

# SHARDA CROPChem LIMITED

## Q1 FY19 RESULTS UPDATE

July 2018



*Sharda Cropchem Limited*



## DISCLAIMER



*Sharda Cropchem Limited*

*This presentation and the following discussion may contain “forward looking statements” by Sharda Cropchem Limited (“Sharda” or “the Company”) that are not historical in nature. These forward looking statements, which may include statements relating to future results of operations, financial condition, business prospects, plans and objectives, are based on the current beliefs, assumptions, expectations, estimates, and projections of the management of Sharda about the business, industry and markets in which Sharda operates.*

*These statements are not guarantees of future performance, and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond Sharda’s control and difficult to predict, that could cause actual results, performance or achievements to differ materially from those in the forward looking statements. Such statements are not, and should not be construed, as a representation as to future performance or achievements of Sharda.*

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## DISCUSSION SUMMARY



*Sharda Cropchem Limited*

- Q1 FY19 Result Highlights**
- Consolidated Financials**
- About Us**
- Business Model**
- Business Strategy & Outlook**

# Q1 FY19 RESULTS: KEY HIGHLIGHTS

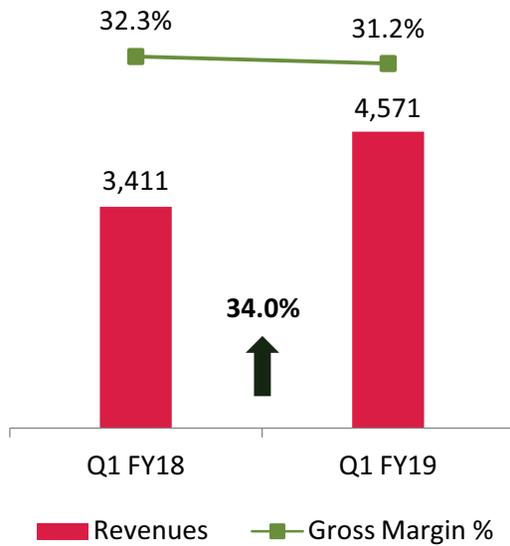


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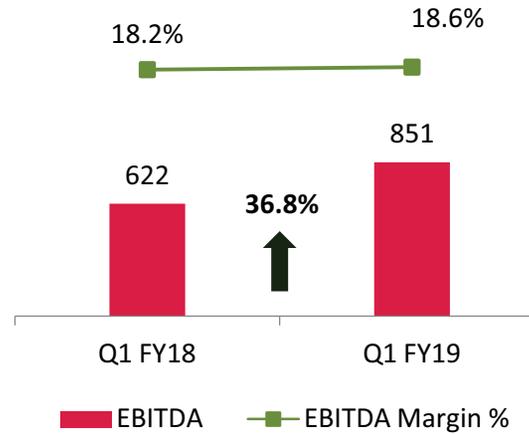
## Q1 FY19 YoY ANALYSIS

