"Sharda Cropchem Limited Q2 FY 2016 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good morning and welcome to the Sharda Cropchem Q2 FY 2016 Earnings Conference Call, hosted by Ambit Capital Private Limited. As a reminder, all participant lines will be in the listen-only mode. 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 "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ritesh Gupta from Ambit Capital. Thank you and over to you Mr. Sir!

Ritesh Gupta: Thanks. Good morning everyone. I welcome you all on behalf of Ambit Capital. We have with us Sharda Cropchem's management team led by Mr. R. V Bubna, Chairman & Managing Director and Mr. Gautam Arora, CFO of the Company. I hand over the call now to Mr. Bubna for his initial comments and then probably we can start the Q&A. Thank you and over to you Sir.

Ramprakash V Bubna: Thank you very much, Ritesh. Good day ladies and gentlemen. Greetings and a very warm welcome to everyone present here for the earning call for Sharda Cropchem Limited for the second quarter of the financial year 2015-2016. Today, Sharda Cropchem Management is represented by myself, Ramprakash Bubna, Chairman and Managing Director and Mr. Gautam Arora, Chief Financial Officer.

Let me give you a quick overview on our company and then Mr. Gautam will discuss the key financial highlights. We are a global crop protection chemical company engaged in marketing and distribution of wide range of formulated and active agrochemical products. We are also involved in order-based procurement and supplier of conveyor belts, general chemicals, dyes and dye intermediates. We operate an asset light business model.

Our core competency is in registrations and we have amassed an extensive library of dossiers and registrations. We own about 1,543 registrations as on September 30, 2015 across Europe, Latin America, and Rest of the World, operating across fungicides, herbicides, insecticides and biocides. We added 134 registrations during the first half of the current fiscal year and during this particular quarter we added 55 registrations.

We have another 773 registrations in the pipeline across geographies. We shall continue to remain focussed on the identification and registration of potential molecules that are in strong demand. Our key advantage is our wide geographical presence in more than 76 countries with an established global marketing and distribution network. We have more than 605 third party distributors and over 109 direct sales force.

We have superior sourcing capabilities with an established access to the cost competitive manufacturers in China and India. We are well diversified in terms of our product portfolio which reduces the risk of adverse market conditions. So with this, I will now hand over the call to Mr. Gautam for providing the financial highlights. Thank you very much.

Gautam Arora: Thank you Sir. We are here to discuss our Q2 and H1 financial year 2015-2016 consolidated financial results of the company. As usual, I will take you through the performance numbers with some details and then we can take your questions.

On the revenues, the revenue from sales for the second quarter ended September 30, 2015 decreased by 11% to Rs.2,063 million as against Rs.2,663 million in the same quarter last year. During the quarter volumes grew by 6% and this was partially offset due to unfavorable currency movements leading to a decline of 4% and largely due to an unfavorable product and price mix; however, the geographical mix was favorable and the overall impact of product, price and geographical mix on the revenues is negative 13%.

Revenue from sales for the six-month period ended September 30, 2015 decreased by 4% to Rs.5,153 million from Rs.5,367 million in the corresponding six-month period of the previous year. During the first half volumes grew by 10% and this was partially offset due to unfavorable currency movements leading to a decline of 5% and largely due to an unfavorable product and price mix; however, the geographical mix was favorable. The overall impact of product, price and geographical mix on the revenues during the six-month period is negative 9%.

On the gross margins, the gross profit for the second quarter ended September 30, 2015 decreased by 7% to Rs.796 million as against Rs.852 million in the same quarter last year and gross profit for the six month period ended September 30, 2015 also decreased by 7% to Rs.1,703 million as against Rs.1,831 million in the same period last year.

Gross margins as a percentage of total income from operations for the second quarter ended September 30, 2015 at 33.54% was higher as compared with 31.94% in the second quarter of the previous financial year. The increase was 160-basis points. The improvement in margins during the quarter is primarily due to strategic effort by the company to take a calculated exposure to the Latin American continent, which has been reeling under challenging economic environment. It is pertinent to note that the weak Euro did partially offset the gains in margins during the quarter.

