

"Sharda Cropchem Limited Q1 FY25 Earnings Conference Call" July 25, 2024

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MANAGEMENT: MR. R. V. BUBNA – CHAIRMAN AND MANAGING

DIRECTOR - SHARDA CROPCHEM LIMITED

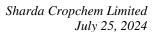
MR. SHAILESH MEHENDALE – CHIEF FINANCIAL

OFFICER - SHARDA CROPCHEM LIMITED

MR. DINESH NAHAR – GENERAL MANAGER, FINANCE

- SHARDA CROPCHEM LIMITED

MODERATOR: MR. MANISH MAHAWAR – ANTIQUE STOCK BROKING





Moderator:

Ladies and gentlemen, good day, and welcome to Sharda Cropchem Q1 FY25 Conference Call hosted by Antique Stock Broking. 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Manish Mahawar from Antique Stock Broking. Thank you, and over to you, sir.

Manish Mahawar:

Thank you. On behalf of Antique Stock Broking, warm welcome to all the participants on the 1QFY25 earnings call of Sharda Cropchem. Today, we have Mr. R.V. Bubna, Chairman and Managing Director; Mr. Shailesh Mehendale, CFO; and Mr. Dinesh Nahar, GM, Finance, on the call. Without any delay, I would like to hand over the call to Mr. Bubna for opening remarks. Post which, we will open the floor for Q&A.

Thank you. And over to Mr. Bubna.

R. V. Bubna:

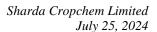
Thank you, Manishji. Good afternoon and very warm welcome to everyone present on the call. Along with me, I have Mr. Shailesh Mehendale, our CFO and Mr. Dinesh Nahar, General Manager, Finance. And SGA, our strategic advisers are there on the call also. Hope you all have received our investor deck by now. For those who are not, you can view them on the stock exchanges and company website.

As you are aware, we are engaged in marketing and distribution of wide range of agrochemical products that is herbicide, insecticide, fungicides and biocides, catering to diverse global customer base. We prepare comprehensive dossiers and seek registrations in our own name. We allocate substantial resources and established our foothold in the market.

Our total product registration stood at 2,928 as on 30th of June 2024. Additionally, 1,039 applications for product registrations globally are at the approval stage, or I would say, they are in the pipeline.

The capex for Q1 '25 stood at INR78 crores, and we expect the capex to be in the range of INR400 crores to INR450 crores for the full year. For Q1 FY '25, the total revenue have grown by 23% to INR785 crores with substantial volume growth of 41% year-on-year mainly through Agrochemical segment with Europe nearly doubling and being a major contributor to the Q1 FY '25 revenue growth. Volumes from Agrochemicals grew by 49% year-on-year and Non-Agrochemicals degrew by 39% year-on-year.

Gross margins are at 29.2%, and they have come back to normalcy. We expect this to improve in the financial year with the price is expected to increase.





With this brief overview, I would now like to hand over the call to our CFO, Mr. Shailesh Mehendale for discussing our financial performance. Thank you very much.

Shailesh Mehendale:

Thank you, sir. Good afternoon, everyone. Coming to Q1 FY '25 performance revenue stood at INR785 crores in Q1 FY '25 versus INR638 crores in Q1 FY '24 with an increase of 23% year-on-year. Coming to the split, Agrochemical business increased by 43% year-on-year to INR679 crores in Q1 FY '25, whereas the Non-Agrochemical business decreased by 35% year-on-year to INR106 crores in Q1 FY '25.

Gross margin stood at 29.2% in Q1 FY '25 as against 8.7% in Q1 FY '24. EBITDA for the quarter stood at INR88 crores with EBITDA margin at 11.3% as compared to a loss of INR66 crores in Q1 FY '24. PAT for the quarter stood at INR27 crores as compared to loss of INR89 crores in Q1 FY '24.

Working capital days have also improved in the last 3 months by 21 days and stand at 137 days as on 30 June '24. We remain net debt-free company and have cash and **liquid** investment of INR624 crores as on 30 June '24.

We can now open the floor for the questions and answers. Thank you.

Moderator: Our first question is from the line of Viraj from SiMPL.

