



“Sharda Cropchem Limited Q3 FY2017 Earnings
Conference Call”

January 31, 2017



**ANALYST: MR. MANISH MAHAWAR – RESEARCH ANALYST -
RELIGARE CAPITAL MARKETS**

**MANAGEMENT: MR. RAMPRAKASH V. BUBNA - CHAIRMAN &
MANAGING DIRECTOR - SHARDA CROPCHEM LIMITED
MR. CONRAD FERNANDES – CFO - SHARDA CROPCHEM
LIMITED
MR. SYLPESH DEDHIA - GENERAL MANAGER (FINANCE)
- SHARDA CROPCHEM LIMITED**



Sharda Cropchem Limited
January 31, 2017

Moderator: Good day ladies and gentlemen and a very warm welcome to the Sharda Cropchem Limited Q3 FY2017 Earnings Conference Call hosted by Religare Capital Markets. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manish Mahawar from Religare Capital Markets. Thank you and over to you Sir!

Manish Mahawar: Thanks Ali. On behalf of Religare Capital Markets, I welcome all the participants in the earning call of Sharda Cropchem. From the management, we have Mr. R.V. Bubna – Chairman and Managing Director and Mr. Conrad Fernandes – CFO for the call. Now I would like to handover the call to Mr. Bubna for opening remarks. Over to your Sir!

Ramprakash V. Bubna: Thank you Manish. Good afternoon ladies and gentlemen. A very warm welcome to everyone present here for the earnings call of Sharda Cropchem Limited for the third quarter of financial year 2016-17. Sharda Cropchem is represented by myself, Ramprakash Bubna, Chairman and Managing Director, Mr. Conrad Fernandes, Chief Financial Officer, and Mr. Sylpesh Dedhia – General Manager (Finance).

Talking briefly about our third quarter results, revenues of the company grew by 33.7% to Rs.243 Crores in Q3 FY2017 primarily driven by volume growth of 30.8% and favorable currency movement of 1.2% compared to Q3 FY2016.

The increased revenue for the agrochemical sales in NAFTA region aided us in achieving higher volume growth. Gross profit increased by 38% to Rs.85 Crores in Q3 FY2017 and gross margins expanded by 103 basis points from 33.9% to 35% primarily driven by higher share of agrochemical formulations and better performance by NAFTA region compared to Q3 FY2016.

EBITDA excluding foreign exchange impact increased by 42.3% to Rs.355 million in Q3 FY2017 and EBITDA margin increased by 89 BPS from 13.8% to 14.6%. EBITDA including foreign exchange impact increased by 29.4% to Rs.33 Crores in Q3 FY2017 and EBITDA margin marginally declined by 44 BPS from 13.8% to 13.3%.

Net profit after minority interest increased by 47.3% to Rs.17.6 Crores in Q3 FY2017 and net profit margin increased from 6.6% to 7.2%. The total number of registrations increased to 2,061 as on December 31, 2016 compared to 1,936 as on September 30, 2016. We have another 768 registrations in the pipeline across geographies.

The overall performance during the quarter was as per expectation. We shall continue to drive growth in our business by consistently investing in new registrations and expanding into new geographies and new market segments.



Sharda Cropchem Limited
January 31, 2017

With this, I would now like to hand over the call to our CFO, Mr. Conrad Fernandes for discussing financial performance in brief. Mr. Conrad!

Conrad Fernandes: Thank You Mr. Bubna and a very good afternoon to all. Q3 FY2017 operating revenues grew by 33.7% and was contributed by 16% growth in EU, 65% growth in NAFTA, 22% growth in Latam, and 29% growth in rest of the world.

Revenue composition for the quarter was 32% from Europe, 29% from NAFTA, 20% from Latam and 19% from rest of the world.

For the nine-month period ended December 2016 top ten molecules contributed 57% as against 62% for the corresponding nine months ended December 2015. For the nine-month period ended December 2016 revenue from top ten molecules grew 13% compared to the corresponding nine months ended December 2015.

