



“Sharda Cropchem Limited
Q3 & 9 Months FY2019 Earnings Conference Call”

January 25, 2019



ANALYST: MR. NIHAL JHAM - EDELWEISS SECURITIES LIMITED

**MANAGEMENT: MR. RAMPRAKASH V. BUBNA - CHAIRMAN & MANAGING DIRECTOR - SHARDA CROP CHEM LIMITED
MR. ASHISH LODHA – CHIEF FINANCIAL OFFICER - SHARDA CROP CHEM LIMITED**



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Moderator: Good day and welcome to the Sharda Cropchem Limited Q3 & 9 Months FY2019 Earnings Conference Call Hosted by Edelweiss Securities Limited. 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nihal Jham from Edelweiss Securities Limited. Thank you and over to you Sir!

Nihal Jham: Thank you Bharat. On behalf of Edelweiss I would like to welcome everyone to the Q3 FY2019 results of Sharda Cropchem Limited. Without any further delay I would like to hand over the call to Mr. Ramprakash Bubna for his opening comments. Over to your Sir!

Ramprakash V. Bubna: Thank you Nihal. Good day, ladies and gentlemen. A very warm welcome to everyone present here for the earnings call of Sharda Cropchem Limited for the third quarter and first nine months of FY2018-2019. Sharda Cropchem is represented by myself Ramprakash Bubna, Chairman and Managing Director and Mr. Ashish Lodha, Chief Financial Officer.

Talking briefly about third quarter results, the revenues increased by about 44.9% year-on-year from 326 Crores to 472 Crores. This was driven by year-on-year growth of 22.3% in Europe, 75.2% in NAFTA and 152.9% in Rest of the World, partially offset by degrowth of 56.8% in LATAM.

Gross profit increased by 47.9% year-on-year from Rs.94 Crores to Rs.139 Crores. Gross margins improved by 60bps from 28.9% to 29.4%. EBITDA excluding foreign exchange impacts and intangible assets and CWIP write off increased by 133.2% year-on-year from Rs.35.6 Crores to Rs.83.2 Crores.

EBITDA margin increased by 668bps from 11% to 17.6%. Profit after tax increased by 104.7% from Rs.9.9 Crores to Rs.20.3 Crores. Balance sheet has now become debt free as we repaid Rs.170 Crores of loans outstanding as on March 31, 2018.

Further we also have healthy cash balance and investments, which have increased from 123 Crores in March 2018 to Rs.208 Crores in December 2018 bagged by a healthy free cash flow generation during the nine months of 2019.

Total number of registrations as on December 31, 2018 are 2,412 as compared to 2,157 as of March 31, 2018. The company has another 913 registrations in pipeline across various geographies.

I am happy to inform you that the Board of Directors considered and has declared an interim dividend of Rs.2 per equity share for the financial year 2018-2019. This amounts to a dividend



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outflow of Rs.21.75 Crores including DDT translating into dividend payout ratio of 31% calculated on nine months PAT. With this brief review I would now like to handover the call to our CFO, Mr. Ashish Lodha for discussing our financial performance.

Ashish Lodha:

Thank you Mr. Bubna and a very good evening to all. I will give you the brief about the quarter three financials. A strong revenue growth of 44.9% year-on-year generated in Q3 FY2019. The Growth was on account of volume 19.1%, price & product mix of 16.7% and from a favourable foreign exchange 9.1%.

Our agrochemical business grew by 40.4% year-on-year and non-agrochemical revenue grew by 66.6% year-on-year. EBITDA excluding foreign exchange impact and intangible asset & CWIP write off was increased by 133.2% on year-on-year basis.

Depreciation increased by 27.2% year-on-year from Rs.18.3 Crores to Rs.23.3 Crores driven by higher capitalization of intangible assets. Profit after tax increased by 104.7% from Rs.9.9 Crores to Rs.20.3 Crores in Q3 FY2019. Profit after tax for nine months FY2019 decreased from Rs.77.5 Crores to Rs.70.7 Crores.