Viraj Kacharia: Just a couple of questions. One is on the Agchem business. The volume growth in key end markets, is it more due to channel refilling or given concerns on freight issues we are seeing due

to the Red Sea crisis or is this more driven by the consumption with new secondary change?

R. V. Bubna: The main factor has been use of the stocks which was lying with the manufacturers and in the

channel throughout. Those stocks are getting reduced and consumed, and the operations are

moving towards normalcy.

Viraj Kacharia: So can you give some color on inventory levels where we are now compared to a normal cycle?

So if you have to understand a normal cycle, are we still at the normal cycle, in normal levels or

we are even below that end of the inventory?

R. V. Bubna: No, I would not say it is below. It may be slightly more, but it's difficult to give the figures

because when I'm talking about the inventories, there are so many manufacturers globally. And

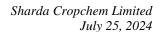
the figures are not available to us.

Viraj Kacharia: No, I meant that the inventory in the channel, not at the manufacturing level.

R. V. Bubna: But the inventory that I mentioned was including the manufacturers as well as the channel. It is

difficult to make a guess. We can only make an absolute -- I mean, approximate guess that the

inventories have got consumed and they stay getting consumed.





Viraj Kacharia:

And in terms of demand, what is your sense you're getting across key markets like Europe or NAFTA? And I'm looking this because in the annual report also, you talked about growth to be driven by a mix of volume and pricing power. So if you can elaborate what are we seeing incrementally in the marketplace, which will drive better pricing and volume?

R. V. Bubna:

See, the demand has been very good. As we have mentioned to you, the volume of agrochemicals have grown up by almost 49% compared to the same quarter last year. And Europe has been the major and biggest contributor. Europe for the demand in the quarter 1 has been almost double the demand in the same period last year.

Viraj Kacharia:

Okay. And sir, in the Agchem business, if you look at our EBIT margin, despite such a healthy growth in sales, one would think margins should normalize to at least 6%, 7% in quarter 1. So historically, we have done at least 5% to 7% EBIT margin in first quarter. But this quarter, despite such a healthy growth in volumes, our margins are quite low. So was there any one-off or any further inventory provision?

R. V. Bubna:

See, the margins are also dependent upon the price levels. Some products that we were selling at \$90 per gallon are being still sold at \$20 per gallon. So last year, the company had to bear a very heavy loss due to devaluation of the market prices. Now the devaluation process has stopped. If we are selling at \$20, they're also sourcing at maybe \$17 or \$18. So the same product, when it was a sourced, was there being sold at \$90 for sourcing price of \$70 to \$75. So in terms of percentage, absolute terms, the margins are still at a very low level.

Viraj Kacharia:

Sir, but the spread or the percentage should be even higher, if not same, right? Because, say, on a \$30 realization, the sourcing is \$17 as again, say, \$70, \$75 on a \$90 realization. So in percentage terms, actually margins will be, if not better, at least same as a normal cycle, no?

R. V. Bubna:

I think you have not heard me properly. I did not say \$30. I said \$20. We are selling at \$20, we are sourcing at \$17 or \$18.

Viraj Kacharia:

Okay. And on the other expenses, sir, what is driving such a sharp increase in other expenses? So last year also, we had a very healthy base, and there were some one-off expenses in Q1 last year. So what is driving the other expenses? And how should we understand that for the rest of the year, both in our margin and growth?

R. V. Bubna:

So one is, I would say, legal and professional fees. And second is foreign exchange loss.

Viraj Kacharia:

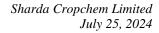
How much is the foreign exchange loss?

R. V. Bubna:

About INR8.31 crores.

Viraj Kacharia:

And this compares to how much of Q1 last year?





R. V. Bubna: Last year, there was a gain of INR9.5 crores.

Moderator: Our next question is from the line of Preet Malde from Piper Serica.

Preet Malde: Yes. Mr. Bubna. So I had a question. In the agrochemical prices before the prices dropped so

drastically, they had even climbed up pretty high. So as you're saying that some molecules that were \$90 you are selling it now for \$20. Now what should be a ballpark figure that this would be considered as a normal pricing? So do you think that the normal pricing level is now \$90, which was before the price drop or is it somewhere around \$50, \$60? I'm just giving an example

on the terms of the pricing example that you gave.