Gross margins for the nine-month period ended December 2016 improved from 33.3% to 35.8% on account of higher share of formulation sales. Other income for the quarter ended December 2016 includes 53.7 million relating to refund of income tax of a prior year.

Depreciation and amortization expense for the quarter was higher by 42 million on account of capitalization of registration cost. Similarly, depreciation and amortization expense for the nine-month period ended December 2016 is higher by 122.6 million.

The company capitalized 550 million during the nine-month period ended December 2016. The company added 125 new registrations during the current quarter taking the total new registrations added during the nine-month period to 296.

Q3 consolidated PAT after tax increased by 47.3% from 119.3 million to 175.7 million while the nine-month consolidated profit after tax increased by 22.4% from 748.8 million to 916.8 million.

The working capital cycle as of December 2016 stands at 69 days as against 58 days for the corresponding last year period.

With that I now leave the floor open to questions.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question and answer session. We will take the first question from the line of G Vivek from GS Investment. Please go ahead.

G Vivek: How big is the opportunity size in the international agrochemical space and how are we taking steps to increase it by venturing into geographies like North America also?

Ramprakash V. Bubna: My friend potential for the growth of agrochemical business in the international scale is very high, the total volume of business is more than \$55 billion whereas we are still less than \$200



Sharda Cropchem Limited
January 31, 2017

million. So there is a huge scope and opportunity for taking the business forward. The next question from you.

- G Vivek:** Are we venturing into North American space in the registration also Sir?
- Ramprakash V. Bubna:** We are already operating in the North American space for the last eight years and if you heard Mr. Fernandez little carefully the growth for the third quarter has been driven mainly by our growth in North America - NAFTA region as we say the growth has been about 66% compared to the same quarter last year.
- G Vivek:** I heard that the registration cost in NAFTA is quite high compared to Latin American region and because of that, it has the head start over competition.
- Ramprakash V. Bubna:** Yes, that is true the cost of registration in North America is many times more than the cost in the Latin America.
- G Vivek:** And Sir any plans of exploring CRAMS option and what is the opportunity size of CRAMS for international agrochem majors using India as the base?
- Ramprakash V. Bubna:** No, as far as Sharda Cropchem is concerned we do not have any plans to invest into either laboratories or contract manufacturings and sales. We are outsourcing all these activities and we are very happy to do that. We can concentrate on our main work of registrations and marketing agrochemicals rather than growing the CRAMS.
- G Vivek:** And how long time it takes for registration, Sir?
- Ramprakash V. Bubna:** It depends from country-to-country and molecule-to-molecule and product-to-product. In some developing countries, the registration maybe finished in six to eight months or a year whereas in some of the European countries it may take about six, seven or eight or nine years.
- G Vivek:** Thank you Sir once again and congratulations once again Sir!
- Moderator:** Thank you. We will take the next question from the line of Viraj Kacharia from Securites Investment Management. Please go ahead.
- Viraj Kacharia:** Yes, thank you for the opportunity and congratulations on good set of numbers. I just have a couple of questions. We have a very limited index exposure but still just a month back the registration committee came up with a notification indicating ban on import of technical from other countries into India, so how does this affect the industry and if you can just provide some colour on that, that will be helpful, that is the first question?
- Ramprakash V. Bubna:** It may affect the Indian industry considerably if there is a ban on import of technical products, but as far as Sharda Cropchem is concerned we will be totally unaffected by this ban because we



Sharda Cropchem Limited
January 31, 2017

are neither importing any technical into India and our revenues from India account for only around 3% of the total revenues.

Viraj Kacharia: Right so in terms of technical manufacturing capability are there any other players in India who have that kind of capability to meet the demand at least in the interim if the ban to take place?

Ramprakash V. Bubna: It is very difficult for me to comment on this.

