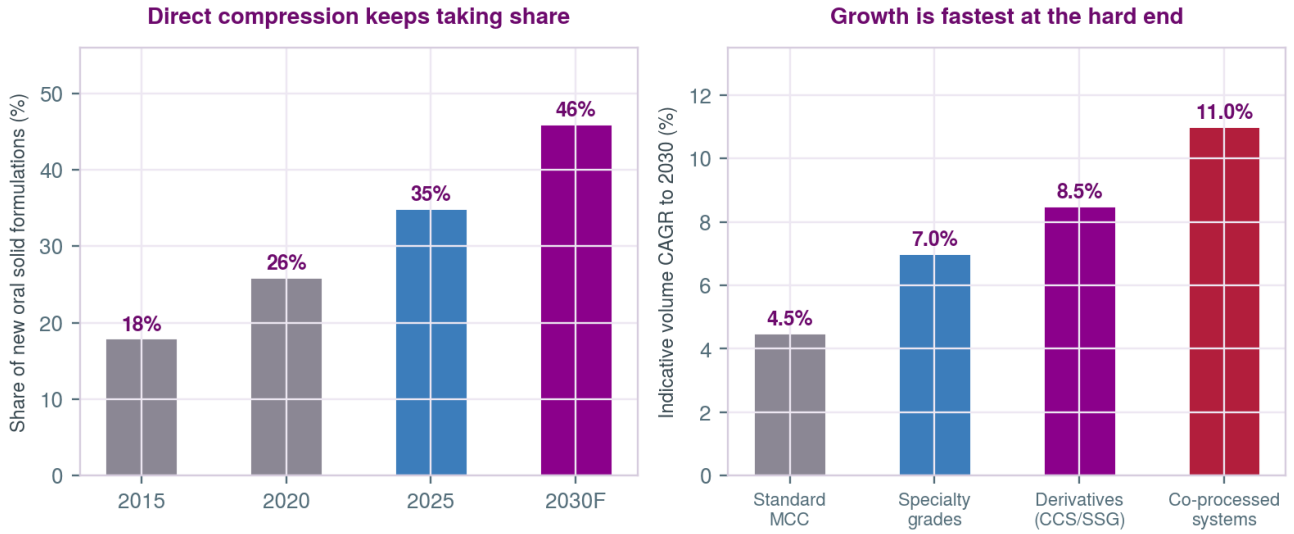


Figure 8.1 — Direct compression keeps taking share of new oral solid formulations (left), and the fastest volume growth sits at the hard end of the grade ladder (right). Neither trend is visible in a chart of total MCC tonnage. *Indicative; directional rather than precise.*

The non-pharmaceutical spillover — the same powder, a very different sale

The third pool is food, nutraceutical, bakery, dairy and cosmetic demand. Physically this is often the same material from the same line. Commercially it is a different business: lower specification, lower price, far shorter sales cycle, and almost no switching cost. Its virtue is that it is large, growing with clean-label formulation trends, and uncorrelated with pharmaceutical destocking cycles — so it keeps a plant loaded.

Its vice is that it is competitive on price and offers no protection. A producer whose mix drifts toward food and nutraceutical volume is buying revenue stability at the cost of margin and defensibility. Reading a company's disclosed application mix is therefore one of the more revealing things you can do with its annual report.

	Pharmaceutical channel	Food / nutraceutical channel
Documentation	Monograph, DMF, audit, change control	Food safety certification; far lighter
Qualification time	Years	Weeks
Switching cost for the buyer	Very high — a regulatory variation	Near zero — a purchase order
Price behaviour	Sticky; renegotiated slowly	Tracks pulp and competitive tender
Role in the business	The margin and the moat	The ballast and the utilisation

Table 8.1 — The same product sold two ways. The physical good is close to identical; the commercial characteristics are opposite. This is the closest analogue in this industry to the distinction between a contracted and a spot business — and it is why application mix, not tonnage, is the number to watch.

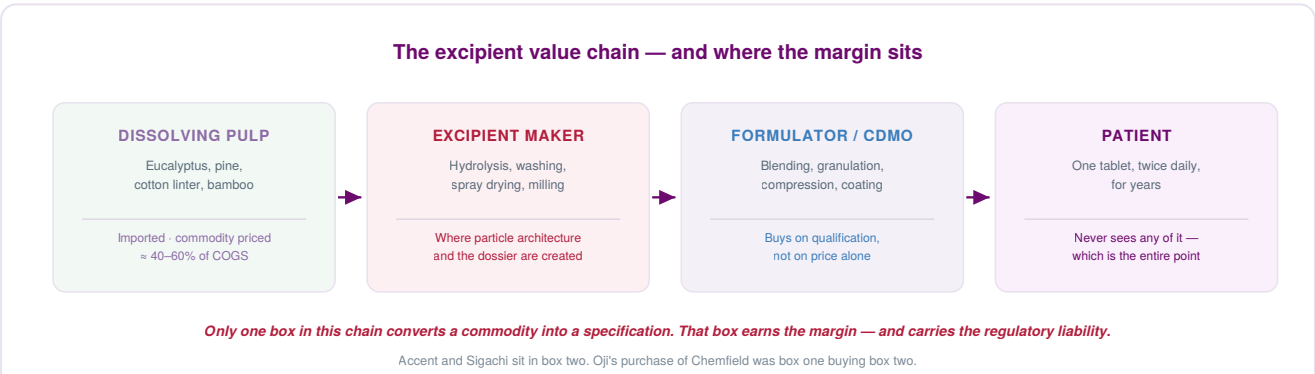


Figure 8.2 — The value chain and where the margin sits. The excipient maker is the only step that converts a commodity into a specification — and correspondingly the only one carrying regulatory liability for it.

A SUBTLE BUT IMPORTANT DISTINCTION

Backward integration into pulp does *not* move a producer up the ladder — it moves them down it, toward commodity economics, in exchange for input security. Forward integration into co-processed systems and derivatives moves them up. When Oji Holdings, a Japanese pulp group, acquired a stake in an Indian MCC producer in March 2025 and described the logic as a "tree to tablet" chain, that was the pulp business buying its way *up* into specification — the same move, viewed from the other end of the chain.

SECTION 9

The companies — pure-plays & majors

With the science and the numbers established, the companies now read as consequences rather than a list to memorise. Each one is defined by where it sits on two axes: **how far up the grade ladder it reaches**, and **whether it is an independent specialist or a division of a larger chemical or pulp platform**. That second axis turns out to matter more in this industry than in most.

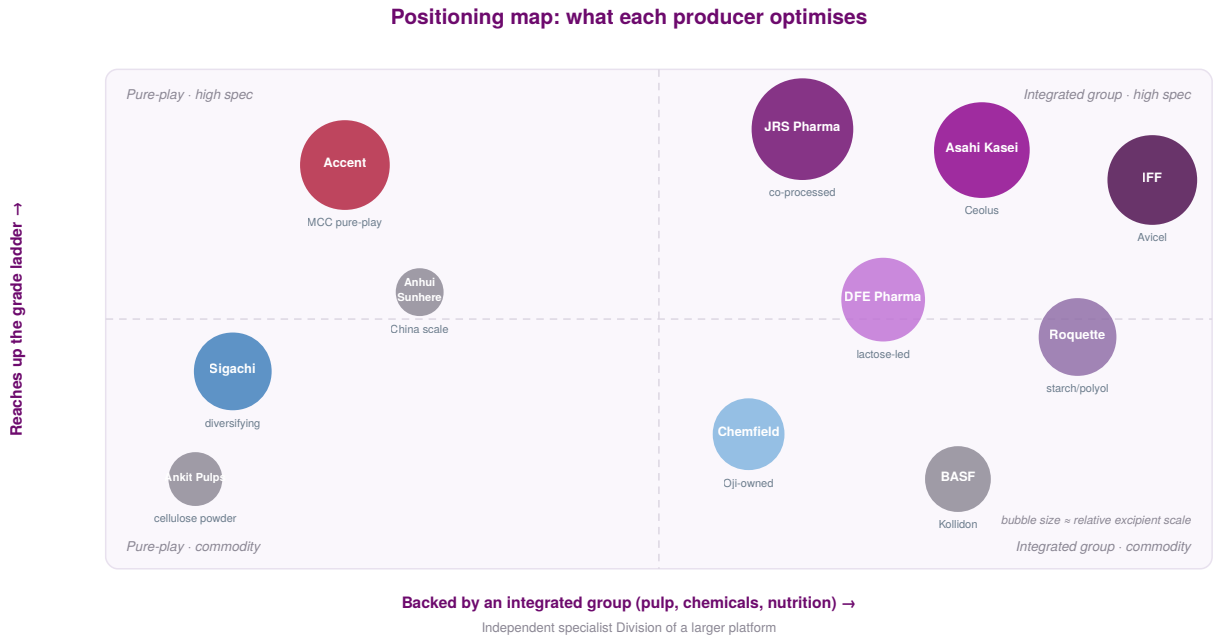


Figure 9.1 — The positioning map. Bubble size approximates relative excipient scale. Note the structure: the independent pure-plays cluster on the left, and almost every producer at the top of the ladder sits inside a larger group — because the capital and the patience required to build formulation-science credibility are easier to fund from a platform.

The two listed Indian pure-plays

India has two listed companies for which cellulosic excipients are the core business: **Accent Microcell** and **Sigachi Industries**. They began from a similar place and have taken visibly different paths — one narrowing and deepening, one broadening — and the last three years have provided an unusually clean natural experiment in which strategy this industry rewards.

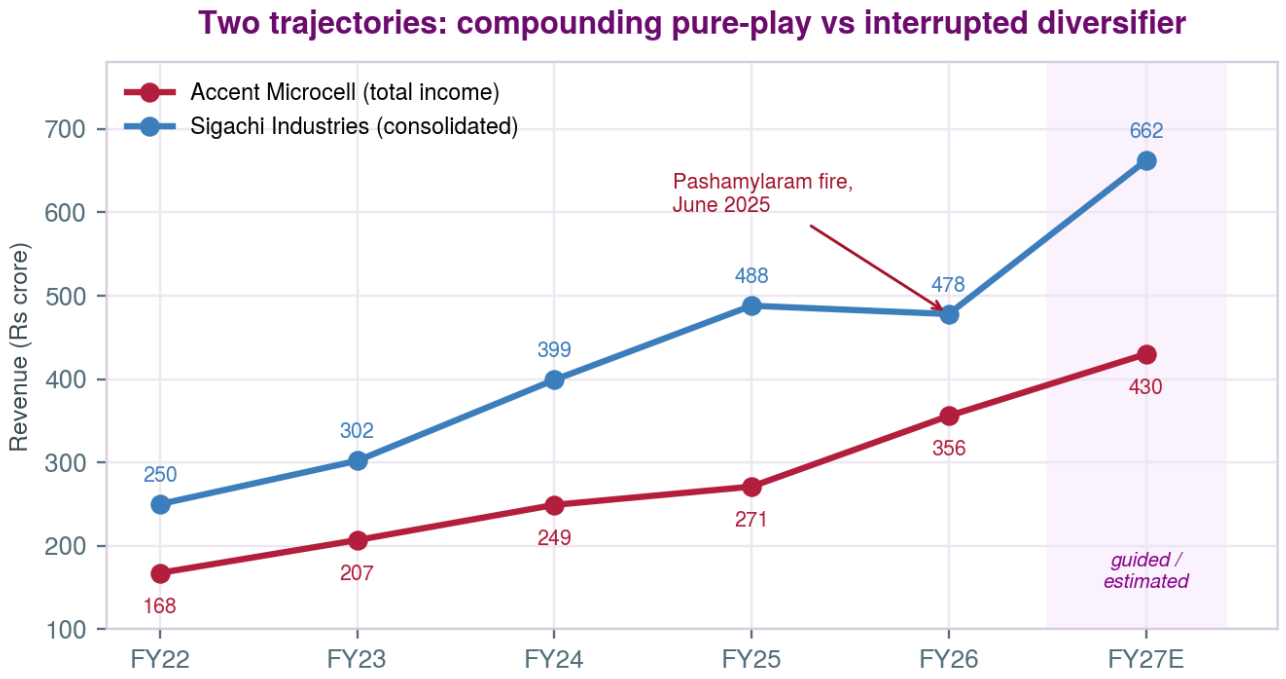


Figure 9.2 — Two trajectories. Accent has compounded steadily as a focused cellulosics producer; Sigachi grew faster, diversified into APIs and services, and then lost a year to a catastrophic plant incident. *FY27 figures are management guidance (Sigachi) and an illustrative estimate (Accent), not forecasts to rely on.*

Accent Microcell

Cellulosics pure-play · export-led · climbing into derivatives

Rs 355.8 cr
FY26 TOTAL INCOME

FY26 PAT	PBILDT MARGIN	INSTALLED CAPACITY	GEARING (FY25)
Rs 43.9 cr	~16–18%	9,200 MTPA	0.01x

Identity. Accent Microcell is an Ahmedabad-based manufacturer of microcrystalline cellulose and related excipient powders. It began as a partnership firm in 2002, incorporated in 2012, and listed on the NSE Emerge SME platform in December 2023, raising Rs 78.4 crore. The promoter group — the Patel family — has roughly two decades of operating experience in cellulose powders. In the language of this report, Accent lives almost entirely in the "particle" business and is now spending capital to move into the "derivative" tile beside it.