R. V. Bubna: See, \$90 in my opinion, is too far. It's too early, it gradually go up. And it also depends on many

other factors, including the cost of raw materials, cost of manufacture and all that. So it may take quite some time to reach up to \$90, but it would go up to \$30, \$35, \$40, maybe by end of the

year, it will go to \$40. But, it's early, it is just a guess.

Preet Malde: Okay. Okay, makes sense. And you're saying that the inventories have started normalizing, the

inventories start being refilled. So what is still holding the prices down in these markets. So if the general sense is that the market has normalized. So what to extent holding the prices down?

R. V. Bubna: The market share. Nobody wants to lose the market share, I understand. Market share is one of

the important things -- important factors.

Preet Malde: All right. And just one more question. Historically, we've seen that Q4 has been pretty heavy for

us with good top line, good margins. So do we see that trend continue?

R. V. Bubna: Yes, please.

Moderator: Our next question is from the line of Tejas Lakhani from Unifi Capital.

Tejas Lakhani: I just wanted to understand the growth triggers on the non-agrochemical side. So there has not

been recovery in the non-agrochemical volumes yet. So how are we seeing the trend in that

business?

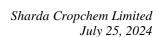
R. V. Bubna: See, in general, there is a lack over drop in the demand. And one of the factors contributing to

the lack of demand is high freight rates. The freight rate forms a substantial part of the goods here. And because of this Red Sea discrepancies and other things, both the rate as well as the time of travel is quite high. So that is leading to the lower or drop in the volumes as well as

revenues.

Tejas Lakhani: Got it. And on the agrochemical side, are you already seeing the prices improving? Or is it an

anticipation that the prices will improve in the coming quarters?





R. V. Bubna:

See, the price will improve when the demand is more than the supply. Today, the demand and supply is matching with each other and people do not want to loose the market share, so people are not very keen to get better margins. They want to have the same market volume, not market share. This situation will change gradually, and that's very normal and natural.

Tejas Lakhani:

Okay, sir. And sir, last, on to your capex, which we are doing or rather the registration which we are doing, so historically, in last few years, you have been doing somewhere around INR250 crores annual registration. This year, the number you are guiding is INR400 crores, INR450 crores. So can you give some sense what kind of opportunities you are seeing and how do you see this registration impacting our growth in the coming years?

R. V. Bubna:

Mr. Lakhani, you are not very well informed about the capex that we are spending in the last 2, 3 years. You see, last year, we have spent INR420 crores; previous year, 2022-23, our capex was INR360 crores; and in '2021-22, it was also INR415 crores. So for the last 3 years, we've been spending in the range of INR400 crores to INR420 crores. And this is going to more or less at the same level or slight improvement increase compared to the average of last 3 years.

Moderator:

Our next question is from the line of Darshita from Antique Broking.

Darshita:

The first question is regarding the FY '25 guidance. We had given a 15% to 18% on volume growth guidance with 15% to 18% EBITDA margin. Do we still retain that?

R. V. Bubna:

Yes, please.

Darshita:

Got it. Okay. My second question was regarding the higher inventory days that we have seen on a Y-o-Y basis. What would be the reason behind that?

R. V. Bubna:

Madam, this increase is not very substantial or abnormal. This is a part of the normal business operations. And there are many factors, but I cannot pinpoint what is the exact factor, which is leading to. But I think the inventory level is fairly normal.

Darshita:

Got it. Okay. Thirdly, on the pricing front on -- if we were to look at the volume number for the agrochemical business, what we can see is that on a sequential basis, the pricing has improved. So is that the case from fourth quarter to first quarter? Has the pricing improved? Or is there some benefit of better product mix in the agrochemical business?

R. V. Bubna:

Madam, the pricings have improved very marginally, not very much comparable to Q4 last year and this year. But the trend is on the improvement, because even the manufacturers are very unhappy with the current prices. And on every given opportunity, they like to have better prices. Their margins are almost 0.

Darshita:

Got it. And the next question was largely on the -- if abnormal sales return we have seen in the second quarter as of now?



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R. V. Bubna: No. Not so far and I wont forsee for rest of the year. Because, the last year was a very, very

abnormal situation. Otherwise, sales returns have never been so exhaustive as in the last year.

