"Sharda Cropchem Limited

Q2 FY'25 Earnings Conference Call"

October 28, 2024

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MANAGEMENT: **MR. R. V. BUBNA – CHAIRMAN AND MANAGING DIRECTOR – SHARDA CROPCHEM LIMITED**
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MODERATOR: **MR. MANISH MAHAWAR – ANTIQUE STOCK BROKING**

Moderator: Ladies and gentlemen, good day, and welcome to Sharda Cropchem Q2 FY '25 Conference Call hosted by Antique Stockbroking. 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 Limited. Thank you, and over to you, sir.

Manish Mahawar: Thank you, Nandini. On behalf of Antique Stock Broking a warm welcome to all the participants on the 2Q FY '25 earnings call of Sharda Cropchem. Today, we have Mr. R.V. Bubna, Chairman and Managing Director; Mr. Shailesh Mehendale, CFO; and Mr. Jetkin Gudhka, Company Secretary 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 you, Mr. Bubna.

R.V. Bubna: Thank you, Mr. Manish. Good afternoon, and very warm welcome to everyone present on the call. Along with me, I have Mr. Shailesh Mehendale, our CFO and Mr. Jetkin Gudhka, Company Secretary; and SGA, our Investor Relations advisers.

Hope you all have received our investor deck by now. For those who have not, you can view them on the stock exchanges and the company's website. As you are aware, we are engaged in marketing and distribution of wide range of agrochemical products, that is herbicides, insecticides, fungicides and biocides, catering to diverse global customer base.

We prepare comprehensive dossiers, seek registration in our own name in all the countries where we intend to market our products. We allocate substantial resources to receive the registrations and thus establish our foothold in the market. Our total product registrations stood at 2,934 as of 30th September 2024. Additionally, 1,034 applications for the product registrations globally are in the pipeline.

For Q2, FY '25, the total revenues have grown by 34% from INR581 crores to INR777 crores with volume growth at 21% year-on-year, mainly through agrochemicals segment with Europe being key contributor. Volumes from agrochemicals grew by 25% year-on-year whereas non-agrochemicals segment degrew by 23% year-on-year.

Gross margins have improved by 250 basis points to 27.6%. For H1 FY '25, the total revenue have grown by 28% from INR1,219 crores to INR1,562 crores with volume growth of approximately 30% year-on-year mainly through agrochemicals segment.

Volumes from agrochemicals grew by 36% year-on-year whereas non-agrochemicals segment degrew by 31% year-on-year. Gross margins are 28.4%, which is substantially higher, mainly due to stock devaluation done in the first half of last year. We expect gross margins to improve in this financial year with the price expected to increase.

The capex of H1 FY '25 stood at INR155 crores as compared to INR217 crores in H1 of FY 2025, and we expect the capex to be in the range of INR400 crores to INR450 crores for the full year.

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

Shailesh Mehendale: Thank you, sir. Good afternoon, everyone. Coming to the quarter 2 FY '25 performance, revenues stood at INR777 crores in Q2 FY '25 versus INR581 crores in Q2 FY '24 with an increase of 34% year-on-year. Coming to the split, agrochemicals business increased by 44% year-on-year to INR634 crores, whereas the non-agrochemical business increased by 2% year-on-year to INR143 crores.

Gross margin stood at 27.6% in quarter 2 FY '25 as against 25.1% in Q2 FY '24, an increase of 250 basis points. EBITDA for the quarter increased by 125% to INR85 crores versus INR38 crores in Q2 FY '24 with EBITDA margin at 10.9%. PAT stood at INR42 crores in quarter 2 FY '25 from loss of INR28 crores in Q2 FY '24.

Coming to the H1 FY '25 performance. Revenues stood at INR1,562 crores in H1 FY '25 versus INR1,219 crores in H1 FY '24 with an increase of 28% year-on-year. Coming to the split, agrochemical business increased by 43% year-on-year to INR1,313 crores, whereas the non-agrochemical business decreased by 18% year-on-year to INR249 crores. Gross margin stood at 28.4% in H1 FY '25 as against 16.5% in H1 FY '24.

