

# SHARDA CROP CHEM LIMITED

## Q2 & H1 FY18 RESULTS UPDATE

October 2017



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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- Q2 & H1 FY18 Results Highlights**
- Q2 & H1 FY18 Consolidated Financials**
- About Us**
- Business Model**
- Business Strategy & Outlook**

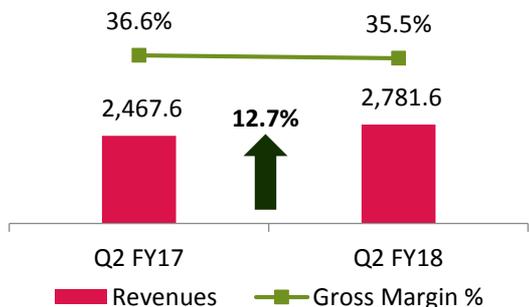
# Q2 & H1 FY18 RESULTS: KEY HIGHLIGHTS



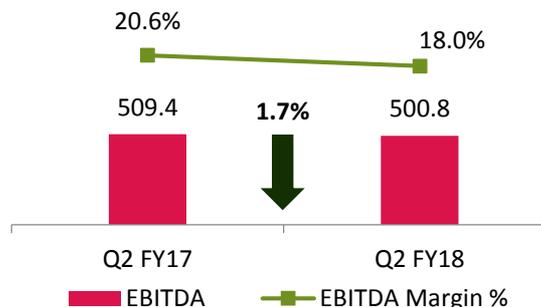
In Rs Mn

## Q2 FY18 YoY ANALYSIS

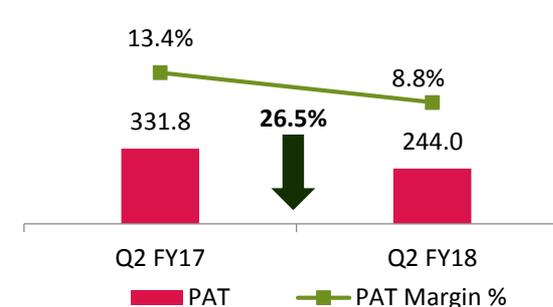
### REVENUES & GROSS MARGIN



### EBITDA & EBITDA MARGIN

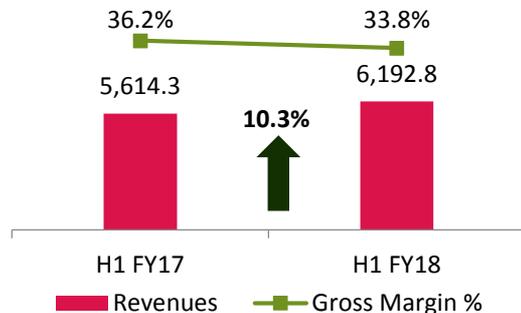


### PAT & PAT MARGIN

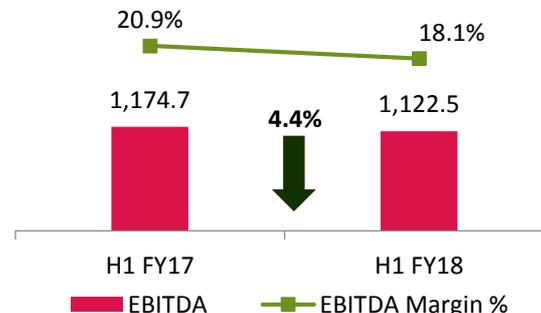


## H1 FY18 YoY ANALYSIS

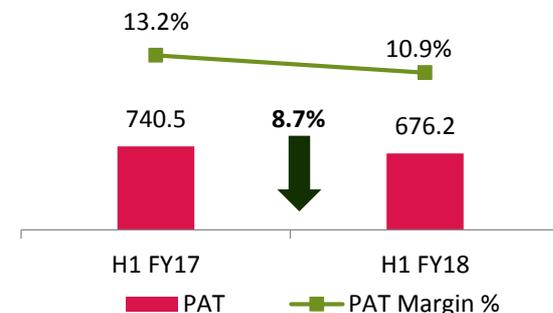
### REVENUES & GROSS MARGIN



### EBITDA & EBITDA MARGIN



### PAT & PAT MARGIN



# Q2 & H1 FY18 RESULTS: KEY HIGHLIGHTS



## FINANCIAL UPDATE -

- Q2 FY18 Revenues increased by 12.7% YoY from Rs. 2,467.6 mn to Rs. 2,781.6 mn.
  - Region-wise growth YoY– Europe: 7.5%, NAFTA: 63.3%, LATAM: -13.8%, ROW -14.2%