Darshita: Got it. If we can get the segmental, the regionwise, volume for the agrochemical business.

R. V. Bubna: For Q1?

.Darshita: Yes. For the first quarter, regionwise agrochemical volumes?

R. V. Bubna: Yes. In Europe, it is something like 5 million units. NAFTA region is about 4 million units,

LATAM 0.6 million units, and rest of the world about 0.35 million units.

Darshita: Okay. Can we get the region-wise gross margins?

R. V. Bubna: Yes. Madam in Europe, the gross margin is about 35% to 35.5%, NAFTA region 22%, LATAM

32%, and rest of the world, 38%. And average, just to overall, it's about 31%.

Darshita: Got it. Can we get the regionwise registrations breakup?

R. V. Bubna: Yes, please. In Europe, the registrations are ~1,625; NAFTA, ~300; LATAM ~750; and rest of

the world, \sim 250.

Moderator: Our next question is from the line of S. Ramesh from Nirmal Bang Equities.

S. Ramesh: Bubnaji, so you talked about very healthy volume growth Y-o-Y this quarter. Sir, can we get an

understanding of how this volume growth is comparing to say to first quarter of FY '23, this is 2 years ago, because last year was an abnormal year. So when we want to compare this volume

on a normal year, FY '23, what it would be like?

R. V. Bubna: Sir, this is a very unique question, that you want me to go back to the year before. Normally, we

come prepared for the previous year, but give me 2 minutes, I will try to research for you.

S. Ramesh: Yes. So just to understand how it works out on a normal basis.

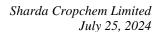
R. V. Bubna: Yes. You asked me about volume, no?

S. Ramesh: Yes. Volume growth, yes.

R. V. Bubna: Sir, we don't have the figure for the Q1. We have got a full year. Now that will be irrelevant

then. We don't have readymade information about Q1 of the previous year. I mean, previous to

previous years.





S. Ramesh: Okay. So no, if you were to assume this 49% kind of volume growth, it gets extrapolated for the

entire year, did you compare it with full year FY '23, what it would look like, just to get a sense

in terms of what would be the normalized volume growth once things get to stabilize?

R. V. Bubna: Sir, conservatively, we feel that there will be a volume growth of 15% to 20%.

S. Ramesh: Okay. Okay. So -- and if you were to look at the gross margins you have achieved, it's a question

of being able to ramp up your revenues and my understanding, then you'll be able to go back to normal EBITDA margins and perhaps improve your RoCE. So if you were to look ahead, say, over the next 4 to 8 quarters, what is the best guess you can take in terms of when you will see the -- some kind of discipline come back in terms of people trying to get market share and the excess supply coming down. And when you do see pricing power improving and margins improving on a sustainable basis. Would it be, say by the Jan-March quarter next year? Or would

it be somewhere in the first half of next year? When do you think that will happen?

R. V. Bubna: I would say in the Jan-March of the next year.

S. Ramesh: Jan-March. Sir, finally, if you're looking at your capital expenditure, you've done about

INR1,200 crores of capital expenditure. So if you were to take your asset base, and look at a onetime asset turn, you should be able to do about INR4,000 crores, right? So if prices don't fall, and with this 15%, 20% volume growth, would you be in a position to achieve this INR4,000

crores revenue from the current base, say, in the next 2 to 3 years?

R. V. Bubna: Yes, please.

Moderator: Our next question is from the line of Bhavya Gandhi from Dalal & Broacha Stock Broking.

Bhavya Gandhi: Sir, my first question is regarding the sales force. I see that the full year sales commission has

been closer to INR4-odd crores, whereas our sales force is closer to 500 people in terms of number. So can you just throw some light? Do we show it under some other expense as well?

R. V. Bubna: 1 minute, sir, let me see, where are these figures.

Bhavya Gandhi: Sir, around INR12-odd crores. INR12-odd crores is the sales commission. When it comes to the

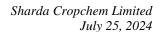
total number of sales force, we have around 500 odd people, right?

R. V. Bubna: No, not that much. I would say that our number of people should be in the range of over 350 to

400.

Bhavya Gandhi: Okay. 300 to -- okay. And do we show other any commission or other expenses that we give to

salespeople under any other head?