Viraj Kacharia: Second question is, we are seeing growth of certain molecules like Mancozeb, Profenofos, Monoacetate growing pretty strongly in last one or two years and we have seen suddenly large domestic and international players from India and are now building on these demand. So, if you can just provide how big is the opportunity from these three molecules alone and how much the market has grown in the last two to three years?

Ramprakash V. Bubna: For all these products, Sharda Cropchem is not the right company or platform to comment upon because all these three molecules that you mentioned has very insignificant role in our revenues or our business, less than 1%, I would say.

Viraj Kacharia: But do we have the registrations for any of these molecules and if it is, then do we have any plans?

Ramprakash V. Bubna: No, we do not have registration for any of these molecules.

Viraj Kacharia: Any idea how big would these molecules and the size would be?

Ramprakash V. Bubna: It will be very difficult.

Viraj Kacharia: Fine. Thank you very much.

Moderator: Thank you. We will take the next question from the line of Sumath Kumar from Emkay Global. Please go ahead.

Sumath Kumar: My question is regarding the current year, we have seen the top ten molecule revenue contribution has declined to 57% from 62% so what is the likely target revenue contribution going forward.

Ramprakash V. Bubna: It is not that indication or any trend we have had better business volume from other molecules, some of the recently registered molecules that is why the percentage has gone down, but maybe if you look at the whole year it may continue to be in the range of 60%.

Sumath Kumar: So, the revenue contribution of top ten molecules is not likely to decline from here?



Sharda Cropchem Limited
January 31, 2017

Ramprakash V. Bubna: No, Sir as if you have again listened to Mr. Conrad Fernandez, even these top ten molecules there has been a growth of about 13% during this quarter, the only difference is that it is not as much as the overall growth, but they will continue to be in the same range.

Sumath Kumar: So, what you say 13% growth?

Ramprakash V. Bubna: The volume of business of these top ten molecules in the nine-month period has grown up by 13%.

Sumath Kumar: Thank you so much.

Moderator: Thank you. The next question is from Charulata Gaidhani from Dalal & Broacha. Please go ahead.

Charulata Gaidhani: Congrats on good set of numbers. My question was I wanted to get an idea of the pricing environment since the growth is driven mainly by volumes, I think there has been a decline in prices for quite a few quarters so can you explain the status?

Ramprakash V. Bubna: See madam Charulata there is a slight decline in the pricing, but I would say it is not significant enough to have an impact on the performance of Sharda Cropchem.

Charulata Gaidhani: What is the reason for the decline?

Ramprakash V. Bubna: Overall competition, increase in the availability of the products and more number of players.

Charulata Gaidhani: And if I can ask how big is your product basket?

Ramprakash V. Bubna: Our product basket?

Charulata Gaidhani: Yes, how many molecules do you supply?

Ramprakash V. Bubna: Madam it is in the range of 100 or little more than 100 molecules.

Charulata Gaidhani: And all the molecules go to all the geographies?

Ramprakash V. Bubna: Yes, please.

Charulata Gaidhani: Fine. Thank you.

Moderator: Thank you. We will take the next question from the line of Himanshu Binani from B&K Securities. Please go ahead.