In Rs Mn

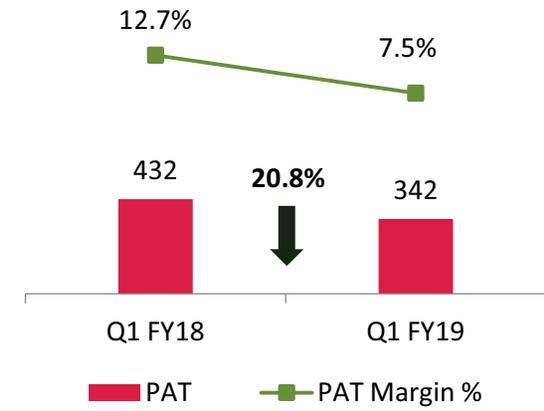
### REVENUES & GROSS MARGIN



### EBITDA & EBITDA MARGIN\*



### PAT & PAT MARGIN



\* EBITDA excluding foreign exchange impacts

## Q1 FY19 RESULTS: KEY HIGHLIGHTS



*Sharda Cropchem Limited*

### **FINANCIAL UPDATE -**

- Q1 FY19 Revenues increased by 34.0% YoY from Rs. 3,411.2 mn to Rs.4,571.5 mn.
  - Region-wise growth YoY– Europe: 57.5%, NAFTA: -11.0%, LATAM: 62.4%, ROW: 81.7%
- Q1 FY19 gross profit increased by 29.2% YoY from Rs.1,102.7 mn to Rs.1,424.9 mn. Gross margin declined by 116 bps from 32.3% to 31.2% due to increased competition.
- Q1 FY19 EBITDA excluding foreign exchange impacts increased by 36.8% YoY from Rs. 621.7 mn to Rs. 850.5 mn. EBIDTA margin increased by 38 bps from 18.2% to 18.6%.
- Q1 FY19 depreciation increased by 18.6% from Rs 154.7 mn to Rs 183.5 mn.
- Q1 FY19 PAT decreased by 20.8% from Rs. 432.2 mn to Rs. 342.3 mn mainly on account of adverse foreign exchange impact.

### **OPERATIONAL UPDATE -**

- Total number of registrations were 2,209 as of June-18 as compared to 2,157 as of March-18.
- The company has another 984 registrations in pipeline across geographies.
- Revenue contribution from Top 10 molecules is 50.6% in Q1FY19 as against 51.0 % in Q1FY18.

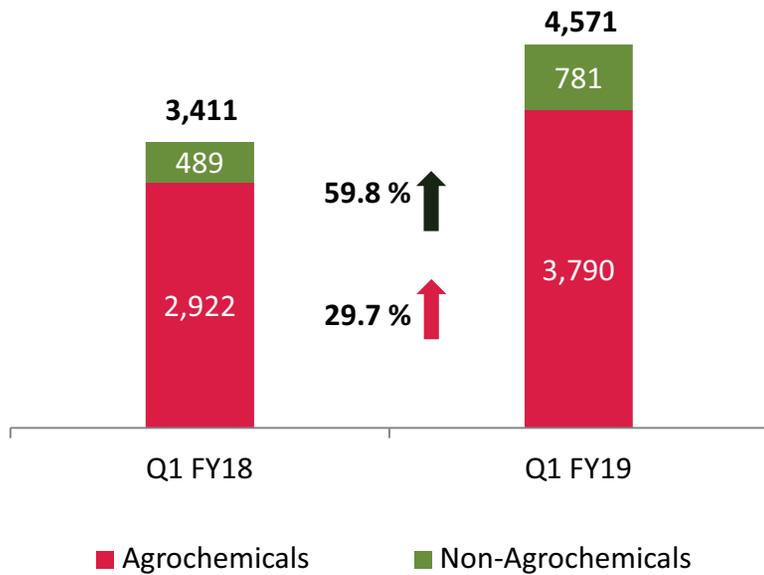
# Q1 FY19 RESULTS: DIVISION WISE HIGHLIGHTS



Sharda Cropchem Limited

In Rs Mn

## Q1 FY19 YoY ANALYSIS: REVENUE BREAKUP



Division Revenue Share %	Q1 FY18	Q1 FY19
Agrochemicals	85.7%	82.9%
Non-Agrochemicals	14.3%	17.1%

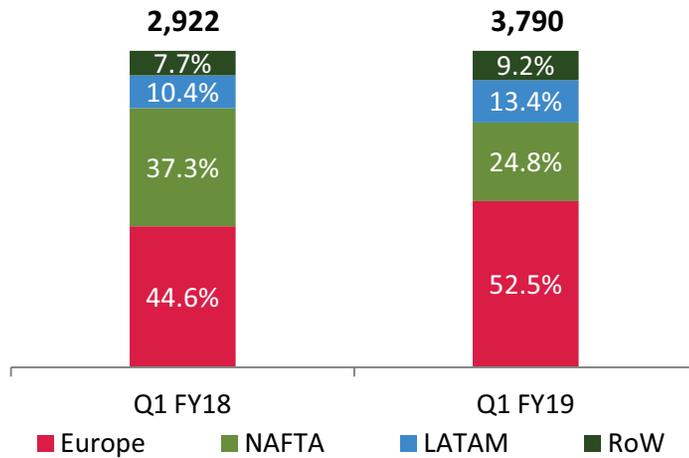
# Q1 FY19 RESULTS: AGROCHEMICAL BUSINESS