The company has write-off intangible asset & CWIP of Rs.31.4 Crores in Q3 FY2019 and Rs.42.2 Crores in nine months FY2019. If we exclude the post tax impact of these write offs, our profit after tax was Rs.40.7 Crores in Q3 FY2019 and Rs.98.1 Crores in nine months FY2019, so with the increase of a share in NAFTA region and reducing share of LATAM region in the agrochemical business the working capital requirement have reduced. Further our capex spend has also normalized in the current year. We have spent Rs.100.8 Crores in nine months current year as against Rs.172.9 Crores last year nine months.

A strong growth in revenue, lower working capital and normal capex has led us to generate healthy free cash flow leading to repayment of all debts and increase in our cash balances and investments. Thank you. Open the floor for the questions.

Moderator:

Thank you. We will now begin the question and answer session. The first question is from the line of Anand Bhavnani from Unifi Capital. Please go ahead.

Anand Bhavnani:

First of all, a warm welcome to Mr. Bubna and secondly, I have two questions, one is we mentioned about write off of capital work in progress of Rs 42.2 Crores for the first nine months. If you can help us understand, which product, which geographies where these registrations being undertaken and what was the exact reason for the write off and second question is about our overall raw material cost, how is the supply situation from China and are we seeing any further stresses, or all the stress has gone away?

Ramprakash V. Bubna:

See Mr. Bhavnani to answer your first question, there have been a lot of changes in the agrochemical environment in the world, many products, which were considered good are getting



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banned or they are getting faced out and the ministries have also stopped registering many of these products. Some of the products, which when picked up for registration were appearing to be very attractive and then slowly down the line, we found that the margins are getting depleted and there is a lot of crowding and the products were becoming commodities. Considering these factors, we have a written off that CWIP of those products and we do not want to spend more money on this. Now your second question was about raw material situation in China. See the raw material situation in China is improving in our opinion day-by-day. The improvement maybe little slow, but there is an improvement.

Anand Bhavnani: Just wanted to understand a followup question on the write offs and is this historically also have we taken such write offs and if such what would be the amount cumulative written off in let us say last five years on CWIP?

Ramprakash V. Bubna: I do not have that figure off hand, but we have been doing some write offs, the amounts were not so significant to get highlighted, but this process has been going on for the last four, five years.

Anand Bhavnani: If you can help us understand the reason for change in CFO, the last CFO transferred recently, so if you can give us some understanding?

Ramprakash V. Bubna: See our previous CFO wanted to move on, he probably found a better opportunity and that is why he resigned and left.

Anand Bhavnani: But this was fairly at a short notice so was not there any terms, which you would have helped us retain them for the three months?

Ramprakash V. Bubna: It was not a short notice, he had expressed his desire to move, we were trying to discuss and negotiate with him and when we did not come to a common conclusion, we allowed him to go.

Moderator: Thank you. The next question is from the line of Mr. Vishnu Kumar from Spark Capital. Please go ahead.

Vishnu Kumar: Sir if you could just give me the volume price and currency split?

Ramprakash V. Bubna: The volume impact has been 19.1%, currency impact is plus 9.1% and price and product impact has been 16.7%.

Vishnu Kumar: Any indicative margin range that you have earned across the regions, which you used to give earlier, gross margin?

Ramprakash V. Bubna: In Q3 the margin in Europe has been about 41.4%, NAFTA about 26.7%, LATAM 15.1%, and rest of the world 25.8%.



