

SHARDA CROPCHEM LIMITED

Q2 & H1 FY19 RESULTS UPDATE

October 2018



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.

In particular, such statements should not be regarded as a projection of future performance of Sharda. It should be noted that the actual performance or achievements of Sharda may vary significantly from such statements.



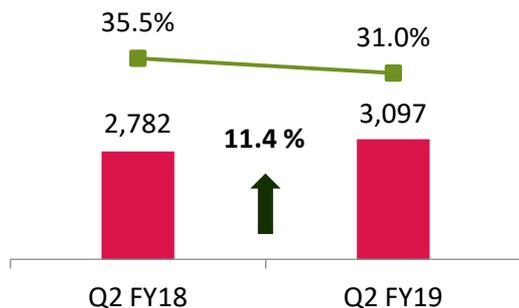
- Q2 & H1 FY19 Result Highlights**
- Consolidated Financials**
- About Us**
- Business Model**
- Business Strategy & Outlook**

Q2 & H1 FY19: KEY HIGHLIGHTS

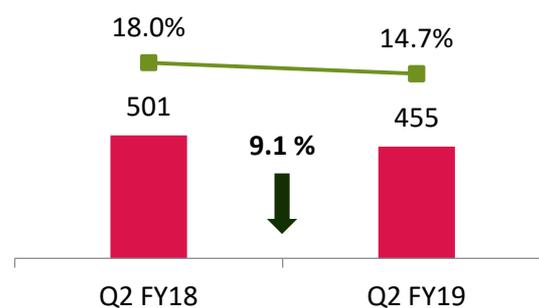


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REVENUES & GROSS MARGIN

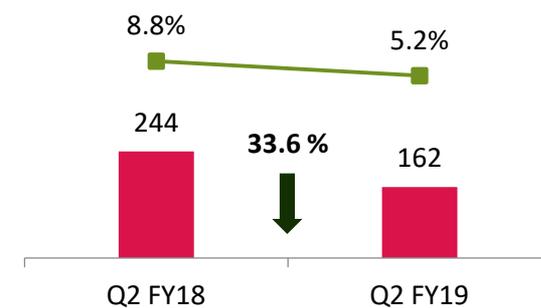


EBITDA & EBITDA MARGIN*

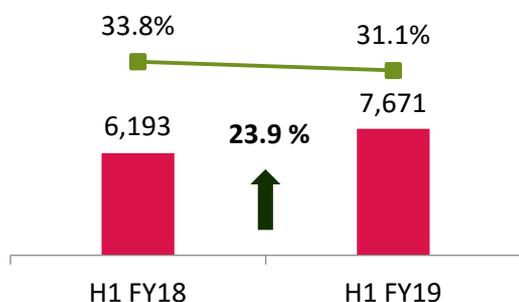


PAT & PAT MARGIN

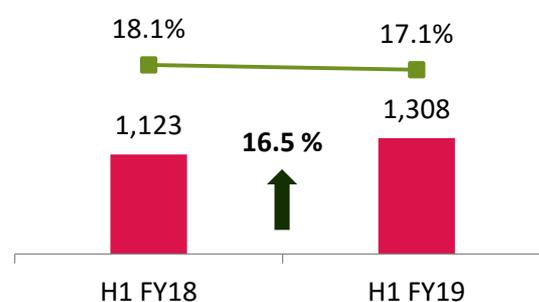
In Rs Mn



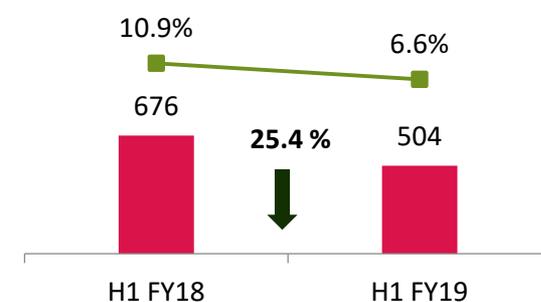
REVENUES & GROSS MARGIN



EBITDA & EBITDA MARGIN*



PAT & PAT MARGIN



* EBITDA excluding foreign exchange impacts and CWIP write-off (in Q2 FY19 & H1 FY19) of Rs 108.2 mn