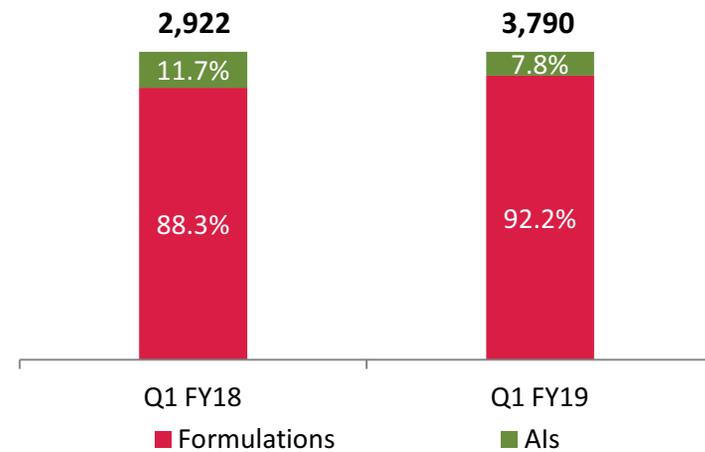
Sharda Cropchem Limited

In Rs Mn

## REVENUE BREAKUP: REGIONWISE



## REVENUE BREAKUP: FORMULATIONS VS. AIs



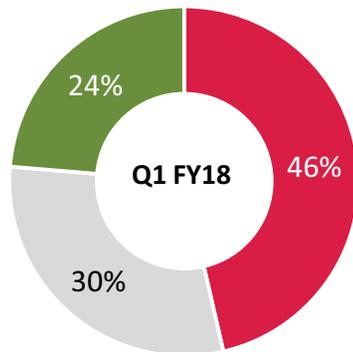
- Revenues in Europe region have risen by 52.8% during Q1 FY19 on account of increased demand.
- Revenues declined by 13.6% in NAFTA region.
- Revenues increased by 67.6% in LATAM region.
- Revenues increased by 54.5% in ROW region.

# Q1 FY19 RESULTS: AGROCHEMICAL BUSINESS



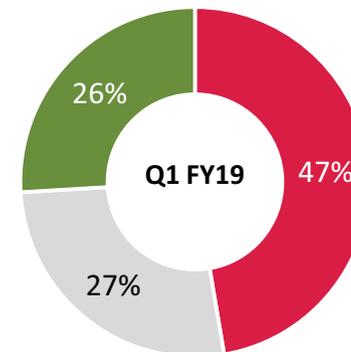
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## REVENUE BREAKUP: PRODUCT TYPE



■ Herbicides ■ Fungicides ■ Insecticides

## REVENUE BREAKUP: PRODUCT TYPE



■ Herbicides ■ Fungicides ■ Insecticides

- Herbicides revenues have grown by 32.3% YoY in Q1 FY19 to Rs 1,794.1 mn
- Fungicides revenues have grown by 15.8% YoY in Q1 FY19 to Rs 1,013.2 mn
- Insecticides revenues have grown by 42.1% YoY in Q1 FY19 to Rs 983.2 mn

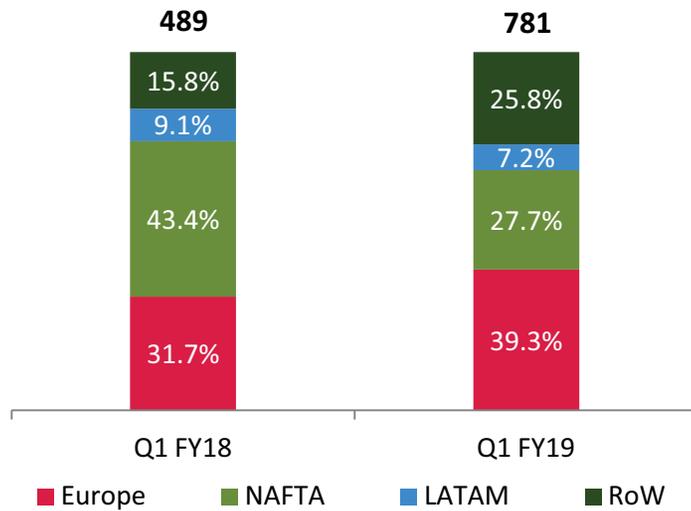
# Q1 FY19 RESULTS: NON-AGROCHEMICAL BUSINESS