EBITDA for the half year period stood at INR173 crores with EBITDA margin at 11.1%. PAT stood at INR70 crores in H1 FY '25 from loss of INR116 crores in H1 FY '24. Working capital days stands at 126 days with an improvement by 32 days as compared to as on 31st March '24. We remain net debt-free company and have cash bank liquid investment of INR656 crores as on 30th September 2024.

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

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

Viraj: Congratulations on good numbers in such a challenging environment. Just a few questions. First, on the agchem business. When you talk about 25% volume growth in Q2, can you give a color of how the industry in major markets where we participate? How has the industry performed versus the volume growth we have seen in those markets? And any perspective in terms of the inventory and the demand environment which is happening?

R.V. Bubna: Mr. Viraj, it is very difficult for us to give a precise comment on the industry as such because we form a small part of the industry, and we do not keep track of how the industry is doing.

Viraj: Sir, but any perspective you can give? have we gained any share in any of those markets or we have grown in line with what broadly the market would have performed?

R.V. Bubna: See, Mr. Shailesh has given you a fairly good idea about how we have grown and what have been the figures. Would you like him to repeat the same once again?

Viraj: No, that is good enough. Sir, second question was, if you see a 25% volume growth and in terms of price also, we have seen a very healthy 20% price increase in agchem business. And this pricing trend, even on a quarter-on-quarter basis, that seems to be sustaining.

So question is, if we look at the gross margin or the spread, we have seen a moderate compared to the normal environment where we used to do 30%, 31% gross margin, we are still at 27%. So have we focused on volume and market share versus profitability or what explains the lower gross margin?

R.V. Bubna: See, as you may be aware, our industry has passed through a very bad phase in the financial year ending March '24, and we have not fully recovered from that big fall that we had in that year. So the prices are -- prices have hit rock bottom in last year. The prices are improving and the rate of improvement is very slow. So we hope that the prices would go up, demand and supply would be able to match, and that will give us an improvement in our gross margins.

Viraj: So in terms of competitive landscape, is there any change in our key markets of NAFTA and Europe?

R.V. Bubna: No, there's not much change.

Viraj: Okay. Just last question. See, in the agchem business, hello?

R.V. Bubna: Yes.

Viraj: See, we did a capex of around INR155 crores in the full year, and we've been talking about INR400 crores to INR450 crores for the full year. Now given that we have seen an improvement in working capital and the cash level, even post this capex, which we'll be doing, we will still be generating a good -- so the cash balance over a period will keep on building up. So any plans for the surplus cash? How do we build it?

R.V. Bubna: No, we keep ourselves prepared for any upsurge in the requirement of the capital in terms of working capital, credit to the customers and also for unexpected sudden increase in the capex for the registration purposes.

Moderator: Sorry to interrupt, sir. Mr. Viraj, may I request you to join the question queue again for follow-up questions.

The next question is from the line of Bhavya Gandhi from Dalal & Broacha Stockbroking.

Bhavya Gandhi: Sir, can you just help me understand because I've heard a lot of Chinese companies have started taking direct registrations in European region. So if you can help us understand, has the competitive landscape changed?

R.V. Bubna: So far, there's not much change at all. And not to our knowledge, maybe very small, the Chinese companies have got the registrations. The process of registration is very cumbersome, time-consuming and requiring high capital requirement. So far, there's not much of an impact of the Chinese companies in the market in European region.

Bhavya Gandhi: No, sir. I mean, compared to last 5 years, have you seen that Chinese people are directly penetrating in Europe? That is what I wanted to understand. I understand the intensity might be low at this point.

R.V. Bubna: They are making efforts. How long will they be successful and how much will they be able to pursue, that has to be seen.

Bhavya Gandhi: Okay. And in the current scenario, because Chinese people are having extra supply, don't we have some pricing power in terms of procurement because already there is excess supply. So are we not able to procure things at a lower cost? In fact, that should have aided our margins, right, gross margins?

R.V. Bubna: Mr. Bhavya Gandhi, we are living in a sort of a technological transparent situation. The prices in China are low, nobody will give a very big margin in Europe. And this is going to improve but the pace of improvement is going to be slow. And at present, the Chinese people have also sold off most of their excess stock and they started producing so there's a fairly good match between the production and the consumption.

Moderator: The next question is from the line of Darshita from Antique Broking.

Darshita: Could we get the region-wise volumes for the agrochemical segment?