R. V. Bubna: Sometimes, we give them some incentives. We set some targets and if that those targets are

achieved, then we give them some kind of incentives.

Bhavya Gandhi: Okay. And your total employees are 180-odd -- 180 employees, right, permanent employees. So

where do you mark this 350-odd sales force? They are categorized under which category?

R. V. Bubna: These are all our team members outside India. This 180 are the team members who are in India

and who are employed on the salary, employer-employee relationship basis. Foreign countries, we do not hire those people on the employment basis, but we hire them as consultants or we engage them as consultants, because in many countries, there are a lot of complicated employee benefits and other things, which were difficult to predict and calculate and afford. And our commissions payable is just related to the sales volume that they generate. And sometimes the

commissions are also fixed, but we know what is our commitment and liability.

Bhavya Gandhi: Got it. Let me just ask you some in another way, out of the INR266 crores legal and professional

fees, how much would be the sales incentive? Or what all things are included in the legal and

professional fees?

R. V. Bubna: Legal and professional fees, these do not include any of the incentives. The incentives are there

only in the consultation charges, and professional fees. I mean, not legal.

Bhavya Gandhi: So if you can help me understand what is this INR266-odd crores legal and professional fees for

the full year FY '24?

R. V. Bubna: One minute. You see, I will give you a broad -- We are engaged in the process of registering our

products. And for the purpose of registrations also, we require a lot of legal advice many times to negotiate our data compensation with the innovators and reply to the authorities on many technical and legal matters. Sometimes there are also some arbitrations for which we have to hire the legal professionals. So these are mainly to see that we are following the law and nobody

is accusing us for any violation of the law.

Bhavya Gandhi: Okay. Okay. Got it. Just one last thing. So broadly, if you were to amount the total expenditure

for those 350 sales force, how much would be the approximate number within the other

expenses?

R. V. Bubna: Sir, I would say, it will be in the range of INR100 crores to INR105 crores.

Bhavya Gandhi: Okay. And that would be broadly under which head?

R. V. Bubna: Under the head of legal and professional expenses, but in the sub-head of legal and professional

in business development.

Moderator: Our next question is from the line of Archit from B&K.





Archit:

Sir, my first question is on a comment you made earlier with respect to the Chinese manufacturers, still not happy with the selling price of agrochemicals and the fact that they are hardly making any margins. Sir, what in your view are these external forces that are compelling them to be non-profitable or very marginally profitable and still do business. What is the situation in China that is compelling this situation?

R. V. Bubna:

So the biggest factor is the question of survival. They all want to survive and they have so much of our manufacturing capacity and Chinese are competing with Chinese. You understand? All of them are struggling to survive and has some market share of the -- share of the market.

Archit:

Right. Understood, sir. Sir, a follow-up to the same one. You earlier mentioned about how the prices have collapsed and the cost of manufacturing also being a function of the final selling price, would it be fair to assume that Chinese companies or Chinese manufacturers are still manufacturing these active ingredients at a much competitive price, which is why your customers still prefer China as a base of procuring their raw material and the distinct advantage that you have, having presence in China through our business model, would that continue to stay?

R. V. Bubna:

So your question has been very long, but my answer is really brief. Yes, that will continue to stay. And we carry an impression that China is affected to the world today. All the developed and developing -- developed countries has stopped the process of manufacturing because of the cost and a lot of regulations and controls particularly related to environment and human health. This is not so exhaustive in China and the developing countries. So because of the economic reasons, most of the manufacturing have shifted to China.

Moderator:

Our next question is from the line of Gautam from MEA Invest.

Gautam:

Just I would like to note that like I can see, we are having high trade receivables, like more than 40%, 45%. So do you see any risk in that? And what is the reason behind this?

R. V. Bubna:

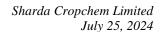
One minute, let me see whether the facts that you said. Let me verify the fact. My friend, the trade receivables have gone down from 192 days in the fourth quarter to 132 days in the first quarter of this year. So there is a lot of improvement. In the fourth quarter, the trade receivables are high because the sales volume in that quarter is very high. And now slowly it is coming down.

Gautam:

Like we can expect that in the coming years, trade receivables will come down, like it's more than 40% annually?