Products and plants. The core range is standard and spray-dried MCC, extending into silicified MCC, croscarmellose sodium and carboxymethyl cellulose, sold under the company's own brand names. It operates two plants in Gujarat — Pirana, near Ahmedabad, established in 2012, and a Dahej Special Economic Zone unit commissioned in FY15 — with combined installed capacity of about 9,200 MTPA. Facilities carry ISO 9001, FSSC 22000, GMP and HACCP certification, and key products are covered by a US Drug Master File along with Kosher and Halal certification. That DMF is the single most important asset on this page: it is what allows a formulator in a regulated market to cite the process without seeing it.

Financial character. FY26 total income rose about 31% to Rs 355.8 crore with profit after tax of Rs 43.9 crore, earnings per share of Rs 18.65 and a final dividend of Re 1. Operating margin on a PBILDT basis was 16.0% in FY25 and improved to 17.8% in the first half of FY26. The balance sheet is the strongest feature: gearing of 0.01x, interest cover above sixty times, working-capital limit utilisation around a tenth, and a net worth that crossed Rs 250 crore after a Rs 39.8 crore rights issue in June 2025. CARE Ratings upgraded the company to A–/Stable and A2+ in March 2026.

The capacity story — and the wrinkle inside it. Accent sold roughly 15,000 metric tonnes in FY26 against 9,200 MTPA of installed capacity, with approximately 70% manufactured and 30% traded. Read that carefully: the company is running its own plants hard and buying in material to serve demand it cannot make. That is why Unit-III at Nayka in Kheda district matters so much. Its first phase adds roughly 2,400 MTPA of higher-value derivatives — croscarmellose sodium, sodium starch glycolate and CMC — and the second phase adds around 12,000 MTPA of MCC, taking total capacity toward 24,000 MTPA for a combined outlay in the region of Rs 105–110 crore, funded from IPO and rights-issue proceeds rather than debt.

The execution risk, stated plainly. Unit-III has slipped repeatedly. Commercial production was originally indicated for October 2025, then April 2026, and the company subsequently notified the exchange of further delay, citing two abnormal monsoon seasons and difficulty obtaining environmental clearance and power transmission approvals, without giving a revised date. In August 2026 it ordered a 4.45 MW captive wind turbine to serve all three plants — a sensible move on energy cost, and also a signal that Unit-III is being planned for as a live project. But the investment case rests on that plant producing, and it has not yet done so.

WHAT DEFINES ACCENT MICROCELL

A **focused, debt-free, export-led cellulosics producer** that has compounded revenue at a mid-to-high teens rate without leverage, is capacity-constrained enough to buy in a third of its volume, and is spending a year's profit to add derivative capability it cannot yet sell. The quality of the business is not in dispute. The timing of the step-up is.

Sigachi Industries

The scale leader · diversified into API & services · rebuilding

Rs 478 cr
FY26 REVENUE

FY26 RESULT	FY26 OP. MARGIN	MCC CAPACITY	FY27 GUIDANCE
Net loss	**~11%**	**~21,700 MTPA**	**Rs 650–675 cr**

Identity. Incorporated in 1989 and listed in November 2021, Sigachi is the larger of the two Indian pure-plays by revenue and by MCC capacity, with plants in Telangana and Gujarat. Through FY25 it was the sector's growth story: revenue compounded from roughly Rs 250 crore in FY22 to Rs 488 crore in FY25 at consistently ~20% operating margins, supported by a 7,200 MTPA capacity addition at Dahej and Jhagadia and by exports running around 60% of sales.

The diversification. Sigachi has deliberately broadened beyond cellulosics: an active pharmaceutical ingredient business built partly through acquisition, an operations-and-management services arm, and allied trading. By the second quarter of FY26 the revenue mix had moved to roughly 60% MCC, 17% API, 12% services and 11% allied trades, against 81% MCC a year earlier. Management has since pointed to a complex fluorinated API portfolio with potential annual revenue of around Rs 250 crore from the fourth quarter of FY27. In the framework of this report, this is a company that chose to broaden across industries rather than climb within one.

The incident. On 30 June 2025 a fire and blast destroyed part of the Pashamylaram unit near Hyderabad, causing multiple fatalities. It was a human tragedy first and a financial event second. The company booked an exceptional loss of about Rs 121 crore in the first quarter of FY26, shifted MCC production to Dahej and Jhagadia, disbursed compensation, and began a phased rebuild. FY26 revenue finished at Rs 478 crore — down about 2% — with operating margin roughly halved to 11% and a consolidated net loss of around Rs 110 crore after the exceptional item. The fourth quarter showed the beginnings of normalisation: Rs 121.9 crore of revenue, a 12.6% EBITDA margin and Rs 7.6 crore of profit.

What Section 7 predicted. The qualification clock cuts both ways, and Sigachi is the case study. A customer whose supply is interrupted must qualify an alternative source — and once that work is done, the switching cost that used to protect the incumbent now protects the replacement. Recovering lost tonnage is therefore slower than rebuilding the plant. This is visible in the FY27 guidance of Rs 650–675 crore with an 18–20% EBITDA margin: credible as an ambition, but dependent on both a 12,000 MT expansion landing late in the year and on customers returning.

The governance flags. Analysts on the third-quarter FY26 call pressed management on a reported shortfall of roughly Rs 68.6 crore from warrant holders and around Rs 56.8 crore in promoter investment commitments. Promoter holding stands near 36.7%. Screening services flag a low effective tax rate. None of these is dispositive on its own; together they argue for a higher required return than the business alone would suggest.

> **WHAT DEFINES SIGACHI**
>
> The **scale leader that left the niche**. It has the largest Indian MCC capacity and a real export franchise, but it has diluted a high-quality single-product business with lower-quality adjacencies, and then absorbed an operational catastrophe that cost it a year and an unknown amount of qualified customer base. The recovery is plausible. It is not yet demonstrated.

The margin puzzle — and its resolution

A beginner's natural intuition is that the larger producer, with more capacity and more product lines, should earn the better margin. The data says otherwise, and understanding why is the key to the whole competitive picture.

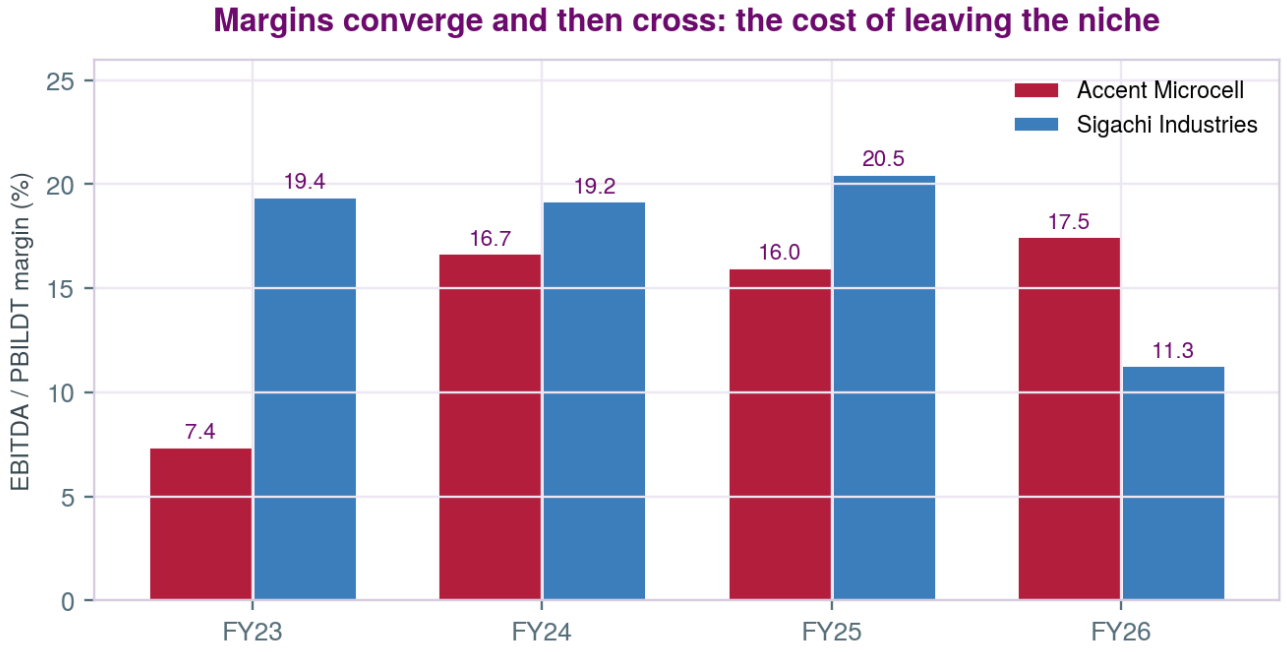


Figure 9.3 — Margins converge and then cross. Sigachi ran a structurally higher margin as a focused MCC producer; the gap narrowed as it diversified, and inverted when the incident struck. Accent's margin has risen steadily on grade mix alone. *FY26 figures include an estimated component for Accent; Sigachi FY26 is operating margin before the exceptional item's effect on the reported result.*

The resolution is that in this industry **margin comes from grade mix and qualification depth, not from scale**. Tonnage buys purchasing power on pulp, which is a small and shared advantage. Grade mix buys realisation per tonne, which is not shared at all. And qualification depth buys the right to keep the customer when a cheaper offer arrives. A producer that adds volume in standard grades is buying revenue at the industry's worst margin; a producer that adds a spray dryer and a derivative line is buying the industry's best.

The same logic explains the diversification trap. Moving into an adjacent industry — APIs, services, trading — adds revenue that does not benefit from the excipient moat, is competed against entirely different firms, and carries entirely different risk. It can be the right decision. But it should be recognised for what it is: leaving a defended position, not extending one.

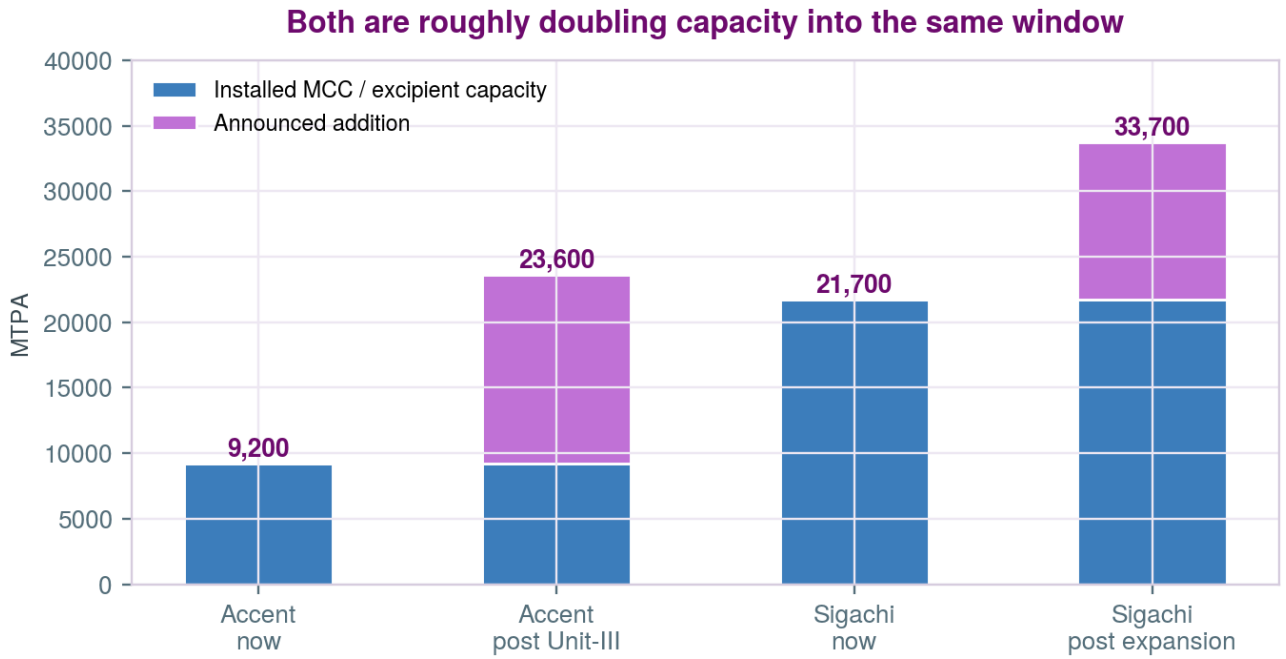


Figure 9.4 — Both Indian producers are roughly doubling capacity into the same window. In a market growing at 6–7%, that is a meaningful supply event. Whether it compresses pricing depends almost entirely on how much of the new tonnage lands in premium grades rather than standard ones.