Gross margins and a percentage of total income from operations for the six months period ended September 30, 2015 at 32.97% was lower as compared to 34.04% in the six months period ended September 30, 2014. This is again contributed by depreciation of the Euro against the dollar; unfavorable product and price mix during the period. However, the favorable geographical mix as stated before in the second quarter helped lower the impact of pressure on margins.

On the operating EBITDA adjusted for foreign exchange gains and losses, the operating EBITDA after eliminating foreign exchange gains and losses for the second quarter ended September 30, 2015 decreased by 15% to Rs.393 million from Rs.462 million in the same quarter last year. The operating EBITDA after elimination of foreign exchange gains and losses for the six-month period ended September 30, 2015 decreased by 16% to Rs.904 million from Rs.1,076 million in the same period last year.

Operating EBITDA margins after elimination of foreign exchange gains and losses in the second quarter ended September 30, 2015 at 16.58% was lower as compared to 17.32% in the second quarter of the previous financial year primarily due to lower revenue base and stable fixed cost and operating EBITDA margins after elimination of foreign exchange gains and losses in the six month period ended September 30, 2015 at 17.50% was significantly lower as compared to 20.01% in the same period of the previous financial year again due to lower revenue base and stable fixed cost.

On depreciation and amortization, depreciation and amortization expense in the first six months of the financial year increased to Rs.165 million from Rs.112 million primarily due to recognition of data compensation cost of Rs.25 million in the first quarter of the financial year over that estimated pursuant to negotiation and finalization of such cost during the said quarters. These costs pertain to certain product registrations, which was capitalized in the past on an estimated basis and was fully amortized in the books of the company as on March 31, 2015.

On PAT margins, the company's PAT for the second quarter ended September 30, 2015 decreased by 9% to Rs.242 million from Rs.265 million in the same quarter last year and the company's PAT for the first six months ended September 30, 2015 decreased by 13% to Rs.602 million from Rs.696 million in the same period last year.

PAT margins as a percentage of total income from operations in the second quarter ended September 30, 2015 at 10.21% was higher as compared to 9.94% in the second quarter of the previous financial year; however, PAT margin as a percentage of total income from operations for the first six months ended September 30, 2015 at 11.66% was lower as compared to 12.95% in the same period last year.

In terms of segment wise break up of sales revenue the segment wise breakup of revenues between agrochemicals and non-agrochemicals is as follows. In the second quarter ended September 30, 2015, agrochemical sales contributed 81% and non-agrochemical sales contributed 19% respectively to the total sales revenue. The corresponding figures in the second quarter of the previous financial year was almost similar.

Further for the six month period ended September 30, 2015 agrochemical sales contributed 83% and non-agrochemical sales contributed 17% respectively to the total sales revenue and the corresponding figures for the previous financial year was 82% and 18% respectively. The region wise breakup of sales revenue of agrochemicals is as follows: In the second quarter ended September 30, 2015 Europe contributed 48%, NAFTA 18%, LATAM 18%, and Rest of the World 16% respectively to the total agrochemical sales revenue. The corresponding figures for the second quarter of the previous financial year were Europe 47%, NAFTA 16%, LATAM 24% and Rest of the World 13% respectively.

Similarly in the first six months ended September 30, 2015 Europe contributed 47%, NAFTA 25%, LATAM 15%, and Rest of the World 13% respectively to the total sales revenue in agrochemicals and the corresponding figures for the six month period of the previous financial year were Europe 48%, NAFTA 19%, LATAM 21% and Rest of the World 12% respectively.

As you are all aware that the business of the company is seasonal in nature, the second quarter of the financial year usually contributes the third best to the sales revenue of the company. Now I leave the discussion open for questions from the audience. Thank you all.

Moderator: Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Siddharth Bhattacharya from Suyash Advisors. Please go ahead.

Siddharth Bhattacharya: Sir, I had a couple of questions. If I look at the first half numbers last year and this year, I can see that the geographical mix has changed dramatically for both LATAM and NAFTA. So for example for NAFTA it has gone up by 5% and equal number of percentage points has gone down for LATAM. If I look at our price, product, and region mix impact that has been close to negative 9%. So I was just trying to sort of get a correlation between these two factors if you could help me understand this well. Have there been products that you have been forced to sort of move out of because of the change in geography and sort of launched newer products, but with lesser pricing in the newer geographies. So if you could help me understand this better?

