“Sharda Cropchem Limited
3QFY2024 Earnings Conference Call”

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Management:
Mr. R. V. Bubna – Chairman & Managing Director
Mr. Shailesh Mehendale – Chief Financial Officer
Mr. Dinesh Nahar – General Manager - Finance

Moderator: Ladies and gentlemen, good day and welcome to Sharda Cropchem's 3Q FY2024 Earnings Conference Call hosted by Antique Stock Broking. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manish Mahawar from Antique Stock Broking. Thank you and over to you Sir!

Manish Mahawar: Thank you Seema. A warm welcome to all the participants on the 3Q FY2024 earnings call of Sharda Cropchem. From the management, we have Mr. R. V. Bubna, Chairman and Managing Director, Mr. Shailesh Mehendale, CFO and Mr. Dinesh Nahar, GM, Finance on the call. Without any delay, I would like to hand over the call to Mr. Bubna for opening remarks post which we will open the floor for Q&A. Thank you and over to you Mr. Bubna!

R. V. Bubna: Thank you ManishJi. Good evening and a very warm welcome to everyone present in this call. Along with me I have Mr. Shailesh Mehendale, our CFO and Mr. Dinesh Nahar, General Manager, Finance and SGA, our investor relations advisor. I 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 website. I will give you some background.

We specialize in marketing and distribution of wide range of agrochemical products that is herbicides, insecticides, fungicides and biocides catering to the diverse global customer base. We prepare comprehensive dossiers and seek registration of our products in our own name. We allocate substantial resources and establish our foothold in the markets. Our total product registration stood at 2,901 as on December 31,2023. Additionally, 1,075 applications for product registrations globally are at different stages of approval. The capex for 9M FY2024 stood at Rs.276 Crores. For the full year we expect capex in the range of Rs. 350 Crores to Rs.400 Crores. For Q3 FY2024 the revenues have got reduced from Rs.1,017 Crores to Rs.632 Crores. We have seen a volume reduction of approximately 20% year-on-year on our products. Volumes of agrochemicals reduced by 21% year-on-year and volume of non-agrochemicals reduced by 16% year-on-year. Revenues got reduced mainly due to weaker demand because of drought season in Europe and adverse weather conditions in NAFTA region.

Also there has been lower product price realization across all the regions. Gross margins have got reduced from 30.5% to 26.2% in Q3 FY2024. The finished goods prices have also been reduced substantially. We have done stock revaluation as our accounting policy and that has impacted our gross profit and profitability to the tune of Rs.7 Crores in Q3 FY2024 and Rs.91 Crores in 9M FY2024. The company is seeing an improving trend in Q4 FY2024. With this brief review overview, I would now like to hand over the call to our CFO, Mr. Shailesh Mehendale for discussing our financial performance. Thank you everybody. Over to you Mr. Shailesh Mehendale!

Shailesh Mehendale: Thank you Sir. Good evening everyone. Coming to Q3 FY2024 performance, revenue stood at Rs.632 Crores in Q3 FY2024 versus Rs.1,017 Crores in Q3 FY2023, a reduction of 38% year-on-year.

Coming to the split, agrochemical business reduced by 40% year-on-year to Rs.508 Crores whereas the non-agrochemical business reduced by 29% year-on-year to Rs.124 Crores. Gross margin stood at 26.2% in Q3 FY2024 as against 30.5% in Q3 FY2023. The finished goods prices have also reduced substantially. We have done stock revaluation as per accounting policy and that has impacted our GP and profitability to the tune of Rs.7 Crores in Q3 FY2024. EBITDA stood at Rs.47 Crores in Q3 FY2024 which is mainly due to the decline in the gross margins and increase in other expenses, which are relating to strengthening of our global workforce to support future growth. PAT for the quarter stood at Rs.4.6 Crores.

Coming to 9M FY2024 financial performance, revenue stood at Rs.1,851 Crores in 9M FY2024 versus Rs. 2,563 Crores in 9M FY2023 a reduction of 28% year-on-year. Coming to the split, agrochemical business reduced by 30% year-on-year to Rs.1,424 Crores whereas the non-agrochemical business reduced by 20% year-on-year to Rs.427 Crores. Gross margin stood at 19.8% in 9M FY2024 as against 28% in 9M FY2023. We have done stock revaluation as per accounting policy and that has impacted our GP and profitability to the tune of Rs.91 Crores in 9M FY2024. EBITDA stood at Rs.19 Crores whereas PAT levels reported loss of Rs.112 Crores for 9M FY2024. Working capital days as on December 31, 2023, stands at 131 days. We remain debt free company and holding net cash and cash equivalence of Rs.370 Crores as on December 31, 2023. The company is seeing an improving trend in Q4 of FY2024. We can now open the floor for questions and answers. Thank you.

Moderator: Thank you very much. We will now begin with the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We take the first question from the line of Viraj from SiMPL. Please go ahead Sir.

