

# SHARDA CROP CHEM LIMITED

## Q3 & 9M FY18 RESULTS UPDATE

January 2018



Sharda Cropchem Limited



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- Q3 & 9M FY18 Results Highlights**
- Q3 & 9M FY18 Consolidated Financials**
- About Us**
- Business Model**
- Business Strategy & Outlook**

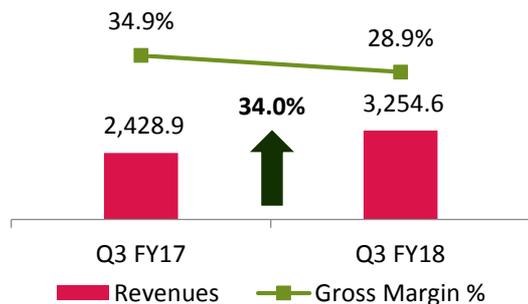
# Q3 & 9M FY18 RESULTS: KEY HIGHLIGHTS



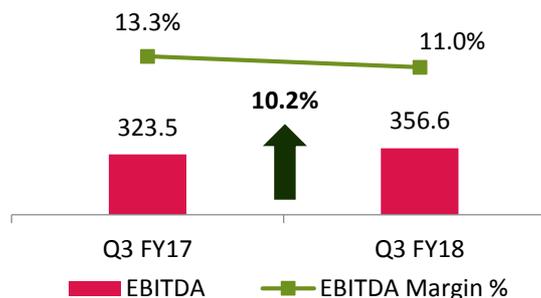
## Q3 FY18 YoY ANALYSIS

In Rs Mn

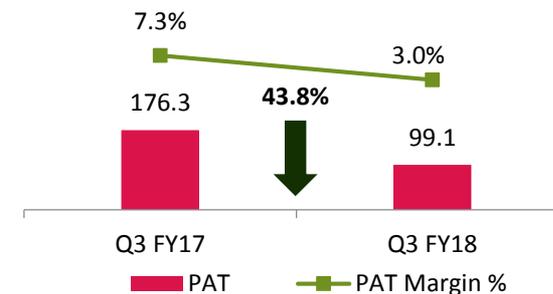
### REVENUES & GROSS MARGIN



### EBITDA & EBITDA MARGIN

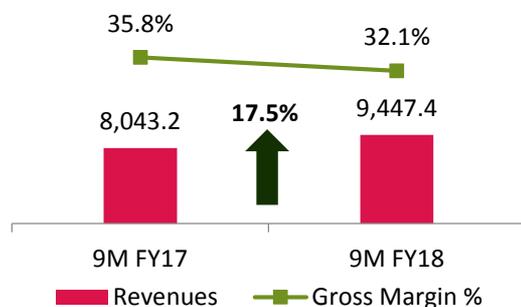


### PAT & PAT MARGIN

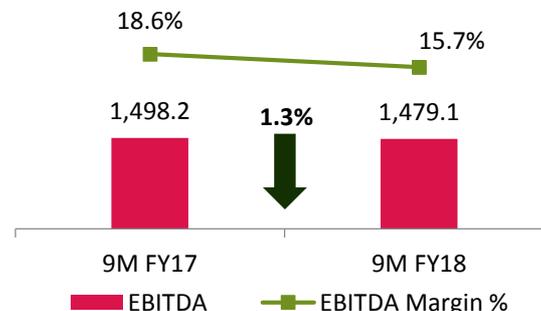


## 9M FY18 YoY ANALYSIS

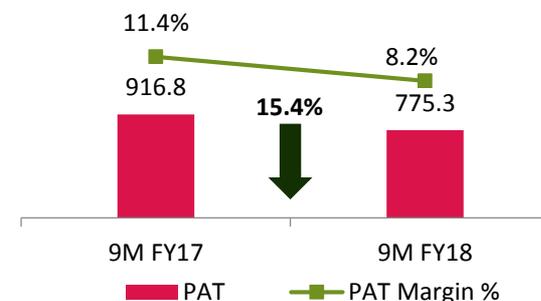
### REVENUES & GROSS MARGIN



### EBITDA & EBITDA MARGIN



### PAT & PAT MARGIN



# Q3 & 9M FY18 RESULTS: KEY HIGHLIGHTS



## FINANCIAL UPDATE -

- Q3 FY18 Revenues increased by 34% YoY from Rs. 2,428.9 mn to Rs. 3,254.6 mn.
  - Region-wise growth YoY– Europe: 40.3%, NAFTA: 80.9%, LATAM: 1.5%, ROW -16.5%