- Q2 FY18 gross profit increased by 9.4% YoY from Rs. 902.6 mn to Rs. 987.6 mn. Gross margin declined by 107 bps from 36.6% to 35.5%.
- Q2 FY18 EBIDTA including foreign exchange impacts declined by 1.7% YoY from Rs. 509.4 mn to Rs. 500.8 mn. EBIDTA margin declined by 264 bps from 20.6% to 18.0%.
- Q2 FY18 EBIDTA excluding foreign exchange impacts increased by 5.3% YoY from Rs. 475.7 mn to Rs. 500.8 mn. EBIDTA margin declined by 127 bps from 19.3% to 18.0%.
- Q2 FY18 depreciation increased by 48.7% from Rs 118.2 mn to Rs 175.8 mn due to higher base of intangible assets on account of registrations.
- Q2 FY18 PAT declined by 26.5% from Rs. 331.8 mn to Rs. 244.0 mn. PAT margin declined by 468 bps from 13.4% to 8.8%.

## OPERATIONAL UPDATE -

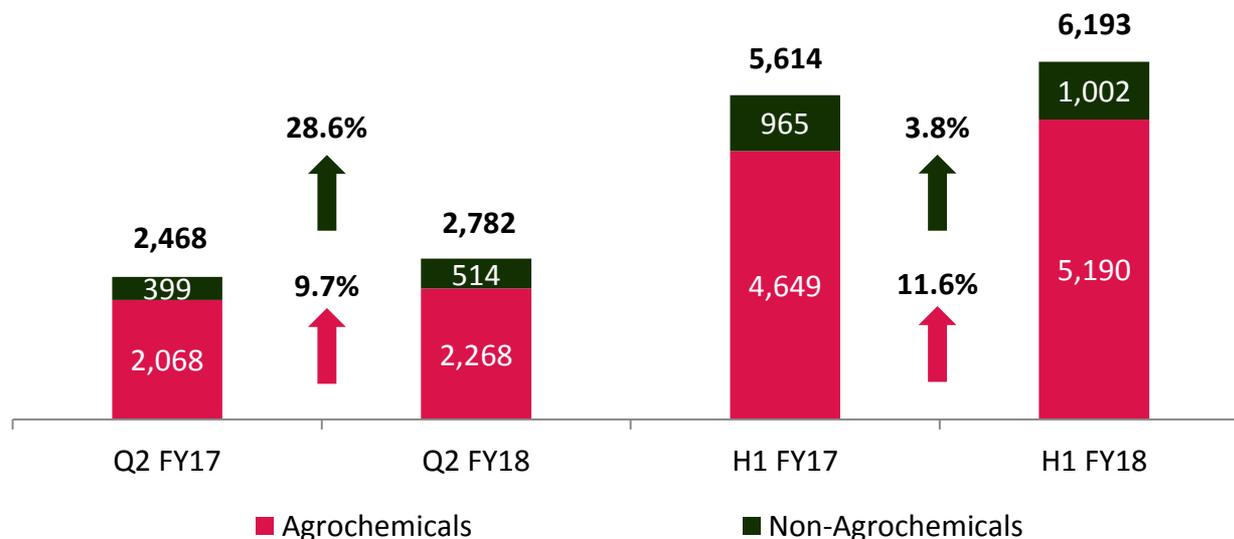
- Total number of registrations were 2,087 as of Sep-17 as compared to 1,936 as of Sep-16 and 2,174 as of Mar-17. Registrations declined compared to Mar-17 as we did not renew few registrations which expired and had lower profitability.
- The company has another 890 registrations in pipeline across geographies.
- Revenue contribution from Top 10 molecules reduced from 63.1% in H1 FY17 to 53.9% in H1 FY18.