Gautam Arora: Siddharth, you see the decline in Latin American sales is basically a favorable geographical mix for the company. That is because of the challenging economic environment in terms of their currencies being badly muted against the US dollar we have strategically decided to curtail our exposure to that particular continent and the sales to the US, Canada and Mexico which is NAFTA have improved considerably. Now it is pertinent to note that the business of the company in the first half of the calendar year is largely focused on the northern hemispheres and in the second half of the calendar year is largely focused on the southern hemisphere. So there is bound to be a price and a product mix difference in sales, which typically happens in the second quarter of the financial year, which is July to September. So, if you see it is a mix of both product and price mix which has negatively impacted us for our sales in may be in Mexico because sales have gone up in Mexico during this period and sales have gone up somewhat in the US during this period, and therefore there is a product and price mix, negative variance out there whereas by virtue of geographical mix there has been a positive variance. So the net impact is negative 9.3% in terms of the overall price in the regional mix.

Siddharth Bhattacharya: The second question I have is we have sort of guidance for volume growth of close to 15% to 20% I see that we have done 10% in terms of volume growth for the first half, so do you retain that guidance that we have given in terms of volume growth. How do you see that?

Ramprakash V Bubna: The volume growth for the second quarter has been overall about 6.5%-odd and for agrochemicals it is 8% plus. So volume growth has been maintained but this has not followed with the matching figures of revenue growth and this is all because of the devaluation of the currencies of most of the countries that are buying from us and this devaluation is against US dollar. Our invoicing is in US Dollar except in European Union where we are invoicing it in Euro, so it is because of this factor that the revenue growth has gone down.

Siddharth Bhattacharya: I see that the currency impact over here is negative 4%. The bigger impact is coming through the price product in the region for the quarter of around close to negative 13%, so I just….

Ramprakash V Bubna: The price product is direct impact of the exchange rate on per kilo of the product. If I was selling something in Argentina for x dollars, today the customer is not able to afford the same x dollars because he is paying about 2x in terms of his own currency. So he tries to reduce the price and this is the impact of the price and product mix, which is in addition to the exchange rate. If he was buying something from me at $8 last year, he will try to reduce the price to $6 because he cannot afford $8 in his own currency.

Siddharth Bhattacharya: Thank you so much.

Moderator: Thank you. The next question is from the line of Ritesh Poladia from Girik Capital. Please go ahead.

Ritesh Poladia: Thank you Sir. Sir, my question is again on volume growth. Sir, FY 2015 if I am not wrong we used to clock something like 12% to 15% volume growth. This quarter it is down to 6%, you have given that explanation also that for agrochemical it is about 8%. Sir, despite regional mix getting favorable don't you think this volume growth is quite low?

Ramprakash V Bubna: It is low and as we have explained the purchasing capacities of the distributors and the farmers in every country have got reduced again because of the adverse foreign exchange. Their own currencies they are required to pay up to the extent of 50% to 100% more price if we maintain the same price in dollar. They try to reduce the price as well as the quantity and that has affected the volume growth Sir.

Ritesh Poladia: Sir that would be quite right for the Latin America but even in the NAFTA also that is the thing or is the growth quite in the NAFTA countries?

Ramprakash V Bubna: No NAFTA countries the growth is about 8.34% but NAFTA countries include Canada and Mexico and Canadian dollar has depreciated by 22% compared to the same period last year and Mexican currency has depreciated by even more may be about 30% to 35%. So that has affected our volume growth Sir.

Ritesh Poladia: Gross profit margin going up that is mainly because of the regional mix getting favorable.

Ramprakash V Bubna: Exactly.

Ritesh Poladia: Sir last question is on in last two years whatever registrations we have commercialized what would be the revenue out of that. Do we maintain such kind of an index?

Ramprakash V Bubna: Most of the volume growth is coming mainly because of the registrations for agrochemicals.

