

Chairman and MD's Message



R. V. BUBNA
Chairman & Managing Director

“With our strong pipeline of registrations and improved working capital position, we are optimistic in our ability to maintain double-digit growth throughout the next financial year.”

Dear Shareholders,

I am pleased to present our annual report for the fiscal 2018-19.

This year the Global Economy has gone through some tough times, impacting the agrochemical market conditions. However, we remain positive, and have ended a financial year of sustained growth and resilience. Our unique asset-light business model continues to aid our agility and responsiveness to changes in our geographic presence and product portfolio. This, along with prudent financial management, will help see us through most challenges.

OUR FINANCIAL PERFORMANCE

This year, the total revenue of Sharda Cropchem for FY 2019 increased by 17.26% yoy from ₹ 1,706.59 crores to ₹ 2,001.14 crores. This was driven by growth of 20.5% in the NAFTA region, 14.0% in Europe, -18.8% in LATAM and 64.2% in the Rest of the World. Gross profits increased by 9.0% yoy from ₹ 562.84 crores to ₹ 613.55 crores. However, because of pressures from the industry, gross



margins declined from 33.0% to 30.7%. EBITDA, excluding foreign exchange impact and onetime write-off of intangible asset/intangible asset underdevelopment, increased by 7.6% yoy from ₹ 345.43 crores to ₹ 371.59 crores. EBITDA margins declined from 20.2% to 18.6% due to lower gross margins. Profits after tax declined by 7.6% from ₹ 190.77 crores to ₹ 176.34 crores. This decrease in PAT was caused by the onetime write-off of intangible asset/intangible asset underdevelopment. We also saw an increase in depreciation, driven by the higher capitalisation of our intangible assets. The revenue of the business was driven primarily by the contribution of NAFTA and European Union regions, which constitutes 44.2% and 36.6% of the agrochemical business revenues respectively. The revenues from the non-agro division, which constitutes 15.8% of total revenue, grew by 40.08% from ₹ 225.29 crores in the previous year to ₹ 315.56 crores in FY2019.

During the year, we improved our balance sheet position significantly by improving our working capital cycle, which in turn improved our cash reserves. The strategies in place are aimed towards maintaining double-digit growth throughout the next financial year.

OUR REGISTRATIONS

Obtaining the right registrations, with efficiency and experience, is at the core of our expertise as a company. The NAFTA and European regions have been the key revenue contributors for the Company this year. A majority of our registrations come from this region as they yield the better margins. As of March 31, 2019, we have 1,028 registrations in the pipeline.

MARKET DYNAMICS AND CHALLENGES

During FY2019, we strategically decreased our dependence on business from the LATAM region, due to prevailing economic and political uncertainties and long working capital cycles.

However, this enabled us to increase our focus on sales from the NAFTA region and the European region. This shift has significantly improved our balance sheet position for the year and has shortened our working capital cycles. Additionally, the trade war between US and China, and its resultant uncertainty, has caused industry wide cost pressures. As most of our suppliers are from China, we too experienced increased pressures on our gross margins. However, our supplier base within China is highly diversified, minimising our dependence on any one supplier, which allows us to procure our raw material with added cost efficiency.

THE WAY FORWARD

Over the next few years, we will continue to focus on identifying and procuring highly demanded registrations, efficiently, from across the world. Our expertise in identifying the right molecules and formulations will remain a key growth driver for Sharda Cropchem. Apart from this, we also see the value in continuing to increase the percentage of our sales from the European Union and NAFTA regions, as they offer the best margins and shortest working capital cycles.

I would like to thank all our employees for working together to achieve our goals. It is the coming together of all our diverse capabilities that makes us a well-rounded player and enhances our ability to deliver a sustained performance. I look forward to the next year with optimism and have a strong conviction in our abilities to withstand challenging market conditions with agility, while taking on any new opportunities that may come our way.

Sincerely

R. V. BUBNA

Chairman & Managing Director