R.V. Bubna: One minute, please. See, region-wise volume, in the European region, it is 5,600,000; NAFTA region, it is 2,321,000; Latin America, 793,000; rest of the world, 650,000. Total 9,350,000. Am I clear?

Darshita:: Yes, got it. Could we get the region-wise gross margin?

R.V. Bubna: Yes. The gross margin in European region is 38%; in NAFTA, minus ;1.5% Latin America, 31%; and rest of the world, 38%. Overall, 29.5%. This is for agro.

Darshita: Right. This is for agro. What led to the negative gross margin in the North America region?

R.V. Bubna: Because of the excess stock, which was still left from the previous year and which was purchased at a higher price than the prevailing prices in North America.

Darshita: Okay. But in the last quarter, so in the first quarter FY '25, we did 22% gross margins, and then this quarter is about minus 2-odd percent. So what changed here?

R.V. Bubna: 22% gross margin in NAFTA, I need to check.

Darshita: For FY '25.

R.V. Bubna: I don't have that figure of last year right now in front of me. Give me a few minutes, let me see.

Darshita: Sure, okay. And could we get the volume price and ForEx growth number for overall revenue?

R.V. Bubna: Yes. The volume growth has been approximately 21%. Foreign exchange impact is about 3%. Price and product mix impact is about 10%, and total growth is about 34%.

Darshita: Okay. Could we get the region-wise registration breakup?

R.V. Bubna: Yes, please. Region-wise registrations: Europe, 1,627; Latin America, 757; NAFTA, 303; and rest of the world, 247. Total, 2,934.

Darshita: And I had a question regarding the gross margins. On sequential basis, if we are to see our gross margins have deteriorated on a sequential basis, I think which has led to our margins coming down by about 200-odd bps from first quarter to second quarter, what could be the reason behind this?

R.V. Bubna: Margins have come down.

Darshita: On sequential basis, from first quarter to second quarter. Despite the contribution from Europe region increasing, our margins have come down on first quarter to second quarter basis.

R.V. Bubna: My team is taking a little time to get to those figures. Can we have the next question in the meanwhile?

Moderator: The next question is from the line of Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: Sir, I understand that the competitive edge that our business has versus our competitor is that in the renewal or the reregistration, the cost is much lower than the initial registration as well as the time that is required is getting extended. So we get a pure-play edge in that perspective.

But sir, with climate change and the crop being registered to the older generation of the molecules as well as the toxicity content restrictions by various governments as well as new version of the similar generic molecules that market coming in.

So my question is, sir, how has the cost of renewal as well as the data that we need to provide to the authorities has moved over the past few years because with so much R&D and development going in the new molecules as well as the older molecules being or newer versions coming in. So I wanted to understand on that perspective.

R.V. Bubna: See, the cost of renewal on the older market is not very high. It is mainly most of them are costs and fees and other things. It's only the newer molecules where the research and development is continuously going on and the innovators keep on adding additional data to the registration, which are required to be repeated by any generic who wants to renew their products.

So older product renewal, the costs are not very big and the demand is also going down. Newer products are more effective and more in demand and there the cost of renewal is also going up. Am I clear?

Madhur Rathi: So a follow-up question, sir. So as the older products that we have and edge on and new products considering ourselves as well as some of our competitors, so the time line will be similar for everyone, right? Because the older products are not working or their effectiveness is reducing. So this makes -- so I'm trying to understand, how does this make our business kind of prone to competition going forward?

R.V. Bubna: See, Mr. Rathi, the trends are different from region to region, country to country, and from farmer to farmer. Some farmers feel very comfortable with their older products and they are managing their business also. Some farmers find that the newer products are more effective and more result giving, they're using the newer product. So it's a mixed trend, very difficult to classify why this is happening and this is not happening.

Madhur Rathi: Okay. Sir, I think just sir, like from a different perspective, sir, what I understand going through your previous con call, sir, for our older product...

Madhur Rathi: Yes, sir. Yes, sir. Sir, what I understood is from our previous con calls is that sir, if a product is getting either the formulation is changing or we need to provide some kind of additional data for a newer version of molecule, our cost increases. Is that the understanding correct?

R.V. Bubna: Yes, it is correct.