Sharda Cropchem Limited
January 31, 2017

- Himanshu Binani:** Thank you for taking my question. Sir can you please tell us the breakup of registrations in pipeline?
- Ramprakash V. Bubna:** As I have told you there about 780 registrations in the pipeline, now what kind of breakup do you want?
- Himanshu Binani:** Sir the geography wise breakup?
- Ramprakash V. Bubna:** Geography wise I can tell you that in European union it is about 450 registrations, NAFTA region about 100, Latam about 160, and rest of the world about 55.
- Himanshu Binani:** And Sir can you please comment on the receivables and that to bifurcation with the geography wise.
- Ramprakash V. Bubna:** Well receivables have been within the normal operating range, and geography wise receivables I do not have the figures immediately available.
- Himanshu Binani:** Thank you.
- Moderator:** Thank you. We will take the next question from the line of Chetan Thakkar from ASK Investment Managers. Please go ahead.
- Chetan Thakkar:** Good afternoon Sir! Congratulations for great set of numbers. Sir I just wanted to check last time you had shared the volume data with us on tonnage for Europe, NAFTA, Latam and rest of the world so can you share that detail for this quarter as well?
- Ramprakash V. Bubna:** You want overall or just agrochemicals?
- Chetan Thakkar:** Agrochemicals by region Sir.
- Ramprakash V. Bubna:** You want to know the volume or you want to know the growth of volume?
- Chetan Thakkar:** The volume Sir absolute tonnage for Q3 this year and Q3 last year.
- Ramprakash V. Bubna:** Q3 this year Europe is about 1,416 tonnes, NAFTA it is 1,088 tonnes, Latam it is 461 tonnes and rest of the world is 825 tonnes.
- Chetan Thakkar:** And Sir similar numbers for last quarter same quarter last year?
- Ramprakash V. Bubna:** Yes, Europe was 1,367 tonnes, NAFTA 410 tonnes, Latam 524 tonnes, and rest of the world 589 tonnes.



Sharda Cropchem Limited
January 31, 2017

Chetan Thakkar: Sir large growth has largely been on NAFTA so is this a one-off product that we have experienced good growth or now we can expect similar tonnage from NAFTA as well?

Ramprakash V. Bubna: Well we can expect improved tonnage from NAFTA region.

Chetan Thakkar: And Sir what is the molecule that has done well?

Ramprakash V. Bubna: Well, I cannot disclose you the particular volume, but there have been some molecules which we have registered during this financial year they have been able to help us to drive the volume.

Chetan Thakkar: And Sir on the gross margin side just wanted to get your sense on Q4 given the raw material prices have increased a little, are we still expect gross margins to be on the higher side of that 33% to 36% range for Q4 as well?

Ramprakash V. Bubna: I expect it to be within this range, 33% to 36% because we are also affected by the depreciation of Euro against the Dollar, which is affecting us adversely and affecting our margins and second thing is increase in the cost of raw materials as you rightly pointed out, but it will have marginal impact and not very substantial.

Chetan Thakkar: Thank you so much and all the best.

Moderator: Thank you. We will take the next question from the line of G. Vivek from GS Investment. Please go ahead.

G. Vivek: Sir questions might not be directly related to you because we have chosen a very offbeat and that time very less growth path of something sitting on registrations only and where things are manufactured forth to China that is going to be a very good step Sir, but I just wanted to have because you are being such an experienced agrochemical person I wanted to know about the opportunity size and the potential for companies who are operating from India manufacturing setup and although the international majors planning to come to India to take advantage of it using CRAMS something like PI Industries and some other companies are also there and the attention was about the free registration in US that Trump is banning some exports from Latin America countries like Argentina, Cyprus and other things and any impact on us?

Ramprakash V. Bubna: You have asked me a political question, which I am not very confident in. I would say that there is a lot of opportunities for the companies operating from India and the Indian manufacturing capacities could be used by some of these developed country companies to avail of our manufacturing facilities. There is a scope.

G. Vivek: Thank you.

Moderator: Thank you. We will take the next question from the line of Mrunal Savla from Anand Rathi. Please go ahead.



