



“Sharda Cropchem Limited  
Q2 FY2021 Earnings Conference Call”

October 29, 2020



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**Moderator:** Ladies and gentlemen, good day and welcome to the Q2 FY2021 results conference call of Sharda Cropchem Limited hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing "\*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Varshit Shah of Emkay Global. Thank you and over to you!

**Varshit Shah:** Thank you, Margaret. Good evening everyone. On behalf of Emkay Global, I welcome all the participants on this call. I would like to welcome the management of Sharda Cropchem and thank them for giving us this opportunity to host this conference call. We have with us today, Mr. Ramprakash Bubna - Chairman & Managing Director, Mr. Abhinav Agarwal - Chief Financial Officer and Mr. Dinesh Nahar- General Manager – Finance. I would now hand over the call to the management for their opening remarks. Over to you Sir!

**Ramprakash Bubna:** Good day, ladies and gentlemen. A very warm welcome to everyone present here for the earnings call of Sharda Cropchem Limited for the H1 FY21. Sharda Cropchem is represented by myself, Ramprakash Bubna, Chairman & Managing Director and Mr. Abhinav Agarwal - Chief Financial Officer and Mr. Dinesh Nahar – General Manager - Finance.

Talking briefly about H1 FY21 results, the revenues grew by 9.3% from Rs. 745 Crores in H1 FY20 to Rs. 814 Crores H1 FY21 mainly due to growth in Europe by 23.7%, NAFTA by 1.6% and LATAM by 23.3%. On the other hand, Rest of the World degrew by 31%.

During H1 FY21 our volumes grew by 8%. The gross profit grew by 22.7% from Rs. 202 Crores to Rs. 248 Crores. Gross margins expanded by



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333 bps to 30.5% mainly due to better sales realizations and lower raw material costs.

Our EBITDA grew by 22.7% from Rs. 87 Crores to Rs. 107 Crores. During the H1 FY21, EBITDA margin expanded by 144 bps to 13.2%.

Profit after tax stood at Rs. 47 Crores versus Rs. 17 Crores in the corresponding period last year.

Net Working capital days stood at 98 days during H1 FY21 as against 113 days in the previous year. Cash and cash equivalents as on September 30, 2020, stood at Rs. 314 Crores as compared to Rs. 199 Crores on the same period last year.

With this brief overview, I would now like to hand over the call to our CFO Mr. Abhinav Agarwal for discussing our financial performance. Mr. Abhinav.

**Abhinav Agarwal:** Thank you Sir, and a very good evening to all. I will give you a brief overview on H1 FY21 performance.

During H1 FY21, our revenue grew by 9.3%. This was due to a favorable foreign exchange gain of 6.3% and volume growth of 8%. On the other hand, there was a fall in price realization by 5%.

During H1 FY21, our agrochemical business revenue grew by 18.2%; Europe, NAFTA, LATAM and RoW grew by 23.9%, 11.1%, 17.7% and 4.1% respectively.

Our non-agrochemical revenue fell by 16.2% due to fall in industrial, mining, construction and port activities.



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Cash profit stood at Rs. 125 Crores during H1 FY21 as compared to Rs. 85 Crores last year. The capex stood at Rs. 130 Crores during H1 FY21 vis-à-vis Rs. 85 Crores in the corresponding period last year. Thank you.

We now open the floor for the question and answer session.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Bharat Gupta from Edelweiss. Please go ahead.

**Bharat Gupta:** Congratulations on a good set of results. I have couple of questions; first can you please quantify Q2 FY21 results in terms of volume & price?

**Ramprakash Bubna:** Q2 FY21 volumes were 55,40,832 compared to 44,97,842 which translates to a growth of 23.2%. Revenues stood at Rs. 425 Crores in Q2 FY21 as compared to Rs. 324 Crores last year registering a growth of 31.1%.

**Bharat Gupta:** Sir, out of the 31% growth, the volume contributed close to 23%, what was the amount of contribution in terms of pricing realizations?