# Q2 & H1 FY18 RESULTS: DIVISION WISE HIGHLIGHTS



In Rs Mn

## Q2 & H1 FY18 YoY ANALYSIS: REVENUE BREAKUP



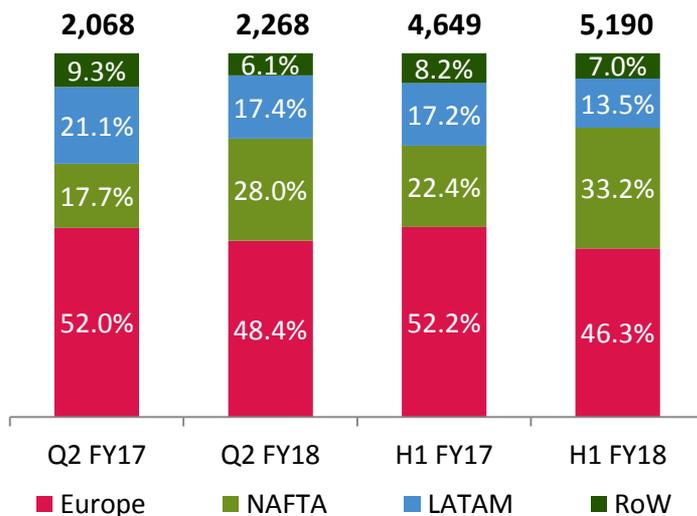
Division Revenue Share %	Q2 FY17	Q2 FY18	H1FY17	H1 FY18
Agrochemicals	83.8 %	81.5 %	82.8 %	83.8 %
Non-Agrochemicals	16.2 %	18.5 %	17.2 %	16.2 %

# Q2 & H1 FY18 RESULTS: AGROCHEMICAL BUSINESS

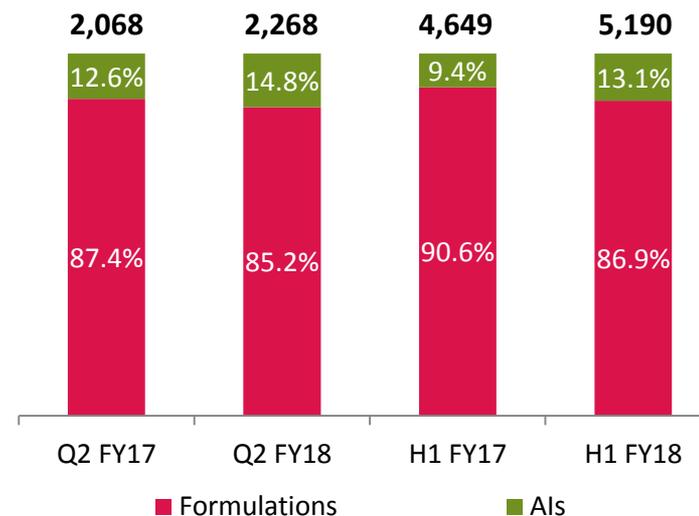


In Rs Mn

## REVENUE BREAKUP: REGIONWISE



## REVENUE BREAKUP: FORMULATIONS VS. AIs

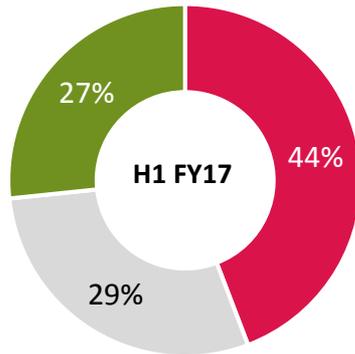


- Revenues in NAFTA region have risen by 73.8% in Q2 FY18 on the back of increase in new registrations.
- Revenues increased by 2.2% in Europe.
- Revenues declined by 9.5% in LATAM region driven by increased competition.
- Revenues in ROW region declined by 27.6%.