Ritesh Poladia: Receivables going down we have numbers of March and September so is that because of the seasonal impact or it is because of that Latin America going down?

Ramprakash V Bubna: It is seasonal.

Ritesh Poladia: It is seasonal. So again by year-end we can expect the inch-up in the receivables.

Ramprakash V Bubna: Yes.

Ritesh Poladia: That is all from my side. Thank you Sir.

Moderator: Thank you. The next question is from the line of Chetan Thakkar from ASK Investments. Please go ahead.

Chetan Thakkar: Good morning Sir. Sir I just wanted the numbers on trade receivables on a consolidated basis if you could share that if you have that number for H1 this year and H1 of last year?

Gautam Arora: Chetan I do not have it readily available give me some time I will share it with you offline.

Chetan Thakkar: That is about it. Thank you so much.

Moderator: Thank you. The next question is from the line of Ravi Nardi an individual investor. Please go ahead.

Ravi Nardi: Sir sorry I have joined late but if anyone asked the question it may be repeat. The income tax was 28.5% in last September 2014 and it is now 32.34%. So what is the reason of pricing the tax liability?

Gautam Arora: Ravi can you please repeat your question. We did not understand your question.

Ravi Nardi: Income tax was 28.5% in last September 2014 quarter half year.

Gautam Arora: Sorry what was 26.5%?

Ravi Nardi: 28.47% income tax rate now it is 32.34. So what is the why the reasons of rising by 5%?

Ramprakash V Bubna: The effective tax rate, the only thing that we can off hand guess is that may be last year the volume on our subsidiary in Dubai that have been higher where there is no tax liability and this year the proportion of sales via Dubai might have been lesser. We have not looked into that but we can check up and then reply to you later on.

Ravi Nardi: Second Sir in spite of 9.36 Crores loss of currency in last September 2014 your profit was 26.52 Crores in September 2014 while in September 2015 currency loss is only 56 lakhs but your profit has gone down 24.21 Crores it means down by 10 Crores at least?

Gautam Arora: Yes but then Ravi you see the turnover also has come down by about.

Ravi Nardi: The turnover has come down only by 10% but profitability has gone down by 33%.

Gautam Arora: No I think there is some flaw here. If you look at PAT margin as a percentage of sales you have to compare it in terms of margins. You cannot compare them in absolute terms. So if you compare in absolute terms then there is a reduction of around 30 Crores in terms of my turnover also. So obviously the PAT will also come down.

Ravi Nardi: You think here the company has going tired day-by-day by in volume term?

Gautam Arora: Going what.

Ravi Nardi: Company is going tired day-by-day.

Gautam Arora: Why do you use the word tired.

Ravi Nardi: Because the turnover is getting down every quarter by quarter so we are using that word because just we want.

Gautam Arora: I think Mr. Bubna explained in the beginning of the call probably you missed what he said. So If you were here on the call, then you would not have used such a strong word tired in a corporate conference call like this. So I will let Mr. Bubna only explain to you once again for your benefit.

Ramprakash V Bubna: Mr. Ravi, our volumes have increased by about 6.5%-odd and the revenue has gone down as I explained mainly because of the cross currency exchange rate. The exchange rates of many of our important customer countries have depreciated up to the extent of 100% or 150%. So that has got a pressure on the prices.

Ravi Nardi: Sir, Can you convert this turnover wherever you are exporting to US dollar or it is not possible. If your currency is going down in such a way you can bill in the US dollar or is it.

Ramprakash V Bubna: We have been billing in the US dollars only but the customers and distributors are not able to afford the same price in US dollars because that means it is sometimes even more than two times in their local currencies.

Ravi Nardi: Sir sorry I have used word tired but the company's turnover getting day by day down so that is why I have used hard word and I am sorry if you are unpleased by this.

Ramprakash V Bubna: As we have explained the revenues have gone down but the volumes have increased in both the quarters. You are very well aware that Euro was around Rs.81, 82 to a Euro last year and this year has been around 70, 71.

Ravi Nardi: Euro and US dollar ratio has been changed.

Ramprakash V Bubna: I can understand thank you.

Moderator: Thank you. The next question is from the line of Ram Hegde from Amansa Capital. Please go ahead.