Sharda Cropchem Limited
January 31, 2017

- Mrunal Savla:** Congratulations for good set of numbers. Sir can you just give me a gross margin region wise Euro, Latin American, NAFTA and rest of the world for agrochemical and non-agrochemical?
- Ramprakash V. Bubna:** Gross margin in European union for agrochemicals is about 44%, Latam is 35%, NAFTA is 33% and rest of the world is 35%, overall 38.8% and non-agro Europe is 24%, Latam is 17%, NAFTA is 16%, and rest of the world 25%, overall about 20%.
- Mrunal Savla:** Top ten, top five and top three molecule contribution would be around 60, 45 and 30 or it has changed?
- Ramprakash V. Bubna:** 60%, 40% and about 25%
- Mrunal Savla:** That is, it from my side. Thank you Sir!
- Moderator:** Thank you. We will take the next question from the line of Ritesh Poladia from Girik Capital. Please go ahead.
- Ritesh Poladia:** Thank you for given me an opportunity. Sir just now you gave a region wise volume numbers and NAFTA had a bit increase, is this increase due to new registrations or some improved marketing from the older registration?
- Ramprakash V. Bubna:** I would say both, new registrations and improved marketing.
- Ritesh Poladia:** So, can we expect that this market shares what you have got from the others can be sustainable for the next few quarters?
- Ramprakash V. Bubna:** I think it is sustainable at least for Q4, it all depends, it all also has other factors like weather and many other factors, but trends would continue.
- Ritesh Poladia:** And incrementally the growth will come now from Europe or from NAFTA?
- Ramprakash V. Bubna:** Both Europe and NAFTA.
- Ritesh Poladia:** And Latin America will go down only?
- Ramprakash V. Bubna:** I do not think I have said it will go down, in fact we have also done fairly well in the last nine months in Latin America and we hope to continue it.
- Ritesh Poladia:** No, I was asking about the sales mix changes, Latin America would remain at the same level or it will go down because there would be a higher growth in NAFTA and Europe?
- Ramprakash V. Bubna:** It is very difficult to say. The only thing I can say that Latin America will also grow more or less in the same proportion as Europe and NAFTA.



Sharda Cropchem Limited
January 31, 2017

- Ritesh Poladia:** That is all from my side. Thank you Sir!
- Moderator:** Thank you. The next question is from Chirag Dagli from HDFC Mutual Fund. Please go ahead.
- Chirag Dagli:** Thank you for the opportunity. Sir in the opening comments you mentioned about some past prior period income where is this included in the other income or the other operating income?
- Ramprakash V. Bubna:** This is in the other income.
- Chirag Dagli:** Then what is the reason for the other operating income to be this large in the quarter?
- Ramprakash V. Bubna:** It could be the dividend from our subsidiary.
- Chirag Dagli:** And obviously this is once a year kind of thing?
- Ramprakash V. Bubna:** Yes.
- Chirag Dagli:** And Sir what is our overall currency exposure, the European business obviously is in Europe, of the other pieces what is the currency exposure that we have Sir, would most of it be in US dollars?
- Ramprakash V. Bubna:** Yes, most of it is in US dollars.
- Chirag Dagli:** More than 90% of the non-European businesses it can be assumed to be at USD Sir?
- Ramprakash V. Bubna:** Yes, I would say around 85% to 90%.
- Chirag Dagli:** And Sir, last question how is the fourth quarter volume outlook for the European market, especially given the fact that last quarter in Q4 FY2016 was a fairly strong quarter for us on that high base how is the outlook for this year?
- Ramprakash V. Bubna:** We are very bullish about it we will know the figures after two months.
- Chirag Dagli:** But your usual 15% kind of volume growth guidance on a sustainable basis stands?
- Ramprakash V. Bubna:** Yes, Sir keeping the same currency factor.
- Chirag Dagli:** This is volume right so why should currency?
- Ramprakash V. Bubna:** Volume yes, volume should go about 12% to 15%.
- Chirag Dagli:** Thank you so much and all the best.



Sharda Cropchem Limited
January 31, 2017

Moderator: Thank you. We will take the next question from the line of Vineet Sambre from DSP Black Rock. Please go ahead.

Vineet Sambre: Good afternoon Sir! Just wanted to know last year, fourth quarter what was the rate in which we had booked the European business euro average?

Ramprakash V. Bubna: If I recollect it should have been around \$1.13 to \$1.15 per euro. Last quarter?

Vineet Sambre: Last year fourth quarter.

Ramprakash V. Bubna: I do not have the figure, but if you ask me it was in the range of about \$1.12 to \$1.14.