Madhur Rathi: Sir, won't the renewal process, which is -- which was a lower cost for ourselves, providing us some competitive edge, won't that be affected because of all these new molecules coming in or the similar -- or due to climate change, the molecule is not working effectively?

R.V. Bubna: Sir, your question is not very clear to me. Nobody can generalize these things. It depends from molecule to molecule. You cannot say that the trend is a trend for all the molecules or most of the molecules. Every molecule is an individual product and it has a lot of characteristics, which are not repeated in the other molecule.

Moderator: Mr. Madhur Rathi, may we request that you return to the question queue for follow-up questions as there are several participants waiting for their turn. The next question is from the line of Himanshu Binani from Anand Rathi.

Himanshu Binani: Congratulations on a good set of numbers and happy festive season to the management. So sir, my first question was largely on the outlook for the second half. So as we begin to enter into the second half and which happens to be like meaningful for a company like us, so now how do you see in terms of the region? And maybe if you can like give any expectation from any regions where you are expecting a good growth, which is likely to be there for the second half?

R.V. Bubna: Mr. Binani, we have divided our business only into the 4 regions: Europe, NAFTA, LATAM, and rest of the world. And I feel, in all the 4 regions, the second half is going to give fairly good results, better results compared to the first half. Also because of the cropping pattern, because of the seasonality of the business, the second half is always better than the first half all these years, and this is going to continue in this year.

Himanshu Binani: Got it, sir. And sir, secondly, my question was continuing from the earlier participant's question in terms of the region-wise gross margin. So what I understand is that Europe, we have witnessed somewhere around a 400 basis point improvement on a Y-o-Y basis, while on the Latin American market as well as into the rest of the world region also, we have like declined. And sir, maybe if you can like give a reason basically in terms of how to actually look into the margin profile going ahead also and the reasons basically for declining?

R.V. Bubna: See, I'll tell you, I have the results of the first quarter and the second quarter together. In the European region, the gross margins have improved from 35.5% to 37.6%. NAFTA, the gross margins have gone down from 22.3% to minus 1.7%. This is mainly because of some stocks had to be devalued and prices have not picked up.

Latin America, it is more or less steady from 32.4% to 31.3%. And rest of the world is also more or less steady but slight improvement from 37.7% to 38.2%. So there's not much change in all the other 3 regions, except NAFTA. And NAFTA is only because of some specific situations and coincidences. It is not -- it cannot be termed as a trend, and NAFTA will also improve in the second half.

Himanshu Binani: So sir, this decline in the NAFTA region has got to do with any major decline in any particular product or something?

R.V. Bubna: I feel it is due to some products but not a trend.

Himanshu Binani: So the inventory overhang, that remains or that is like largely over? And is it more of a product-specific problem than that of the overall market?

R.V. Bubna: It is a product-specific problem. The inventory is more or less over.

Moderator: The next question is from the line of Pradeep Rawat from Yogya Capital.

Pradeep Rawat: So I have some basic question, so I just wanted to understand more about our conveyor belt business. So we procure the belts from our supplier and sell it to our customers. So is that understanding correct?

R.V. Bubna: Yes, it's correct for all the products in the business. We don't manufacture neither the agrochemicals nor non-agrochemicals. We procure and supply.

Pradeep Rawat: Yes. So in agrochemicals, we do provide a value by having those registrations. So in belt business, what kind of value do we create in the value chain? So why doesn't our customer buy directly from our suppliers?

R.V. Bubna: Mr. Rawat, in everywhere, that possibility is there that the customer can buy from the supplier source. But many -- I mean, most of the time does not happen. You do require a service provider between that source and the consumption. And as a service provider, we give a good service to the customers, service in terms of quality check and also timely delivery, which if it does not happen, then the consumer goes directly to the supplier.

Pradeep Rawat: Okay. And what kind of margins do we have in this segment?

R.V. Bubna: We have margins of about 15% to maybe 20% in this segment also.

Pradeep Rawat: 20% gross margins?

R.V. Bubna: Yes. Gross margin is 20%. This is gross. Yes, Mr. Rawat, 20% gross margin overall. But in Europe, it is 22.7%; NAFTA is 20.1%; LATAM, 17%; and rest of the world, 20%. So more or less on an average, 20.5%.