Viraj: Thanks for the opportunity. Sir can you give me the sales return figure for the first nine months and for the quarter and second question is on the other expenses you talked about higher investment in global workforce but when you look at our own employee cost it is hardly 1% to 2% of our sales so what is driving this higher expenses for last few quarters for us Sir?

R. V. Bubna: Mr. Viraj the sales return figures are not readily available so we will be able to provide it later. We have expenses, we do not have the employee cost so much, but we engaged more than 300 people outside India and all those people are working with us as consultants instead of having employee-employee relationship they are consultant and client relationship, so client consultancy charges have gone up by almost 18.5% year-on-year. Similarly professional charges have gone up by 48.2%. Business development expenses are also professional and marketing expenses of the consultants that have gone up by 26%, service charges have gone up by 46% and total these expenses have gone up by 24.45% all the expenses that I mentioned if they put together.

Viraj: Will this rate of investment would continue?

R. V. Bubna: Yes Mr. Viraj, it will continue because it is not a onetime process. If we take up any product for registration then the process of registration last maybe two, three, four and even five, six and seven years you cannot stop them in between and this is the backbone of our business model. In order to get entry into the markets we have to have lot of registrations. You cannot market any of agrochemical products in any country without having the registration of that product and that formulation of the same molecule in that country so if we have to stay in business, we have to continuously contain the investment in these registration processes which is our capital expenditure. Thank you.

Viraj: What I was asking was the rate of growth in some of these expenses like the consultancy and the service charges and the business development will that rate of growth largely continue in coming years as well or this is like more of a one time?

R. V. Bubna: At least the registration costs, the rate of growth will increase because the process of registration is becoming more expensive, more difficult and more time consuming. As far as the other costs are concerned the increase will not be very much it could be also controlled to on the lower side it depends.

Viraj: Second question was on the competitive dynamics now if you look at say this particular quarter we had seen a volume degrowth of somewhere around 21% to 22%, now if you look at the actions of some of the larger Chinese players say there is a player called Rainbow and there are similar ones in last one year alone some of these guys have acquired say plus 1,100 registrations each player and they are looking to increase that pace of registration acquisition to participate in a lot of generic molecule play as against being a manufacturer so for some of these major markets which we cater to if you can give any color in terms of how the competitive dynamics has played out so this degrowth of 20% is more driven by end market demand is being lower or you are seeing competition dynamics also changing?

R. V. Bubna: No Sir this degrowth has nothing to do with the registration costs, the degrowth is mainly because of the reduction in the prices of these products, mainly the reduction in the prices of same products. In some products the prices have gone down to about 25% of what was prevailing one year back so the degrowth is mainly on account of this reduction in the prices.

Viraj: No Sir what I am asking is this degrowth of 20% in volume which we have seen in Q3 is it also driven by increase in competition so has there been any market share loss or change in market shares in the major market which we cater to, or it is more driven by any market?

R. V. Bubna: The main reason is the degrowth of the market itself because of the adverse weather drought in European region and complicated weather in the United States it is only because of these factors.

Viraj: Just one last question if you look at the working capital again, we have seen a very sharp increase both in receivables and inventory so do we see any risk of further provision either for bad debt or for inventory write-off in coming quarters?

R. V. Bubna: No, I do not foresee any provision for these things. This working capital has gone up mainly because of poor sales by our customers and that is because of adverse weather and drought situation in many important countries but this is not likely to continue year-after-year.

Viraj: I will come back in queue. Thank you.

Moderator: Thank you Sir. We take the next question from line of Rohit Nagraj from Centrum Broking. Please go ahead.

Rohit Nagraj: Thanks for the opportunity. Sir the first question is on the supplies from China so we have been hearing during the entire 2023 and your comments also that there have been significant supplies which have come from China so what is your assessment currently in terms of whether the supplies has alleviated or the momentum is still continuing and a general understanding of inventory situation across different regions of your operations? Thank you.

R. V. Bubna: Mr. Rohit the situation in China continues to be the same. All the manufacturers are sitting with huge inventories, some of them have reduced their production, some of them have closed the plants who had more than six to seven plants, but the inventory level is still continuing to be very high and very uncomfortable for entire world. What was the second part of your question?

Rohit Nagraj: Sir the inventory situation across different markets what we hear is Latin America still has a lot of generic inventory so your understanding of the same?

R. V. Bubna: Mr. Rohit these are not available in public domain it is very difficult to make an assessment and it does not help us in our business model. We can only tell you that there are inventories also in the pipeline and also in the destination countries.

Rohit Nagraj: Sure, that is helpful. Sir the second question is in terms of the Red Sea issue and the freight cost which have jumped to almost 2x and 3x from China to the European region so what is your understanding whether there will be a significant impact during Q4 in terms of the freight cost for us given that we will be supplying, we are originating our material from China and supplying into different geographies? Thank you.

R. V. Bubna: Sir it is at the beginning of the Red Sea disturbance. The freight rates have already gone up more than three times, but it has not made any significant contribution into our business because this is not the correct period for us to make excessive shipments. Most of our goods have already been transported to the destinations so Sharda Cropchem is not so much affected, but I cannot comment about the entire industry.