THE SUPPLY QUESTION WORTH ASKING

Add Accent's roughly 14,400 MTPA of new capacity to Sigachi's announced 12,000 MT and you have approximately 26,000 MTPA arriving in a global MCC market of the order of a few hundred thousand tonnes. Both companies are making the same bet at the same time, and both are funding it. The bull case requires that this capacity be absorbed by grade upgrade and export share gain. The bear case is simply that it is not, and that two well-capitalised producers compete it away.

SECTION 9 · CONTINUED

The unlisted tier and the global majors

Below and around the listed names sits a set of competitors that shape pricing without being investable in India. They matter because they illustrate the sector's patterns — and because two of them have recently changed the structure of the market.

The domestic unlisted competitors

Chemfield Cellulose is the most consequential. A well-regarded Indian MCC producer selling into European and American pharmaceutical customers, it agreed in March 2025 to a strategic stake sale to **Oji Holdings**, the Japanese pulp and paper group, in a transaction structured across multiple tranches. Oji described the logic explicitly: integrating its own pulp production with pharmaceutical excipient manufacture to create a "tree to tablet" chain with full traceability, and it highlighted Chemfield's positioning on the absence of carcinogenic nitrosamines.

That deal is the single most important structural event in this sub-sector in recent years, for three reasons. It converts a domestic competitor into the Indian arm of a global pulp major with a captive raw-material position. It validates the thesis that the interesting margin sits between pulp and tablet. And it signals that the strategic buyer for an Indian excipient business may be upstream rather than a pharmaceutical company.

Ankit Pulps & Boards and a long tail of smaller producers occupy the cellulose-powder and lower-grade MCC tiles. They are the reason the bottom of the ladder is permanently competitive, and they are also the most exposed to the documentation tailwind described in Section 6: as impurity expectations tighten, undocumented capacity quietly loses pharmaceutical business and falls back into food and technical grades.

The global majors

At the top of the ladder sit divisions of very large groups. None is an investable pure-play; excipients are a modest line within a much larger business in every case.

Group	Position in cellulosics / excipients	Structural advantage
IFF (Pharma Solutions)	Holder of the original reference MCC franchise, whose grade numbering the industry still uses	Brand incumbency and the deepest regulatory history
Asahi Kasei	High-compactability MCC grades aimed squarely at direct compression	Particle engineering as a differentiated product, not a specification
JRS Pharma	Broad cellulosics plus the leading silicified MCC co-processed franchise	Ownership of the co-processed category at the top of the ladder
DFE Pharma	Lactose-led filler platform with cellulosics alongside	Sells the competing filler chemistry, so wins either way
Roquette	Starch, polyol and cellulosic excipients from a plant-based platform	Raw-material integration and formulation-services depth
BASF, Ashland	Synthetic polymer excipients — povidone, crospovidone, cellulose ethers	Compete against cellulose in disintegrants and binders
Anhui Sunhere and Chinese producers	Large-scale MCC, price-competitive, mainly standard grades	Cost; increasingly offset by customer de-risking away from single-country supply

Table 9.1 — The global landscape. Two corrections worth noting, because both appear frequently in secondary sources: the original Avicel MCC franchise passed from FMC to DuPont in 2017 and now sits within IFF's pharma solutions business, so FMC is no longer the relevant counterparty; and the Klucel hydroxypropylcellulose line belongs to Ashland, not to Asahi Kasei, whose cellulosic franchise is the Ceolus range.

IS THE GLOBAL COMPETITION A THREAT TO THE INDIAN PRODUCERS?

Not symmetrically. The majors dominate the top two tiles of the ladder — co-processed systems and high-compactability branded grades — where Indian producers have little presence and are not currently competing. The Indian producers dominate the cost-competitive middle, where the majors do not wish to compete. The genuine competitive pressure on Indian producers comes from Chinese capacity below them and from each other, not from JRS or Asahi Kasei above them. The threat from above only becomes real if an Indian producer succeeds in climbing — which is precisely what both are now spending money to do.

SECTION 10

Synthesis — where the value sits

Step back from the individual names and a clean structure appears. The producers in this sector are all doing one of four things, and the whole industry is migrating in one direction along the grade ladder. This final section ties the science, the numbers and the companies into a single mental model.

Company	Started from	Core strength	Moving toward	FY26 outcome
Accent Microcell	MCC particle manufacture	Debt-free, export-led, capacity-constrained	Derivatives: CCS, SSG, CMC	Revenue +31%, PAT Rs 43.9 cr
Sigachi Industries	MCC scale leadership	Largest Indian capacity, export franchise	APIs, services, allied trades	Revenue −2%, net loss
Chemfield (Oji)	MCC, nitrosamine-free positioning	Now owned upstream by a pulp major	Integrated "tree to tablet" supply	Unlisted
JRS, Asahi Kasei, IFF	Formulation science	Co-processed and branded grades	Continuous-manufacturing systems	Divisions of larger groups
Ankit Pulps and the tail	Cellulose powder	Cost and local proximity	Mostly staying put	Unlisted; squeezed

Table 10.1 — Four strategies. Note that only one of them — climbing within cellulosics toward derivatives and engineered systems — extends an existing moat. Backward integration secures input; diversification buys unrelated revenue; standing still invites the documentation tailwind to work against you.

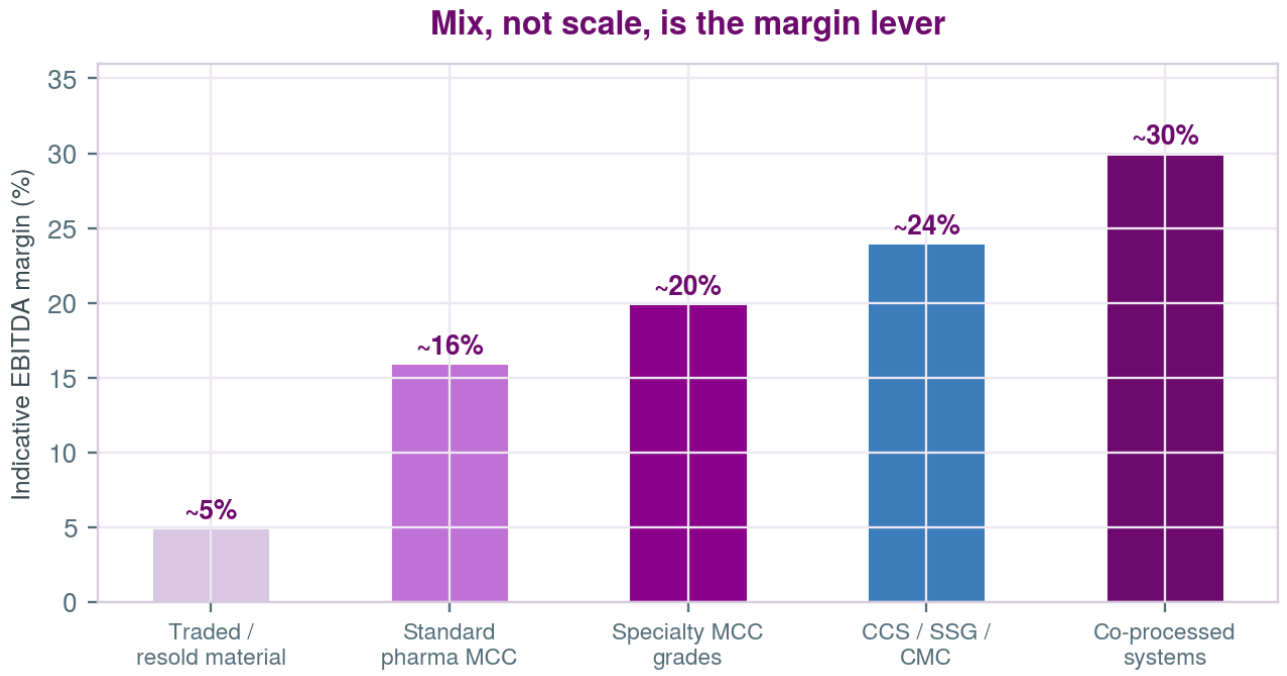


Figure 10.1 — Indicative margin by segment. The single most important number on this chart is the first one: traded material earns a distribution spread. A producer whose volume mix is shifting from traded toward manufactured, and within manufactured from standard toward specialty, gets margin expansion twice over.

THE MENTAL MODEL, DISTILLED

1 · Two problems. A tablet must survive being made (mechanical, visible, forgiving) and must release its dose for years (chemical and kinetic, hidden, unforgiving). Everything follows from this.

2 · The particle is the moat, not the molecule. The chemistry is seventy years old and unpatented. What is scarce is reproducing a particle-size distribution batch after batch and proving it — which is why capability tracks operating decades, not capital.

3 · Barriers are built from the customer's switching cost. Three to five years to qualify a new source into an approved product. No patent involved. Reliability *is* the product — and an interruption hands your moat to your replacement.

4 · Margin comes from grade mix, not scale. Tonnage buys pulp discounts; grade mix buys realisation. Diversifying out of the niche dilutes the only advantage you have.

5 · The demand shift is one-way. Every plant built without a granulator permanently upgrades the excipient specification it will buy. That mix shift, not market growth, is the real driver.

The bull and bear case, fairly stated

The bull case	The bear case
Five concurrent demand cycles, two of which raise realisation rather than volume; a documentation tailwind that transfers share to DMF-holding producers without requiring market growth; genuine China-plus-one qualification activity favouring Indian suppliers; capacity expansions at both listed producers arriving into that demand; high switching costs protecting installed revenue; and debt-free balance sheets funding the step-up without dilution or leverage.	Roughly 26,000 MTPA of new Indian capacity landing in the same window in a market growing at 6–7%, with both producers betting identically; execution slippage already visible in the delayed Unit-III; pulp price and currency pass-through risk with limited hedging; customer concentration in the mid-40s percent of revenue at the top ten; the demonstrated fragility of a single-site manufacturing base; and valuations on the listed names that already discount successful execution.

The honest synthesis: this is a **good industry with a narrow moat and a wide execution requirement**. The moat is real — qualification cycles genuinely protect incumbents, and the documentation tailwind genuinely compounds. But the moat protects *existing* revenue far better than it protects *new* revenue, and both Indian producers have just committed capital to roughly doubling output that must be sold into relationships they have not yet won.

The part of the bear case that most durably survives scrutiny is therefore not "demand is exhausted" — it plainly is not. It is that **two capacity expansions are racing into the same window, and the premium grades that would justify them take years to qualify**. That is an execution-and-mix risk, not a demand risk, and it is the thing to monitor quarter by quarter: the ratio of manufactured to traded volume, the share of derivatives in revenue, and realisation per tonne. A reader who has internalised the two-problem science, the switching-cost moat and the mix-over-scale margin lesson now holds the same core mental model a sector specialist carries.

THE FOUR NUMBERS TO TRACK

1 · Realisation per tonne — the cleanest single measure of whether grade mix is actually improving.

2 · Manufactured versus traded volume share — falling traded share should mechanically lift margin.

3 · Commissioning progress at the new units, and the first revenue from derivative products.

4 · Customer concentration and export share — the first tells you fragility, the second tells you whether the qualification work is landing in regulated markets.