- Q3 FY18 gross profit increased by 10.6% YoY from Rs. 848.7 mn to Rs. 939.0 mn. Gross margin declined by 609 bps from 34.9% to 28.9% primarily due to rising procurement prices of raw materials from China.
- Q3 FY18 EBIDTA including foreign exchange impacts increased by 10.2% YoY from Rs. 323.5 mn to Rs. 356.6 mn. EBIDTA margin declined by 236 bps from 13.3% to 11.0%.
- Q3 FY18 EBIDTA excluding foreign exchange impacts increased by 0.2% YoY from Rs. 355.7 mn to Rs. 356.6 mn. EBIDTA margin declined by 369 bps from 14.6% to 11.0%.
- Q3 FY18 depreciation increased by 48.0% from Rs 123.9 mn to Rs 183.4 mn due to higher base of intangible assets on account of registrations.
- Q3 FY18 PAT declined by 43.8% from Rs. 176.3 mn to Rs. 99.1 mn. PAT margin declined by 421 bps from 7.3% to 3.0%.

## OPERATIONAL UPDATE -

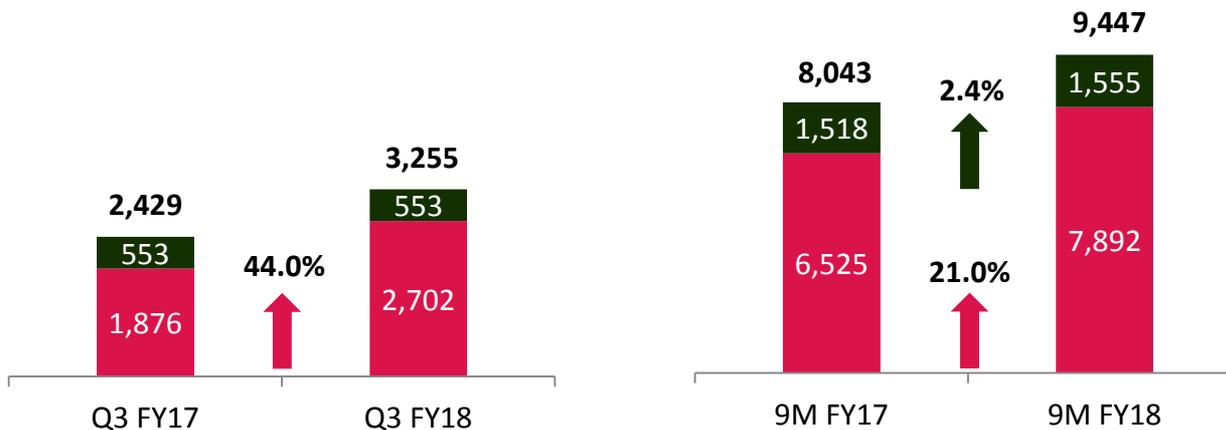
- Total number of registrations were 2,133 as of 31<sup>st</sup> Dec-17 as compared to 2,087 as of 30<sup>th</sup> Sep-17.
- The company has another 852 registrations in pipeline across geographies.
- Revenue contribution from Top 10 molecules reduced from 56.0% in 9M FY17 to 50.3% in 9M FY18.