# H1 FY18 RESULTS: AGROCHEMICAL BUSINESS

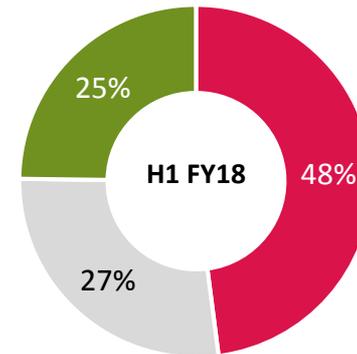


REVENUE BREAKUP: PRODUCT TYPE



■ Herbicides ■ Fungicides ■ Insecticides

REVENUE BREAKUP: PRODUCT TYPE



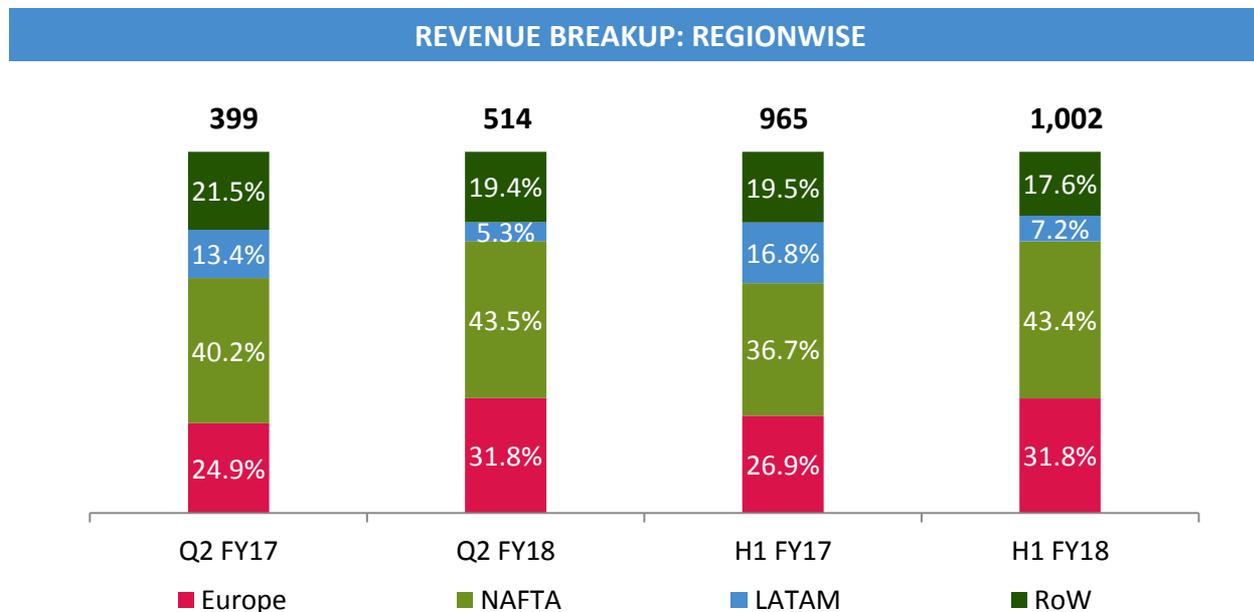
■ Herbicides ■ Fungicides ■ Insecticides

- Herbicides revenues have grown by 21.1% YoY in H1 FY18 to Rs 2,489.1 mn
- Fungicides revenues have reduced by 4.4% YoY in H1 FY18 to Rs 1,414.4 mn
- Insecticides revenues have reduced by 3.9% YoY in H1 FY18 to Rs 1,286.5 mn