FINANCIAL UPDATE -

- Q2 FY19 Revenues increased by 11.4% YoY from Rs. 2,782 mn to Rs. 3,097 mn
 - Region-wise growth YoY – Europe: -7.5%, NAFTA: 28.1%, LATAM: -17.0%, ROW: 101.8%
- Q2 FY19 gross profit declined by 2.8% YoY from Rs. 988 mn to Rs. 960 mn. Gross margin declined by 452 bps from 35.5% to 31.0% due to increase in raw material costs.
- Q2 FY19 EBITDA excluding foreign exchange impacts and CWIP write-off declined by 9.1% YoY from Rs. 501 mn to Rs. 455 mn. EBITDA margin declined by 330 bps from 18.0% to 14.7%.
- Q2 FY19 depreciation increased by 11.9% from Rs 176 mn to Rs 197 mn.
- Q2 FY19 PAT decreased by 33.6% from Rs. 244 mn to Rs. 162 mn.
- Total debt has been significantly reduced from Rs 1,697 mn to Rs 401 mn, backed by healthy free cashflow generation during H1 FY19.

OPERATIONAL UPDATE -

- Total number of registrations were 2,289 as of September-18 as compared to 2,157 as of March-18.
- The company has another 930 registrations in pipeline across geographies.
- Revenue contribution from Top 10 molecules is 50.6% in H1 FY19 as against 53.9% in H1 FY18.

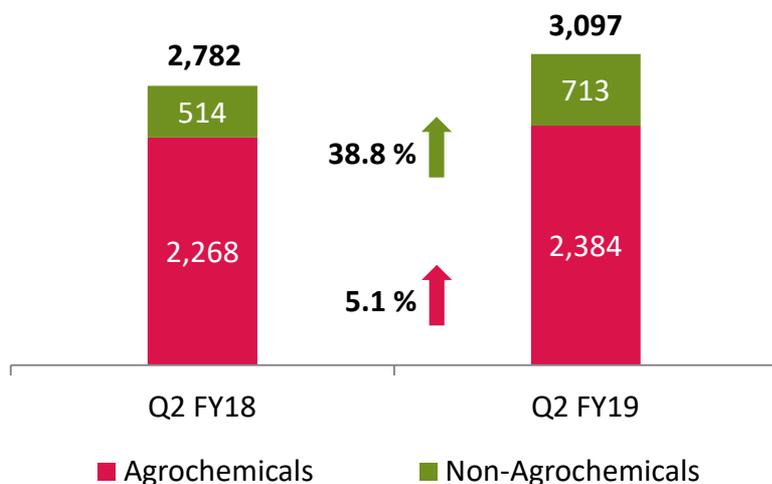
Q2 & H1 FY19: DIVISION WISE HIGHLIGHTS



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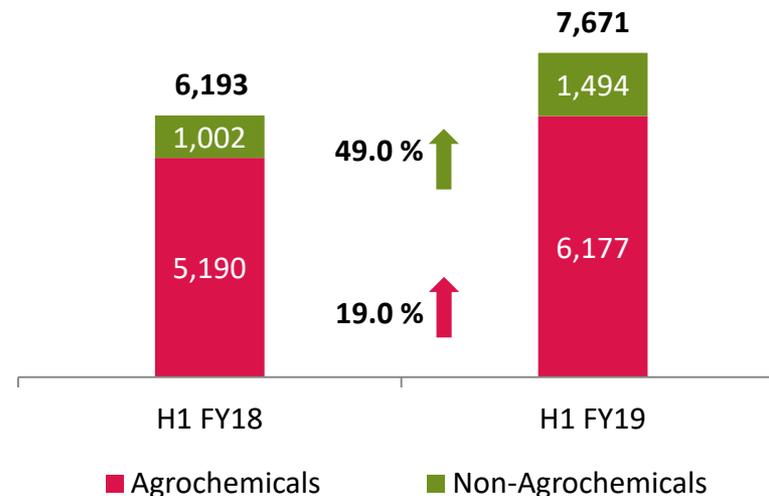
In Rs Mn

