

# Message by the Chairman and Managing Director

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**R. V. Bubna**  
*Chairman & Managing Director*

## **DEAR SHAREHOLDERS,**

FY2016 ended on a great note for Sharda Cropchem as we successfully delivered on our far-reaching strategy of improving sales in key markets and expanding our product offerings. It was a year of rewarding moments and challenges.

Improved sales volume in key markets and a stable exchange rate in a favourable demand environment aided growth during the year under review. There was strong volume growth across regions due to expansion in our product offerings and deeper market penetration. Growth in volumes was largely driven by product registrations added in new geographies over the last few years. A key driver of growth has been our strong organic growth in existing markets across all products.

## **FY2016 in Perspective**

We are a crop protection chemical company engaged in the marketing and distribution of a wide range of formulations and generic active ingredients globally. During the year, we grew our number of registrations by 356, reaching a total of 1,765 registrations as of March 31, 2016. We have another 818 registrations in the pipeline across geographies. Total revenue contribution of the top 10 molecules was 60.4% in FY2016, as compared to 58.7% in FY2015, with the composition of top 10 molecules remaining unchanged. Our deep pipeline is a great positive for the Company. Our core competency in seeking registrations enables us to enter new markets efficiently and overcome critical entry barriers. Further, with our own sales force on the ground, we are able to get first hand insights into local farming needs and competitive scenarios. This positions us well to launch relevant and needed products in a time-bound manner.

**WE ARE UNHINDERED IN CHARTING OUT OUR WAY FORWARD TO BUILD A PEER POSITION IN THE SECTOR. WE ARE ONLY LIMITED BY THE BOUNDARIES OF OUR IMAGINATION AND OUR CAUTIOUS BUSINESS SENSE THAT GUIDES US TO MAKE JUDICIOUS CHOICES.**

### **Our Financial Performance**

FY2016 saw a volume growth of 24.0% which translated into a revenue growth of 14.9% at ₹ 1,220.61 crores. EBITDA (excluding Other Income) improved by 54.6% year on year to ₹ 266.91 crores, compared to ₹ 172.65 crores. EBITDA margin (excluding forex impact) was 21.9%. Our profit after tax improved by 42.3% to ₹ 174.97 crores. Gross margins improved to 35.2% (up 200 bp yoy) mainly on account of increased efficiencies in procurement. Formulation sales accounted for 84% of the 84% of agrochemicals sales. As at March 31, 2016, the Company has zero debt. Our balance sheet remains debt free with net cash of ₹ 144.85 crores. This gives Sharda Cropchem an additional advantage to grow inorganically without straining the balance sheet.

### **Delivering Profitable Growth**

Our growing Intellectual Property pipeline will continue to deliver solid growth in the future. Our key initiatives, investments and increased penetration over the last few years are now bearing fruit. Over the years, we have invested in preparing dossiers and seeking registrations. We intend to leverage our existing dossiers to develop new formulations. Our success is underpinned by our strong presence in multiple geographies. We will continue to identify generic molecules going off-patent and focus on seeking registrations to increase our portfolio across Europe, NAFTA, Latin America and Rest of the World.

Our investment in product registrations and our proven ability to secure raw materials bodes well for our future growth. Since the benefits of these are now accruing, the performance should look up over the next 2-3 years, barring any external challenges such as exchange rate volatility, adverse weather conditions and / or global economic downturn.

### **Moving Ahead**

We will continue to invest in registrations of agrochemical products globally. As we progress, we would always be looking to further leverage our portfolio and presence, to deliver growth and improve EBITDA. This will entail a number of initiatives to obtain greater operating leverage across our commercial and global operations, which will be central to the delivery of greater shareholder returns in the coming years. We will also pursue opportunities for expanding our portfolio in the future. Further, our asset light model, with a focus on building product registrations, zero investment in manufacturing assets and a debt-free balance sheet will help us command better valuations.

I am confident that this approach will further enable us deliver profitable growth in the future and make us more agile and resilient to the inevitable challenges and volatilities within our markets.

Once again, I would like to express my special thanks and deep appreciation to all our customers, business partners and employees for their whole-hearted contribution and dedication in working towards the Company's goals.

I would also like to express my deep appreciation to our shareholders for all their support without which none of what we have been able to do would have been achieved.

**R. V. Bubna**  
*Chairman & Managing Director*