SECTION 11

Stock ratings summary

The table below applies the framework of this report to the listed names. These ratings are the own reading of publicly available information by Dart Consultants, not a broker consensus — institutional coverage of this sub-sector is thin, and where third-party targets exist they are noted and dated. This is not investment advice; please read the disclaimer on the final page.

Company	Rating	Reference price	Valuation	Balance sheet	Key justification
Accent Microcell *NSE: ACCENTMIC*	**HOLD**	Rs 697 *9 Sep 2026*	~37x FY26 EPS of Rs 18.65; market cap ~Rs 1,670 cr	Essentially debt-free; gearing 0.01x; interest cover >60x	Best-quality business in the group — focused, export-led, high return on equity, self-funded expansion. But the stock has roughly tripled from its 52-week low while the capacity that justifies the re-rating has slipped twice and is not yet producing.
Sigachi Industries *NSE: SIGACHI*	**SELL**	Rs 37.6 *10 Sep 2026*	~64x trailing earnings on a depressed base; market cap ~Rs 1,435 cr; ~2.8x book	Debt-to-equity ~0.27x; prior warrant commitments unmet	The operating recovery is real, but the price already pays for a full normalisation. A proposed 11 crore warrant issue at Rs 26.40 implies ~29% dilution at a ~30% discount, and the criminal file from the June 2025 incident is unresolved with the chief executive personally named. See the company report for the full governance assessment.
Chemfield Cellulose	**NOT RATED**	—	Unlisted; stake acquired by Oji Holdings (TSE: 3861)	Not disclosed	No direct Indian listed exposure. Relevant as a competitive and valuation data point: a strategic upstream buyer paid for an Indian MCC platform.
Global majors *IFF, Asahi Kasei, BASF, Ashland, Roquette, JRS, DFE*	**NOT RATED**	—	Excipients are a small line inside much larger groups	Varies	None offers meaningful pure-play exposure to this theme. Buying them for excipient exposure means buying a diversified chemicals or nutrition business instead.

THE ARITHMETIC BEHIND THE ACCENT RATING, SHOWN OPENLY

FY26 delivered Rs 349 crore of operating revenue and Rs 43.9 crore of profit. If Unit-III Phase 1 contributes partially in FY27 and the traded share falls, a reasonable range is Rs 420–460 crore of revenue and Rs 52–58 crore of profit — earnings per share of roughly Rs 21.5 to Rs 24. At a 28–34x multiple, which is where a debt-free mid-teens grower with a delayed project might reasonably trade, that is Rs 600–815 per share against a reference price of Rs 697.

In other words: the current price already sits inside the range that successful execution would justify. That is the entire basis for a Hold rather than a Buy. **Every figure in this paragraph after FY26 is an illustration of method, not a forecast** — the point is the shape of the arithmetic, which a reader should redo with their own assumptions.

WHAT WOULD CHANGE THESE RATINGS

Upgrade Accent on: Unit-III Phase 1 in commercial production with derivative revenue disclosed separately; traded volume share falling below roughly 20%; realisation per tonne rising; or a meaningful pullback in the share price.

Downgrade Accent on: further unexplained delay at Unit-III; margin compression as new industry capacity lands; loss of a top-ten customer; or evidence that new tonnage is being sold into standard grades.

Upgrade Sigachi on: the proposed warrant issue completing on materially better terms, being scaled back or lapsing; two consecutive quarters at guided margin with MCC revenue share recovering toward historic levels; and resolution of the legal file without material financial liability.

Figures compiled from company filings, exchange disclosures, credit-rating publications and public market aggregators as at 12 September 2026. Prices move; the ratings above are anchored to the reference prices stated and become stale quickly.

NOTES

Methodology & important disclaimer

Purpose & method

*This document is an **educational primer** built from first principles, intended to take a reader with no prior knowledge from the underlying science of solid oral dosage forms through to a working understanding of the pharmaceutical excipients sub-sector and its Indian participants. It synthesises publicly reported company disclosures (annual reports, half-yearly and quarterly results, investor presentations, earnings calls and exchange filings), credit-rating agency publications, regulatory and industry-association guidance from bodies including IPEC and the pharmacopoeias, and commercially published market research. All charts, tables and diagrams in this report were purpose-built for this document to illustrate the concepts and figures discussed.*

Data caveats

Financial figures are drawn from company reporting for FY26 (year ending March 2026) and are rounded for readability. Where segment, capacity or mix figures are self-reported by companies — for example installed capacity, traded volume share, customer concentration or forward guidance — they carry the usual limitations of self-reported data and should be independently verified before being relied upon. Forward-looking figures including market-size projections, capacity targets, growth rates and margin guidance are estimates and subject to material revision.

*Several figures in this report are explicitly labelled **indicative** — notably the cost-split in Figure 3.2, the grade-ladder margins in Figures 5.2 and 10.1, the direct-compression adoption share in Figure 8.1, and the price ratio in Figure 4.2. These are constructed to illustrate the **structure** of the industry's economics and should not be read as measured data or used as inputs to a model. Published market-size estimates disagree by up to a third, as Figure 6.2 demonstrates directly; they are used here to establish order of magnitude and direction only.*

On the Sigachi incident

The June 2025 fire at the Pashamylaram facility resulted in loss of life. It is discussed in this report only in terms of its disclosed financial and operational consequences, which is the limited purpose of a sector primer. Nothing in that discussion is intended to characterise causes, responsibility or the human cost, all of which are matters for the relevant authorities and for far more serious treatment than a document of this kind can offer.

Who we are

*Dart Consultants is a market intelligence and technology service provider. **We are not a SEBI-registered Investment Adviser or Research Analyst.** Nothing in this document is issued in the capacity of a regulated adviser, and no adviser-client relationship is created by reading it.*

Not investment advice

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Created by

Dart Consultants

India Pharmaceutical Excipients & Cellulosics
A Ground-Up Primer · 2026

COMPANY REPORT · INITIATING COVERAGE

Accent Microcell

HOLD

Quality is not in question; the price already pays for the plant

Summary. Accent Microcell is the cleanest listed expression of the excipient thesis set out in this primer: a focused, export-led microcrystalline cellulose producer with a US Drug Master File, an essentially debt-free balance sheet and a five-year record of compounding revenue in the high teens without dilution or leverage. FY26 was its strongest year — total income up 31% to Rs 355.8 crore and profit after tax up 33% to Rs 43.9 crore — and CARE upgraded it to A–/Stable in March 2026.

Our reservation is entirely about timing. The company is *capacity-constrained*: it sold roughly 15,000 tonnes in FY26 against 9,200 MTPA of installed capacity, buying in about 30% of volume at a distribution spread rather than a conversion margin. The answer to that is Unit-III at Nayka, Kheda — and Unit-III has slipped from October 2025 to April 2026 and then again, with no revised date, on monsoon disruption and pending environmental and power-line approvals. Meanwhile the stock has risen from a 52-week low of Rs 238 to Rs 697.

At roughly 37x FY26 earnings and about 6x book, the shares already discount a plant that has not yet made a kilogram. Our SOTP-free, earnings-based target price of **Rs 730** — 28x FY28E EPS of Rs 25.5 — implies 5% upside. We initiate with a **HOLD**.

Why the business deserves a premium at all. Excipient revenue is unusually sticky. An excipient has no standalone approval; it is qualified inside the customer's drug filing, so replacing a supplier means a monograph check, a DMF reference, an audit, formulation trials, stability data and a regulatory variation — three to five years in total. Accent's DMF, FSSC 22000/GMP/HACCP certifications and Kosher and Halal approvals are what convert a commodity powder into that kind of relationship. Roughly half of income is export, and the top ten customers were about 44% of income in FY25 — concentrated, but concentrated in relationships that are slow to lose.

Target price	**Rs 730**
CMP (9 Sep 2026)	**Rs 697**
Potential upside	5%
Rating	HOLD (initiating)
Valuation basis	28x FY28E EPS

Key stock data	
NSE symbol	ACCENTMIC
Sector	Pharma inputs / excipients
Shares o/s (mn)	24.0
Market cap (Rs cr)	1,672
52-week high / low	Rs 699 / 238
Credit rating	CARE A– / Stable
Listing	NSE Emerge, Dec 2023

Shareholding pattern (%)	
Promoters	53.0
Public and others	47.0
Change in promoter stake, last quarter	(2.45)

Financial snapshot (Rs cr)

Year to March	FY25	FY26	FY27E	FY28E
Total income	**271.0**	**355.8**	**427.0**	**527.0**
Change (yoy, %)	*8.8*	*31.3*	*20.0*	*23.4*
EBITDA	**42.0**	**57.0**	**70.6**	**91.0**
Margin (%)	*15.9*	*16.3*	*16.8*	*17.5*
PAT	**33.1**	**43.9**	**49.4**	**61.1**
EPS (Rs)	14.9	18.7	20.6	25.5
PE (x)	46.8	37.4	33.8	27.3
EV/EBITDA (x)	39.3	28.9	23.4	18.1
RoE (%)	17.5	17.7	16.3	17.5
Net debt/equity (x)	0.01	nil	nil	nil

FY25–FY26 from company filings and CARE Ratings; FY27E–FY28E are Dart Consultants estimates.

Investment rationale

■ **A pure-play on the one tile of the value chain that converts commodity into specification.** Accent buys wood pulp — a globally traded commodity — and sells a particle specification backed by a dossier. Section 3 of this primer showed why that conversion is where margin sits: in a commodity powder the pulp is roughly two-thirds of cost; in a specified pharmaceutical grade, process, analytics and documentation dominate. Accent has held a 16–18% EBITDA margin through a pulp cycle, which is the evidence that the conversion is real.

■ **The mix upgrade is the whole equity story, and it is credible.** Unit-III Phase 1 adds roughly 2,400 MTPA of croscarmellose sodium, sodium starch glycolate and CMC — functional derivatives that sit one full rung above standard MCC on the grade ladder, with croscarmellose reportedly around 70% of the intended mix. Phase 2 adds about 12,000 MTPA of MCC. Total capacity moves toward 24,000 MTPA against 9,200 today, for a combined outlay of roughly Rs 105–110 crore funded from IPO and rights-issue proceeds rather than debt.

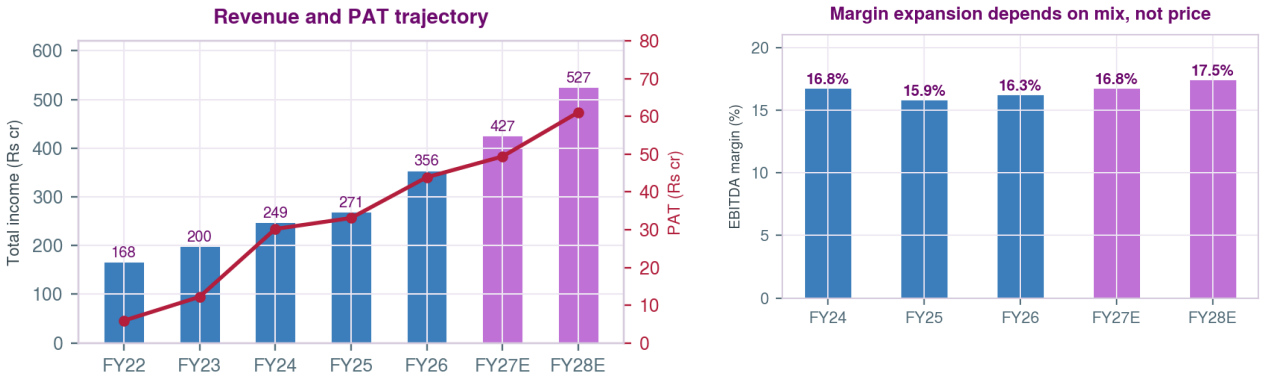
■ **Two mechanical margin levers, independent of pricing.** First, the traded share of volume — about 30% in FY26 — earns a distribution spread. As own capacity commissions, that share should fall and blended margin should rise without any price increase. Second, derivatives carry structurally better realisation than standard MCC. Our FY28E margin of 17.5% assumes both work only partially.

■ **Balance sheet that can absorb a delay.** Gearing of 0.01x, interest cover above sixty times, working-capital limit utilisation around a tenth, and a net worth that crossed Rs 250 crore after the June 2025 rights issue. A stretched project timetable is an opportunity cost here, not a solvency question — which is precisely why our concern is valuation rather than risk of ruin.

■ **Captive power reduces a real cost line.** The 4.45 MW wind turbine ordered from Inox Wind in August 2026 addresses electricity, which is a meaningful input in a hydrolysis-and-spray-drying process. It also signals that Unit-III is being provisioned for as a live project.