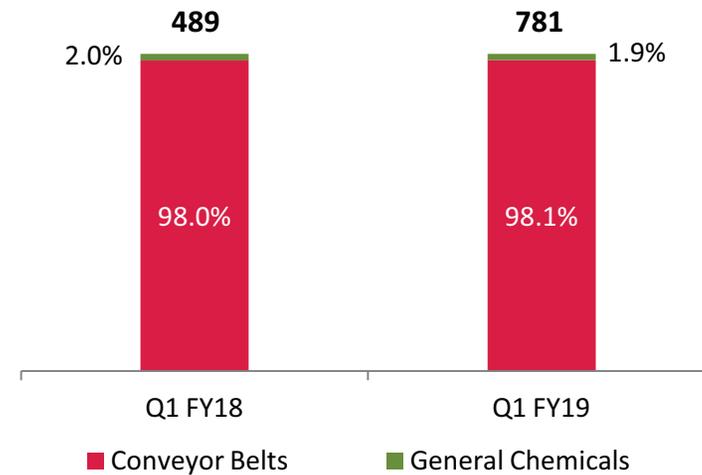
Sharda Cropchem Limited

In Rs Mn

## REVENUE BREAKUP: REGIONWISE



## REVENUE BREAKUP: PRODUCTWISE

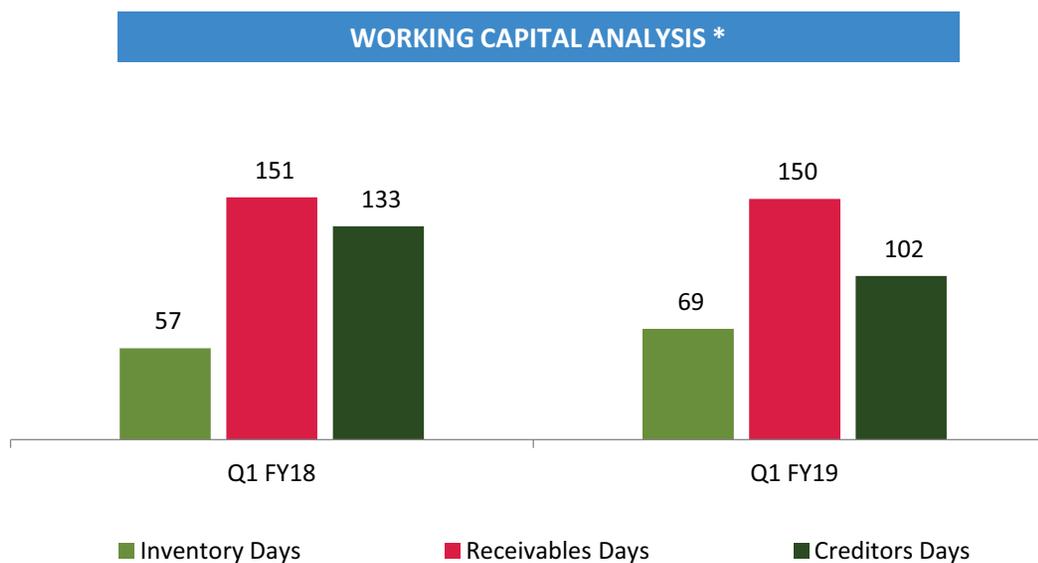


- Revenues in Europe have risen by 97.7% during Q1 FY19 to 306.7 mn.
- Revenues in NAFTA region have risen by 2.0% during Q1 FY19 to 216.5 mn.
- Revenues in LATAM region rise slightly by 26.8% during Q1 FY19 to 56.3 mn.
- Revenues in RoW increased by 161.5% during Q1 FY19 to 201.4 mn.