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- Vishnu Kumar:** The EBITDA margin jumped from 11% to 17%, is this happening because we were getting better margins because based on the gross margins that you have given seems that the gross margins are somewhat similar in most geographies between the past couple of quarters, but we have still seen a jump in the EBITDA margins. My only question is has this come because currency was 65 last year and now we are at for 70, 71 so that is giving a margin boost on our profitability.
- Ashish Lodha:** Mr. Vishnu, so you are right that the foreign exchange has impacted our EBITDA Margin, but if you see our import also had foreign exchange impact, so we had a loss on FX also, which has been adjusted into EBITDA plus the write off has also been adjusted into this EBITDA.
- Vishnu Kumar:** Sir, in specifically the US market again there seems to be more technical sales this time around, is this again in the US market or any specific other market sir?
- Ramprakash V. Bubna:** Mainly in US market and the technicals have been bought by multinational companies from us.
- Vishnu Kumar:** MNCs also procured from us?
- Ramprakash V. Bubna:** Yes.
- Vishnu Kumar:** In terms of the trajectory of the NAFTA how do you see it sir, we have grown quite strongly this year, is it the preplacement we are starting right now and you see this continuing to grow in 4Q also?
- Ramprakash V. Bubna:** I think it will continue to grow in the 4Q also.
- Vishnu Kumar:** Any guidance that you can give for the next year broadly in terms of the growth and margins?
- Ramprakash V. Bubna:** Next year means 2019-2020?
- Vishnu Kumar:** Correct sir and also, I mean fourth quarter that guidance if you can and for the next year?
- Ramprakash V. Bubna:** Mr. Vishnu I will give you the guidance for the fourth quarter. You know our businesses is totally depends upon the weather and many other factors, which are not predictable. Fourth quarter we should be able to improve our performance over last year by at least 10% to 15%.
- Vishnu Kumar:** That is useful. Sir coming to the CWIP question again as the previous caller was asking you have written off close to Rs 40-45 Crores now, I did understand the reason that you have spoken about. Are there any more registrations that you think there is a fine line that you may want to consider to write off maybe after taking some decisions and what quantum would that be, if you can quantify let us say of Rs 350 Crores of CWIP maybe another Rs 20-30 Crores would be still be you want write off in the next couple of quarters?



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Ramprakash V. Bubna: Sir we do not have Rs 350 Crores now that was a history, now we have Rs 235 Crores in CWIP and was Rs 380 Crores probably at the end of Q2.

Vishnu Kumar: Sir my question was do you think that there could be some part of this that might needs to be at least now that you are working with various governments and some pesticides are getting banned anymore that you see likely based on decisions by certain governments banning that and if you can quantify let us say Rs 20-30 Crores, extra you may need to write off in the next one year or so, I am just asking have you done any such analysis on that?

Ramprakash V. Bubna: We haven't done such analysis Mr. Vishnu and all these actions taken by the governments authorities they do not announce it so much in advance. We will take the call as and when we face a situation. I think in future the write off will not be on such a big scale as it has happened in this quarter.

Vishnu Kumar: So at least still now whatever is required we have taken it?

Ramprakash V. Bubna: Yes Sir.

Vishnu Kumar: Sir and can you just give some guidance on the capex that has been spent and how much we will be spending for the full year?

Ramprakash V. Bubna: Just now Mr. Ashish has given you the information. The spent is about Rs 100.8 Crores compared to Rs 173 Crores last year upto Q3 and we are also evaluating the capex more carefully and trying to control our capex in order to not put so much of a strain on our working capital requirements, but not at the cost of growth.

Moderator: Thank you. The next question is from the line of Chirag Dagli from HDFC AMC. Please go ahead.

Chirag Dagli: Sir for the fourth quarter by now we would have got clarity about what our realization for European markets will be for the fourth quarter in terms of the rate of Europe?

Ramprakash V. Bubna: What you mean by realization?

Chirag Dagli: So last year the Euro versus the USD was a very large base about Rs.80 for the euro and about Rs 64 for the dollar that now the dollar is also meaningfully appreciated while the euro remains in the Rs.80 range. So, I wanted to understand what this means for our margins in the upcoming strong season for Q4?

Ramprakash V. Bubna: If it remains at Rs 70 and Rs 80 then the margins are not so convenient for us, but this is totally beyond our control to make an estimate or a guess, even the experts are going wrong in their predictions who are the experts in currency calculations, so the euro was about Rs.85 to 1 euro



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two months back that would have been much more convenient for us. Rs 80-81 is not so bad and probably it will stay in this range.

Chirag Dagli: Sir are we not fully hedged for the season?

Ramprakash V. Bubna: Not fully hedged we do not take such a strong position we hedge about 30%, 40% of our sales, but it all depends upon the movement if there is not much of movement then we will lose the opportunity of hedging.

Chirag Dagli: Sir is there guidance on margins for the fourth quarter like you said 10% to 15% sales growth?

Ramprakash V. Bubna: We should remain in the same level as we did last year.

Chirag Dagli: For the full year you mean to say you should or for the fourth quarter?

Ramprakash V. Bubna: For the full year and also for the fourth quarter.

Chirag Dagli: So, sir fourth quarter last year was 34.7% gross margin, so 34.7% is that something which is doable?