Ram Hegde: Good morning Sir. Is it possible to split the volume growth of 8% for agchem region wise for the first half if you can just give a sense of which were the regions where you did okay and where did you really take the volume cuts?

Gautam Arora: Once again. I have the Q2 figures. For Q2 the volume has grown up by about 34.4% in the European region. It has gone down by 34% in LATAM America. NAFTA region it has gone up by 8.34% and rest of the world it has gone up by 25.72%. So overall for agrochemical it has gone up by 8.18%.

Ram Hegde: Quick arithmetic I am just thinking it 50% of your revenue roughly 47 or whatever was up 34% did I hear correct EU is up 34% in volume term?

Gautam Arora: Yes.

Ram Hegde: Second is when you say that your price mix would have a negative 13% or whatever. So it is fair to assume that this was whatever price discounts you have to give out or the hit that you have to take on pricing to get the business?

Ramprakash V Bubna: I would not say that I have not subscribed the word discount but the prices have gone down because of the adverse exchange rates reaction and secondly the pries are if I am selling at the same price say in European Union in terms of US dollars it is much lesser than what it was last year.

Ram Hegde: That is because the input prices are down.

Ramprakash V Bubna: Because of the exchange rate, if somebody is buying from me in 10 Euros which would have meant about $13.8 for me last year and the same 10 Euros is giving me about $11 this year. So that is the big difference.

Gautam Arora: Also Ram there will also be a product mix gap because it is not necessary that during the second quarter of the financial year you will be selling the same high value product that you are selling which were there during the season. Okay it is the increase in volume coupled with the flat percentage of Europe to sales is largely due to change in the product mix also.

Ram Hegde: Just intuitively because I presume that EU region the price points would be higher than let us say LATAM or whatever in terms of your absolute volumes on an annual basis what is the volume percentage which goes to EU region on an annual basis?

Gautam Arora: We have not done that exercise Ram. We only started comparing the volume variances only for the last six months or so.

Ram Hegde: Last question from my side was really on the CWIP. You have roughly I think intangibles under development of around 160 odd Crores. Is it possible to get a sense of what percentage of this would get capitalized here I mean is there some on that?

Ramprakash V Bubna: Ram, this is a very difficult answer because in the registration there is no fixed plan timeline. The timeline is very much uncertain. If we assume that the registration will come in three years sometimes it comes after six years and the authorities in the government do not give us a fixed timeline that we will get the registration after so much of period of submitting our applications. So this is absolutely unpredictable Mr. Ram.

Ram Hegde: But Sir you would have a sense of the ageing profile of your submissions, which have been done. So assuming let us say.

Moderator: Thank you. The next question is from the line of Chetan Thakkar from ASK Investments. Please go ahead.

Chetan Thakkar: Just a small clarification. Sir you mentioned that the Europe volume has grown by 34% and the currency YoY is now 16%. So the 1% minus which has come for this particular quarter the rest is mixed in price right?

Ramprakash V Bubna: Currency is not 16%.

Chetan Thakkar: Compared to the last year Sir.

Ramprakash V Bubna: 81 and 72.

Chetan Thakkar: Sir we have 72 in AP and around 10% odd goes off there and I have 34% of YoY volume growth which you mentioned and overall for the quarter we have a negative 1% for Europe. So the rest is basically price and mix is that correct which explains this minus 1% eventually.

Gautam Arora: Chetan sorry can you please repeat the question again I am just.

Chetan Thakkar: Sir the volume growth Bubna Ji just mentioned is 34% YoY in Europe.

Ramprakash V Bubna: Not YoY this is for the second quarter YoY?

Chetan Thakkar: Second quarter YoY. So if I were to look at that and my currency is down 10% YoY second quarter and for the percentages that you have reported for this quarter if I calculate Europe is down in rupee term by 1%. So the differential that remains is basically price and mix is that correct? I have a 34% plus on volume -10% on currency leaves me with 24% for the year YoY in Q2 I have -1. So rest 25% can be because of mix and price?

Gautam Arora: In Europe yes, because the July to September quarter is not the key quarter for the European continent.