**Ramprakash Bubna:** The pricing realization was 2.4%.

**Bharat Gupta:** My next question pertains to the recent performance. Europe has seen a strong amount of growth. Can you brief us the reasons attributing to such strong growth in a lean period from the European market? So, can you give us a sense of demand and the reason?

**Ramprakash Bubna:** I have not understood your question. I can explain the performance of the European region, the demand is something that I cannot understand.

**Bharat Gupta:** In terms of industry demand in the European and the Northern American markets, how are you seeing the visibility of demand going ahead?



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**Ramprakash Bubna:** Mr. Gupta, this keeps on changing from country to country. For example, the United States of America is a big region with some parts are having adverse weather, some places had unfavorable Autumn, on the other hand, other places had favorable weather conditions. If you sum it up totally both the regions of Europe and Northern America would be normal.

**Bharat Gupta:** The Latin American market has just commenced with the cropping season. So, how are we seeing some areas like Brazil and Argentina shaping up? Are you witnessing an increase in the demand in this season?

**Ramprakash Bubna:** There is a slight increase in demand, however, it is insignificant.

**Bharat Gupta:** Can you quantify the volume growth according to the regions?

**Ramprakash Bubna:** The volume growth in the European region is 27.9%, the NAFTA region is 32.2%, LATAM is 0.5%, and Rest of the World at 5.9%.

**Bharat Gupta:** That is helpful Sir. I just wanted to understand in terms of our growth coming out from the European markets, so is it on account of new product registrations which we have targeted?

**Ramprakash Bubna:** Both the new products as well as better penetration.

**Bharat Gupta:** Sir, given the fact that there has been some sort of moderation in the raw material prices, how do we see the trend going ahead? Shall the gross margin be in the range of close to 32% and above going forward in the subsequent quarters?

**Ramprakash Bubna:** It should be in that range plus or minus 5%.

**Bharat Gupta:** That's it from my side. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Somaiya V from Spark Capital. Please go ahead.



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**Somaiya V:** Thank you for the opportunity. Sir, following on the previous participant question, for this current quarter, you mentioned volume growth of 23% and price realization of 2.4%. So, that is a negative impact of 2% for the quarter?

**Ramprakash Bubna:** The price realization was 2.4% on the positive side during Q2 FY21.

**Somaiya V:** Sir, please share the region-wise volume breakup. You mentioned that the total volume is 55 lakhs, can we have the breakup for that number?

**Ramprakash Bubna:** The volume breakup are; Europe volume stood at 31,12,000 in Q2 FY21 as compared to 24,33,035 during last year, NAFTA volume stood at 13,66,339 as compared to 10,33,185 during last year, LATAM did a volume 5,57,214 vs. 5,54,682 last year and the Rest of the World did a volume of 5,05,277 as compared to 4,76,940 during last year.

**Somaiya V:** Sir, we have seen consecutive improvements in our gross margins for the two-quarters of FY21, what would be the reasons. Sir, one you mentioned about the RM prices getting better. Additionally, I think the margins have also gone up because of our improved mix and partly due to the higher contribution from Europe. So, how do you see both going forward and what is our expectation for gross margins for the rest of the year?

**Ramprakash Bubna:** We should be able to maintain it.

**Somaiya V:** A good amount of this is coming from RM price improvement, Sir, China RM prices?

**Ramprakash Bubna:** Yes Sir.

**Somaiya V:** You also see the logistics have relatively improved over the last few months vis-à-vis what we saw in April and May?



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**Ramprakash Bubna:** Sir, logistics is our challenge. The availability of shipping space and the cost of freight is increasing considerably. Of course, it does not form a very big part of our total cost, but it is increasing. We can understand the utilization of the spaces and availability of the ships, I mean, there are lots of constraints in the freight side and logistics side, and that has contributed to the increase in the costs.

**Somaiya V:** We had guided for a topline growth of 5% to 10% range and margins of 17% to 18%. So, that still holds good. We have had a very good quarter now. Can we revisit this number? So, how do we look at the FY21 guidance?

**Ramprakash Bubna:** I would like to comment on one thing. Our second quarter last year was an aberration. It was a very weak quarter. So, the starting point for this quarter base has been on the lower side, but overall, for the third and fourth quarter, we should be able to maintain overall growth of 5% to 10%.