Ramprakash V. Bubna: I do not remember the figure of fourth quarter last year. Yes, it is doable.

Chirag Dagli: And last question sir on depreciation is there a guidance on depreciation is there a number that we should think of in FY2020 and beyond how will this number increase this Rs 80 Crores kind of annual run rate?

Ramprakash V. Bubna: See this depreciation happens when we capitalize our CWIP and this capitalization happens when we get a registration. The process of registration is very, uncertain and unpredictable, I might have mentioned when all the authorities approve the registration even one signature by the minister concern may take one month or it may take three months, so this is totally unpredictable situation when we have the registration in our hand that movement we capitalize the expenses incurred on that registration in that day.

Chirag Dagli: And as of now did you indicate that the CWIP right now is about Rs 230 Crores sir?

Ramprakash V. Bubna: Rs 235 Crores.

Chirag Dagli: And there is nothing else as intangibles under development?

Ramprakash V. Bubna: No all the intangibles and the development are covered by this figure of Rs 235 Crores.

Moderator: Thank you. The next question is from the line of Anand Bhavnani from Unifi Capital. Please go ahead.



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- Anand Bhavnani:** Sir with respect to our CWIP being returned down. Just wanted to understand is there any internal consideration or discussion to change our amortization policy in general given that these registrations for some products are not being renewed for some, they being cancelled, so does it warrant a change in our overall amortization policy for the assets, which have been already capitalized?
- Ramprakash V. Bubna:** No Mr. Anand, we have not taken any such review and we haven't thought the necessity of such review.
- Anand Bhavnani:** And secondly sir in terms of as you mentioned there have been higher technical sales and MNCs are buying from us. I just wanted to understand MNC generally have presence across all geographies, so they are buying from us in US and how does it help them, are not they themselves able to source it from China?
- Ramprakash V. Bubna:** The only thing I can tell myself is probably they are not as deeply involved in China as Sharda is.
- Anand Bhavnani:** Sir on that if you can help us understand how big is our China team and how many people are permanently stationed in our Chinese office for procurement and if you can help us give us some sense of Chinese operations?
- Ramprakash V. Bubna:** See first of all we have all Chinese people in our China office, so we do not have any people station from India to the China office and we have about team of about 8 to 10 people in the China office, which are all Chinese people.
- Anand Bhavnani:** And entire procurement is done by this team.
- Ramprakash V. Bubna:** No, procurement is being controlled from India they provide us supporting services of identifying the right sources and then taking care of the quality, packing and production.
- Anand Bhavnani:** Sir any thoughts on doing any capex in China to make a packaging facility or a warehouse or inventory management facility there?
- Ramprakash V. Bubna:** There is no thought and we do not consider it is necessary.
- Moderator:** Thank you. The next question is from the line of Vihang Subramanian from Ambit Capital. Please go ahead.
- Vihang Subramanian:** Sir if you could just give some general colour on like how does the market for NAFTA look over the next one year and do you see any of the regulations impending regulations, which are coming in Europe coming to NAFTA soon like the ban on some of the generic molecules like glyphosate, etc.?



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Ramprakash V. Bubna: Sir I agreed we haven't heard of these situations in US and right now as far as US is very stable, strong, also not so much of fluctuations about these things in US. I do not know whether I have been able to answer your question properly or not.

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

Chetan Thakkar: Sir just wanted the volume breakup by region for agrochem that you generally share?

Ramprakash V. Bubna: Agrochem?

Chetan Thakkar: Yes, in terms of KL.

Ramprakash V. Bubna: By volume you mean the absolute figures?

Chetan Thakkar: Yes.

Ramprakash V. Bubna: It is 18,96,073 in Europe, 19,34,483 in NAFTA, 2,18,325 in LATAM and 5,22,604 in Rest of the World.

Chetan Thakkar: Sir just one question if I heard you correctly Q4 compared to last Q4 should be better in revenue terms by 10% to 15% and...

Ramprakash V. Bubna: Because last Q4 was exceptionally good and we are starting from a very high base so that is why I am saying, it could be 10% to 15%, it could be more.

Chetan Thakkar: And Sir gross margins will be closer to the higher end of the range that you had earlier mentioned for the year which was 31 to 34 in Q4.