# Q3 & 9M FY18 RESULTS: DIVISION WISE HIGHLIGHTS



In Rs Mn

## Q3 & 9M FY18 YoY ANALYSIS: REVENUE BREAKUP



■ Agrochemicals ■ Non-Agrochemicals

■ Agrochemicals ■ Non-Agrochemicals

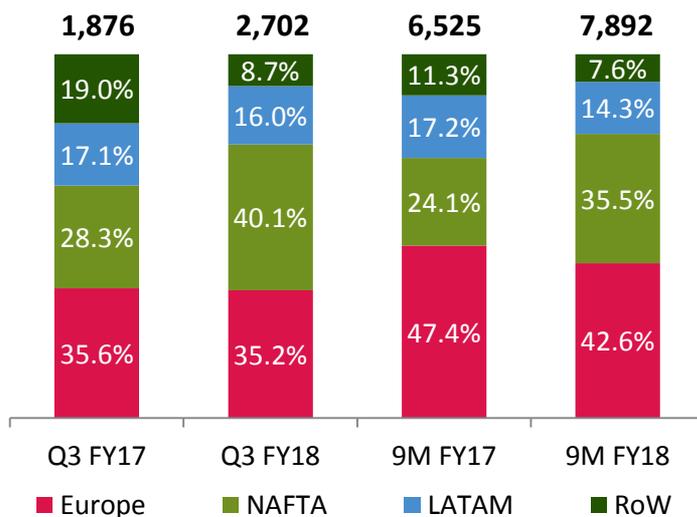
Division Revenue Share %	Q3 FY17	Q3 FY18	9M FY17	9M FY18
Agrochemicals	77.2 %	83.0 %	81.1 %	83.5 %
Non-Agrochemicals	22.8 %	17.0 %	18.9 %	16.5 %

# Q3 & 9M FY18 RESULTS: AGROCHEMICAL BUSINESS

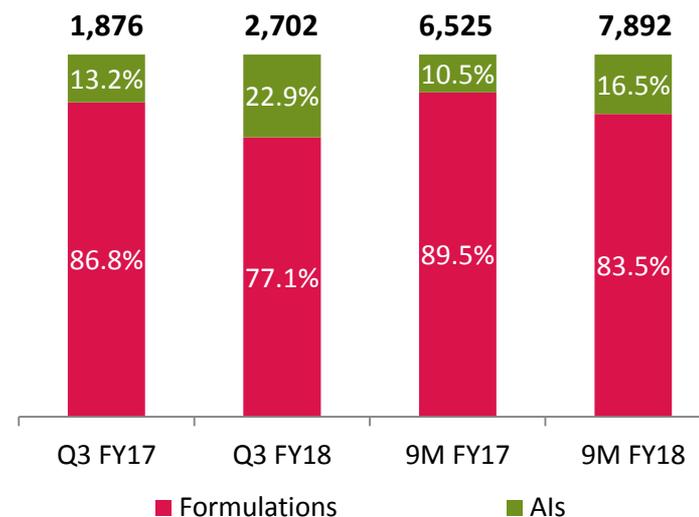


In Rs Mn

## REVENUE BREAKUP: REGIONWISE



## REVENUE BREAKUP: FORMULATIONS VS. AIs

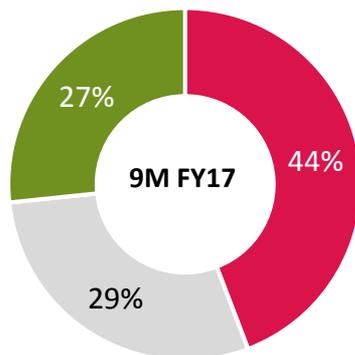


- Revenues in NAFTA region have risen by 104% in Q3 FY18 on the back of increase in new registrations.
- Revenues increased by 42% in Europe in Q3 FY18.
- Revenues in LATAM region has increased by 35% in Q3FY18.
- Revenues in ROW region declined by 34% in Q3FY18.