**Somaiya V:** So, H2 FY21 is expected to have 5% to 10% growth vis-à-vis last year, so that is our expectation?

**Ramprakash Bubna:** Beg your pardon?

**Somaiya V:** For the second half, we will probably be able to do 5% to 10% growth as compared to last year?

**Ramprakash Bubna:** Yes Sir.

**Somaiya V:** Sir, one last question for the capex plans. We had mentioned that we have invested close to Rs. 130 Crores in H1 FY21, so what is the expectation for the rest of the year or an annual run rate, what do we expect to do in this year and the next year?

**Ramprakash Bubna:** Sir, last year our capex was about Rs. 175 Crores and this year we may exceed Rs. 200 Crores.



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**Somaiya V:** I will join the queue. Thank you, Sir.

**Moderator:** Thank you. The next question is from the line of Chetan Thacker from ASK Investments Managers. Please go ahead.

**Chetan Thacker:** Good evening Sir. Our other expenses continue to be higher than this particular quarter as well. So, is there any one off expenses?

**Ramprakash Bubna:** It has mainly increased due to a rise in the legal and professional fees, which has increased from Rs. 51 Crores in H1 FY20 to Rs 73 Crores in H1 FY21. The freight charges have increased from Rs. 14 Crores in H1 FY20 to about Rs. 17 Crores in H1 FY21.

**Chetan Thacker:** This was the fixed costs?

**Ramprakash Bubna:** Yes, first was legal and professional, the second was freight and forwarding. On the other side, bank charges have gone down from about Rs. 9 Crores during H1 FY20 to Rs. 7 Crores in H1 FY21.

**Chetan Thacker:** What is the main reason for rise in the legal and professional fees?

**Ramprakash Bubna:** The cost of professionals is continuously increasing. We are operating in the developed world where the cost of professionals is exorbitant. There are lots of registration issues, if we receive some queries from the authorities, we have to resort to these professionals to draft a reply. This mainly contributes to the increase in the cost of professionals.

**Chetan Thacker:** Sir, beyond a point this increase will not continue.

**Ramprakash Bubna:** I agree with you, beyond a point it will not. So, I think we should be able to see some stabilization or may be a slight downward trend in the second half.



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**Chetan Thacker:** Sir, just on the guidance that you gave, the second half revenue growth will be in the range of 5% to 10% as compared to the second half last year?

**Ramprakash Bubna:** Yes Sir.

**Chetan Thacker:** Thank you so much. All the best.

**Moderator:** Thank you. The next question is from the line of Resham Jain from DSP Investment Managers. Please go ahead.

**Resham Jain:** Good evening. Congratulations on a good set of numbers. I have two questions. The first is on the depreciation. I think, last quarter, you mentioned that our depreciation may not see any further rise, is there any one-off in this quarter in depreciation?

**Ramprakash Bubna:** The depreciation was Rs. 33 Crores last year in Q2 and this year it is Rs. 42 Crores mainly because of the higher amount of capitalization that has been done in previous years.

**Resham Jain:** Sir, is this number going to remain Rs. 40-odd Crores for the coming quarter also?

**Ramprakash Bubna:** Yes Sir. It would.

**Resham Jain:** Sir, my second question is we had a weak base in Q2 and Q3 FY20. Can we have the reasons for second half growth being projected at 5% to 10%?

**Ramprakash Bubna:** I do not have any precise calculations for this. This is a general impression that we are carrying as we are going through the business.

**Resham Jain:** Sir, on the raw material side in China, we had seen a lot of aberrations in the sourcing supplies and cost in the last year. How are things looking currently?



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**Ramprakash Bubna:** Last year, the biggest effect was due to the closure of many factories by the Chinese government who were not able to comply with the pollution control rules and regulations. This year we find that many of those factories have put in additional investment and efforts to comply with the pollution control regulations. Secondly, probably the government is also not as strict as it was last year. They are also taking a more practical view and the effect of both these factors is that the production is getting towards normalization. Earlier the production was reduced because of these factors. This year, the production is getting normal in terms of volume, capacity and tonnage. The availability is better, and it is always guided by the law of demand and supply. The last year's prices were more artificial because of curtailment of production, this year they are coming back to the original prices in many products which prevailed about two years back.