Pradeep Rawat: Okay, understood. And my next question is so we do procure agrochemical from some Chinese player or Indian player. So do we require those supplier's facilities to be vetted by regulatory authorities?

R.V. Bubna: No. The regulatory authorities only approve product, not the source. But there is a restriction. We have to declare the source to the registration authorities and also provide a document from the source that they will support us and supply that product to us. And once we receive the registration, there's a binding on us that we can source the product only from that source. We cannot go to any other source.

Pradeep Rawat: So we can empanel more than one source for a particular registration?

R.V. Bubna: Yes, sir. I was about to come to that. We can add an additional source after having registered our product through first source. We can add 2, 3, 4 additional sources, which help us to derisk our business and maintain the competitiveness from the sources.

Pradeep Rawat: Yes. And sir, can you also highlight on the contribution in revenue from products launched in last 5 years?

R.V. Bubna: No, that is very difficult because, again, we are not bound to the products which are registered 5 years or 6 years or 3 years. We go by availability of the market supply and our margins. If we find that for some products, there is excess supply, margins are shrank, we don't sell that product irrespective of when it was registered.

Pradeep Rawat: Yes. So I just wanted to understand that if we do a registration today, would it be able to generate revenue post 5 years or 10 years down the line in a similar manner that it is generating in today's terms?

R.V. Bubna: No, sir. No, sir. That does not happen. Because if I'm registering a product today, the number of competitors will be very few, maybe only the innovator or 1 or 2. But over a period of 10 years, there are always -- it's a reality that at least 2, 3, 4 more competitors come in. So when the competition is more, the margins are hitting and the prices are also pretty competitive.

Moderator: The next question is from the line of Rohit Nagraj from Centrum Broking.

Rohit Nagraj: Congrats on good set of numbers. Sir, first thing is on the pesticides pricing. So what is your understanding in the recent months? Have the prices across the board stabilized and now improving on a case-to-case basis or they are still at lower levels itself?

R.V. Bubna: Mr. Nagraj, all the 3 words you said are applicable. One is that the prices -- the downtrend of the prices have gone away. And secondly, the prices are improving and the margins are also improving. What was the third one? There's a stability in the market.

Rohit Nagraj: Right, fair enough. Sir, second question is, particularly in case of Europe, how has been the change or increase in registration costs over the last 5 years for newer molecules? I mean, has it gone up significantly? What is your understanding of the same when we are registering the new products?

R.V. Bubna: See, first of all, there's no molecule which is our molecule but it's a trend. The cost of manpower, cost of taste, and all the things are going up year after year. So the cost of registrations is also going up. Secondly, the innovators find out a lot of other new techniques, new facts about the products and impurities and their effect on environment, human being and other things. All those improvements in the technology adds to the cost.

And a new registrant, if we had to go through 5 steps and if the 2 more steps have been developed since then, then the new registrant has to go through all the 7 steps from the day 1. So their costs are definitely higher and that makes it very uninteresting for the new persons to come when they find that the costs are so high.

Rohit Nagraj: Right. And just one last question, if I may ask. In terms of the high-cost inventory across geographies, have we completely now utilized and probably the low-cost raw material has now started coming with us, and incrementally, that is the positivity from the gross margin perspective?

R.V. Bubna: Whatever you have said is absolutely true. The high-cost inventory has been sold off and we started procuring and we are selling at new prices and new costs.

Moderator: Yes, sir. The next question is from the line of Ronak Chheda from Awriga Capital.

Ronak Chheda: Yes, sir. Sir, I had 2 questions. One question was on the LATAM market. So just wanted to get a sense from you in terms of demand since from September onwards, the crop season is going on. So how has been the market demand for us, especially in LATAM region?

R.V. Bubna: It is gradually growing. But again, there are still -- most of the LATAM countries have huge economic problems. The currencies are depreciating and a lot of financial and commercial problems in those countries. That is affecting the business. People are not able to pay on time. And in many countries, the governments are restricting them to buy only on a longer credit and even the governments do not permit them, give them liberty to pay after the due dates. So a little bit of a complication on this front in the LATAM countries.

Ronak Chheda: Got it. And you said demand is still intact. That is what you're seeing, sir?