# Q2 & H1 FY18 RESULTS: NON-AGROCHEMICAL BUSINESS



In Rs Mn

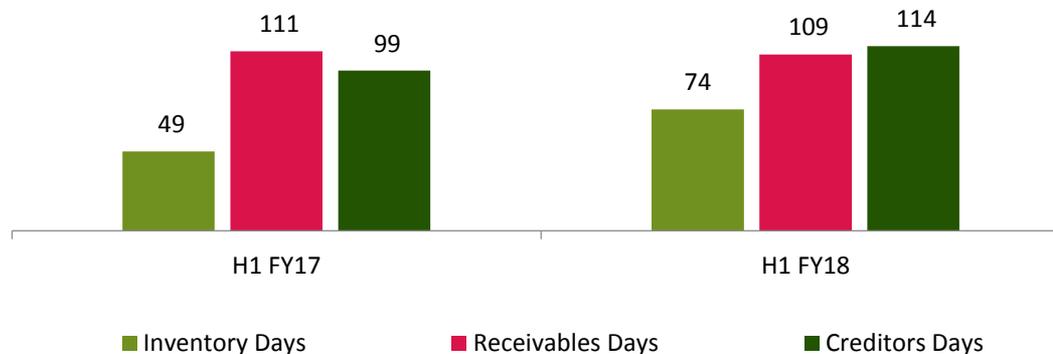


- Revenues in Europe & NAFTA region have risen by 64.3% and 39.1% respectively during Q2 FY18.
- Revenues in LATAM declined by 48.8% while in ROW increased by 15.9% during Q2 FY18.

# H1 FY18 RESULTS: WORKING CAPITAL ANALYSIS



## WORKING CAPITAL ANALYSIS \*



**NET WORKING CAPITAL DAYS**  
H1 FY17: 61  
H1 FY18: 69

\* Calculated on average inventory, receivables, creditors

# Q2 & H1 FY18 RESULTS: CONSOLIDATED PROFIT & LOSS STATEMENT



Particulars (In Rs Mn)	Q2 FY18	Q2 FY17	YoY %	H1FY18	H1FY17	YoY %	FY17
<b>Revenue from Operations</b>	<b>2,781.6</b>	<b>2,467.6</b>	<b>12.7%</b>	<b>6,192.8</b>	<b>5,614.3</b>	<b>10.3%</b>	<b>13,992.3</b>
COGS	1,794.0	1,565.1	14.6%	4,102.5	3,581.8	14.5%	8973.7
<b>Gross Profit</b>	<b>987.6</b>	<b>902.6</b>	<b>9.4%</b>	<b>2,090.2</b>	<b>2,032.5</b>	<b>2.8%</b>	<b>5,018.6</b>
<b>Gross Margin</b>	<b>35.5%</b>	<b>36.6%</b>	<b>-107 bps</b>	<b>33.8%</b>	<b>36.2%</b>	<b>-6.8%</b>	<b>35.9%</b>
Employee Expenses	68.9	62.4	10.5%	145.5	129.9	11.9%	288.8
Other Expenses	417.8	330.7	26.3%	822.2	727.8	13.0%	1606.1
<b>EBITDA</b>	<b>500.8</b>	<b>509.4</b>	<b>-1.7%</b>	<b>1,122.5</b>	<b>1,174.7</b>	<b>-4.4%</b>	<b>3,123.7</b>
<b>EBITDA Margin %</b>	<b>18.0%</b>	<b>20.6%</b>	<b>-264 bps</b>	<b>18.1%</b>	<b>20.9%</b>	<b>-13.4%</b>	<b>22.3%</b>
<b>EBITDA Excl. Forex Impacts</b>	<b>500.8</b>	<b>475.7</b>	<b>5.3%</b>	<b>1,122.5</b>	<b>1,195.8</b>	<b>-6.1%</b>	<b>3,124.2</b>
<b>EBITDA Margin % excl. Forex Impacts</b>	<b>18.0%</b>	<b>19.3%</b>	<b>-127 bps</b>	<b>18.1%</b>	<b>21.3%</b>	<b>-14.9%</b>	<b>22.3%</b>
Depreciation	175.8	118.2	48.7%	330.6	245.3	34.8%	562.6
Finance Cost	0.7	0.0	-	1.1	0.1	-	0.5
Other Income	14.5	58.7	-75.3%	162.8	98.5	65.4%	156.8
<b>PBT</b>	<b>338.8</b>	<b>449.9</b>	<b>-24.7%</b>	<b>953.7</b>	<b>1,027.8</b>	<b>-7.2%</b>	<b>2,717.5</b>
Tax Expense	94.8	118.0	-19.7%	277.6	287.2	-3.4%	813.9
<b>PAT</b>	<b>244.0</b>	<b>331.8</b>	<b>-26.5%</b>	<b>676.2</b>	<b>740.5</b>	<b>-8.7%</b>	<b>1,903.6</b>
<b>PAT Margin %</b>	<b>8.8%</b>	<b>13.4%</b>	<b>-468 bps</b>	<b>10.9%</b>	<b>13.2%</b>	<b>-17.2%</b>	<b>13.6%</b>
<b>Earnings Per Share (EPS) In Rs.</b>	<b>2.70</b>	<b>3.67</b>	<b>-26.4%</b>	<b>7.49</b>	<b>8.21</b>	<b>-8.8%</b>	<b>21.11</b>