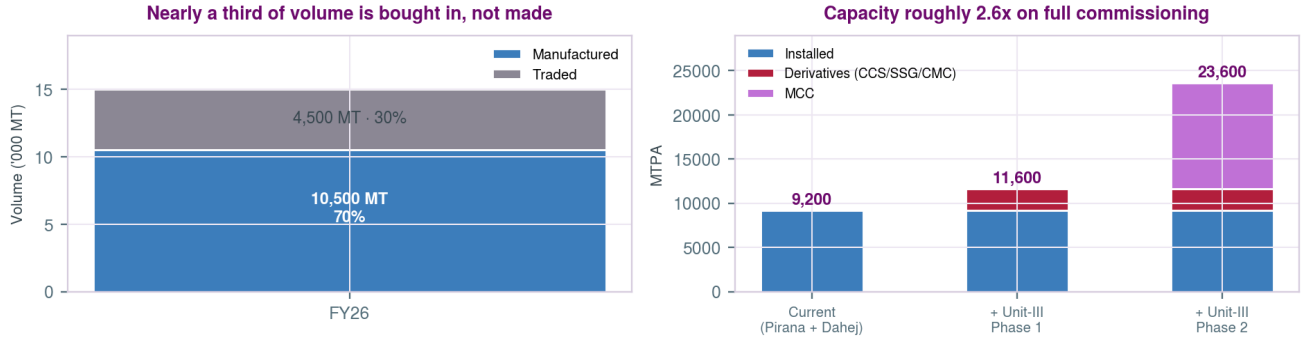
Exhibit A1: Revenue and PAT trajectory

(Rs cr)



Source: Company filings; CARE Ratings; Dart Consultants estimates for FY27E–FY28E.

Exhibit A2: The two levers — traded volume and capacity



Source: Company disclosures. FY26 volume of ~15,000 MT comprised approximately 70% manufactured and 30% traded. Capacity additions are as announced; Phase 2 timing is not confirmed.

What gives us pause

- **Unit-III has slipped twice and has no revised date.** Commercial production was indicated for October 2025, then April 2026. The company then notified the exchange of further delay, citing two abnormal monsoon seasons and difficulties obtaining environmental clearance and power transmission approval. Our FY27E and FY28E numbers assume a partial Phase 1 contribution and a late, partial Phase 2. If both land as originally planned, we are too conservative; if they slip another year, our FY28E is roughly 15% too high.

- **Industry capacity is arriving all at once.** Accent's roughly 14,400 MTPA of additions and Sigachi's announced 12,000 MT land in the same window, into a global MCC market growing at 6–7%. Both Indian producers are making the same bet simultaneously. This is the single most important thing to monitor, and it argues for watching realisation per tonne rather than tonnage.

- **Input and currency exposure without a hedging policy.** Wood pulp is the principal raw material and is partly imported, while output is largely exported. CARE notes the absence of an active hedging policy. A rupee move or a pulp spike therefore passes through to margin with a lag.

- **Customer concentration.** The top ten customers were about 44% of income in FY25, up from 39% in FY24. High switching costs cut both ways: the relationships are durable, but losing one is material and slow to replace.

- **Liquidity and disclosure are SME-grade.** Reporting is half-yearly, institutional coverage is negligible, and the promoter stake fell 2.45 percentage points in the most recent quarter. None of this changes the business; all of it widens the range of outcomes and argues for a higher required return.

Corporate governance assessment

1 · Which rules actually apply — and which do not

The single most important governance fact about Accent Microcell is structural rather than behavioural. The company is listed on the NSE Emerge SME platform, and under **Regulation 15(2) of SEBI's Listing Obligations and Disclosure Requirements**, entities listed on an SME exchange are exempt from Regulations 17 to 27 — the provisions that govern board composition, the audit committee, the nomination and remuneration committee, related-party approval and much else. Almost the entire corporate governance code that an investor would take for granted in a main-board company is, for Accent, *voluntary*.

Two qualifications matter. First, SEBI narrowed that relief with effect from 1 April 2025: an SME-listed entity whose paid-up equity capital exceeds Rs 10 crore or whose net worth exceeds Rs 25 crore must comply with **Regulation 23** on related-party transactions. Accent's paid-up capital of approximately Rs 24 crore and net worth well above Rs 250 crore put it comfortably past both thresholds, so RPT governance now binds. Second, SME issuers report half-yearly rather than quarterly; that concession ends once post-issue paid-up capital crosses Rs 25 crore, a line Accent sits just below. Any meaningful further equity issuance would trigger quarterly reporting — which we would regard as a positive.

On the compliance record we can observe: the fourteenth annual general meeting was held on 31 July 2026 and all nine resolutions passed, covering the FY26 audited accounts, a Re 1 dividend, director re-appointments and the appointment of a new independent director. A statutory cost audit is conducted by C. B. Modh & Co., Ahmedabad. CARE Ratings upgraded the company to A–/Stable and A2+ in March 2026, which at minimum implies satisfactory information flow to an external assessor. We are not aware of any regulatory penalty, exchange action, auditor qualification or restatement.

2 · What the company does well

- **It maintains the architecture it is not required to maintain.** Despite the Regulation 15(2) exemption, the board operates an Audit Committee, a Nomination and Remuneration Committee and a CSR Committee.

- **The Audit Committee is independently chaired.** Ms. Shreyaben Shah, a non-executive woman independent director, chairs it, with a second independent director as a member — two of three members independent, which is the standard Regulation 18 would impose if it applied.

- **The NRC is entirely independent.** All three members are non-executive independent directors, which is stricter than the main-board requirement.

- **Capital has been raised in ways that treat minorities equally.** The June 2025 rights issue of roughly Rs 39.8 crore at Rs 135 per share was offered pro-rata to all shareholders. This is a materially fairer instrument than a preferential allotment to insiders, and we weight it positively.

- **The balance sheet removes a classic SME risk.** Gearing of 0.01x and interest cover above sixty times mean there is little scope for the promoter-guarantee and related-party-lending structures that cause most small-cap governance failures. Expansion is funded from IPO and rights proceeds, not debt.

- **Cash is being returned.** A Re 1 dividend was declared for both FY25 and FY26 — modest, but a discipline many growth-stage SME issuers avoid.

3 · Grey areas — legitimate, but worth pricing

- **The board is promoter-family dominated and executive-heavy.** Four of the seven directors — the Chairman, the Managing Director and two whole-time directors — are members of the Patel promoter family and all are executive. Three directors are independent, or about 43% of the board. Under Regulation 17, a main-board company with an executive promoter as chairperson must have at least half the board independent. Accent would not meet that bar, though as an SME issuer it is not obliged to.

- **The Managing Director is also the Chief Financial Officer.** Mr. Ghanshyam Patel holds both roles. In our view this is the most consequential governance feature on this page. A separate CFO is one of the few structural checks on a chief executive's financial reporting, and combining the roles removes it. It is common and lawful in companies of this size; it is still a genuine weakness, and one we would expect to be addressed as revenue scales past Rs 500 crore.

- **The MD and CFO sits on the Audit Committee.** The committee that oversees financial reporting includes the executive responsible for producing it. Two of three members are independent, so he cannot outvote them, but the arrangement dilutes the committee's purpose.

- **Compliance-officer turnover.** The Company Secretary and Compliance Officer resigned with effect from 7 December 2024, and a successor was appointed on 3 March 2025 — a gap of approximately three months. That is within the statutory window for filling the vacancy, but the role was unoccupied during it.

- **Independent director churn.** Mr. Chintan Bhatt resigned as a non-executive independent director effective 29 June 2026, citing an inability to devote sufficient time to the company's affairs, and simultaneously vacated the chair of the Nomination and Remuneration Committee. A replacement independent director was approved at the AGM about a month later, so the board was restored quickly. The stated reason is benign on its face; the loss of a committee chair is nonetheless a disruption.

- **Half-yearly reporting.** Investors go six months between financial data points. During a capacity expansion that has already slipped twice, that is a real information cost, and it is the reason we place weight on the credit-rating agency's interim commentary.

- **An unexplained promoter stake reduction.** Promoter holding fell by 2.45 percentage points in the most recent quarter, to approximately 53%. We have not located a company explanation. It may be a mechanical consequence of the rights issue not being subscribed pro-rata across the promoter group, or it may be a sale. We do not know — and under half-yearly reporting we may not know for some time.

4 · Red flags

On the evidence available to us, **we identify no red flags of the severity that would make the shares uninvestable on governance grounds.** Specifically, we are not aware of an auditor resignation, a qualified or adverse audit opinion, a financial restatement, a disclosed promoter share pledge, a regulatory penalty or exchange action, or material undisclosed litigation.

That conclusion carries an important caveat, which we state plainly rather than bury. **Absence of evidence is not evidence of absence.** SME-platform disclosure is thinner, reporting is less frequent, and analyst and journalist scrutiny is far lighter than for a main-board company. A clean record observed through a narrow window is worth less than a clean record observed through a wide one, and an investor should size a position accordingly rather than treat the absence of bad news as positive news.

5 · Governance items to watch

- Whether the Managing Director and Chief Financial Officer roles are separated as the company scales.
- The credentials of the newly appointed independent director, and whether independent strength is maintained at three or more; who takes the NRC chair.
- Related-party transaction disclosures now that Regulation 23 applies — for an SME entity, an RPT is material above Rs 50 crore or 10% of consolidated turnover, whichever is lower.
- Any further movement in promoter holding, and whether it is explained.
- A trigger to quarterly reporting if paid-up capital crosses Rs 25 crore.
- Migration to the main board, which would bring Regulations 17 to 27 into force in full. We would treat a voluntary migration as a meaningful positive signal.
- Monitoring-agency reporting on the use of IPO and rights proceeds against stated objects, given that Unit-III has slipped twice.

OUR GOVERNANCE CONCLUSION ON ACCENT MICROCELL

Adequate, better than the SME average, and structurally under-checked. The company voluntarily maintains committees it could dispense with, chairs them independently, funds itself without leverage and raises capital pro-rata. Against that, the board is family-dominated, the chief executive also controls the finance function and sits on the committee that reviews it, and the reporting cadence is half the market norm.

None of this is a reason to avoid the shares. It is a reason to require a wider margin of safety than the operating numbers alone would suggest — which is part of why we rate the stock HOLD at a price that already discounts successful execution.

SWOT analysis — Accent Microcell

STRENGTHS

- Focused cellulosics pure-play — no diversification drag on the qualification moat.
- US Drug Master File plus ISO 9001, FSSC 22000, GMP, HACCP, Kosher and Halal certification.
- Essentially debt-free: gearing 0.01x, interest cover above 60x, expansion self-funded.
- Return on equity in the high teens with 31% FY26 revenue growth.
- Export-led — roughly half of income, across a wide customer geography.
- Running above nameplate capacity: demand-led rather than capacity-led.
- CARE A–/Stable, upgraded March 2026.

WEAKNESSES

- Roughly 30% of volume is traded, earning a distribution spread rather than conversion margin.
- All manufacturing concentrated in Gujarat — single-state event risk.
- Top-ten customer concentration of about 44% of income and rising.
- No active foreign-exchange hedging policy despite imported pulp and exported output.
- Managing Director also serves as Chief Financial Officer.
- SME listing: half-yearly reporting, thin liquidity, negligible analyst coverage.
- Small absolute scale against global excipient majors.

OPPORTUNITIES

- Unit-III derivatives — croscarmellose sodium, sodium starch glycolate, CMC — move the mix a full rung up the grade ladder.
- Structural shift toward direct compression and co-processed systems raises specification.
- Supply-chain de-risking away from single-country sourcing favours Indian qualified suppliers.
- Captive wind power (4.45 MW ordered August 2026) addresses a real input cost.
- Main-board migration would widen the investor base and tighten governance simultaneously.
- Nutraceutical, food and cosmetic channels provide utilisation ballast.

THREATS

- Roughly 26,000 MTPA of new Indian capacity — Accent's and Sigachi's — arriving in one window.
- Wood pulp price and rupee volatility passing through to margin unhedged.
- Chinese price competition at standard grades.
- Oji Holdings' acquisition of Chemfield creates a pulp-integrated domestic rival.
- A failed customer audit or DMF deficiency would be disproportionately damaging.
- Further slippage at Unit-III against an already re-rated share price.