Ramprakash V. Bubna: Yes please.

Moderator: Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

Ankit Gupta: Sir can you talk about the trend of technical prices over the past few months, are you seeing some correction in the prices or the price can continue to remain strong?

Ramprakash V. Bubna: I see a downward pressure on the prices of technicals, but some technicals are remaining steady, maybe a very few of them are also going up.

Ankit Gupta: But there has not been any significant correction in the prices of technicals?

Ramprakash V. Bubna: There is correction happening gradually and slowly.



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Ankit Gupta: And Sir on the issues of procurement from China so you are saying that you are seeing some gradual improvement in availability of technicals and formulation as well as intermediates on China. Can you just talk a bit more elaborate on that and how is the situation improving in China because in winters, it is normally very strict and there is less availability of agrochem from China.

Ramprakash V. Bubna: Well I think I have made it clear in earlier questions and I am repeating the same the situation of availability of the technical products in China is easing out. There is a downward pressure on the prices and improvement in the availability.

Ankit Gupta: And Sir on LATAM market, we are seeing a bit of down growth, any outlook on how is the situation in Brazil and Argentina for the next season?

Ramprakash V. Bubna: Sir in the immediate future the situation is not very good, their economies is in very big doldrums. First, the economies have to improve, then political situation have to improve and later we can think of making some predictions.

Moderator: Thank you. The next question is from the line of Kunal Mehta from Vallum Capital. Please go ahead.

Kunal Mehta: I just wanted to understand that Europe is a very substantial market for Sharda Cropchem and since the last four, five months, we are just going to a very severe drought. So, can you please give us an understanding of the agrochemical demands in the European market especially the areas which are going to heavy drought which is in North, West and the central European regions?

Ramprakash V. Bubna: See your information of the drought and difficult weather situation in Europe is abet, but as I see our figures the impact of this adverse situation is not so severe. We have been impacted. There is a little pressure on the margins and there is little pressure on some of the regular products that we have been selling but we also see some demands coming up for newer products which we are getting registered. So, we are more or less getting balanced.

Kunal Mehta: Sir it is a followup question on this. So, is it a situation where because of weaker cash flows because of the drought the agriculturist in those countries are switching down from the traditional MNC products to generic products or is it an overall situation thereby the impact of drought is not as big as it was expected by the industry?

Ramprakash V. Bubna: See I will explain that, it is a very strange situation. The MNCs are not very keen and they do not press the customers for the payments and are very liberal, they give very liberal extensions and on the contrary, smaller companies like us, we are having pressure on cash flow so we put the pressure on them to make the payments earlier we give them a little bit of an incentive to recover our cash flows.



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- Moderator:** Thank you. The next question is from the line of Vishnu Kumar from Spark Capital. Please go ahead.
- Vishnu Kumar:** Sir earlier in the previous calls you used to mention that the MNCs are not increasing prices and that also had impacted us in the earlier quarters. Now are you seeing a trend now that at least in the forward season you see them increasing the prices or it continues?
- Ramprakash V. Bubna:** No Sir it continues. They are not increasing their prices. In fact, to our weaker client even at making a loss or no profit situation, they continue to choose their prices downwards rather than upwards. These are very strange situation, but it is a fact.
- Vishnu Kumar:** In terms of the Chinese technical prices you just mentioned the availability has improved. Do you see at least for the next calendar year that is the sourcing when we go into the next year and the year after, more suppliers come back online and the prices can at least come down a bit more substantially from now on. Do you see that as a broad trend?
- Ramprakash V. Bubna:** Sir you used the word substantially, just remove the word substantially from your question and that will become my answer. The prices are going down but not substantially.
- Vishnu Kumar:** No my question was more in terms of, if am looking 12 to 18 months from now if more suppliers are coming back online I understand that you are saying now it is some of them have come off and some of them are okayish but 12, 18 months from now can we at least see some more correction that can be likely in the next season when we buy again?
- Ramprakash V. Bubna:** I see some more people are coming, and the availability is improving and this we feel will continue at least for the next 12 months.
- Vishnu Kumar:** Sir and finally at the start of the year you had a Capex target of Rs. 250 Crores which we had scaled down, will we now again go to that extent for the next year or how will that number look like?
- Ramprakash V. Bubna:** See I can tell you it will not go up to that figure in the year 2018-2019 and about 2019-2020, it is too early to make a prediction because again these are all dependent on when we get the registrations and, in some countries, we have to pay data compensation to the MNC. They get triggered only after we get the registrations and the date of registration is equally important because the amount of data compensation fluctuates. The later the registration lesser is the data compensation. So, there is some uncertainties which is difficult to predict.
- Vishnu Kumar:** Any data compensation due in the next six months, or six, nine months?
- Ramprakash V. Bubna:** See as and when we are getting registrations in countries like US, the data compensations do become due and they are being negotiated and then we start the negotiation soon.