Vineet Sambre: Thank you very much that was the query I had. Thank you.

Moderator: Thank you. We will take the next question from the line of G. Vivek from GS Investment. Please go ahead.

G. Vivek: Sir, how is the international commodity price range and is it having impact on our business, Sir?

Ramprakash V. Bubna: Impact of what?

G. Vivek: International commodity prices for our customers, so they are farmers and if the prices are softening worldwide or some impact is it having now a business Sir?

Ramprakash V. Bubna: No to be very honest we have not received any complaints or grumbling from our customers that the commodity prices are falling. So, I presume they are maintaining at a same level.

G. Vivek: Thank you.

Moderator: Thank you. We will take the next question from the line of Jasdeep Walia from Infina Finance. Please go ahead.

Jasdeep Walia: Thanks for taking my question. Sir just wanted to find out how do you decide from which products to file registration is it like you basically track patent expires and you make the registration ready before that patent expires and launch when that patent expires or it could be any product?

Ramprakash V. Bubna: No, we select the products based on the feedback that we get from our customers and distributors and also from some of the statistical study. There are not many products, which go off patent in a quarter so we do not keep track of the products, which are just going off patent. There are lot of products, which are already off patent and who have a lot of potentials and good margins. We go by margins and market potentials.



Sharda Cropchem Limited
January 31, 2017

- Jasdeep Walia:** So theoretically, Sir you can enter purely generic products also like Mancozeb also?
- Ramprakash V. Bubna:** Mancozeb in my personal opinion is a very old product and I have a feeling that there are many more products, which are better and which have a longer residual life in the field. So, we pickup newer products than Mancozeb.
- Jasdeep Walia:** So, basically you look at newer chemistries?
- Ramprakash V. Bubna:** Exactly, you put the right words in my mouth.
- Jasdeep Walia:** That is all from my side, thank you.
- Moderator:** Thank you. We will take the next question from the line of Chirag Dagli from HDFC Mutual Fund. Please go ahead.
- Chirag Dagli:** Sir, can you give us some colour on how raw material a broader basket of technical prices how have they moved over the last say three, five months?
- Ramprakash V. Bubna:** If you permit me to say I would say in this financial year from April to December the trend was a pressure on the prices, the prices are going down. In the last one month, the prices in China are going up, there are many comments about this, some people say some manufactures are forming a cartel, other say the production has gone down because of the pollution control by the government, but this appears to me as a temporary phenomenon the prices should normalize by end of this fiscal year.
- Chirag Dagli:** So, for the first nine months they were down and now we are going?
- Ramprakash V. Bubna:** The trend was down. When I say down there was no significant fall in the prices, but the trend was downwards. In the last one month, the trend is upwards.
- Chirag Dagli:** Upwards meaningfully upwards or is it like 15%, 20% kind of increase across the board across several baskets?
- Ramprakash V. Bubna:** In some products it is as high as 15% to 20% increase or even higher, but on selected products not many.
- Chirag Dagli:** And Sir when you say NAFTA growth has been meaningful, so NAFTA is essentially which all countries?
- Ramprakash V. Bubna:** United States of America, Mexico and Canada.
- Chirag Dagli:** And this is like business is evenly split across these countries Sir?



Sharda Cropchem Limited
January 31, 2017

Ramprakash V. Bubna: No, it is not because the populations are different, the agriculture volume is different, so United States commands the biggest share, then Mexico and then Canada.

Chirag Dagli: Sir, how is our distributor setup in the US, I understand that the distribution is fairly consolidated in the US. So, have we sort of do we have one distributor five distributors if you can give us some sense and is there is scope to improve our distributor coverage in the US in the coming years?

Ramprakash V. Bubna: With the passage of time our distributor coverage is increasing and I would say we should have about 15 to 20 distributors, but the top five continue to be associated with the multinational companies and we are developing distributors in addition to these top five.

Chirag Dagli: So currently we are not present with the top five?