Chetan Thakkar: So that assumption is right this 25% is price.

Gautam Arora: Yes.

Chetan Thakkar: That is about it. Thank you so much.

Moderator: Thank you. The next question is from the line of Ram Hegde from Amansa Capital. Please go ahead.

Ram Hegde: Sir just continuing to what I was asking. How many filings do we do per annum and how has that got built up over the year and is there some sort of a ageing profile of how many let us say registrations of pending approval three years back?

Gautam Arora: We are not doing any ageing profile for the registration applications and all we can say is that as on September 30 we have 773 applications, which are pending, and this process is going on very aggressively and as per our planning.

Ram Hegde: Sir could you help me understand what the amortization policy on the registration is once they are capitalized I mean how does it work?

Ramprakash V Bubna: Once we receive the registration then the amount spent on that registration is capitalized on the date we receive the registration and after having capitalized it is amortized over a period of five years at a rate of 20% straight-line.

Ram Hegde: Thank you very much Sir.

Moderator: Thank you. The next question is from the line of Karthikeyan from Suyash Advisors. Please go ahead.

Karthikeyan: Good morning gentlemen. Sir given the way the demand conditions are you able to negotiate better prices within China and would you be able to move the purchasing currency. So that you are not affected so much in terms of your economics your thoughts on this please?

Ramprakash V Bubna: There is a slight improvement in the prices in China. So we are able to get some few percentage of advantage in the sourcing pattern in China.

Karthikeyan: Can you change your currency mix Sir in terms of your sourcing?

Gautam Arora: No normally the sourcing in China is in US dollars. Some suppliers after lot of pursuance can accept sourcing currency to Euros but no other currencies and even that they want to use a very favorable exchange rate to their advantage. That is all.

Karthikeyan: A related question would be Sir have you had to rationalise your overall product portfolio given this stress you are seeing on the demand side or is it that it is purely a seasonal thing and things should get better as we go along?

Ramprakash V Bubna: I think the things will get better as we go along but the main impact is the currency rates. So that I hope and I believe that it will improve over a period of time.

Karthikeyan: So assuming that in the importing countries the currency stays where it is as it is today Sir in some of these Latin American countries for example would it become less meaningful to continue doing business there or how exactly do you think about this would you help us understand that?

Ramprakash V Bubna: No it would not mean less meaningful. We will continue to do the business but we will take a call of every country and every distributor depending upon the situations of that country the prices and the exchange rate and all those things.

Karthikeyan: As things stand you are not negatively inclined towards any particular country?

Ramprakash V Bubna: No because the agriculture does exist. People do grow food and there is need of food in.

Karthikeyan: Thanks very much for the clarification Sir and best wishes.

Moderator: Thank you. The next question is from the line of Rohan Gupta from Emkay Global. Please go ahead.

Rohan Gupta: Good morning. Sir my line is also on the same previous question line only. Kind of degrowth or 35% sort of volume degrowth we have seen in Latin American market was it purely driven by the weak demand scenario in that market or also we have been cautious and not pushing our material in those market because of the work condition or it was just only poor demand?

Gautam Arora: So Rohan I think it was more strategic as I mentioned it was more of a cautious approach to cut down our exposure in the Latin American continent because of the unfavorable currency position and since most of our sales are an open traded basis we wanted to be very careful in taking an exposure on certain distributors and that is why the sales have been lower in this quarter.

Rohan Gupta: So is not like that LATAM American market probably has been wiped out by 30% to 35% in terms of volume?

Gautam Arora: No it's not that.

Rohan Gupta: What according to you in those markets, I mean what would have been degrowth rate there industry wise?

Ramprakash V Bubna: No we have not looked into that but there is also drop in the commodity prices. Agrochemical commodity prices and if there is an excess stock then the farmers take a call whether they should go for soybean or rape seed or some flower and all that.

Gautam Arora: Therefore accordingly the demand for the respective pesticide is determined.

Rohan Gupta: Right so definitely but one thing is very much clear that market or LATAM American market have not seen up to the extent of 30% to 35% right.

Ramprakash V Bubna: No our share has gone down not the market as such.