Q2 FY19 YoY ANALYSIS: REVENUE BREAKUP



Division Revenue Share %	Q2 FY18	Q2 FY19
Agrochemicals	81.5%	77.0%
Non-Agrochemicals	18.5%	23.0%

H1 FY19 YoY ANALYSIS: REVENUE BREAKUP



Division Revenue Share %	H1 FY18	H1 FY19
Agrochemicals	83.8%	80.5%
Non-Agrochemicals	16.2%	19.5%

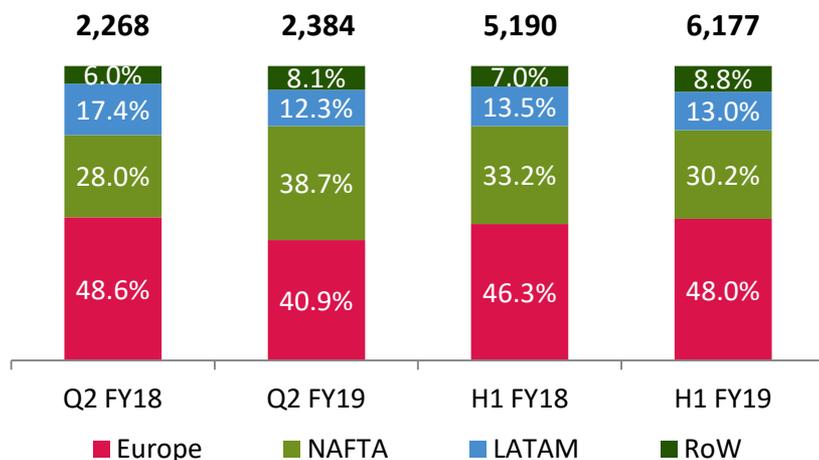
Q2 & H1 FY19: AGROCHEMICAL BUSINESS



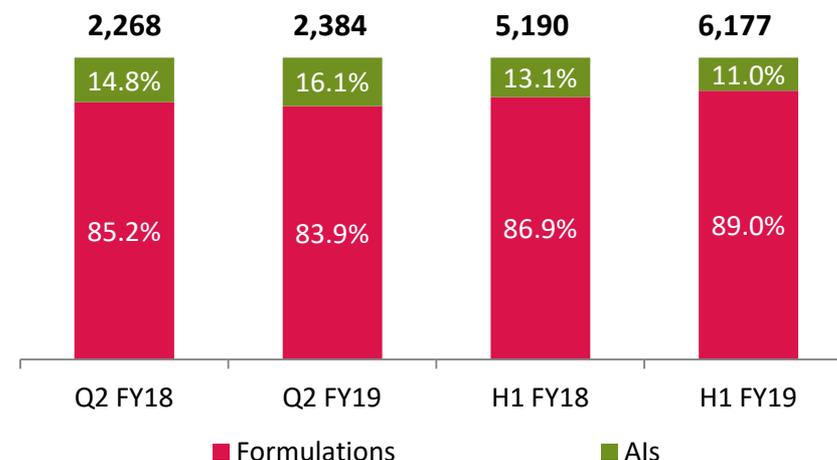
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In Rs Mn