Ramprakash V. Bubna: Top five is very difficult, iron and curtain, very difficult to get through to that.

Chirag Dagli: But with the right product possible Sir over time or you need to have a large basket?

Ramprakash V. Bubna: No, we have to have a very large share of market we should be in a position to give them a very big incentive at the end of the year.

Chirag Dagli: Would we be selling 100 plus molecules in the US also Sir?

Ramprakash V. Bubna: No. I think our molecules should not be more than 10 or 12 it is less than 20.

Chirag Dagli: And this was meaningfully lower two years back Sir?

Ramprakash V. Bubna: Yes, it was lower two years back.

Chirag Dagli: And then Sir similarly in Europe if you can give us some sense of how distributor coverage has improved over the last two years and how much more ground do we have to improve?

Ramprakash V. Bubna: Distributors in Europe cannot be counted on fingers, they are very much fragmented and there are quite a lot of them. In each country, we would have at least three or four distributors and there are about 25 in all countries, so we would have at least 90 to 100 distributors in Europe.

Chirag Dagli: And this would have obviously gone up over the last two years?

Ramprakash V. Bubna: Yes, gone up in the last two years.

Chirag Dagli: Is there scope to increase this more Sir further?

Ramprakash V. Bubna: There is scope.



Sharda Cropchem Limited
January 31, 2017

- Chirag Dagli:** And Sir would you be aware of how many molecules do we sell in Europe 100 plus?
- Ramprakash V. Bubna:** I would say around between 25 to 35.
- Chirag Dagli:** Thank you so much Sir!
- Moderator:** Thank you. We will take the next question from the line of Charulata Gaidhani from Dalal & Broacha. Please go ahead.
- Charulata Gaidhani:** Yes. My question pertains to what are your plans to increase the number of molecules in the US and Europe?
- Ramprakash V. Bubna:** Madam our efforts are on, number of registrations are in the pipeline and the process of registration is not very predictable. I only can say that, we will be growing.
- Charulata Gaidhani:** And my second question pertains to manufacturing - from where do you get the products manufactured?
- Ramprakash V. Bubna:** We get the products manufactured mainly in China and few other countries. India forms about 2% to 2.5% of our total sourcing.
- Charulata Gaidhani:** These would also come under the FDA?
- Ramprakash V. Bubna:** Madam FDA to my knowledge is only applicable with pharmaceuticals and medicines. For agrochemical there is another agency in USA, which is known as EPA. So, EPA manages and controls the business of agrochemicals in USA.
- Charulata Gaidhani:** But as some other participant mentioned that in case the products manufactured from China come under control or there is a ban to bring in products manufactured from China, then would there be an impact or how do you plan to deal with such a situation?
- Ramprakash V. Bubna:** Madam in my opinion China is today a factory to the world not only to Sharda Cropchem or any other China is manufacturing, I think China is meeting the demands of more than 75% of the world agrochemical demands. So, we will cross the bridge and we come to it when the ban comes, we will find some way out.
- Charulata Gaidhani:** And what kind of EBITDA margins you think are sustainable?
- Ramprakash V. Bubna:** Well we have been obtaining EBITDA margins between 17% to 22% and we hope to continue in the same range.
- Charulata Gaidhani:** That is for agrochemicals?