# 9M FY18 RESULTS: AGROCHEMICAL BUSINESS

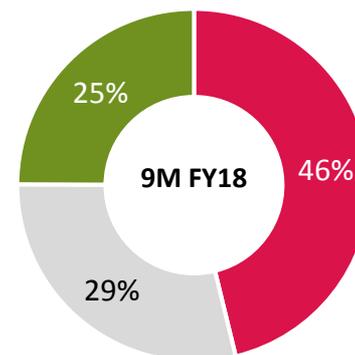


REVENUE BREAKUP: PRODUCT TYPE



■ Herbicides ■ Fungicides ■ Insecticides

REVENUE BREAKUP: PRODUCT TYPE



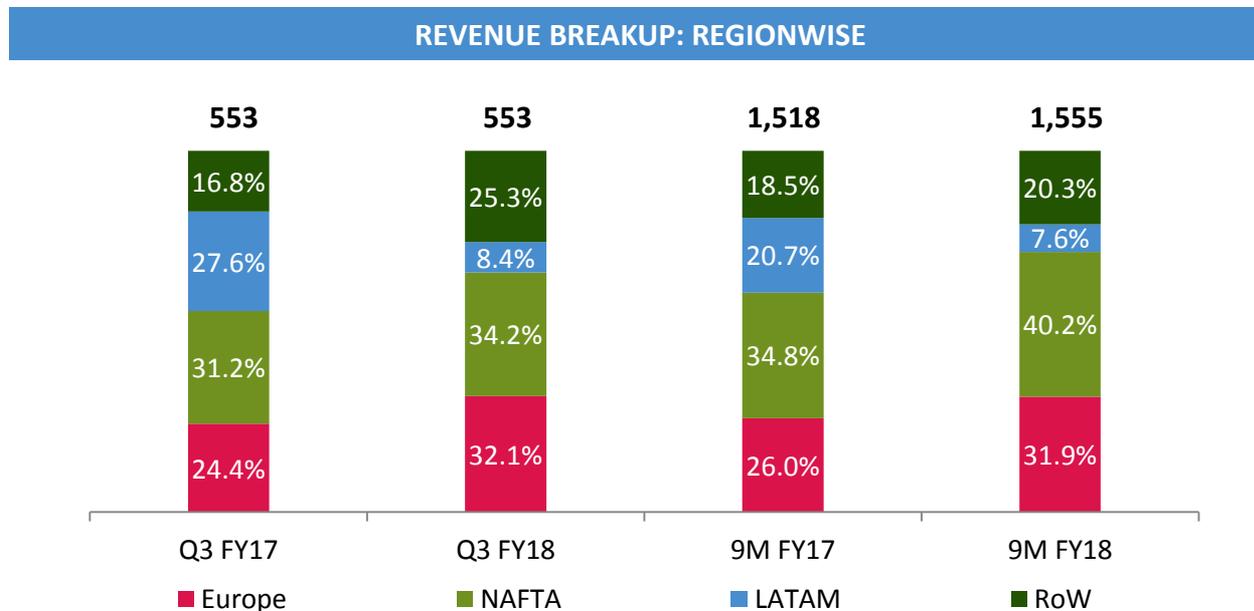
■ Herbicides ■ Fungicides ■ Insecticides

- Herbicides revenues have grown by 27.3% YoY in 9M FY18 to Rs 3,646.9 mn
- Fungicides revenues have grown by 20.5% YoY in 9M FY18 to Rs 2,278.5 mn
- Insecticides revenues have grown by 11.1% YoY in 9M FY18 to Rs 1,967.2 mn