# H1 FY18 CONSOLIDATED BALANCE SHEET



Particulars in Rs. Mn	H1 FY18	FY17
<b>Equities &amp; Liabilities</b>		
<b>Shareholder's Funds</b>		
Equity and Share Capital	902.2	902.2
Other Equity	9,350.5	8,696.2
Non-controlling Interest	0.2	0.2
<b>Total Equity</b>	<b>10,252.9</b>	<b>9,598.6</b>
<b>Non-Current Liabilities</b>		
Financial Liabilities		
Borrowings	0.9	-
Other Financial Liabilities	-	5.5
Provisions	13.8	11.6
Deferred Tax Liabilities (net)	843.3	807.3
<b>Total non-current liabilities</b>	<b>858.0</b>	<b>824.5</b>
<b>Current Liabilities</b>		
Financial Liabilities		
Borrowings	1.7	2.4
Trade Payables	3,697.7	4,574.3
Other Financial Liabilities	798.4	972.4
Other Current Liabilities	363.3	473.8
Current Tax Liabilities	4.8	45.4
Provisions	7.3	5.0
<b>Total current liabilities</b>	<b>4,873.3</b>	<b>6,073.2</b>
<b>Total Equity &amp; Liabilities</b>	<b>15,984.2</b>	<b>16,496.3</b>

Particulars in Rs. Mn	H1 FY18	FY17
<b>Assets</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	112.7	9.6
Capital work in progress	-	13.3
Goodwill	4.0	3.9
Other Intangible assets	2,075.5	2,085.0
Intangible assets under development	2,973.1	2,310.7
Financial Assets		
Other Financial Assets	0.0	0.0
Deferred Tax Assets (net)	19.9	33.8
Non-Current Tax Assets	466.9	405.6
Other non-current assets	166.2	97.9
<b>Total non-current assets</b>	<b>5,818.4</b>	<b>4,959.9</b>
<b>Current Assets</b>		
Inventories	3,767.8	2,877.7
Financial Assets		
Investments	589.9	606.8
Trade Receivables	4,785.4	6,725.6
Cash & Cash equivalents	467.1	722.3
Bank balances other than cash and cash equivalents	369.6	357.3
Loans	0.3	0.6
Other Financial Assets	0.6	9.2
Other Current Assets	185.2	236.9
<b>Total current assets</b>	<b>10,165.8</b>	<b>11,536.4</b>
<b>Total Assets</b>	<b>15,984.2</b>	<b>16,496.3</b>