Sharda Cropchem Limited
January 31, 2017

- Ramprakash V. Bubna:** This is overall.
- Charulata Gaidhani:** I think your EBITDA margin this quarter has been around 14.6%?
- Ramprakash V. Bubna:** Yes, you are right.
- Charulata Gaidhani:** So, it would be higher maybe in the fourth quarter?
- Ramprakash V. Bubna:** Yes, madam because see our business is also seasonal, third quarter is one of the lowest in our four quarters that we work in.
- Charulata Gaidhani:** So, you think 17% to 22% is sustainable?
- Ramprakash V. Bubna:** Well 22% we have achieved in some quarters in the past, but I would say it is possible to get 17% to 20% overall.
- Charulata Gaidhani:** Fine. Thank you very much.
- Moderator:** Thank you. We will take the next question from the line of Dheeresh Pathak from Goldman Sachs Asset Management. Please go ahead.
- Dheeresh Pathak:** Sir what was the NAFTA volume numbers?
- Ramprakash V. Bubna:** NAFTA volume was 1,088 tonnes.
- Dheeresh Pathak:** Versus 410 last year's right?
- Ramprakash V. Bubna:** Yes.
- Dheeresh Pathak:** And Latam was 461 versus 524?
- Ramprakash V. Bubna:** Yes, please.
- Dheeresh Pathak:** And Sir finally for next year based on the conditions that you are seeing now what is the outlook?
- Ramprakash V. Bubna:** Can you repeat the question once again please.
- Dheeresh Pathak:** Based on the conditions that you are seeing right now in the markets that you are present in, what is the sort of guidance that you can give us for next year?
- Ramprakash V. Bubna:** Well I do not see any danger in the next year. I feel the same trend and same situation will continue as has been in the last three, four, five years.



Sharda Cropchem Limited
January 31, 2017

- Dheeresh Pathak:** 15% to 20% top line growth? Typically, you guided 15% to 20% top line growth?
- Ramprakash V. Bubna:** Yes, please.
- Dheeresh Pathak:** Thank you.
- Moderator:** Thank you. As there are no further questions from the participants I now hand the conference over to Mr. Manish Mahawar for closing comments.
- Manish Mahawar:** I have few questions, what is the cash in bank balance as on date?
- Ramprakash V. Bubna:** It is around 240 Crores.
- Manish Mahawar:** And what last year sir same quarter?
- Ramprakash V. Bubna:** Same.
- Manish Mahawar:** And secondly, can you give a breakup of your registration in terms of active ingredients in the formulation for the quarter?
- Ramprakash V. Bubna:** The formulation has been 1795 and AI is 266.
- Manish Mahawar:** And is it possible just Latam volume number could you repeat please?
- Ramprakash V. Bubna:** Latam volume has been 461 tonnes.
- Manish Mahawar:** And wanted to check if you look at the last nine months of this year your growth was almost 15% top line right can it possible mainly to break this growth in terms of existing molecule or maybe the molecule we have launched over last 12 to 18 months?
- Ramprakash V. Bubna:** I do not have that information readily available.
- Manish Mahawar:** And otherwise our product basket you said around 100 products or maybe like in the top ten products how many are matured one and maybe the rest of the product basket will be get to matured and do you have breakup in terms of that?
- Ramprakash V. Bubna:** What do you mean by maturing?
- Manish Mahawar:** Maturing means you are seeing a single digit growth maybe or a market aligned growth.
- Ramprakash V. Bubna:** No we have not made this study, but I do not really understand what you mean by maturing. All these products are not going to expire in the near future or see large demand falling.



Sharda Cropchem Limited
January 31, 2017

- Manish Mahawar:** No, my perspective basically our top ten products maybe some of the molecules, which are matured basically they are growing in line with your market in a global market and your growth will be coming from maybe your new launches that is I wanted to understand?
- Ramprakash V. Bubna:** I can only comment that the composition of our top ten molecules has not changed very much in the last five years. Some of these molecules may change the position interchange position from 3rd to 5th or 5th to 8th and vice versa, but the molecule remains more or less the same maybe one molecule gets in and if one molecule goes or it may again come back after a year or so.
- Manish Mahawar:** Sure! I will just discuss with you offline. Thanks Bubnaji for providing us the opportunity to host this call and would you like to make closing comments?
- Ramprakash V. Bubna:** No, I want to thank everybody for such nice and intelligent questions and thank you very much and wish you all the best.
- Moderator:** Thank you. Ladies and gentlemen on behalf of Religare Capital Markets that concludes this conference call for today. Thank you for joining us. You may now disconnect your lines.