REVENUE BREAKUP: REGIONWISE

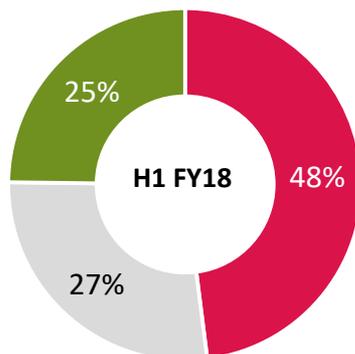


REVENUE BREAKUP: FORMULATIONS VS. AIs



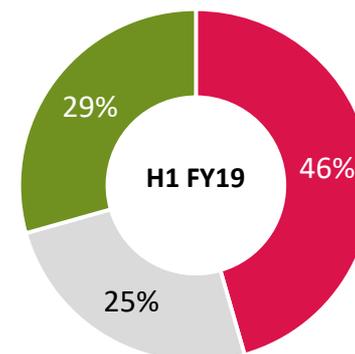
- Revenues in Europe declined by 11.6% in Q2 FY19
- Revenues in NAFTA grew by 45.5% in Q2 FY19 due to improved performance in USA
- Revenues in LATAM declined by 25.7% in Q2 FY19 due to lower sales in Argentina
- Revenues in ROW grew by 41.3% in Q2 FY19

REVENUE BREAKUP: PRODUCT TYPE



■ Herbicides ■ Fungicides ■ Insecticides

REVENUE BREAKUP: PRODUCT TYPE



■ Herbicides ■ Fungicides ■ Insecticides

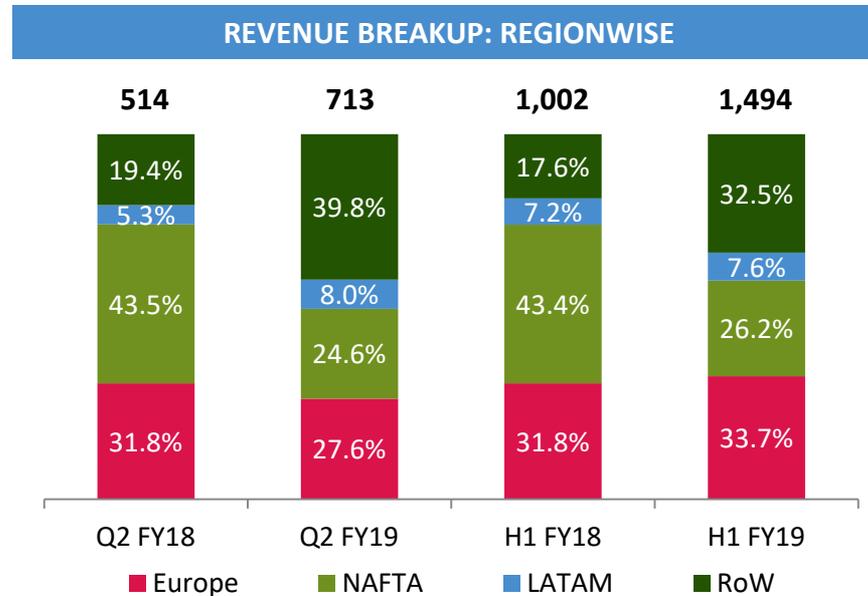
- Herbicides revenues grew by 13.0% YoY in H1 FY19 to Rs 2,814 mn
- Fungicides revenues grew by 9.4% YoY in H1 FY19 to Rs 1,547 mn
- Insecticides revenues grew by 41.1% YoY in H1 FY19 to Rs 1,815 mn

Q2 & H1 FY19: NON-AGROCHEMICAL BUSINESS



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In Rs Mn



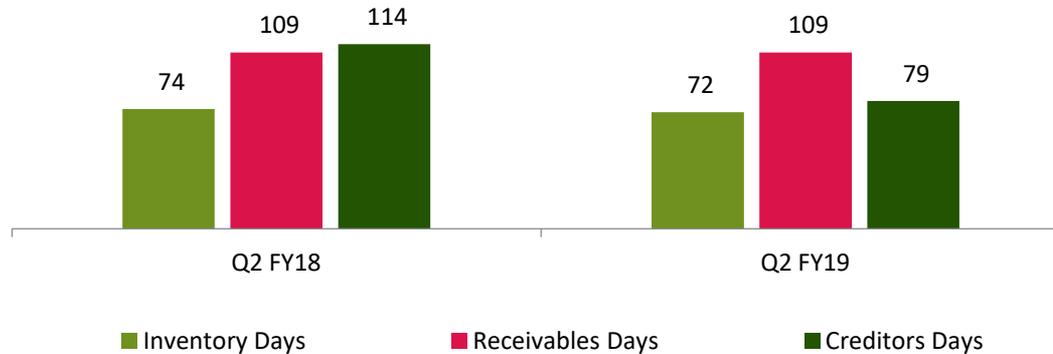
- Revenues in Europe grew by 20.3% in Q2 FY19 to Rs 197 mn
- Revenues in NAFTA declined by 21.3% in Q2 FY19 to Rs 176 mn
- Revenues in LATAM grew by 108.1% in Q2 FY19 to Rs 57 mn
- Revenues in RoW grew by 184.9% in Q2 FY19 to Rs 284 mn