## BUSINESS OVERVIEW

- Sharda Cropchem Limited is a global crop protection chemical company largely operating across Europe, NAFTA and Latin America 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> September 2017, Sharda owned 1,844 registrations for formulations and 243 registrations for active ingredients (AIs) and filed 890 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

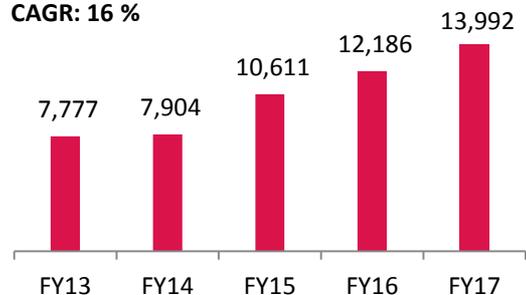


# ABOUT US: FINANCIAL SUMMARY



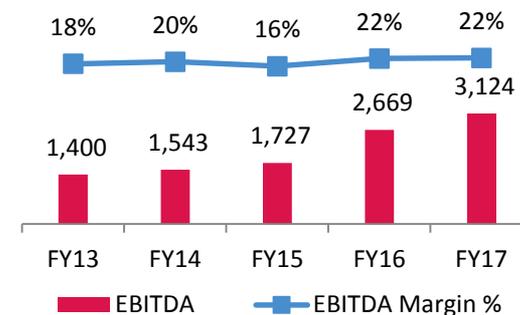
## REVENUE FROM OPERATIONS

CAGR: 16 %



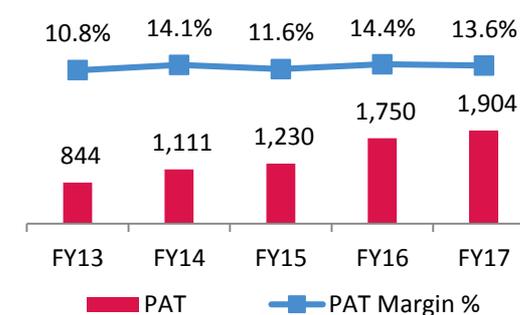
## EBITDA & EBITDA Margin

CAGR: 22 %

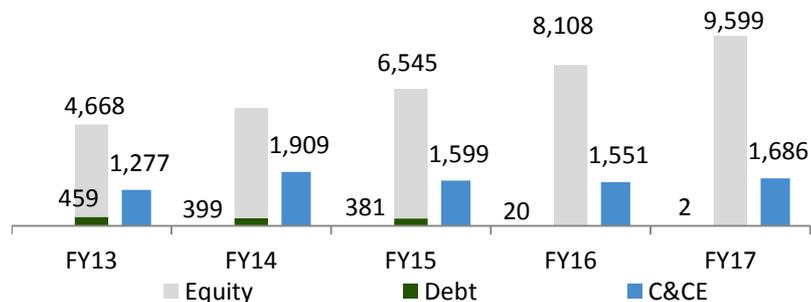


## PAT & PAT Margin

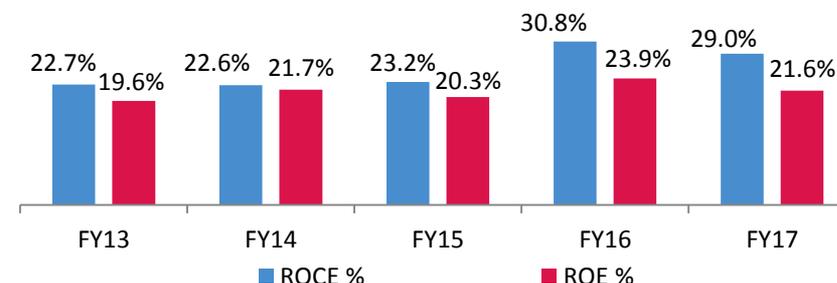
CAGR: 23 %



## LEVERAGE ANALYSIS



## RETURN METRICS



Source: Figures for FY13 are sourced from Red Herring Prospectus of the company.