R. V. Bubna:

Coming quarters, it will come down, but coming years, the trend will remain more or less the same, because our business is a seasonal business, and the maximum sales volume comes in the quarter 4. And quarter 4 is always the highest amount of figure of trade receivables.





Gautam: Okay. And so, do you see any risk in this, like having high trade receivables?

R. V. Bubna: This is very normal sir, and I don't see any risk.

Moderator: Our next question is from the line of Shyam Garg from Ladderup Finance Limited.

Shyam Garg: Most of my questions have been answered. So my first question is with respect to, if you can

give us a product margin in each region in agrochem business?

R. V. Bubna: So product margin figures I don't have.

Shyam Garg: Sure, sir. Sir, in the last 3 years, we have done -- we have spent on registration. We have spent

around INR400 crores to INR420 crores on registrations of new products in different regions. So what has been the margin on those products compared to the existing products that we have?

R. V. Bubna: You see the margin on recently registered products is always high compared to the margins on

the existing products. And it's a very simple answer to this. The process of registration is a continuous process. And we may be the second, third or fourth generic registered for a product. But over a period of time, there can be five, six, eight generic registrants. So the competition increases and the margin shrinks. For the new products, we could be the second, third and fourth.

So the competition is less and the margins are better.

Moderator: Our next question is from the line of Raaj from Arjav Partners.

Raaj: Out of total registrations that, that we have, it is around 2,925, right. So how much of that

generates to sales for us? How much of them are active?

R. V. Bubna: I would say about 80% of them are active.

Raaj: 80% of them are active out of 2,925?

R. V. Bubna: Yes.

Raaj: All right, right. And sir, could you please give an outlook for FY '25 and FY '26 in terms of sales

and in terms of EBITDA?

R. V. Bubna: The sales going to increase by 15% to 18% and EBITDA is going to improve also to around

15% to 18% compared to much lower or negative in some quarters last year.

Raaj: All right, all right. And sir, for FY '26?



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R. V. Bubna: FY '26 is too far. First we will provide for FY '25 and then we will go to FY '26. Because

situations keep on changing, a lot of factors. It's a continuous moving situation. So their can be

lot of things and we do not like to make guesses.

Raaj: Understood, sir. So sir, your FY '24 EBITDA was 9.59% total percent. So for FY '25, can we

expect an EBITDA of around 15% or so?

R. V. Bubna: So I don't know whether you have been hearing, I repeated this question many times. We expect

EBITDA to go to 15% to 18%, in the current year, FY '25.

Moderator: Our next question is from the line of Chinmay from Prescient Capital.

Chinmay: A little general question from my side to the oversupply issue and the return of inventories that

happened last year. You said that it was a rather unprecedented event. Now that things are reviving, are we making any efforts? Or are we doing something on a more structural level or maybe in terms of our contracts with customers or maybe sourcing to insulate ourselves better from such shocks going in future. Is there any scope for any such things? Just would like some

color on this.

R. V. Bubna: Mr. Chinmay, we cannot make our own rules in the market. We have to still survive and continue

and we have to follow the stream and the way the team is moving. And if we like to be unique, then we'll have to go out of the market. Even the multinational companies have -- all the innovator companies have accepted the same situation of the market and giving them longer credit and other things. And we cannot be alone we have no special qualities or situation that we

can form our own rules.

Chinmay: Got it, sir. I understood.

Moderator: Our next question is from the line of Paras Adenwala from Capital Portfolio Advisors.

Paras Adenwala: Yes. I heard you mentioned that over the last 3 years, you spent on an average about INR400

crores per year for capex. would it be fair to conclude that a large part of that would be for

registration of your products rather than capex, because yours is an asset-light business.

R. V. Bubna: Sir, most of -- I think, most of our capex is for registrations of the products. We are not investing

or I mean, spending any capital on acquiring or building up tangible assets. All these are only

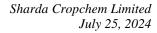
for acquiring the intangible assets with registrations.

Paras Adenwala: Okay. And, so since last year was a challenging year, would it be fair to say that over FY '25 or

maybe FY '26, we will definitely return back to your average asset turnover ratio that we've seen

in the past?

R. V. Bubna: Average asset turnover? Yes, please.





Moderator:

Moderator: Our next question is from the line of Tejas Lakhani from Unifi Capital.