Q2 & H1 FY19: WORKING CAPITAL ANALYSIS



Sharda Cropchem Limited

WORKING CAPITAL ANALYSIS *



NET WORKING CAPITAL DAYS

H1 FY18: 69
H1 FY19: 102

* Calculated on average inventory, receivables, creditors

Q2 & H1 FY19: CONSOLIDATED PROFIT & LOSS STATEMENT



Sharda Cropchem Limited

Particulars (In Rs Mn)	Q2 FY19	Q2 FY18	YoY %	H1 FY19	H1 FY18	YoY%	FY 18
Revenue from Operations	3,097.4	2,781.6	11.4%	7,670.9	6,192.8	23.9%	17,133.9
COGS	2,137.8	1,794.0	19.2%	5,284.3	4,102.5	28.8%	11,437.4
Gross Profit	959.7	987.6	-2.8%	2,386.6	2,090.2	14.2%	5,696.4
Gross Margin	31.0%	35.5%	-452 bps	31.1%	33.8%	-264 bps	33.2%
Employee Expenses	78.2	68.9	13.4%	160.1	145.5	10.1%	335.4
Other Expenses	534.4	417.8	27.9%	1,166.5	822.2	41.9%	1,906.9
EBITDA	347.1	500.8	-30.7%	1,059.9	1,122.5	-5.6%	3,454.2
EBITDA Margin %	11.2%	18.0%	-680 bps	13.8%	18.1%	-431 bps	20.2%
EBITDA Excl. Forex Impacts *	455.3	500.8	-9.1%	1,307.9	1,123.0	16.5%	3,454.2
EBITDA Margin % excl. Forex Impacts *	14.7%	18.0%	-330 bps	17.1%	18.1%	-108 bps	20.2%
Depreciation	196.8	175.8	11.9%	380.3	330.6	15.1%	699.4
Finance Cost	41.6	0.7	n.m.	77.7	1.1	n.m.	48.5
Other Income	182.3	14.5	n.m.	215.0	162.8	32.0%	165.6
PBT	290.9	338.8	-14.1%	816.9	953.7	-14.3%	2,871.9
Tax Expense	129.0	94.8	36.1%	312.6	277.6	12.6%	964.2
PAT	161.9	244.0	-33.6%	504.3	676.2	-25.4%	1,907.7
PAT Margin %	5.2%	8.8%	-354 bps	6.6%	10.9%	-435 bps	11.1%
Earnings Per Share (EPS) In Rs.	1.79	2.70	-33.7%	5.59	7.49	-25.4%	21.15

* EBITDA excluding foreign exchange impacts and CWIP write-off (in Q2 FY19 & H1 FY19) of Rs 108.2 mn