# Q1 FY19 RESULTS: WORKING CAPITAL ANALYSIS



Sharda Cropchem Limited



**NET WORKING CAPITAL DAYS**  
Q1 FY18: 75  
Q1 FY19: 117

\* Calculated on average inventory, receivables, creditors

# CONSOLIDATED PROFIT & LOSS STATEMENT



Sharda Cropchem Limited

Particulars (In Rs Mn)	Q1 FY19	Q1 FY18	YoY%	FY 18
<b>Revenue from Operations</b>	4571.5	3411.2	34.0%	17,133.9
COGS	3146.6	2308.5	36.3%	11,437.4
<b>Gross Profit</b>	<b>1424.9</b>	<b>1102.7</b>	<b>29.2%</b>	<b>5,696.4</b>
<b>Gross Margin</b>	<b>31.2%</b>	<b>32.3%</b>	<b>-116bps</b>	<b>33.2%</b>
Employee Expenses	81.9	76.5	7.1%	335.4
Other Expenses	632.2	404.4	56.3%	1,906.9
<b>EBITDA</b>	<b>710.8</b>	<b>621.7</b>	<b>14.3%</b>	<b>3,454.2</b>
<b>EBITDA Margin %</b>	<b>15.5%</b>	<b>18.2%</b>	<b>-268bps</b>	<b>20.2%</b>
<b>EBITDA Excl. Forex Impacts</b>	<b>850.5</b>	<b>621.7</b>	<b>36.8%</b>	<b>3,454.2</b>
<b>EBITDA Margin % excl. Forex Impacts</b>	<b>18.6%</b>	<b>18.2%</b>	<b>38bps</b>	<b>20.2%</b>
Depreciation	183.5	154.7	18.6%	699.4
Finance Cost	36.0	0.4	-	48.5
Other Income	34.7	148.4	-76.6%	165.6
<b>PBT</b>	<b>525.9</b>	<b>615.0</b>	<b>-14.5%</b>	<b>2,871.9</b>
Tax Expense	183.6	182.8	0.5%	964.2
<b>PAT</b>	<b>342.3</b>	<b>432.2</b>	<b>-20.8%</b>	<b>1907.7</b>
<b>PAT Margin %</b>	<b>7.5%</b>	<b>12.7%</b>	<b>-518bps</b>	<b>11.1%</b>
<b>Earnings Per Share (EPS) In Rs.</b>	<b>3.79</b>	<b>4.79</b>	<b>-20.9%</b>	<b>21.15</b>

## ABOUT US: COMPANY OVERVIEW



Sharda Cropchem Limited

### BUSINESS OVERVIEW

- Sharda Cropchem Limited is a global crop protection chemical company largely operating across Europe, NAFTA, Latin America and ROW across fungicides, herbicides and insecticides.
- Sharda operates with an asset light business model focused on identification and registration of potential molecules with a strong demand.
- As of 30<sup>th</sup> June 2018, Sharda owned 1,980 registrations for formulations and 229 registrations for active ingredients (AIs) and filed 984 applications for registrations globally pending at different stages.
- Sharda also runs a non-agrochemical business comprising of order-based procurement and supply of non-agrochemical products including conveyor belts and general chemicals, dyes and dyes intermediates.

### KEY STRENGTHS

- Asset light business model with core competency of registrations and an extensive library of dossiers and registrations.
- Strong geographical presence in more than 80 countries with an established global marketing & distribution network.
- Superior sourcing capabilities with an established access to cost competitive manufacturers in China and India.
- Significant promoter experience and experienced management team.

### STRONG FINANCIALS

- Consolidated Revenues, EBITDA and PAT were Rs 17,134 mn, Rs 3,454 mn and Rs 1,908 mn in FY18
- Strong balance sheet position with net debt of Rs 467 mn and equity of Rs 11,351 mn in FY18
- Healthy Return Ratios in FY18:
  - ROCE – 24.3%
  - ROE – 18.2%