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- Moderator:** Thank you. The next question is from the line of Anand Bhavnani from Unifi Capital. Please go ahead.
- Anand Bhavnani:** I just wanted to understand Sir with respect to LATAM you mentioned the countries are facing a lot of challenges. For us any particular issues with receivables or we are broadly okay?
- Ramprakash V. Bubna:** Broadly we are okay, but then the receivables are getting slowed down.
- Anand Bhavnani:** Any write off we have taken in the first nine months on receivables?
- Ramprakash V. Bubna:** Not so much.
- Anand Bhavnani:** And Sir you mentioned that in opening remarks that you have brought down Capex but at the same time you are ensuring that the growth does not get hurt. So Sir the Capex has come down significantly so can you help us understand how exactly are you balancing it with respect to growth and what is the newer growth trajectory now. Let us say earlier we are expecting that 200, 250 Crores Capex growth number of X with this 100 Crores Capex does it go X -3%, X -5%, if you can help us understand the change in growth trajectory?
- Ramprakash V. Bubna:** Mr. Bhavnani this Rs. 250 Crores figure was not the one which we had incurred that was the figure that we had predicted, the figure incurred last year was in the range of Rs.210 Crores and Rs.100.8 Crores figure is first nine months, three months are still to go. So, the gap is not so big as you feel to realize it. Maybe we will spend about Rs.150 to 170 Crores this year as compared to Rs.210 Crores last year.
- Anand Bhavnani:** So, in terms of growth we would not see much change in trajectory would that be the right assessment that growth is crossing...?
- Ramprakash V. Bubna:** Yes.
- Anand Bhavnani:** And Sir lastly if you can share with us top two or three risks that you feel the business can get impacted from at this point in time, I understand the Chinese threat is no longer or big thing, so what would be the other top two or three things that give kind of would want to...?
- Ramprakash V. Bubna:** You mean risk factors.
- Anand Bhavnani:** Yes, top two or three at this point in time I understand the different points in time in the business different things can potentially be sources of risk. So at this point in time as of today what are the top two or three things if you...?
- Ramprakash V. Bubna:** One of the biggest risk factors for our business is the cross currency foreign exchange rate, Euro versus US Dollars, Canadian Dollar versus US Dollars and some of the European currencies and the Central American currencies versus US Dollar and second factor is the weather. These are the



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two top risk factors for us. Thirdly some unpredicted factors like the US and China trade war. Now what turn these trade wars take whether they will slowdown or they will aggravate is very difficult to predict now and these things would have some impact on our business.

Anand Bhavnani: Sir in terms of cross currency risk out of the all three cross currency something which is the most manageable from management perspective. So, if you can help us give a gist talk which currency pairs do you hedge 100% which currency pairs do you hedge 30%, 40% as you mentioned earlier in the call. So, what is the approach towards various currency pairs and do you have a kind of a dedicated currency management team which does it on a real-time basis how does it work if you can help us understand that?

Ramprakash V. Bubna: Sir we do not hedge anytime 100% of our currency risk because the fluctuations in the currencies are both ways and we do not want to take positions and regret in the near future that we shouldn't have done that. So, we have only about 50 to 60 or little more of our exposures in the cross-currency exchange rates.

Anand Bhavnani: And Sir US, China trade war if tariffs get levied on import from China, it will net-net see not much impacting to us given that everybody import from China is that the right way to think or is that something which I am missing?