Q2 & H1 FY19: CONSOLIDATED BALANCE SHEET



Sharda Cropchem Limited

Particulars (In Rs Mn)	H1 FY19	FY18
Equities & Liabilities		
Shareholder's Funds		
Equity And Share Capital	902.2	902.2
Other Equity	10,856.4	10,446.0
Non-controlling Interest	2.5	2.4
Total Equity	11,761.2	11,350.6
Non-current Liabilities		
Borrowings	0.6	0.9
Other Financial Liabilities	34.7	33.4
Provisions	20.4	20.6
Deferred Tax Liabilities (Net)	842.1	831.3
Total Non-current Liabilities	897.8	886.1
Current Liabilities		
Borrowings	400.0	1,696.0
Trade Payables	2,385.3	6,338.2
Other Financial Liabilities	1,067.2	1,061.6
Other Current Liabilities	725.4	683.3
Current Tax Liabilities	23.5	240.3
Provisions	39.2	6.1
Total Current Liabilities	4,640.7	10,025.4
Total Equity & Liabilities	17,299.6	22,262.1

Particulars (In Rs Mn)	H1 FY19	FY18
Assets		
Non-current Assets		
Property, Plant And Equipment	147.7	106.8
Capital Work In Progress		
Goodwill	4.2	4.0
Other Intangible Assets	2,251.1	2,152.2
Intangible Assets Under Development	3,661.7	3,599.5
Deferred Tax Assets (Net)	76.8	73.2
Non-current Tax Assets	235.9	400.3
Other Non-current Assets	189.0	293.0
Total Non-current Assets	6,566.3	6,629.0
Current Assets		
Inventories	3,595.4	5,303.8
Investments	35.9	220.7
Trade Receivables	6,293.3	8,919.3
Cash & Cash Equivalents	259.2	612.5
Other Bank Balances	379.8	392.9
Other Financial Assets	2.1	0.0
Other Current Assets	167.6	183.9
Total Current Assets	10,733.3	15,633.2
Total Assets	17,299.6	22,262.1

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 30th September 2018, Sharda owned 2,046 registrations for formulations and 243 registrations for active ingredients (AIs) and filed 930 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