# Q3 & 9M FY18 RESULTS: NON-AGROCHEMICAL BUSINESS



In Rs Mn

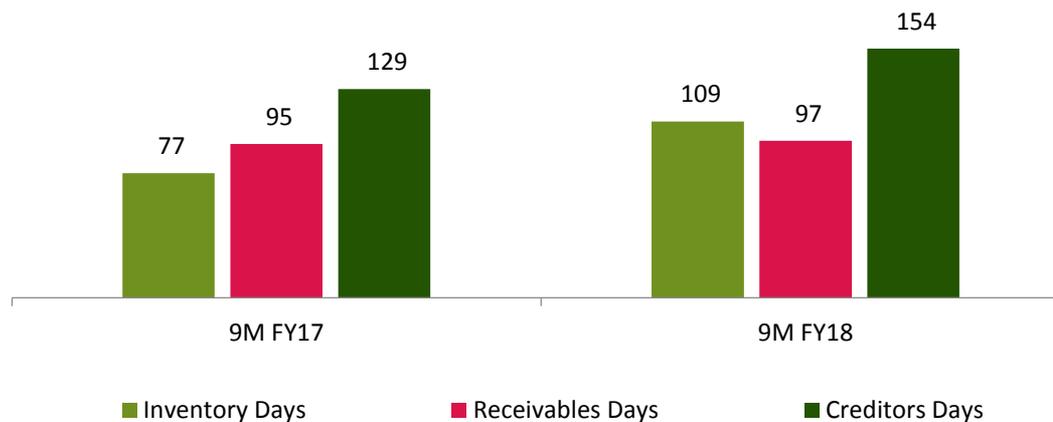


- Revenues in Europe & NAFTA region have risen by 31.3% and 9.8% respectively during Q3 FY18.
- Revenues in LATAM declined by 69.5% while in ROW increased by 49.9% during Q3 FY18.

# 9M FY18 RESULTS: WORKING CAPITAL ANALYSIS



## WORKING CAPITAL ANALYSIS \*



**NET WORKING CAPITAL DAYS**  
9M FY17: 43  
9M FY18: 52

\* Calculated on average inventory, receivables, creditors

# Q3 & 9M FY18 RESULTS: CONSOLIDATED PROFIT & LOSS STATEMENT



Particulars (In Rs Mn)	Q3 FY18	Q3 FY17	YoY %	9M FY18	9M FY17	YoY %	FY17
<b>Revenue from Operations</b>	<b>3,254.6</b>	2,428.9	<b>34.0%</b>	<b>9,447.4</b>	<b>8,043.2</b>	<b>17.5%</b>	<b>13,992.3</b>
COGS	2,315.6	1,580.2	46.5%	6,418.1	5,162.0	24.3%	8973.7
<b>Gross Profit</b>	<b>939.0</b>	<b>848.7</b>	<b>10.6%</b>	<b>3,029.3</b>	<b>2,881.2</b>	<b>5.1%</b>	<b>5,018.6</b>
<b>Gross Margin</b>	<b>28.9%</b>	<b>34.9%</b>	<b>-609 bps</b>	<b>32.1%</b>	<b>35.8%</b>	<b>-376 bps</b>	<b>35.9%</b>
Employee Expenses	79.3	67.6	17.3%	224.8	197.6	13.8%	288.8
Other Expenses	503.1	457.6	10.0%	1325.3	1185.4	11.8%	1606.1
<b>EBITDA</b>	<b>356.6</b>	<b>323.5</b>	<b>10.2%</b>	<b>1,479.1</b>	<b>1,498.2</b>	<b>-1.3%</b>	<b>3,123.7</b>
<b>EBITDA Margin %</b>	<b>11.0%</b>	<b>13.3%</b>	<b>-236 bps</b>	<b>15.7%</b>	<b>18.6%</b>	<b>-297 bps</b>	<b>22.3%</b>
<b>EBITDA Excl. Forex Impacts</b>	<b>356.6</b>	<b>355.7</b>	<b>0.2%</b>	<b>1,479.1</b>	<b>1,551.5</b>	<b>-4.7%</b>	<b>3,124.2</b>
<b>EBITDA Margin % excl. Forex Impacts</b>	<b>11.0%</b>	<b>14.6%</b>	<b>-369 bps</b>	<b>15.7%</b>	<b>19.3%</b>	<b>-363 bps</b>	<b>22.3%</b>
Depreciation	183.4	123.9	48.0%	513.9	369.2	39.2%	562.6
Finance Cost	1.6	0.0	9111.8%	2.7	0.1	1823.9%	0.5
Other Income	27.2	42.7	-36.3%	190.0	141.2	34.6%	156.8
<b>PBT</b>	<b>198.9</b>	<b>242.3</b>	<b>-17.9%</b>	<b>1,152.6</b>	<b>1,270.1</b>	<b>-9.3%</b>	<b>2,717.5</b>
Tax Expense	99.8	66.1	51.0%	377.3	353.3	6.8%	813.9
<b>PAT</b>	<b>99.1</b>	<b>176.3</b>	<b>-43.8%</b>	<b>775.3</b>	<b>916.8</b>	<b>-15.4%</b>	<b>1,903.6</b>
<b>PAT Margin %</b>	<b>3.0%</b>	<b>7.3%</b>	<b>-421 bps</b>	<b>8.2%</b>	<b>11.4%</b>	<b>-319 bps</b>	<b>13.6%</b>
<b>Earnings Per Share (EPS) In Rs.</b>	<b>1.10</b>	<b>1.95</b>	<b>-26.40%</b>	<b>8.59</b>	<b>10.16</b>	<b>-26.40%</b>	<b>21.11</b>