Ramprakash V. Bubna: No this is the right way to think, but the timing becomes very important. When the president of US had said that from 1st December or so he will impose certain duties then the Chinese buyers were getting nervous and they wanted to buy before that particular date even if they did not have the requirements. So, some of them asked us for early goods, some of them said prices were important, we want the delivery, so all these things impact our business.

Moderator: Thank you. The next question is from the line of Aniket Koparkar from Wealth Managers India. Please go ahead.

Aniket Koparkar: Sir my question may seem a bit basic because we started tracking this company of fairly recently it was more on the business model of our company where we mentioned that our core competencies in the registration and the extensive library of our registrations. So, I wanted to understand as a layman what is it that we do differently or which is a bit difficult for others to do in this whole process of registration?

Ramprakash V. Bubna: Mr. Aniket your question is really very basic. See you should know that the products have to be registered in every country if we want to sell the product. Now the process of registration is so capital intensive and time intensive and loaded with lot of uncertainties very few people take the courage of plunging into it.

Aniket Koparkar: So, you share the volume and the kind of pipeline that we have itself is a core competency, I guess.



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Ramprakash V. Bubna: Yes Sir.

Moderator: Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

Ankit Gupta: Sir just wanted to understand since you are saying that the supply situation in China is gradually improving, is it that lot of the companies are now following the environmental norms and discharge norms are getting improved?

Ramprakash V. Bubna: See it is both the ways, some of the companies have become more serious to resort the compliances making extra investments for their survival to meet the compliances and other ways what we hear it also comes in the media many times that in light of the US government's stringent action and putting extra duties and taxes on Chinese products, the government is taking little lenient view in implementation, they are giving some indirect concessions to the manufacturers. So that they are not impacted adversely, and they can continue their enterprises, even if they are not able to meet with the compliances so strictly.

Ankit Gupta: So basically, some of the strict compliances does ease off a bit.

Ramprakash V. Bubna: Yes, so they do not tell them openly, but they look the other way or close their eyes if the compliances are not met.

Ankit Gupta: And Sir overall from an industry perspective, in the industry perspective there was a normally over the past two, three years there has been a strong trend towards some of the demand of chemicals and especially agrochemical intermediate or intermediates and technicals moving a bit shifting from China to India do you think that trend will continue or that the norms easing out and China this trend is that all we have.

Ramprakash V. Bubna: Sir this thing that you are talking about is more in the media not in reality and if there is anything it is at very small level nothing significant.

Ankit Gupta: And Sir lastly on the prices front, the past one-and-a-half, two years the prices that have increased are now we are starting to see some of them the prices slowing out at least the prices are now started to come down gradually so do you think is it possible over the next one to two years for the prices to go back to the original level from where the prices started to increase or is it because of the compliance cost this will not go back to the earlier levels?

Ramprakash V. Bubna: See Mr. Ankit if you go to the earlier levels it is very difficult to predict the prices, prices are determined by many factors one of them is the competition amount the manufacturers, the compulsion of the manufacturers to really sell their products, secondly the authorities permitting them to produce as much as they want what I can say is there was a stage when the prices were moving up and there was no end to it, now that situation has been corrected, the prices got



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stabilized and there is a downward pressure on the prices, but the effect of the downward pressure is gradual and very slow.

Moderator: Thank you. The next question is from the line of Manish Mahawal from Antique Stock Broking. Please go ahead.

Manish Mahawal: Sir just I wanted to understand you said the CWIP outstanding, which was around Rs 370 or Rs 380 Crores last quarter now it is 235 Crores right Sir for the Q3 end right?

Ramprakash V. Bubna: Yes.

Manish Mahawal: So, Sir just out of that I think so we have already in this quarter sort of almost Rs 31 odd Crores right and I think so we have almost capitalized 100 Crores for this quarter, almost right?

Ramprakash V. Bubna: Yes.

Manish Mahawal: So basically, now you capitalized Rs 100 Crores of almost gross loss on depreciation, which increased from the next quarter definitely right Sir the rate?

Ramprakash V. Bubna: Yes Manish.

Manish Mahawal: Sir secondly, it seems that we have got significant number of registrations from the regulatory side this quarter, right sir?

Ramprakash V. Bubna: Yes.

Manish Mahawal: Sir, because 100 Crore capitalization is a big number and secondly sir when I look at your registration numbers on Q-o-Q basis, the only addition which has happened on Q-o-Q basis is around 2,289 which was in last quarter, now it is 2,400 odd registration, right sir?