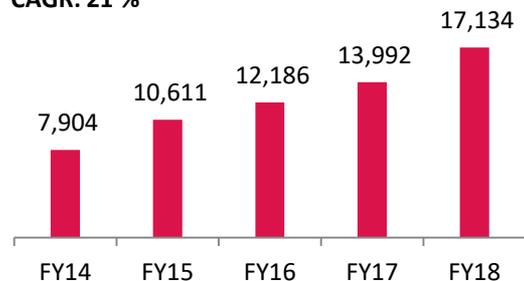


Sharda Cropchem Limited

In Rs Mn

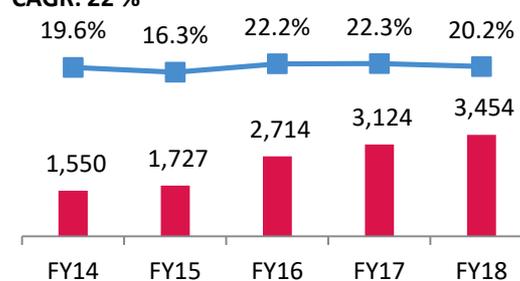
REVENUE FROM OPERATIONS

CAGR: 21 %



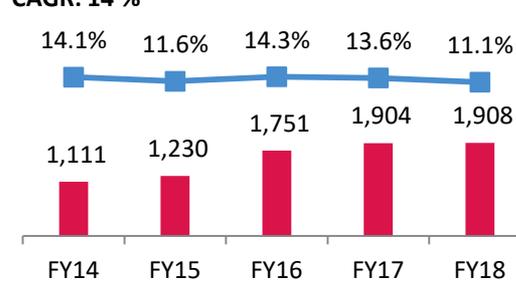
EBITDA & EBITDA Margin

CAGR: 22 %

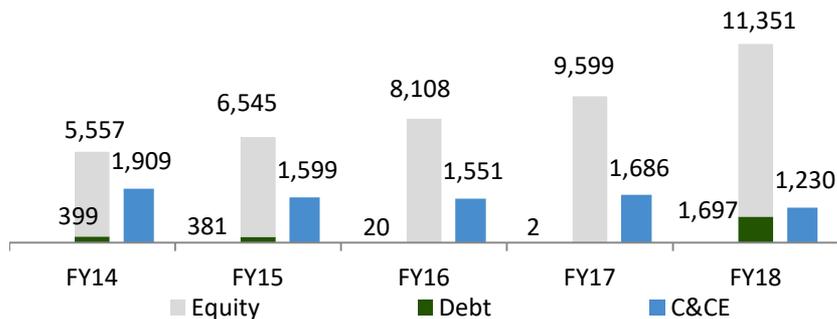


PAT & PAT Margin

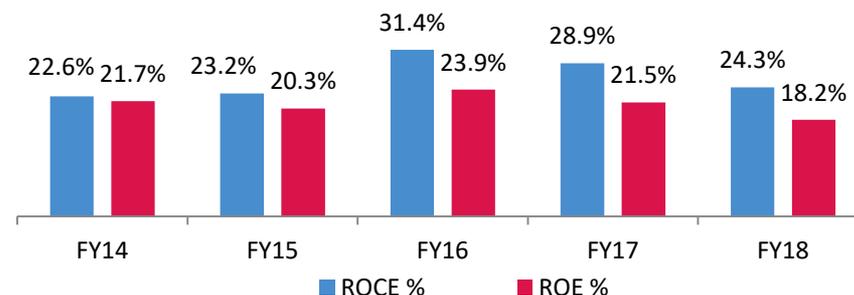
CAGR: 14 %



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: EBITDA/Avg. Capital Employed [(Capital Employed = Equity + Total Debt)]

ABOUT US: SHAREHOLDING STRUCTURE



Sharda Cropchem Limited

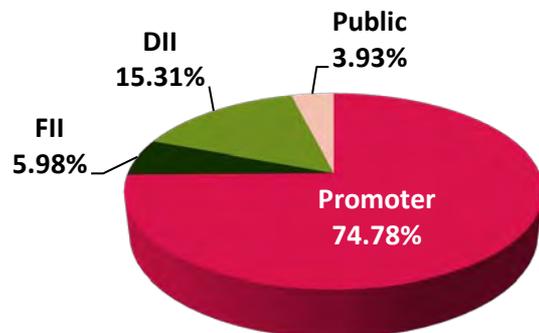
KEY INSTITUTIONAL INVESTORS – 30 TH SEP 2018	% HOLDING
HDFC MF	8.19%
Pinebridge	4.14%
L & T Mutual Fund	3.73%
DSP Blackrock Investment Manager	3.15%

Source: BSE

MARKET DATA	AS ON 30 TH OCT 2018
Market capitalization (Rs Mn)	29,844.9
Price (Rs.)	330.8
No. of shares outstanding (Mn)	90.2
Face Value (Rs.)	10.0
52 week High-Low (Rs.)	503.9 – 308.1

Source: BSE

SHAREHOLDING – 30TH SEP 2018



Source: BSE

SHARE PRICE PERFORMANCE



Source: BSE

DIFFERENTIATED BUSINESS MODEL: ASSET LIGHT MODEL



Sharda Cropchem Limited

Agrochemical Value Chain

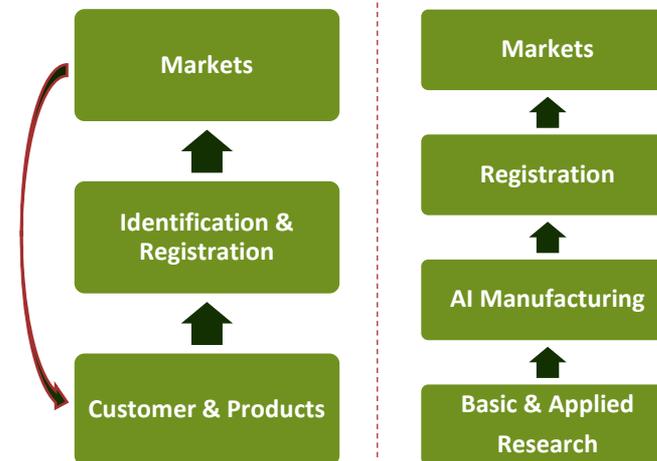
 Sharda's Operating Area



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

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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