**Resham Jain:** Thank you. All the best.

**Moderator:** Thank you. The next question is from the line of Prashant Biyani from Prabhudas Lilladher. Please go ahead.

**Prashant Biyani:** Thank you for the opportunity. Sir, can we have the breakup of gross margin geographically for this quarter and a similar figure last year?

**Ramprakash Bubna:** Gross margin in the European region stood at 36.5% in this quarter as compared to 32.3% in Q2 of last year. NAFTA region, it was at 19.4% as compared to 17.4%. LATAM, it was at 27% versus 28.4%. Rest of the World, it stood at 42.2% as compared to 22.8% last year. Overall, it was 31.1% compared to 26.9% in the last year.

**Prashant Biyani:** We are trying to increase or expand our presence in various geographies globally. So, any quantum may not be helpful, but in terms of presence, I mean, expanding our presence in some of the major geographies, can you highlight what is our current penetration and how much we are targeting to increase maybe over the next two to three years?



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**Ramprakash Bubna:** Our presence into most of the regions is still at a very low level, not more than 5% to 10%. In some specific cases, it could be even as high as 15% and one of the major reasons for this is that the innovators and multinational companies continue to dominate all the markets around the world. They still control about 75% for the market share on an overall average. So, the generics have only about 25% market share to compete with among themselves and that is why most of the generics are in the range of 5% to 10% each, sometimes it can be 15%.

**Prashant Biyani:** Are we present in the Midwest region of NAFTA?

**Ramprakash Bubna:** What is the Midwest of NAFTA? NAFTA to my knowledge, Mexico, USA, and Canada.

**Prashant Biyani:** So, in the Midwest region of USA, which is the major agricultural region there?

**Ramprakash Bubna:** Sir, we are present.

**Prashant Biyani:** Sir, in your initial comments you told that the demand is quite normal, but despite that, we have seen a sharp growth in Europe and NAFTA. So, what would be driving this growth?

**Ramprakash Bubna:** Sir, I would say that the better recognition and acceptability of our company from our customers and better trust. Additionally, we are coming up with more and more molecules, so they are very happy that they can get some alternates to the multinational companies.

**Prashant Biyani:** Do you think that this accelerated pace of growth in Europe should continue at least for a while?

**Ramprakash Bubna:** I think so.

**Prashant Biyani:** Sir, lastly can you give the breakup of registrations geographically?



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**Ramprakash Bubna:** We have 1,267 registrations in Europe, 215 registrations in the NAFTA region, 742 registrations in LATAM and 237 registrations in the Rest of the World, totaling to 2461 registrations.

**Prashant Biyani:** Sir, just one last question, on the depreciation side, while this quarter, we have seen a higher depreciation but over the last two quarters it has been either down or flattish. So, if we are continuing with capitalization, then the last two quarters should also have seen a bit of a higher depreciation pattern. That was not the case. So, a bit of kind of volatility, if you can explain two quarters of downwards trending depreciation then again it is on an accelerated path?

**Ramprakash Bubna:** In Q1 FY21, we had a depreciation of Rs. 35.5 Crores as compared to Rs. 35.2 Crores, so it was more or less flat and there is an increase in the Q2 FY21. I am not able to immediately highlight about the volatility in depreciation. However, I can state that there is nothing very significant.

**Prashant Biyani:** But this should continue at say 25% or 30% up from the coming quarters?

**Ramprakash Bubna:** We can assume it 25% or 30% up, but it would be on the higher side because as and when we are getting more registrations, the CWIP is getting converted into the capital block, hence, the depreciation will also increase. This is the general statement I can make.