Ramprakash V Bubna: Yes.

Manish Mahawal: It seems the registration came mainly from U.S geography, right sir?

Ramprakash V. Bubna: I haven't said so, I have given you the information of total number of registrations, U.S geography I don't have the figure right now geography wise.

Manish Mahawal: What is the capitalization that has happened in Q3 majorly from across the regions or any specific geography which has higher weightage? Can you give the break-up of 2,412 registrations for the quarter ended?

Ramprakash V. Bubna: Compared to the last quarter?



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- Manish Mahawal:** Yes, last quarter I think it was 2,289 at the end of Q2.
- Ramprakash V. Bubna:** Yes, geography wise in Europe 46 registrations, in NAFTA 18 registrations and in LATAM 48 registrations and Rest of the World 11 registrations. These registrations we got during the quarter.
- Manish Mahawal:** Sir could you repeat the number in the LATAM and ROW please?
- Ramprakash V. Bubna:** LATAM is 48 and ROW 11.
- Manish Mahawal:** And secondly Sir in the CWIP write off basically we have almost last two quarters we have already wrote off almost 40 odd Crores so basically there is any changes in the regulations because in the opening commentary you said there is some changes in the regulations and the bans also happen, so this was now happened in the last six months only right Sir because otherwise we have the written off in earlier as well actually?
- Ramprakash V. Bubna:** See we have taken note of these changes in the last six months. They may be happening, I cannot say or they weren't more significant as far as we are concerned so we have taken note of these in the last six months.
- Manish Mahawal:** And you expect basically it will not be a substantial in that next quarter onwards?
- Ramprakash V. Bubna:** I agree with you it will not be so significant in the next quarter or next few quarters.
- Manish Mahawal:** Just one more question in a non-agrochemical business I think so this year in the nine months though that it is a very small business for us, but still that growth was very significant this time so what was a specific reason for the same?
- Ramprakash V. Bubna:** Again, it is a question of encashing on the opportunities that are available this pollution control and environmental effect have been also very severely imposed on the conveyer belt and rubber industries in China. So, availability of these products has also been very restricted because of our long-term relations with some of the manufacturers and these products are not kept in stock for selling, they are all made as per orders. So, our relationship and good coordination with the manufacturers has helped us and customers around the world just jumping us with the orders and again the price was such a big consideration they wanted business.
- Manish Mahawal:** But this growth momentum will continue over next maybe two or three quarters consistent for over a next maybe three to four quarters Sir?
- Ramprakash V. Bubna:** Actually, for the next two, three quarters it will continue because this product as I told you that net to all the products and sometimes for manufacturing itself it takes about six to eight weeks.



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- Manish Mahawal:** And Sir if Ashish can you give me a volume details for the last December quarter of the last year. volume numbers or geography wise?
- Ramprakash V. Bubna:** In Europe it was 14,81,026, NAFTA 17,69,711, LATAM 5,55,725 and Rest of the World 87,967.
- Manish Mahawal:** It seems basically the almost agrochemical volume growth is also 37% for the quarter actually. So basically the major volume growth whatever you see is the agrochemical business and the majorly the realization growth what we have seen in the non-agrochemical business because you said in total overall volume growth in the business was 19% for the quarter you said I think the earlier participant asked so you said basically the volumes growth was 19% so I think 37% growth in the agro chemical business?
- Ramprakash V. Bubna:** 17.4% in the agrochemical business volume wise.
- Manish Mahawal:** Sir it is coming to 37% because what number you gave earlier and now actually for the last year same quarter it is coming to 37%.
- Ramprakash V. Bubna:** See the total I have the figure I do not know there could be some communication gap last year the figure was 38,94,428 and this year the figure is 45,71,486.
- Moderator:** Thank you. Ladies and gentlemen that was the last question for today. I would now hand the conference over to the management for closing comments.
- Ramprakash V. Bubna:** Thank you everybody. It was very nice to receive such intelligent and learned questions. We hope we have been able to answer you to your satisfaction and we require your coordination and support in future and wish you all the best. Thank you.
- Moderator:** Thank you. On behalf of Edelweiss Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.