Key developments to watch and key risks

Developments that would move our view

- **Unit-III Phase 1 commercial production** and, critically, disclosure of derivative revenue as a separate line. Phase 1 adds roughly 2,400 MTPA of croscarmellose sodium, sodium starch glycolate and CMC. The project has slipped from October 2025 to April 2026 and again, with no revised date given.
- **Phase 2 timing** — approximately 12,000 MTPA of MCC, taking capacity toward 24,000 MTPA.
- **The traded-versus-manufactured mix.** A fall in traded share from around 30% toward 20% should lift blended margin mechanically, with no price increase required.
- **Realisation per tonne.** The cleanest single indicator of whether grade mix is genuinely improving rather than volume simply growing.
- **Commissioning of the 4.45 MW captive wind turbine** ordered from Inox Wind in August 2026.
- **H1 FY27 results**, expected around November 2026 — the next hard data point under half-yearly reporting.
- **Any main-board migration announcement**, new DMF filings, or disclosure of a major customer qualification.

Key risks to be aware of

- **Execution risk — the primary one.** The investment case rests on a plant that has not yet produced. A further year of delay would put our FY28 estimate roughly 15% too high.
- **Supply risk.** Two Indian producers are roughly doubling capacity simultaneously into a market growing at 6–7%. If the new tonnage lands in standard rather than premium grades, pricing compresses.
- **Input and currency risk.** Wood pulp is partly imported and output largely exported, with no active hedging policy. Margin absorbs both moves with a lag.
- **Concentration risk.** The top ten customers are about 44% of income. High switching costs make those relationships durable but make any loss slow to replace.
- **Quality and regulatory risk.** A failed customer audit, a DMF deficiency or an impurity finding would cost qualified customers who, once re-qualified elsewhere, are protected by the same switching cost that currently protects Accent.
- **Governance concentration risk.** Combined MD and CFO roles, a family-majority board and half-yearly reporting widen the range of outcomes.
- **Valuation and liquidity risk.** At roughly 37x FY26 earnings after a near-tripling from the 52-week low, and on an SME platform with limited depth, the stock offers little cushion if any of the above materialises.

Exhibit A3: Valuation

(Rs)

Basis	FY28E	Multiple	Implied value
Earnings multiple — bear	EPS 25.5	22x	561
Earnings multiple — base	**EPS 25.5**	**28x**	**714**
Earnings multiple — bull	EPS 25.5	34x	867
EV/EBITDA cross-check (base)	EBITDA 91.0	19x	721
Target price (rounded)			**730**
CMP			697
Implied upside			**5%**

Source: Dart Consultants estimates. The base multiple of 28x reflects a debt-free business compounding earnings in the high teens, discounted for SME listing, half-yearly reporting and an unproven project timetable. The company is essentially debt-free, so enterprise value approximates market capitalisation.

RECOMMENDATION — HOLD, AND WHAT WOULD CHANGE IT

This is the higher-quality of the two listed Indian excipient businesses and, on a three-to-five-year view, the more likely compounder. But at Rs 697 the shares sit inside the range that *successful* execution would justify, which leaves no margin for a third delay at Unit-III.

Move to BUY on: Unit-III Phase 1 in commercial production with derivative revenue disclosed separately; traded volume share falling below 20%; realisation per tonne rising; or a pullback toward Rs 580–600.

Move to SELL on: a further unexplained project delay; blended margin falling below 15% as industry capacity lands; or the loss of a top-ten customer.

Financial summary — Accent Microcell

Profit and loss account

(Rs cr)

Year to March	FY23	FY24	FY25	FY26	FY27E	FY28E
Revenue from operations	**197.3**	**245.5**	**264.6**	**349.0**	**420.0**	**520.0**
Other income	2.5	3.6	6.4	6.8	7.0	7.0
Total income	**199.8**	**249.1**	**271.0**	**355.8**	**427.0**	**527.0**
Change (yoy, %)	—	*24.7*	*8.8*	*31.3*	*20.0*	*23.4*
Total expenditure	185.0	211.6	227.2	297.5	356.4	436.0
EBITDA	**16.0**	**41.2**	**42.0**	**57.0**	**70.6**	**91.0**
EBITDA margin (%)	*8.1*	*16.8*	*15.9*	*16.3*	*16.8*	*17.5*
Depreciation	3.5	5.5	6.1	7.5	11.0	15.0
Interest	1.2	1.1	0.3	0.5	1.0	1.5
Profit before tax	**14.8**	**36.5**	**43.8**	**58.3**	**65.6**	**81.5**
Tax	2.6	6.4	10.7	14.4	16.2	20.4
Effective tax rate (%)	*17.4*	*17.4*	*24.5*	*24.7*	*24.7*	*25.0*
Profit after tax	**12.2**	**30.2**	**33.1**	**43.9**	**49.4**	**61.1**
Change (yoy, %)	—	*146.7*	*9.6*	*32.7*	*12.6*	*23.7*
EPS (Rs)	9.5	18.7	14.9	18.7	20.6	25.5
Dividend per share (Rs)	—	—	1.0	1.0	1.0	1.5

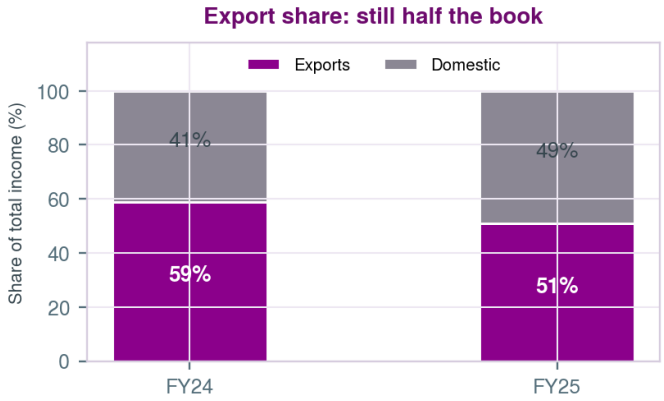
Source: Company filings and CARE Ratings publications for FY23–FY26; Dart Consultants estimates for FY27E–FY28E. FY26 EBITDA is derived from disclosed half-yearly operating profit. EPS reflects the share count in each year, which rose through the December 2023 IPO and the June 2025 rights issue.

Balance sheet and returns — selected disclosed metrics

Year to March	FY24	FY25	H1 FY26	FY26
Net worth (Rs cr)	**—**	**~211**	**252.6**	**~276**
Book value per share (Rs)	—	~100	—	~115
Overall gearing (x)	**0.08**	**0.01**	**0.00**	**nil**
Interest coverage (x)	36.7	129.1	64.1	—
Gross cash accruals (Rs cr)	—	35.2	—	—
Operating cycle (days)	88	104	—	—
Working-capital limit utilisation (%)	—	—	10.4	—
RoE (%)	**—**	**17.5**	**—**	**17.7**
Installed capacity (MTPA)	9,200	9,200	9,200	9,200
Sales volume (MT)	—	—	—	~15,000
Exports (% of total income)	59	51	—	—
Top-10 customer concentration (%)	39.0	44.1	—	—

Source: CARE Ratings press release dated 25 March 2026; company filings. We have deliberately restricted this table to disclosed or directly derivable metrics rather than modelling a full balance sheet, because the company reports half-yearly and several line items are not separately disclosed. Items marked "~" are derived. Dashes indicate not disclosed.

Exhibit A4: Export share of income



Source: CARE Ratings. The company has separately indicated export contribution above 53% of revenue.

COMPANY REPORT · INITIATING COVERAGE

Sigachi Industries

SELL

A guided recovery, a discounted dilution and an unresolved legal file

Summary. Sigachi is the larger of the two listed Indian excipient producers, with roughly 21,700 MTPA of microcrystalline cellulose capacity across Telangana and Gujarat and an export book that ran near 60% of sales. Through FY25 it was the sector's growth story, compounding revenue from about Rs 250 crore in FY22 to Rs 488 crore in FY25 at consistently ~20% operating margins.

Two things then happened. The company diversified away from its niche — into active pharmaceutical ingredients, operations-and-management services and allied trading — taking MCC from about 81% of revenue in Q2 FY25 to roughly 60% a year later. And on 30 June 2025 a fire and blast destroyed part of the Pashamylaram unit near Hyderabad, causing multiple fatalities. FY26 revenue finished at Rs 478 crore, down 2%, margin roughly halved to 11%, and a consolidated net loss of about Rs 110 crore after an exceptional charge of roughly Rs 121 crore.

Management guides FY27 revenue of Rs 650–675 crore at an 18–20% EBITDA margin. We model Rs 600 crore at 15%, because Q1 FY27 annualises closer to Rs 485 crore and the guidance requires a steep second-half ramp. Two further facts drive our rating. On 22 August 2026 the board approved a preferential issue of up to 11 crore convertible warrants at Rs 26.40 — roughly **29% dilution at a 30% discount** to the market, with 7.5 crore earmarked for the promoter, subject to an EGM on 15 September 2026. And the criminal file arising from the June 2025 incident remains open, with the Managing Director and CEO personally named. Our target price of **Rs 31** — 24x fully diluted FY28E EPS of Rs 1.30 — implies 18% downside. We initiate with a **SELL**.

The structural point. The excipient moat is the customer's unwillingness to restart a three-to-five-year qualification clock — and that protection is symmetrical. A customer forced to qualify an alternative source during an interruption now has a switching cost that protects the *replacement*. Rebuilding a plant is faster than rebuilding a qualified customer book, and that asymmetry is the central uncertainty here.

Target price	**Rs 31**
CMP (10 Sep 2026)	**Rs 37.6**
Potential downside	(18%)
Rating	SELL
Valuation basis	24x FY28E diluted EPS

Key stock data	
NSE / BSE	SIGACHI / 543389
Sector	Pharma inputs / excipients
Shares o/s (mn)	382.1
Market cap (Rs cr)	1,435
52-week high / low	Rs 46.7 / 16.7
Book value per share	Rs 13.6

Shareholding pattern (%)	
Promoters	36.7
FII	1.3
DII	0.0
Public and others	62.0

Financial snapshot (Rs cr)

Year to March	FY25	FY26	FY27E	FY28E
Revenue	**488**	**478**	**600**	**720**
Change (yoy, %)	*22.3*	*(2.0)*	*25.5*	*20.0*
EBITDA	**100**	**54**	**90**	**122**
Margin (%)	*20.5*	*11.3*	*15.0*	*17.0*
Reported PAT	**70.5**	**(110)**	**38.5**	**57.0**
EPS (Rs)	1.84	(2.88)	1.01	1.49
PE (x)	20.4	n.m.	37.3	25.2
EV/EBITDA (x)	15.1	28.0	16.8	12.4
RoE (%)	14.5	n.m.	7.2	10.0

FY25–FY26 consolidated, from company filings; FY27E–FY28E are Dart Consultants estimates and sit below management guidance.

Investment rationale

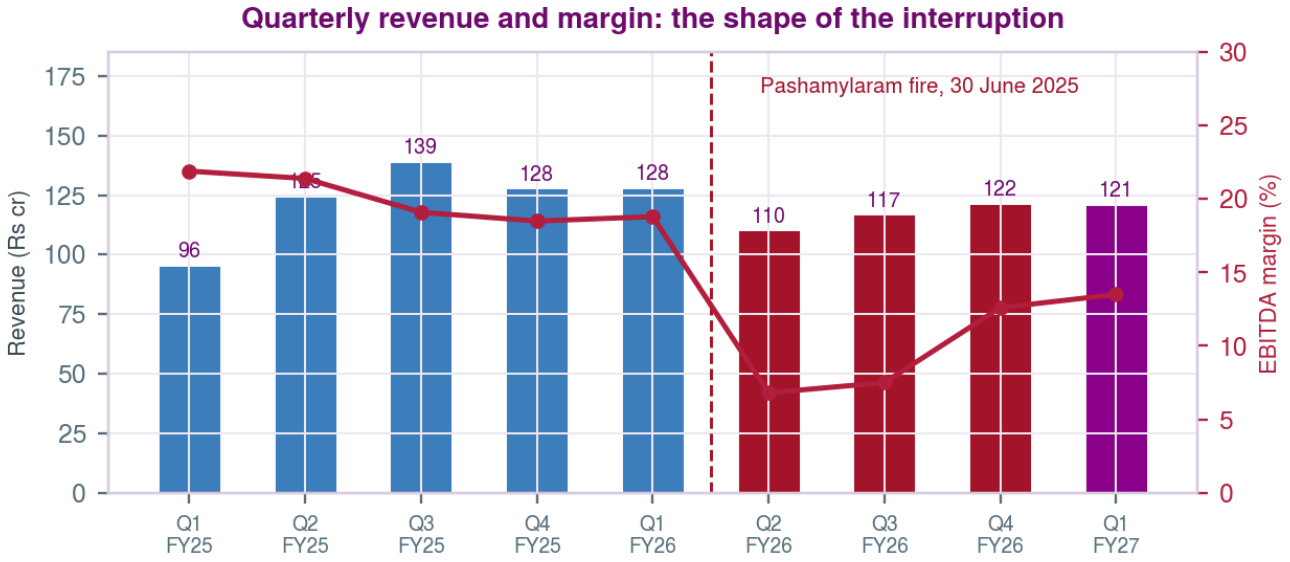
- **The asset base and the franchise are intact.** Roughly 21,700 MTPA of MCC capacity, plants at Dahej and Jhagadia that absorbed production when Pashamylaram went down, a real export book and a thirty-five-year operating history. The FY25 numbers — Rs 488 crore at a ~20% operating margin — are evidence of what this business earns when it runs normally, and that is a genuinely good excipient business.