**Prashant Biyani:** Thanks. That is it from my end.

**Moderator:** Thank you. The next question is from the line of Rohit Nagaraj from Sunidhi Securities. Please go ahead.

**Rohit Nagaraj:** Thanks for the opportunity. Congrats on a good set of numbers. Sir, in terms of the availability of raw materials from China has improved and it is consistent without taking issues from COVID-19. How has been the pricing trend in the last six months? We have understood that the RM prices have come down, but whether the trend has been slightly increased



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RM prices and incrementally on the capex are Q3 and Q4 gross margins.

Thank you.

**Ramprakash Bubna:** For RM prices, I have commented that they are on the way down and we expect the same trend in Q3 and Q4. As the Chinese factories are coming back to normal production, the availability is increasing which rises the competition amongst themselves. Earlier when the production was less, they were making a very big profit by increasing their prices, by taking advantage of the shortage. That situation is reversing now.

**Rohit Nagaraj:** Thanks for that. It helps. Thank you. That is it from my side.

**Moderator:** Thank you. The next question is from the line of Vishnu Kumar from Spark Capital. Please go ahead.

**Vishnu Kumar:** Very good evening. I just have a couple of questions; do we have a broad vision for the next three years or five years about our revenue target? Any strategy you can share that we are going to adopt over the next three years to probably take our revenue from X to say 1.5X or 2X. Can you give us any internal targets that you have kept in mind? I know you cannot give a specific target but at least you can mention what are the things that you are looking for over the next three to five years?

**Ramprakash Bubna:** We aspire to reach about Rs. 3,000 Crores revenue in the next four to five years.

**Vishnu Kumar:** At the current run rate, last year we made Rs. 2,000 Crores, so we are probably at Rs 2,200 Crores in FY21, so that will roughly convert to something like 10% growth every year is what we are targeting?

**Ramprakash Bubna:** Very broad sort of approximation, yes.

**Vishnu Kumar:** Sir, what are the things that we will do to get to this number? Obviously, registrations and everything is a broad aspect and I do understand, but any



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specific reason that you will focus on any product category or anything that you can add colour to it?

**Ramprakash Bubna:** Sir, my first answer came without thinking was to continue working hard, trying our best, looking for the opportunities and encashing upon them rather than allowing them to pass away, increasing our portfolio, getting new registrations and getting more deeper. We will like to increase our market share by being alert all the time.

**Vishnu Kumar:** Sir, in terms of your manpower additions for your middle layer, how do we see that because as we grow bigger and bigger?, We all know that you are extremely hardworking but is there a slightly or will you take off the load and the transitory rate a lot more middle management come into play. If you could just give some idea on that?

**Ramprakash Bubna:** I think this is a very difficult task for every company, for every management to get a middle management level who are committed, people team who are committed. Most of the professionals, work like professionals and when it comes to commitment you find it very rare. So, we are making constant efforts to add to middle level management. We are working on that and we are working with full efforts and energies on that front.

**Vishnu Kumar:** Any change versus last year to now. Is the count gone up, is the number of people increased?

**Ramprakash Bubna:** Well, our manpower strength is increasing and at the overseas level we have engaged many consultants. The numbers of these consultants are increasing as we are increasing the penetration into the different markets. Our strength of manpower is increasing in India too.

**Vishnu Kumar:** Sir, when you mean consultants, these people will only help you do the verification aspects, right? Or do they help to manage the distribution,



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speak to more distributors, do they help in that also or they only work for registration purpose?

**Ramprakash Bubna:** They are not our employees. We do not have an employer-employee relationship with them. Our agreements in black and white are that they will be consultants, but they work very sincerely for us. We do not have employees. We do not have permanent establishments in most of the foreign countries. So, we cannot hire people and we do not want to hire people. We want to engage people who are evaluating and who are compensated best on the results achieved and not by the number of hours they do contribute.

**Vishnu Kumar:** So, they span even from registration to end distribution level?

**Ramprakash Bubna:** Yes. There are experts in different kinds of different natures. Some are expert in expediting registrations and a lot of them are experts in expediting on the markets and their relationship with the customers.

**Vishnu Kumar:** Got it. We would want to go to at least close to Rs. 3,000 Crores top-line in about four to five years, right.