## 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 31<sup>st</sup> December 2017, Sharda owned 1,911 registrations for formulations and 222 registrations for active ingredients (AIs) and filed 852 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 79 countries with an established global marketing & distribution network (more than 724 third-party distributors and over 115 direct sales force).
- 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 13,992 mn, Rs 3,124 mn and Rs 1,904 mn in FY17
- Strong balance sheet and asset light model resulting into a strong cash position of Rs 1,684 mn (net of gross debt of Rs 2.4 mn) and equity of Rs 9,599 mn in FY17.
- Healthy Return Ratios in FY17:
  - ROCE – 29.0%
  - ROE – 21.6%

# ABOUT US: OUR PRESENCE

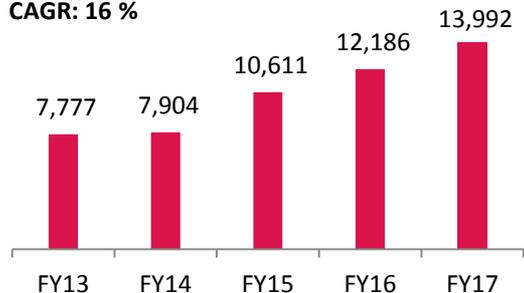


# ABOUT US: FINANCIAL SUMMARY



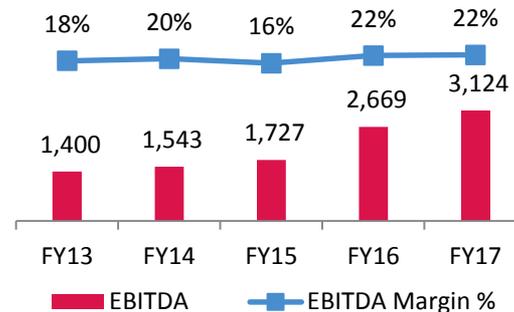
## REVENUE FROM OPERATIONS

CAGR: 16 %



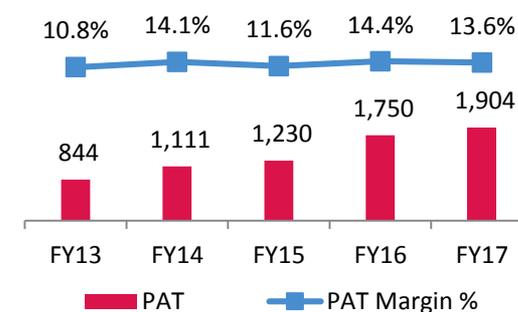
## EBITDA & EBITDA Margin

CAGR: 22 %

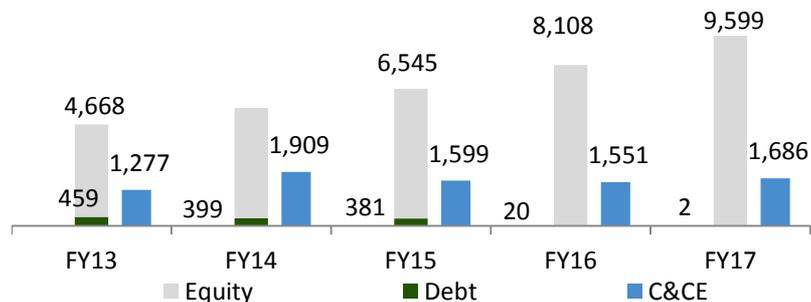


## PAT & PAT Margin

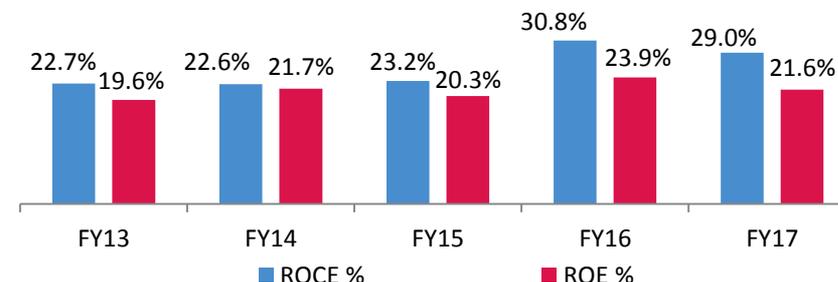
CAGR: 23 %



## LEVERAGE ANALYSIS



## RETURN METRICS



Source: Figures for FY13 are sourced from Red Herring Prospectus of the company. FY13 to FY15 are IGAAP, FY16 and FY17 are IND-AS  