R.V. Bubna: Demand is, it's difficult to say it's still intact when they are not able to buy, then the demand has no connectivity with us.

Ronak Chheda: Got it. And sir, just wanted to check on the supply concentration, do we have some number of what would be our total supply from, let's say, top 5 suppliers from China or top 10? If you have that number handy, that would be great, sir.

R.V. Bubna: What did you say about supply? What are the possibilities for us?

Ronak Chheda: Sorry, I'll repeat myself. Sir, what percentage of our procurement from China would be from top 5 players or top 10 players if you have that number, sir? Just wanted to check the feasibility for suppliers.

R.V. Bubna: But we are buying from the most good quality and good manufacturing standard companies. And whether they are top or not, it is difficult to say for us.

Ronak Chheda: No, no, sir. In our concentration, would it be, let's say, 30% of our buying would be from, let's say, top 5 players or 5 players, large players from China? Would that be a reasonable number?

R.V. Bubna: I would say 80% of our procurements are from the top 20 suppliers.

Moderator: The next question is from the line of Raman K.V. from Sequent Investments.

Raman KV: Sir, I just want to know the guidance for the -- with respect to the next quarter as well as for FY '25.

Shailesh Mehendale: You are talking about guidance for revenue as well as EBITDA?

Raman KV: Yes. Yes, sir.

Shailesh Mehendale: As informed in the past, also in our earlier calls, we will continue to have a revenue band between 15% to 18% and EBITDA band between 15% to 18% for the financial year '24, '25.

Raman KV: Okay. And EBITDA margin also, you're planning to maintain near 15% to 18%?

Shailesh Mehendale: Yes. Slightly more only but the band will be 15% to 18%, both revenue as well as EBITDA.

Raman KV: And what about the volume growth, sir?

Shailesh Mehendale: Yes. So I think we'll be more or less same range on the volume side also.

Raman KV: 15% to 18%?

Shailesh Mehendale: Yes.

Raman KV: Okay. So usually, the second half of the year is much better in terms of the business. So are we able to see any demand growth in the past 1 month? Like is the demand growth visible?

R.V. Bubna: Demand is slowly growing.

Raman KV: Okay. It's slowly growing but not as much as it was anticipated?

R.V. Bubna: No, this is the trend. I wouldn't say it's not as much. In the normal way that demand starts growing in the month of September, October, and they reach up to the top by January, February.

Moderator: The next question is from the line of Manish Shah, an individual investor.

Manish Shah: Sir, my question was regarding the vendors we purchased from China. Of the total agrochemicals, what is the percentage we purchased from China?

R.V. Bubna: I would say more than 90%.

Manish Shah: And sir, what are the -- what is the size of those players because one of the previous participants asked that they can go directly. You told that the cost and other things are very high burden. So what are the sizes of those players so that they can't compete on those parameters?

R.V. Bubna: Mr. Manish, you have covered on one very important factor in agrochemical business. That is the registration of the products. So when we register a product, we are restricted to buy only from the source which we have registered. I cannot buy from anybody else. Similarly, any of my competitors cannot buy from the same manufacturer if it's not registered. You understand me?

Manish Shah: Yes, yes. Sir, I got your point, but I just wanted to ask the size of the players from which we purchase from China. Approximately what are the sizes?

R.V. Bubna: What do you call a size? You tell me sizes and I'll pick up.

Manish Shah: Like $100 million, $200 million, $300 million company?

R.V. Bubna: There are many. Many $100 million, $200 million, $300 million companies.

Manish Shah: What is the biggest one from which we purchase?

R.V. Bubna: Maybe a few billions.

Manish Shah: A few billion dollars. That means their size is quite big?

R.V. Bubna: Very big.

Manish Shah: Still people are purchasing from us and not directly from them, and those people are not directly going to the developed countries. So I think that question isirrelevant in that they can go directly or not, right?

R.V. Bubna: Yes, sir, it's not a free play here. The players are very restricted. And a manufacturer cannot go to any supplier unless the supplier is registered by him registration, consumer and the consumers don't register the product themselves.

Manish Shah: Yes. Sir, another question was that, sir, from the next 3 to 5 years of horizon, where do you see Sharda Cropchem, sir?

R.V. Bubna: We think that we'll keep on growing at the same pace that we have grown in the last 5 years.