**Ramprakash Bubna:** Yes Sir.

**Vishnu Kumar:** Secondly, on the margin front you just give us always that this plus 5% to minus 5% is the range that is possible, but with your commentary on China, you are mentioning that raw material price is on a down tick. Can we go to this 36% margin which you did about two, three years ago? Do you see directionally that is something that will be able to achieve in the next two years if the prices remain soft and slightly bit of coming off?

**Ramprakash Bubna:** Mr. Vishnu, we should not forget that we are living in the world of technology. The situation is that is known to me and you, it is being known to all our customers. The effort of the customers is to get the cheapest product and best quality product. So, one cannot keep this hidden for a



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long period of time and there used to be a time when these things were isolated, but those days have gone. So, the customers also keep on telling us that the prices have fallen in China. Our biggest advantage in such a situation is the entry barrier, but whenever the gap between the raw material cost and market prices is high, there are always some cracks through which the market also gets lost. It is a very continuous and very fair practice. So, we cannot say that we will continue at the same price. In our business model, Mr. Vishnu, we do not decide the customer's prices. These are basically decided by the multinational companies and we are only working under their prices, the discount of maybe 5%, 10%, 15% lower than them, if they reduce the prices, we have no scope to increase our prices.

**Vishnu Kumar:** But in your sense, in the last six months, with Chinese prices coming off are they reducing or holding?

**Ramprakash Bubna:** The prices are going down. They are reducing and in the last two, three months, I am finding that the Chinese currency is getting stronger. So, that is also going against our prices. They are giving an excuse that the lower Renminbi is \$1. So, this currency factor is another factor, which influences the prices.

**Vishnu Kumar:** So, this 32% margin is something that we will be able to maintain?

**Ramprakash Bubna:** We should be.

**Vishnu Kumar:** Sir, we used to do margin of 40%, 45% earlier in Europe. You mentioned that Europe is generally a good haven for us. There will we be able to go to that 45% or 40% is something that we should settle at?

**Ramprakash Bubna:** Again, Mr. Vishnu, a lot of people are watching us and the Internet is reducing our scope to get such a good margin. If we have to increase our market share, we have to sacrifice the margins.



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**Vishnu Kumar:** That is the game we are playing. Sir, one final question on the capex side of it. We have been doing Rs. 150 - 200 Crores, annually. When will this run rate slow down because I know that in the past you had mentioned a lot of European re-registration capex have been on? Will we see this number come down to Rs. 100 to 150 Crores, let us say two years down the line or it will continue at the same level?

**Ramprakash Bubna:** I can only give you my impression because no calculation works here and even the European authorities, the ministries, which were earlier working for the community, now they are working for their profits. Some of the ministry charges which were about \$500 or \$1,000 have increased to \$4,000 and we cannot say anything. They state that they are not able to get proper qualified manpower unless they pay them very high prices, high salaries. So, the cost on every front is increasing including registrations, laboratories, ministries, trials, and the requirements of the authorities are also increasing endlessly. So, registration cost is very difficult to explain. I feel it will be very difficult for us for our business model to grow if we curtail our investments in registration.

**Vishnu Kumar:** Sir, this is the number is something that we should expect to continue?

**Ramprakash Bubna:** In the near future, our ambition to grow means more molecules and more registrations, larger label. If we have registration for five crops, we would like to increase it to ten crops. All these things mean a lot of expenditure on registrations.

**Vishnu Kumar:** Sir, just a hypothetical question I am asking. Is there any internal target that you said that this set of registration should get you this kind of ROCEs and this has been the outcome if you have those numbers like that?

**Ramprakash Bubna:** Mr. Vishnu, we do some calculations, but none of them work out because we do not know. I am expecting some registrations in may be next month, in November, it may get extended till April because of factors totally



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beyond our control. The Ministry is not even meeting and all of a sudden, they are coming out with a last minute requirement that two more studies are required. So, there are so many fronts on which we have no quantum of forecast or planning helps.