 PAT Margin = PAT / Revenue from Operations, EBITDA Margin = EBITDA (excl. Other Income) / Revenue from Operations,  
 ROE: PAT/Avg. Equity, ROCE: EBIT/Avg. Capital Employed [(Capital Employed = Equity + Total Debt)]

# ABOUT US: SHAREHOLDING STRUCTURE



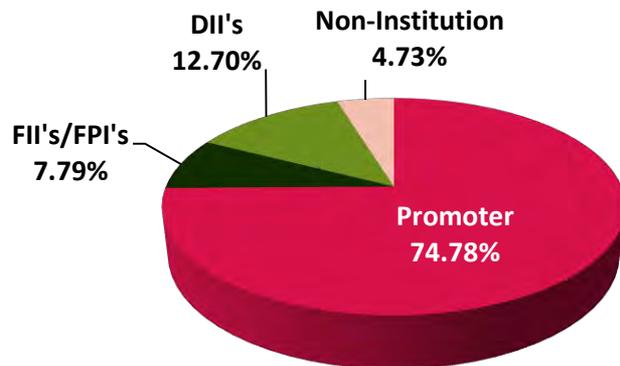
Key Institutional Investors – 31 <sup>st</sup> Dec 2017	% Holding
DSP Blackrock Investment Manager	6.27%
HDFC MF	4.56%
Pinebridge Investments	4.00%
Goldman Sachs	2.16%
SBI Funds Management	1.67%

Source: BSE

Market Data	As on 25 <sup>th</sup> January 2018
Market capitalization (Rs Mn)	40,761.4
Price (Rs.)	451.9
No. of shares outstanding (Mn)	90.2
Face Value (Rs.)	10.0
52 week High-Low (Rs.)	567.8 – 419.0

Source: BSE

## Shareholding – 31<sup>st</sup> Dec 2017



Source: BSE

## Share Price Performance



Source: BSE

# DIFFERENTIATED BUSINESS MODEL: ASSET LIGHT MODEL



## Agrochemical Value Chain

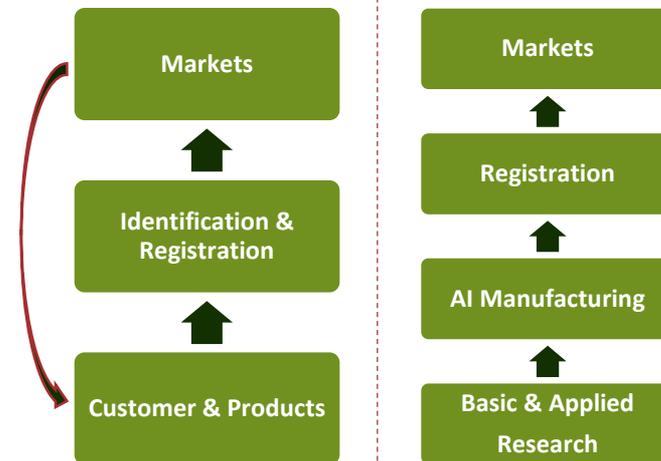
■ Sharda's Operating Area



### 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

## 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.

## 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.



## FOR FURTHER QUERIES:



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