Rohan Gupta: So Sir when you take such cautious approach I understand it is good for the company but definitely your distributor to whom you are dependent for business in those market they would not be taking it in a right spirit and there is definitely some sort of loss in market share. So if tomorrow even market revive you will not be able to gain the same loss in market is it not.

Ramprakash V Bubna: It does not happen straightway we do not tell the distributors that we are not going to supply the product. All we have to do is that we maintain our prices and if somebody buy at lower price then he goes to his but next time when you request he also checks up with us.

Rohan Gupta: Okay so in that way I mean in a more I will say efficient way so is not like that you will say that okay this distributor we are cutting down or who have not been able to pay on time. We are cutting down so you do not cut the distributors like that.

Ramprakash V Bubna: We do not cut the distributors but we cut our supply to him if he is not paying on time. We insist on him to first make the payment and then we supply him the next lot.

Rohan Gupta: Okay and Sir with this such a currency volatility in the market is it not that Latin American market now the domestic suppliers here have become more active those markets earlier was dependent a lot of import now even the domestic manufacture can very well supply and can compete with the global player because of the currency depreciation which has happened in those market. So is that is it not like that there is a structural change in your business going forward as far as the Latin American market is concerned.

Ramprakash V Bubna: Mr. Rohan it is not this way. There is very little domestic production of these products in the whole of Latin America. They are dependent totally on imports.

Gautam Arora: Rohan, just for information I think what Mr. Bubna meant was largely in the context of the Latin American continent ex Brazil because we do not have much of an exposure in Brazil.

Rohan Gupta: Sir just last question and I may come back in queue. With such volatility in a global market are you now looking more international market for increasing your presence and volume growth or you will solely dependent on Europe market itself for growth?

Gautam Arora: See it is very difficult to make across the board statement like this. We take a call depending upon individual inquiries and the countries.

Rohan Gupta: But have you entered any new market in last year one, any new country?

Gautam Arora: We have entered into few countries but very few new countries.

Rohan Gupta: Like Sir if you can name those countries?

Gautam Arora: I will let you know later on.

Rohan Gupta: Thank you very much.

Moderator: Thank you. The next question is from the line of Manish Mahavar from Edelweiss. Please go ahead.

Manish Mahavar: Good morning Bubna Ji and Gautam. Bubna ji I have just a question on your gross margins and EBITDA. You said it is improved mainly on account of your geographical mix change right because more of sales come from Europe market and less sale from LATAM market right. So just if I can see the number so I think Europe is remaining same on YoY basis around 47% on a YoY basis and LATAM reduced. So mainly what I mean is that Europe will remain the same so how are your margins improved because NAFTA and ROW also have better margins than LATAM that is one of the reason.

Gautam Arora: Yes so there has been an improve in sales in the rest of the world also Manish. So that is also contributed to an extent to steady margins as against lower margins.

Manish Mahavar: Your ROW or NAFTA is also a better margin business in the LATAM market right?

Gautam Arora: In some countries yes but not in all the counties.

Manish Mahavar: Okay understood and second question, Gautam, last year mainly Q2 FY 2015 numbers have we reclassified the geographical numbers ROW or LATAM lastly because numbers changes last year what number you given for the PPT because Europe contribution was 42% last year same quarter actually and this time you are showing 47%. Have we changed some reclassification in number last year?

Gautam Arora: I do not have the last time numbers.

Manish Mahavar: Last year Europe's PPT your number showing 42% is Europe sales. Now it is showing 47%.

Gautam Arora: I will have to go through it Manish. I do not have the last year presentation or number with me readily available.

Manish Mahavar: Lastly Mr. Bubna Ji this year considering the market condition what as you know our market is land currency subdued considering the current situation of the market what type of growth may be volumes or revenue growth you are looking for this year. Considering this current condition I am talking about?

Ramprakash V Bubna: In terms of volume.

Manish Mahavar: Overall revenue growth for a company.

Ramprakash V Bubna: It is in the range of 10%.

Manish Mahavar: Volume growth you are looking right.

Ramprakash V Bubna: Yes volume growth should be around 10% and revenue growth totally depends on the exchange rates.