Tejas Lakhani: Sir, question is that European clients have been wanting to diversify supply chains, and they are

adding another geography to over a period of time to diversify this risk. And in that context, sir, you said that China is the factory of the world, and they continue to have lot of advantages from

a cost perspective. So could you just contextualize the truth around this?

R. V. Bubna: Sir, I think the trend is continuing, and there's no change. I mean, no change. The developed

countries do not want to compromise with the environment and the human health factors and issues. So they prefer to buy their goods from China. In fact, many of the multinational

companies are setting up joint ventures in China to share the cost and other things. So the trend is continuing. I don't see any reversal in this trend in the near future, the near one and far future.

Our next question is from the line of Ronak Chheda from Awriga Capital Capital.

Ronak Chheda: I have two questions. My first question is on your comments you've made in the earlier call, so

I think, you mentioned that some of the factories have shut their units just to manage their cost. Can you provide an update on what is happening there in terms of, are these capacities gone out for good? Or there is a chance that these capacities may come back when the price realization

improves?

R. V. Bubna: I'm not understood and heard your question very clearly. But probably, you are asking me that

many of the manufacturers have shut down their factories in the past. And...

Ronak Chheda: Yes, sir. Yes, sir. And are these factories coming back?

R. V. Bubna: And this is -- they are not happy with that situation. They're waiting for any opportunity they

can restart because their investments are lying idle, and there are a lot of fixed costs, which they have to incur even if the factory is closed. So they wait for any opportunity, if they can restart,

maybe less margins, but at least they can recover their expenses and costs.

Ronak Chheda: Sir, in that sense, then, do you see a longer recovery for prices to come back? Because right now,

demand is equal to supply. And if the demand were to increase when these factories were to

come back, there would be a very low likelihood of prices coming more from you, sir?

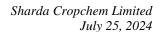
R. V. Bubna: Yes. Because of these factors, the prices to go up to the level which existed before the end of

last financial year, it will take time, mainly because of these factors.

Ronak Chheda: Got it, sir. And sir, my second question is on the cost of registration itself. Sir, just to understand

our edge in terms of cost of registration for a similar kind of registration if, let's say, we think, INR100, would there be differential where our competitor would be at, let's say, INR120 or

INR150? Any color on that would be helpful, sir.





R. V. Bubna: Sir, again, I'm not -- your wordings -- words are not very clear to me. Are you asking whether

the cost of registration for the same product is increasing year-after-year. Is that your question?

Ronak Chheda: No, sir. My question is if the cost of registration for Sharda is, let's say, INR100, would that cost

be similar for our competitors or that cost would be higher or lower for our competitors? Just

want to understand if there is differential or any edge for Sharda?

R. V. Bubna: See, if Sharda has registered a product in 2022, and if our competitor is going to make an effort

in 2024, his cost is going to be definitely higher than what Sharda has incurred in the year 2022.

Have I answered your question correctly?

Ronak Chheda: And sir, if it was the same registration in '22, the cost would be similar for -- to Sharda then?

Because we would have teams sitting in India vessels of competition.

R. V. Bubna: If Sharda registered the same product again this year, then the cost of Sharda is also will be high.

Moderator: Our next question is from the line of Rohan Gupta from Nuvama.

Rohan Gupta: Sir, my question is on our net capex plan. So sir, when in last 2 years, our profitability was

slightly muted, you also slowed down your capex. And now this year, when you are looking at growth coming back to the margins improving, you are again looking at roughly INR425 crores to INR450 crores kind of investment in capex in registration. So sir this investment actually is to drive the growth for the future, right? Because the registration which we will do now, will give us a revenue over the next 2 to 4 to 5 years. So I just wanted to understand your thought process, how do you decide on the capex number? And if we keep on growing in terms of revenues, our investment in new registrations will always keep on going? Or what kind of

percentage you are comfortable in terms of putting this capex for the registration?

R. V. Bubna: Rohan, I think you have not caught up with the figures that I gave to one of our other questioners

ended March '23, it was INR360 crores. But last year, was the highest, even though the business was very bad, but we have ended up spending around INR420 crores in the year ended March

maybe some time back. Our capex in the year ended March '22 was INR415 crores. In the year

'24. And this is not in our hand. It is a continuous process and the registration is not a market deal that we pay and we receive. The registration process is very long. Sometimes it takes me 7,

8 years to register a product.