## ABOUT US: OUR PRESENCE



*Sharda Cropchem Limited*



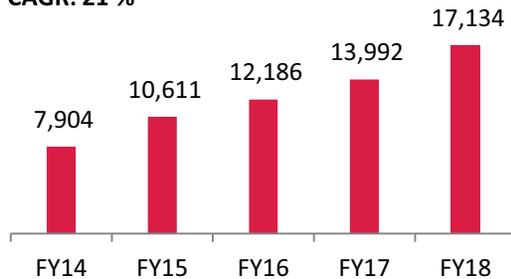
# ABOUT US: FINANCIAL SUMMARY



Sharda Cropchem Limited

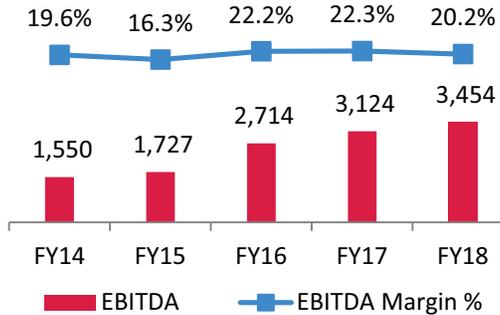
## REVENUE FROM OPERATIONS

CAGR: 21 %



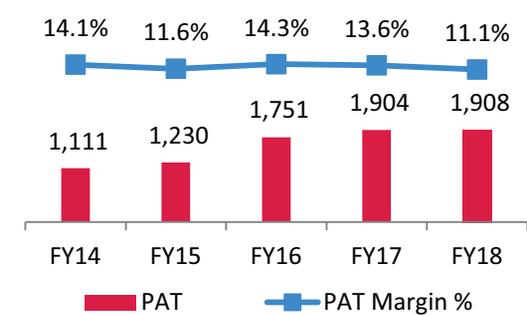
## EBITDA & EBITDA Margin

CAGR: 22 %

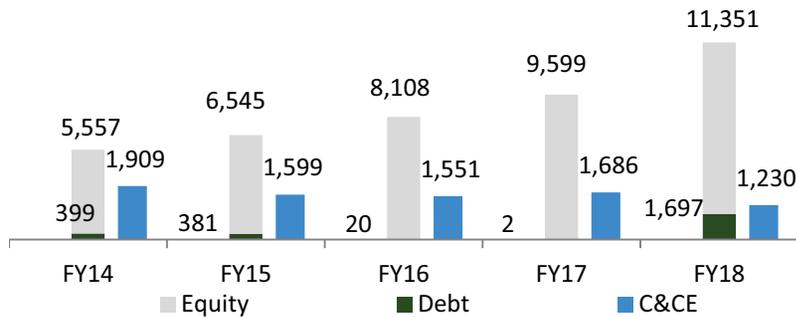


## PAT & PAT Margin

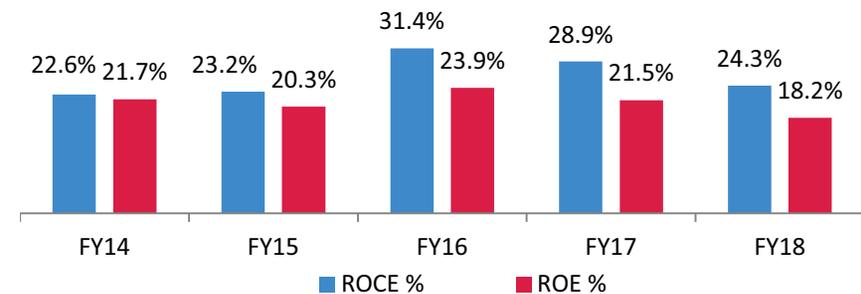
CAGR: 14 %



## LEVERAGE ANALYSIS



## RETURN METRICS



Source: Figures for FY14 to FY15 are IGAAP, FY16, FY17 and FY18 are IND-AS  
 PAT Margin = PAT / Revenue from Operations, EBITDA Margin = EBITDA / Revenue from Operations,  
 ROE: PAT/Avg. Equity, ROCE: EBIT/Avg. Capital Employed [(Capital Employed = Equity + Total Debt)]

# ABOUT US: SHAREHOLDING STRUCTURE



Sharda Cropchem Limited

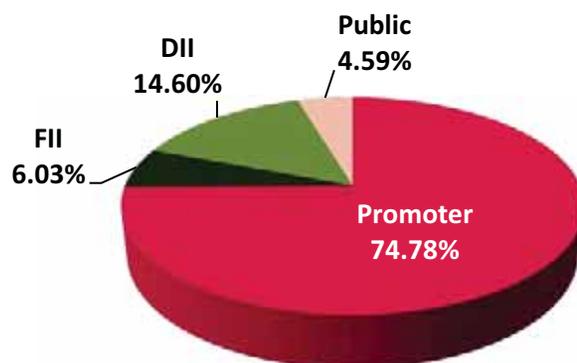
Key Institutional Investors – 30 <sup>th</sup> June 2018	% Holding
HDFC MF	6.82%
Pinebridge	4.28%
DSP Blackrock Investment Manager	3.89%
L & T Mutual Fund	3.64%