Manish Mahavar: Thanks Sir.

Moderator: Thank you. The next question is from the line of Balwinder Singh from B&K Securities. Please go ahead.

Balwinder Singh: Thanks for taking my question. Firstly given the fact that the approaching Q3, Q4 is likely to be a peak season in say Latin America and other Europe geographies. How are we approaching that as such?

Ramprakash V Bubna: Q3 we are totally going by what is the paying capacity of the supplier and we will be very cautious to extent a longer credits and we were also very cautious about the margins. So I cannot say that we have a very standard strategy, our only strategy to be very cautious in Latin America.

Balwinder Singh: Is it only Latin America that we are facing much of a pressure because otherwise Europe numbers do not show much of a pressure.

Ramprakash V Bubna: See the pressure is there as far as the currency rates are concerned also in Europe and I would say about 95% of the countries where currencies have depreciated and that puts a pressure on the prices and demand.

Balwinder Singh: Sir what exactly is leading to 34% kind of volume growth in European region? Is it a ramp up of the molecules launch that you have launched in say last two years or is it the new registrations that you have got recently in Europe?

Ramprakash V Bubna: It is a mix of all these things visible in this, Mr. Balwinder.

Balwinder Singh: Last question you said that volume growth near term you are looking at kind of 10% or so assuming that currencies stays here say for the next one year then what is your outlook on volume growth for FY 2017?

Ramprakash V Bubna: FY 2017?

Balwinder Singh: Yes I mean next fiscal.

Ramprakash V Bubna: I would say it would vary from 10% to 15%. It will increase by 10% to 15%.

Balwinder Singh: Thanks a lot I am done.

Moderator: Thank you. The next question is from the line of Ram Hegde from Amansa Capital. Please go ahead.

Ram Hegde: Sir just in terms of the volume guidance. I am just curious to understand I think the June period I think after the fourth quarter in that call you all had said that you are looking at roughly 20% growth volume growth by November now obviously the things have changed. I am just curious to understand what visibility do you have in terms of your growth really on the volume basis?

Ramprakash V Bubna: I have just answered this question and this is again a very approximate thing. There are uncertainties mainly of the exchange rates and sometimes of weather.

Ram Hegde: In terms of today the receivables, which are sitting on the books of roughly 260 I think could you give some colour in terms of what percentage, would be from the Latin America. Is there any risk to that receivable from the region?

Ramprakash V Bubna: I can only tell you that there is no risk as we foresee today and what was your next question percentage, amount. We do not have the amount region wise at the moment.

Ram Hegde: But at least you do not think there is any risk for receivables from that region.

Ramprakash V Bubna: We do not see any cause of worry from that region.

Ram Hegde: Thanks.

Moderator: Thank you. The next question is from the line of Siddharth Bhattacharya from Suyash Advisors. Please go ahead.

Siddharth Bhattacharya: Sir could you sort of let me know help me understand which are the top three or top five countries in Latin America region?

Ramprakash V Bubna: One is Argentina, second is Colombia, then Ecuador, Peru, and I think these are the four or five I mean the fifth can be Bolivia.

Siddharth Bhattacharya: Bolivia and out of your LATAM revenues how much these contributes. Out of the LATAM revenues how much revenues would come from these five countries?

Ramprakash V Bubna: We do not have those numbers.

Siddharth Bhattacharya: Second question I have Sir is out of our third party distributors you mentioned we have 600 odd third party distributor how many of would them be in the LATAM geography?

Ramprakash V Bubna: In what?

Siddharth Bhattacharya: In the LATAM geography how many distributors do we have out of the 605 third party distributors?

Ramprakash V Bubna: Again we have not done this analysis and pardon me we do not have those figures readily available.

Siddharth Bhattacharya: Thanks a lot.

Moderator: Thank you. Ladies and gentlemen that was a last question. I would now like to hand the floor over to the management for closing comments.

Gautam Arora: Thank you everybody. It was quite interesting to understand the industry from your perspective by way of your questions and we will try and see how best we can improvise upon these questions for answering you the next time. Thank you all.

Moderator: Ladies and gentlemen, on behalf of Ambit Capital Private limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.