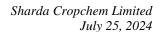
So I cannot stop in between. If I stop then I'll be still much worse off. So it's -- and there are

many things. I mean, totally, it's not a predictable expenditure, because authorities keep on coming with newer and newer requirements, every 3 months or 6 months. You cannot say that

why have you got it now. I have started 3 years back. So things are not in our control. If we want

to grow, we have to keep on spending on the registration, and it cannot be directly linked to the

performance of any particular year.





Rohan Gupta:

Okay. So sir, I was just trying to understand if we link it with the revenue, like how much of your -- 10%, 12%, because now it has gone up to roughly close to 12% to 15% of our revenues or even in terms of EBITDA, almost 50% to 60% of our EBITDA, we are spending on registration. So do we have any particular number in our mind that we will be shift to that number or follow a metric for any future. I mean, that's what I wanted to know.

R. V. Bubna:

Sir my answer is, again, very clear. It is not linked to revenue, and it cannot be linked to revenue. It is a continuous process. And revenues will very, but the registration process cannot be stopped. If I stop, then I have to forgo all the costs that I've incurred on that registration until that day, which is also not very good and advisable.

Rohan Gupta:

Right, sir. Sir, in terms of the pricing scenario, so you have seen that, that definitely there are some of the chemical plants in China are recently shut, but definitely at any opportunity you mentioned, they will come back. So do you see that the pricing scenario in China and of the chemicals which you buy, will it still remain muted for near term or maybe for this year and for next year as well?

R. V. Bubna:

Sir, it will -- it depends on so many factors. So it will take time for the prices to go up because manufacturers are very keen to restart their plants. They do not want to lose the market share that they are having. And then, it's a question of supply and demand. If the supply is in abundance, then the prices cannot go up. Do you understand me?

Rohan Gupta:

Yes, sir. So, I think, the prices may remain, because the supplies are still there. So prices may remain softer only near term.

R. V. Bubna:

But this situation is also very normal. Many people are still suffering and very uncomfortable with the current situation. So these things will definitely have to improve, and they will.

Moderator:

Our next question is from the line of Anuj Sharma from M3 Investments. \\

Anuj Sharma:

Congratulations. Sir, just in terms of the molecules, what could be the contribution of the top 10 molecules to the agri revenues today?

R. V. Bubna:

Yes, sir. The top 10 molecules are contributing about 35% to 40% of our total revenue.

Anuj Sharma:

And sir, the next question is if I look at 5 years ago, how many of these 10 molecules would have been there 5 years ago in our list? So what has been...

R. V. Bubna:

Maybe there were not -- many of them were not there. And what is your name, Mr. Anuj Sharma. See, our top 10 molecules do not remain in the list of top 10 every year. They keep on going in and going out. Some molecules which were in the #2 position, they go down to #8 position and some other molecules, which were at #32 position may come down to #4 position, depending again on the weather, the demands and market situation.



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Anuj Sharma: Yes. Yes, sorry for that. My question -- next question was on the non-agri revenues. How do

you see that segment shaping up in the next 3,5 years? What confidence are you getting in that

business model? And how do you see that improving? Or how do you see that going ahead?

R. V. Bubna: We are very optimistic, and we are hopeful that things will improve. In fact, in the last year,

when the agri business was doing so badly, it was non-agrochemical business, which has been supported us in terms of revenue, margins and profitability. Last year, this non-ag business was

giving much better margins than the agrochemical business, which is depending upon

registrations.

Moderator: Ladies and gentlemen, that was the last question for the day. I now hand the conference over to

management for closing comments.

R. V. Bubna: Well, I thank you, everyone, for joining us for this call. I hope we have been able to answer all

your queries. We look forward to such an interaction in the future. We hope to meet your expectations in the future, too. In case you require any further details, you may contact us or Mr. Deven Dhruva from SGA, our Investor Relationship partners. Thank you so much. Have a nice

day.

Moderator: Thank you. On behalf of Antique Stock Broking, that concludes this conference. Thank you for

joining us and you may now disconnect your lines.