- **The margin recovery has begun and is visible quarter by quarter.** EBITDA margin bottomed at 6.8% in Q2 FY26, recovered to 7.5% in Q3, 12.6% in Q4 and approximately 13.5% in Q1 FY27. That is a coherent sequence rather than a single good quarter, and it is the strongest argument for the stock.

- **Capacity and product-mix optionality.** A 12,000 MT MCC expansion is targeted for Q4 FY27, and management has pointed to a complex fluorinated API portfolio with potential annual revenue of around Rs 250 crore from the same quarter. If both land, FY29 looks very different from FY26. Neither is in our base case.

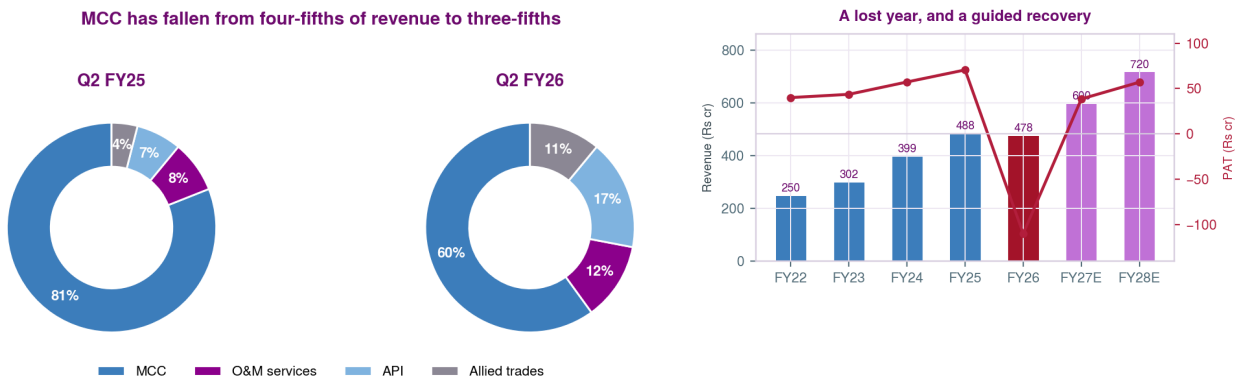
- **Valuation is not demanding on normalised earnings.** On the FY25 earnings base the stock would trade at roughly 20x. The question is not whether Sigachi can earn Rs 70 crore again; it is when, and what share count and balance sheet it gets there with.

Exhibit S1: Quarterly revenue and margin



Source: Company filings and exchange disclosures. Margins are EBITDA before exceptional items.

Exhibit S2: Revenue mix has shifted away from the core



Source: Company investor presentations and filings; Dart Consultants estimates for FY27E–FY28E. Segment shares are for the September quarter of each year.

What gives us pause

- **Guidance requires a ramp the run-rate does not yet support.** Q1 FY27 revenue of Rs 121 crore annualises to about Rs 485 crore against guidance of Rs 650–675 crore. Reaching the low end requires roughly Rs 530 crore over the remaining three quarters — a sequential step of more than 45% — with the 12,000 MT expansion arriving only in Q4. Our Rs 600 crore estimate already assumes meaningful improvement; we would rather be raised to guidance than cut to reality.

- **Diversification has diluted the moat.** API manufacture, operations-and-management services and allied trading are competed against different firms, carry different risk, and do not benefit from the excipient qualification barrier. MCC falling from 81% to 60% of revenue is not obviously progress in a business whose only durable advantage is depth inside one qualified niche.

- **Funding and governance flags.** On the Q3 FY26 call, management was pressed on a reported shortfall of approximately Rs 68.6 crore from warrant holders and around Rs 56.8 crore in promoter investment commitments. Promoter holding stands near 36.7%, low for a company about to fund an expansion. Screening services also flag an unusually low effective tax rate. Individually explicable; collectively they justify a higher required return.

- **Qualified customers may not return.** This is the risk the market is least able to observe. Customers who re-qualified an alternative source during the outage face a switching cost to come back. Recovery of *revenue* is therefore not the same as recovery of *margin* — replacement volume may be lower-specification or food-grade. Watch MCC's share of revenue and blended realisation, not the headline top line.

- **The rating has re-rated ahead of the recovery.** The stock is up roughly 180% from its low on 5.8% return on equity and 64x trailing earnings. Even our FY28E, which assumes a successful ramp, leaves the shares on 25x earnings and 12x EV/EBITDA — full for a business two years from proving it has normalised.

Corporate governance assessment

This section deals with an ongoing criminal investigation and unresolved litigation arising from an industrial accident in which many people died. We report only what has been publicly stated by the company, by government representatives in open court, or in mainstream press coverage. Nothing here has been adjudicated; all parties are entitled to the presumption of innocence. We include it because it is material to the security, not to apportion blame.

1 · Regulatory framework and formal adherence

Unlike Accent, Sigachi is listed on the main boards of the NSE and BSE (November 2021), so the full corporate governance chapter of the Listing Regulations — Regulations 17 to 27 — applies without exemption. On the formal architecture the company complies, though generally at the regulatory minimum rather than above it.

The board comprises six directors: three executive — a Whole-Time Director and Chairman, a Whole-Time Director and Vice-Chairman, and the Managing Director and Chief Executive Officer — and three non-executive independent directors, two of whom are women. Independent directors therefore constitute exactly **50%** of the board, which is the minimum Regulation 17 requires where the chairperson is an executive director. The Audit Committee is chaired by an independent director with a second independent director as a member and the MD and CEO as the third, giving the two-thirds independent composition Regulation 18 requires — again, exactly. The Nomination and Remuneration Committee is composed entirely of independent directors, which exceeds the requirement.

2 · Governance plus points

- **Committee independence where it counts.** Both the Audit Committee and the NRC are chaired by independent directors, and the NRC is fully independent.

- **A functioning insider-trading process.** Ahead of the 22 August 2026 board meeting on the preferential issue, the Company Secretary notified a trading-window closure from 19 August until 48 hours after the meeting, covering designated persons, immediate relatives and connected persons. Routine, but evidence that the code operates.

- **Encumbrance transparency.** A Regulation 31(4) disclosure filed on 6 April 2026 confirmed that promoters and persons acting in concert created no new encumbrances on their holding during FY26 beyond those already disclosed.

- **External monitoring of issue proceeds.** CARE Ratings has been appointed as monitoring agency for the proposed preferential issue — a genuine external check, and a practice the company also used for its 2023 warrant issue.

- **Internal audit upgraded.** The board changed internal auditors to RSM Astute Consulting in August 2026, an established firm. After the events of FY26 this is the right direction of travel.

- **Prompt quantification of the loss.** The company disclosed and quantified the exceptional charge of approximately Rs 121 crore in its Q1 FY26 filings rather than deferring recognition.

3 · Grey areas

- **Compliance sits at the line, not above it.** Independent representation of exactly 50% and audit committee independence of exactly two-thirds leave no headroom: a single independent resignation would put the company out of compliance until replaced. For a company carrying the risk profile described below, we would expect a board with more independent capacity, not less.

- **Promoter holding of roughly 36.7%** is low for a company undertaking a large capital programme. It reduces alignment and simultaneously creates an incentive to rebuild stake through preferential issues to insiders — which is precisely what is now proposed.

- **Slow deployment of issue proceeds.** Approximately Rs 32.3 crore of IPO proceeds earmarked for the croscarmellose sodium project remained unutilised as at 30 June 2026 — close to five years after the November 2021 listing.

- **The 2023 warrant issue was not honoured in full.** The June 2023 preferential allotment of up to 1.10 crore convertible warrants at Rs 261 each, aggregating roughly Rs 287 crore, was intended to include substantial promoter and KMP subscription. On the Q3 FY26 earnings call management was questioned about a reported shortfall of approximately **Rs 68.6 crore from warrant holders** and around **Rs 56.8 crore in promoter investment commitments**, with the associated amounts forfeited. Insiders declining to convert warrants they applied for is a signal about their own conviction, and it left the company short of planned capital.

- **An unusually low effective tax rate** is flagged by screening services. This is not an accusation — there may be a straightforward explanation in export incentives or unit-level exemptions — but it is a line an investor should reconcile from the notes to the accounts rather than assume away.

4 · Red flags

4.1 A fatal industrial accident, with criminal proceedings naming the chief executive. On 30 June 2025 a blast and fire destroyed part of the Pashamylaram unit in Sangareddy district, Telangana. The company initially reported the loss of 40 employees and more than 33 injured; figures placed before the Telangana High Court in December 2025 put the toll at 54 dead, 8 missing and 28 seriously injured. Sangareddy police registered a first information report under Sections 105, 110 and 117 of the Bharatiya Nyaya Sanhita; the state government registered a case of culpable homicide against the management and constituted a five-member investigation committee, with the Labour, Employment, Training and Factories department separately examining the deployment of unskilled workers in hazardous operations. At a hearing on 31 December 2025, the state's Additional Advocate General informed the High Court that the Managing Director and Chief Executive Officer, Mr. Amit Raj Sinha, had been arrested, that five other accused remained absconding, that the investigation was in its final stage and that a chargesheet would be filed. A public interest litigation seeking an independent probe is pending. Mr. Sinha remains Managing Director and Chief Executive Officer and is the principal proposed subscriber to the August 2026 preferential issue.

4.2 A public gap between announced and admitted compensation. The company publicly committed to ex-gratia compensation of Rs 1 crore per deceased worker. In an affidavit before the Telangana High Court it subsequently stated that its own liability was limited to **Rs 42 lakh per worker** — a figure inclusive of provident fund, ESI, insurance proceeds and funeral expenses — with the remaining Rs 58 lakh to be paid by the state government under a 1 July agreement, and that amounts between Rs 5 lakh and Rs 30 lakh had been disbursed in instalments with post-dated cheques covering the balance. As at

December 2025 roughly Rs 22 crore had been disbursed in total. The company's legal position may well be correct. The distance between a press announcement and a court affidavit is nonetheless a disclosure-quality question, and it is the kind of gap that damages credibility with the regulated-market customers who audit their suppliers on environment, health and safety.

4.3 Reported absence of a fire department no-objection certificate at the affected unit was carried in mainstream press coverage in the days after the incident. We have not independently verified it and the company has not, to our knowledge, addressed it publicly.

4.4 A large, deeply discounted preferential issue to the promoter, pending approval. On 22 August 2026 the board approved a preferential allotment of up to **11 crore convertible warrants at Rs 26.40 each**, aggregating approximately Rs 290 crore, alongside an increase in authorised share capital from Rs 43 crore to Rs 60 crore. Of these, **7.5 crore warrants are earmarked for promoter Mr. Amit Raj Sinha** and 3.5 crore for 42 other identified allottees. Each warrant converts into one equity share within 18 months. On full conversion the promoter group would hold 43.73% and the public 56.27%. An extraordinary general meeting was convened for 15 September 2026.

Three observations. Against approximately 38.2 crore shares outstanding, full conversion represents **roughly 29% dilution**. The Rs 26.40 price is about **30% below** the Rs 37.60 market price at our reference date; SEBI's ICDR pricing formula is based on volume-weighted averages over preceding periods, so a discount to spot is not by itself improper, but the size of the gap matters to existing holders. And the 2023 precedent — insiders subscribing and then not converting — means the capital cannot be assumed to arrive simply because the resolution passes.