Source: BSE

Market Data	As on 27 <sup>th</sup> July 2018
Market capitalization (Rs Mn)	33,661.2
Price (Rs.)	373.1
No. of shares outstanding (Mn)	90.2
Face Value (Rs.)	10.0
52 week High-Low (Rs.)	503.9 – 325.0

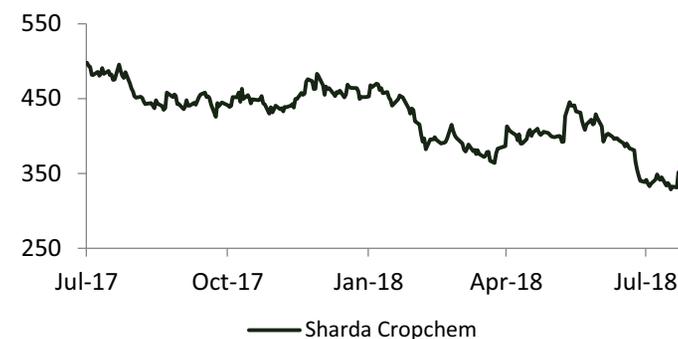
Source: BSE

Shareholding – 30<sup>th</sup> June 2018



Source: BSE

Share Price Performance



Source: BSE

# DIFFERENTIATED BUSINESS MODEL: ASSET LIGHT MODEL



Sharda Cropchem Limited

## Agrochemical Value Chain

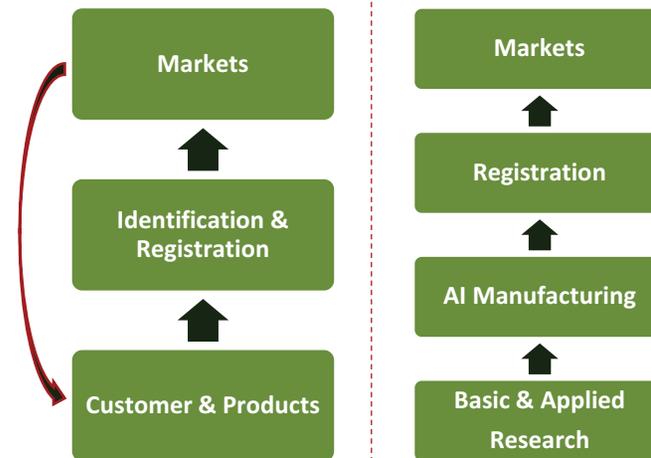
Sharda's Operating Area



### ASSET LIGHT BUSINESS MODEL

- Focus on identification of generic molecules, preparing dossiers, seeking registrations, marketing & distributing formulations through third party distributors and/or own sales.
- Manufacturing of AIs and formulations is outsourced.
- Highly flexible operating model resulting in –
  - Overall cost competitiveness
  - Efficient management of fluctuating market demand across various geographies.
  - Offering wide range of formulations and AIs.

### Sharda's Model: Demand Pulled / Customer Driven



SHARDA IS A FOCUSED GLOBAL AGROCHEMICAL MARKETING & DISTRIBUTION COMPANY

# BUSINESS STRATEGY & OUTLOOK



Sharda Cropchem Limited

## Forward Integration - Build own Sales Force

- Leverage market presence and execution capabilities.
- Adopt the factory-to-farmer approach and be a one-stop solution provider.
- Strategy on-ground in Mexico, Colombia, Hungary, Spain, Poland, Italy, Portugal, USA & India.

## Expand & Strengthen Distribution Presence

- Expand geographical reach using existing library of dossiers.
- Two-fold strategy of further penetrating existing markets and entering new markets.

## Continual Investment in Obtaining Registrations

- Continue to identify generic molecules going off- patent.
- Investing in preparing dossiers and seeking registrations in own name.

## Focus on Biocide Registrations

- Scale up marketing and distribution of biocides with a focus on Europe.
- Increase biocide registrations.

## Focus on Inorganic Growth

- Continue to explore possibilities of partnerships with other companies across jurisdictions.



*Sharda Cropchem Limited*

## FOR FURTHER QUERIES:



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