Manish Shah: And sir, this margin destruction which happened last year, I think that is gone now for -- that will not come back for at least for the next 1 to 2 years?

R.V. Bubna: It has gone forever. Last year's situation has been witnessed by us for the first time in our lifetime in the last 35 years. It was not there so bad in the last 35 years and it cannot remain that for very long.

Manish Shah: Yes, sir, in the last con call, you have told that a lot of suppliers have closed themselves off, and only thing is that the prices can go up from here. So do you think in the next calendar year, there might be some increase in the prices?

R.V. Bubna: There would be some increase in the prices.

Manish Shah: That might be possible that it may sustain for the next 1 year or so?

R.V. Bubna: I'm using the word might be. There will be an increase in the prices, and there will be an increase in the margins.

Moderator: Sorry to interrupt, sir. Mr. Manish, may I request you to rejoin the question queue for the follow-up questions? The next question is from the line of Manish Mahawar from Antique Stock Broking.

Manish Mahawar: Just 2 questions. One, in terms of depreciation, if you look at first half depreciation on a Y-o-Y basis, it is lower, right? So just how do you see the numbers for this year as a depreciation?

R.V. Bubna: Sir, I don't think we have studied that from that aspect. Depreciation is normal. Our depreciation policy is to depreciate all our expenditures over a period of 5 years. And our expenditure in the last 3, 4, 5 years has been in the range of INR400 crores to INR500 crores. So depreciation will also be in the same range.

Manish Mahawar: Okay. But first half, there is no changes in terms of depreciation because depreciation ideally has to go because we have capitalized around INR155-odd crores of amount during the first half.

R.V. Bubna: Sir, our depreciation will start after we receive the registration. So if we have realized some registrations in this period, the depreciation will start from the next quarter onwards.

Manish Mahawar: Okay, understood. So basically, the second half run rate should ideally inch up, right?

R.V. Bubna: Yes. Let Mr. Mehendale explain to you.

Shailesh Mehendale: So Mr. Manish, you can look at our annual amortization or depreciation pattern and accordingly look at the overall depreciation charge. So first, you will find more or less same amortization in the H2 also.

Manish Mahawar: Okay. Okay, understood. And secondly, sir, I think you guided for this year top line growth of around 15% to 18% on a Y-o-Y basis, right, for FY '25. That's right?

R.V. Bubna: Yes.

Manish Mahawar: If you look at the first half run rate, right, so it seems like second half will be a bit muted you're guiding, but guidance is conservative or you are may be cautious?

Shailesh Mehendale: Yes. So Mr. Manish, I have explained to you that we will achieve much more than this. Our guidance is conservative between the band of both EBITDA as well as top line of 15% to 18%, but we will achieve more than that.

R.V. Bubna: To answer your question in and your words, Manish, we are cautious.

Moderator: The next question is from the line of Vivek Rathi, an individual investor.

Vivek Rathi: Okay. So just wanted to check if the registration process, we are mostly companies in China, which are registered. Sir, don't we look at any other place like India? And the second question is, this registration, once we do, how long does it last? I mean, how long we are eligible to continue with us?

R.V. Bubna: See, first of all, let me explain to you. The manufacturers don't register their products in the foreign countries. Very rarely, the manufacturers concentrate on manufacturing in the best possible way and most good quality and other things. They do not spare their capital for registration purposes. Secondly, what was your next question, sir? I forgot.

Vivek Rathi: Second question was how long this registration process -- I mean, the timing once we have registered, how long we are eligible for launch?

R.V. Bubna: The products are having a shelf life of 5 years normally. Some products may be for 4 years, 3 years and some products may be for 7 years. After that process, that period, the registration has to be renewed. And the renewal process can be also simple or it may involve some time and some additional cost. But you are allowed to market your product even when the registrations are being renewed. The registration -- I mean, the marketing is not stopped when the registration has stopped.

Moderator: That was the last question. I would now like to hand the conference over to management for the closing comments.

R.V. Bubna: Thank you, everyone, for joining us. I hope we have been able to answer all your queries. We look forward to such interactions 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 of SGA, our Investor Relations partner. Happy Diwali and happy festivities to all. Thank you once again.

Moderator: Thank you. On behalf of Antique Stockbroking, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.