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



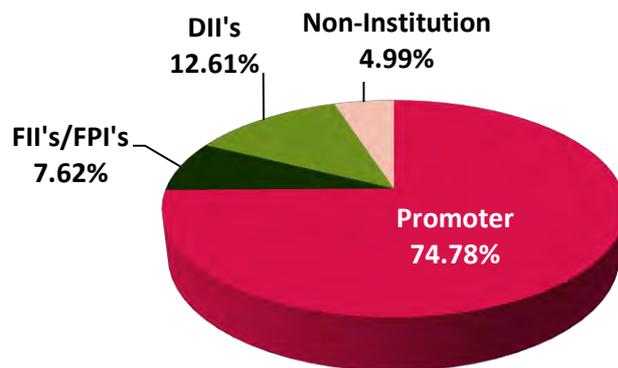
Key Institutional Investors – 30 <sup>th</sup> Sep 2017	% Holding
DSP Blackrock Investment Manager	6.26%
HDFC MF	4.29%
Pinebridge	3.78%
Goldman Sachs	2.16%
SBI Funds Management	1.92%

Source: BSE

Market Data	As on 26 <sup>th</sup> October 2017
Market capitalization (Rs Mn)	39,963.1
Price (Rs.)	443.05
No. of shares outstanding (Mn)	90.2
Face Value (Rs.)	10.0
52 week High-Low (Rs.)	567.8 – 351.0

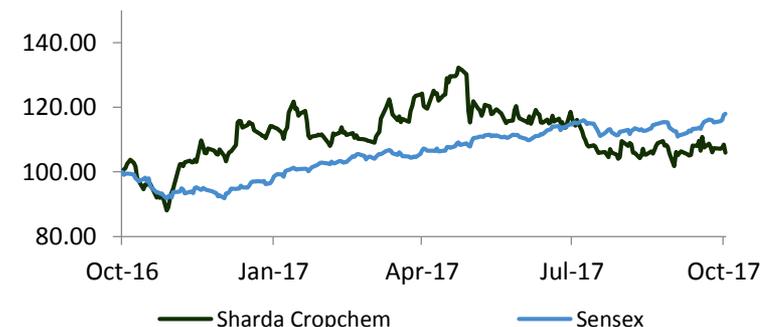
Source: BSE

## Shareholding – 30<sup>th</sup> Sep 2017



Source: BSE

## Share Price Performance



Source: BSE

# DIFFERENTIATED BUSINESS MODEL: ASSET LIGHT MODEL



## Agrochemical Value Chain

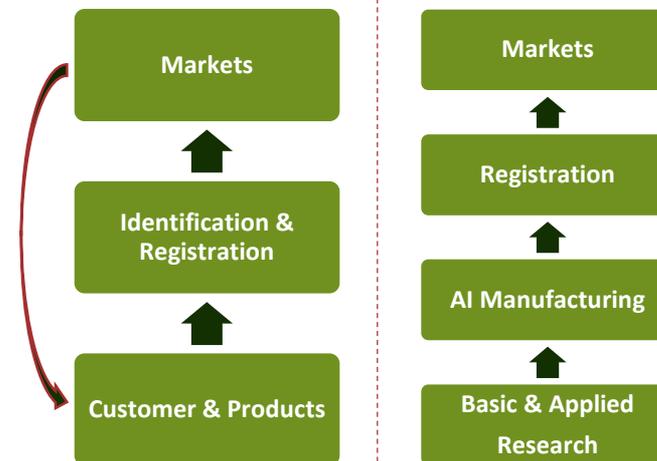
Sharda's Operating Area



### 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.
- 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.



## FOR FURTHER QUERIES:



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