5 · Governance items to watch

- The outcome of the 15 September 2026 EGM, and then the actual subscription and conversion of the warrants — not merely their allotment.
- The chargesheet, whether charges are framed, and the position and availability of the Managing Director and Chief Executive Officer.
- Further Telangana High Court directions on compensation, and the final quantum the company bears.
- Restart status, fire-department certification and any independently audited safety review at the affected site — and whether the company publishes it.
- Insurance recovery against the Rs 121 crore exceptional charge, and the accounting treatment of any receipt.
- Deployment of the residual Rs 32.3 crore of IPO proceeds, and the monitoring agency's reports on the new issue.
- Whether the board adds independent capacity above the 50% minimum, and whether a dedicated safety, health and environment committee is constituted with independent oversight.

OUR GOVERNANCE CONCLUSION ON SIGACHI INDUSTRIES

Formally compliant, substantively strained. The committee architecture is correct and independently chaired, disclosure of the financial loss was prompt, promoter encumbrance is transparent and the internal audit function has been upgraded. Those are real positives and we do not discount them.

But compliance sits at the regulatory minimum at precisely the moment the company needs more than the minimum. The chief executive is personally named in criminal proceedings arising from the company's own operations; the compensation position taken in court diverges from the position announced publicly; a prior insider warrant subscription was left unconverted; and a fresh issue would hand roughly 29% dilution to existing holders at a 30% discount, with the largest single allocation going to that same chief executive.

Governance is not a side consideration in this case. It is the principal reason our rating on the shares has moved, and it belongs in the discount rate rather than in a footnote.

SWOT analysis — Sigachi Industries

STRENGTHS

- Largest Indian microcrystalline cellulose capacity at roughly 21,700 MTPA.
- Multi-site manufacturing — Dahej and Jhagadia absorbed production after the incident.
- Export franchise historically around 60% of sales.
- Thirty-five year operating history and an established customer base.
- Approximately 20% operating margins demonstrated through FY25.
- Sequential margin recovery visible: 6.8% to 7.5% to 12.6% to about 13.5%.

WEAKNESSES

- MCC has fallen from about 81% to roughly 60% of revenue — the moat has been diluted.
- FY26 consolidated net loss; margins still well below the FY25 level.
- Promoter holding of about 36.7%.
- A prior insider warrant subscription left unconverted, with amounts forfeited.
- Roughly Rs 32.3 crore of IPO proceeds still unutilised nearly five years after listing.
- Debt-to-equity of about 0.27x with significant capital expenditure still ahead.
- Unresolved legal and reputational overhang from the June 2025 incident.

OPPORTUNITIES

- 12,000 MT MCC expansion targeted for Q4 FY27.
- Complex fluorinated API portfolio with indicated potential of around Rs 250 crore annually from Q4 FY27.
- Return to pre-incident margins would transform reported earnings from a low base.
- Approximately Rs 290 crore of fresh capital if the preferential issue completes and converts.
- Supply-chain de-risking away from single-country sourcing.

THREATS

- Criminal proceedings, potential penalties and further compensation orders.
- Customers re-qualified elsewhere during the outage may not return — and the same switching cost that once protected Sigachi now protects the replacement.
- Roughly 29% dilution from the proposed warrant issue.
- Heightened environment, health and safety scrutiny by regulated-market customers, whose supplier audits cover exactly this ground.
- Roughly 26,000 MTPA of new Indian capacity arriving in one window.
- Execution shortfall against Rs 650–675 crore guidance that the current run-rate does not support.

Key developments to watch and key risks

Developments that would move our view

■ **The 15 September 2026 EGM** and, more importantly, actual conversion of the warrants. The 2023 precedent means allotment and capital receipt are not the same event.

■ **Quarterly revenue and margin trajectory.** Q1 FY27 revenue of Rs 121 crore annualises to about Rs 485 crore against guidance of Rs 650–675 crore. Reaching the low end needs roughly Rs 530 crore across the remaining three quarters.

■ **MCC as a share of revenue.** A recovery toward 75% or more would indicate the core franchise is being rebuilt rather than replaced by lower-quality volume.

■ **The 12,000 MT expansion** and first revenue from the complex fluorinated API portfolio, both indicated for Q4 FY27.

■ **Legal milestones** — chargesheet, framing of charges, High Court directions on compensation, and the outcome of the pending public interest litigation.

■ **Insurance settlement** against the Rs 121 crore exceptional charge.

■ **Any disclosure of an independent safety audit** or restart certification at the affected site.

Key risks to be aware of

- **Legal and regulatory risk — the dominant one.** Criminal proceedings arising from the incident are unresolved, the chief executive has been reported as arrested, and the final compensation liability is not yet fixed. Outcomes range from immaterial to severe, and an investor cannot currently price them.
- **Dilution risk.** Up to 11 crore warrants at Rs 26.40 would dilute existing holders by roughly 29% at a price about 30% below the market.
- **Customer-recovery risk.** Rebuilding a qualified customer book is slower than rebuilding a plant, and returning revenue may carry lower specification and lower margin than the revenue it replaces.
- **Guidance risk.** Management's FY27 revenue and 18–20% margin guidance requires a step-change the current run-rate does not yet evidence.
- **Reputational risk in regulated markets.** Pharmaceutical customers audit suppliers on environment, health and safety. An unresolved fatal-incident file is a live issue in those audits.
- **Concentration of strategic control.** A promoter at 36.7% rebuilding stake to 43.73% through a discounted issue, while personally named in proceedings, concentrates both control and risk.
- **Valuation risk.** Even before dilution, the shares trade on roughly 64x trailing earnings after a rise of about 180% from the 52-week low.

Exhibit S3: The gap our estimate is built around

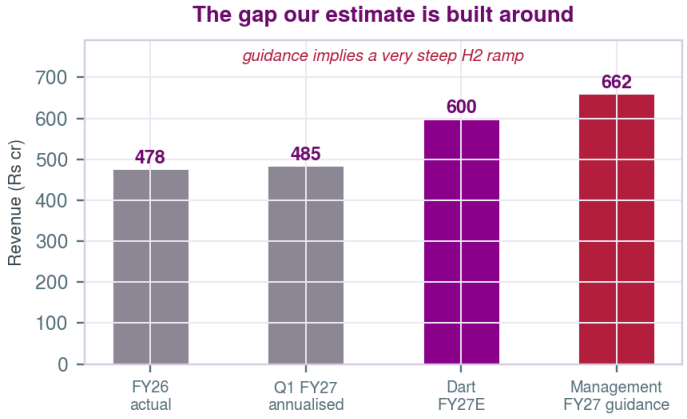


Exhibit S4: Valuation

(Rs)

Basis	FY28E	Mult.	Value
Undiluted EPS	PAT 57	38.2 cr sh	1.49
Diluted EPS	PAT ~64	49.2 cr sh	1.30
Earnings — bear	EPS 1.30	18x	23
Earnings — base	**EPS 1.30**	**24x**	**31**
Earnings — bull	EPS 1.30	30x	39
Target price			**31**
CMP			37.6
Implied downside			**(18%)**

Source: Dart Consultants estimates. Diluted share count assumes full conversion of the proposed 11 crore warrants; diluted PAT adds an estimated post-tax interest saving from deploying part of the proceeds against debt. The base multiple is set below the undiluted case to reflect the governance overhang.

RECOMMENDATION — SELL, AND WHAT WOULD CHANGE IT

The operating recovery is real and visible quarter by quarter, and we do not dispute it. But the share price has already paid for a full normalisation, a 29% dilution at a 30% discount is pending shareholder approval, and the criminal file arising from the June 2025 incident is unresolved with the chief executive personally named. On fully diluted FY28 earnings and a multiple that reflects that overhang, the shares are worth less than they trade for.

Move to HOLD on: the warrant issue completing on materially better terms, being scaled back, or lapsing; two consecutive quarters at or near guided margin; or the stock de-rating toward Rs 30.

Move to BUY on: resolution of the legal file without material financial liability, together with MCC revenue share recovering toward 75% and evidence that lost customers have returned rather than been replaced by lower-specification volume.

This rating reflects information available to 12 September 2026, including the 22 August 2026 board approval of the preferential issue. It is an educational assessment, not a regulated investment recommendation — see the disclaimer.

Financial summary — Sigachi Industries

Profit and loss account (consolidated)

(Rs cr)

Year to March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Revenue from operations	**250**	**302**	**399**	**488**	**478**	**600**	**720**
Change (yoy, %)	*29.7*	*20.8*	*32.1*	*22.3*	*(2.0)*	*25.5*	*20.0*
Operating expenses	197	243	322	388	424	510	598
EBITDA	**53**	**59**	**77**	**100**	**54**	**90**	**122**
Margin (%)	*21.2*	*19.4*	*19.2*	*20.5*	*11.3*	*15.0*	*17.0*
Depreciation	2.9	6.6	10.8	~20	~28	30	38
Interest	1.2	4.3	7.8	~14	~16	15	14
Other income	2.6	6.7	11.7	~18	~7	3	3
PBT before exceptional	**51.6**	**54.5**	**69.7**	**~84**	**~17**	**48**	**73**
Exceptional items	—	—	—	—	(121.0)	—	—
Reported PAT	**40.0**	**43.6**	**57.2**	**70.5**	**(110)**	**38.5**	**57.0**
EPS (Rs)	1.54	1.41	1.81	1.84	(2.88)	1.01	1.49

Source: Company annual reports, investor presentations, quarterly filings and CARE Ratings for FY22–FY26; Dart Consultants estimates for FY27E–FY28E. Items marked "~" are derived from disclosed aggregates rather than reported separately. FY26 is materially affected by the exceptional charge relating to the Pashamylaram incident.

Key metrics and balance-sheet indicators

Metric	FY23	FY24	FY25	FY26 / latest
Overall gearing (x)	**0.26**	**0.39**	**~0.40**	**0.27**
Interest coverage (x)	14.5	10.9	~7.3	—
Book value per share (Rs)	**—**	**—**	**—**	**13.6**
Cash and equivalents (Rs cr)	—	—	—	64.2
RoE (%)	—	—	14.5	5.8
RoCE (%)	—	—	—	6.2
MCC capacity (MTPA)	**14,500**	**21,000**	**21,700**	**21,700**
MCC production (MT)	—	13,602	—	—
Exports (Rs cr)	—	239.7	—	—
MCC share of revenue (%)	—	~81	81 (Q2)	60 (Q2 FY26)

Source: Company annual report FY24, investor presentations, CARE Ratings press release of January 2025, and public market aggregators as at September 2026. Dashes indicate not separately disclosed. As with Accent, we have restricted this table to sourced or directly derivable figures rather than modelling a full balance sheet.

COMPANY REPORTS

Ratings key and disclaimer

Key to ratings

Rating	Expected total return over 12 months
BUY	15% and above
HOLD	–5% to 15%
SELL	–5% and below

Summary of recommendations

Company	Rating	CMP (Rs)	Target (Rs)	Upside / (downside)	FY28E PE (x) diluted
Accent Microcell	HOLD	697	730	5%	27.3
Sigachi Industries	SELL	37.6	31	(18%)	28.9

Prices as at 9 September 2026 (Accent) and 10 September 2026 (Sigachi). Ratings are anchored to these reference prices and become stale as prices move.

RELATIVE POSITIONING — THE TWO NAMES SIDE BY SIDE

Accent is smaller, debt-free, growing, higher-return and more expensive on every multiple. Its risk is project execution.

Sigachi is larger, levered, cheaper on normalised earnings and dearer on current ones. Its risk is whether normalisation happens at all, and on what terms.

We rate Accent HOLD because a good business is fully priced, and Sigachi SELL because a recovering one is priced as though the recovery were complete — before a 29% dilution and with an unresolved legal file.

Basis of preparation

Historical figures are taken from company filings, annual reports, investor presentations, earnings-call transcripts, credit-rating publications and public market aggregators. Figures derived from disclosed aggregates are marked with a tilde; undisclosed items are shown as a dash rather than estimated. All FY27E and FY28E figures are Dart Consultants' estimates — assumptions, not forecasts.

Who we are, and our position

Dart Consultants is a market intelligence and technology service provider. ***We are not a SEBI-registered Investment Adviser or Research Analyst.*** *The BUY / HOLD / SELL labels above are an educational device for summarising our reading of public information, and must not be treated as regulated recommendations. We have no investment banking, advisory or brokerage relationship with either company discussed, have received no compensation from either, and hold no position in either security.*

Not investment advice

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