**Moderator:** Thank you. The next question is from the line of Dhruv M from HDFC Asset Management. Please go ahead.

**Dhruv M:** Thank you so much. One quick question on the raw material price decline from China, now we also hear that there is a debate of 13% of China is giving on exports, it seems it has just come probably in March and it has increased from 0% or 5% to about 13%. So, is this also helping the raw material price decline and if not, can it further help in your raw material decline?

**Ramprakash Bubna:** Sir, it has not come to our notice, which means this may be there in some specific situations or for some specific products. Overall, what we call drawback and they call duty back, in my opinion, this is remaining constant. There might have been some instances of increase in some specific products, but overall, there is not much of a change on this account.

**Dhruv M:** Thank you so much.

**Moderator:** Thank you. The next question is from the line of Deepak Kolhe from B&K Securities. Please go ahead.

**Deepak Kolhe:** Good evening Sir. Congratulations on a good set of numbers. Sir, my first question is how is the current situation in the belt segment and are you seeing any improvement in that Sir?

**Ramprakash Bubna:** Yes, we are seeing some improvement. This segment has passed through the real impact of COVID-19. All the material handlings, in the ports, mines and other things have got affected adversely. This has impacted the



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demand for conveyor belts. As and when these activities are getting normalised, the demand is improving. So, there is an improvement and we hope we will get back to better results in Q3 and Q4.

**Deepak Kolhe:** Sir, can you please share the registration pipeline as per geography?

**Ramprakash Bubna:** We have got 1,029 registrations in the pipeline, out of which Europe is 705, NAFTA 119, LATAM 138, and Rest of the world 67.

**Deepak Kolhe:** Thank you, Sir. Can you just give us guidance for the tax rate for the FY21 because we have seen some improvement in the tax rate in the second quarter? So, can you please give us some guidance for the FY21 whole year?

**Ramprakash Bubna:** We feel that the effective tax rate should be between 25% and 30% for FY21.

**Deepak Kolhe:** Sir, if we look at the balance sheet, the inventories are higher compared to YoY and FY20. Any reasons for that?

**Ramprakash Bubna:** See, the reasons are very obvious. We want to be prepared. We do not want to come to a situation where there is a demand and we do not have the material to offer. Secondly, there is a trend in our agrochemical markets for a pre-season buying and that trend is becoming more and more significant. So, many people like to buy the products in the month of November-December or January when the actual requirement is in the spring season, which starts in April. So, it suites us, we are also very happy to deliver and put a foot on the door and the customers are happy that they are secured for the availability of the product when the real need comes. So, these are some of the factors and then we have to keep the stocks ready. Most of the people if they have it, they give us a purchase order, they would like to have the goods on the next day. So, if we have to prepare ourselves for these kinds of situations, we have to be a little liberal on the inventories.



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**Deepak Kolhe:** Sir, my last question, if we wanted to visit a product then what is today's cost and how much it was last year. If you can give us some brief idea or colour on that that would be great. Thank you. That is it from my side.

**Ramprakash Bubna:** Deepak Bhai, this is a very difficult question to answer and I do not think anybody has an answer for these things. First of all, the registration cost depends upon product to product in the same country and from country to country for the same product. More developed the country, more are the stringent are the requirements. It may go up to say €4 million and the same product, I may be able to register in other developing country for about \$1,00,000. This is just an example that the demand of requirements for registration is lesser, the manpower to evaluate is also not so qualified compared to the developed countries and the market size does not justify a very big investment. If these countries or authorities become very stringent, then they will not find any companies interested in registering those products for supplying in those countries. So, to answer your question depends on country to country and product to product. The trend is everywhere, the costs are increasing, even in a developing country or in a developed country at a much faster rate in a developed country than in a developing country. Have I answered your question?

**Deepak Kolhe:** Yes Sir. Thank you very much.

**Moderator:** Thank you. Ladies and gentlemen that was the last question for today. I now hand over the conference to the management for closing comments.

**Ramprakash Bubna:** I am thankful to all the participants for putting up interesting and very relevant questions. I hope, I have been able to answer them. I want to thank every participant. Thank you.

**Moderator:** Thank you. On behalf of Emkay Global Financial Services that concludes this conference. Thank you for joining us and you may now disconnect your lines.