Rohit Nagraj: Sure, this is helpful Sir. Thanks a lot, and best of luck. Thank you.

Moderator: Thank you, Sir. We take the next question from the line of Preet Malde from Centra Insights. Please go ahead.

Preet Malde: I have a few questions regarding the registration cost, I understand that the registration costs have been going up significantly, historically we have been able to maintain more than 20% to 25% ROCE levels so what can we expect from now on, we have been to maintain 20% to 25% ROCE levels and around five to six times asset turnover so what can we expect now?

R. V. Bubna: Sir we think that the same rates will continue as and when this registration costs are becoming more expensive it is also becoming prohibitive for the competition so this trend will continue.

Preet Malde: Do we see the prices coming back to normalcy in the near future in the next quarter or in the next year what is the guidance that you can give?

R. V. Bubna: See I am not an astrologist I can only give you a little comment. In the near future no but within a year I am quite hopeful that they will go up.

Preet Malde: Within the next year?

R. V. Bubna: Yes.

Preet Malde: Our capex guidance for Rs.350 Crores to Rs.400 Crores remains the same right?

R. V. Bubna: It may remain the same or it may even go up.

Preet Malde: It may even go up so I actually want to understand if the registration costs are going up how much have the registration costs gone up since the last year if you can give a number in percentage?

R. V. Bubna: Sir as I explained to you this is not year-on-year. One process registration takes five, six or seven years so I can only tell you that the requirement of the authorities is going up year-after-year, the data they require and the details they require are also going up very much, but this is very arbitrary. There is no hard and fast rule or trend or practices in this field, so it is very difficult for us to comment.

Preet Malde: So, our turnover ratios and profitability ratios would not be affected so much because it is going up for the whole industry?

R. V. Bubna: Yes please.

Preet Malde: Thank you so much. That is, it from my side.

Moderator: Thank you Sir. The next question is from the line of Himanshu Upadhyay from O3 PMS. Please go ahead Sir.

Himanshu Upadhyay: Good evening. My first question is last time when we met we said that our major focus is on getting the receivables back but collection is the priority for us and right now also if we see receivables remain high only or they have increased can you give some analysis on receivable dates and how much would be pending for more than six months and is it still the highest priority or you think the payments and everything have started smoothening out?

R. V. Bubna: Sir I do not recollect I said that this is our highest priority because receivables have been our priority all throughout, but I do not think I ever used the word highest. It will continue to be our priority and it is very normal.

Himanshu Upadhyay: When you say that the market situation is improving in the starting comment is it you are seeing that the demand is improving, or you are seeing the prices have stabilized or you are seeing both the things are improving?

R. V. Bubna: In present scenario price is not a big incentive because everybody is having enough stock and when I say improving I said it is improving but the speed of improvement is also very small, it has not picked up in a big way, it is improving because many Chinese factories have stopped their production, they cannot afford to hold the stock for such a long period, it is a big strain on their finances so the productions have gone down but availability still continues to be in abundance.

Himanshu Upadhyay: Distributor end okay in NAFTA and Europe and LATAM still the inventories are very high do you think the situation has improved?

R. V. Bubna: Mr. Upadhyay these figures are not available in the public domain it is anybody’s guess. All I can tell you is that the inventories are there but the enthusiasm of the distributors or the customers is lacking. Earlier the distributors and customers used to be very anxious to build up the stock and inventory but at least in this year they are delaying the decision of purchasing because they feel that the inventory situation is very comfortable, and they do not feel very anxious or nervous of not getting the products.

Himanshu Upadhyay: One of the earlier transcripts we have stated that why we have not focused on India was because the payment terms are not very great, the payment gets generally very delayed from the distribution side?

R. V. Bubna: I have not made this statement as bluntly as you are quoting me. Main reason for our not being present in India is the registrations. In India the manufacturers are the registration holders also and we do not have our own manufacturing so even if we get the registration, we have to depend upon the manufacturer who themselves are also marketing the same product in the same market so that is why the Indian market does not fit into our business model. We are asset-light company, and we outsource everything. That model does not work in India when there are so many manufacturers present in India for most of the products.

Himanshu Upadhyay: Thank you.

Moderator: Thank you, Sir. We take the next question from the line of Bhavya Gandhi from Dalal & Broacha Stock Broking. Please go ahead Sir.

Bhavya Gandhi: Thank you for the opportunity. I just wanted to know what has led to the growth in insecticides as a segment because that has grown 21% vis-à-vis herbicide and fungicide, is it due to some specific region or better placement if you can just help on that front?

R. V. Bubna: Sir it has grown up but in the absolute terms the growth is not so much. From Rs.97 Crores to Rs.118 Crores and there is no specific reason, it all depends upon the cropping pattern and the climates. In general, the insecticides have a bigger demand in tropical countries, in cooler countries the insecticides have very less demand, so we have not spent our energy in trying to analyze but I do not think it has any specific reason it is just normal it happens.

Bhavya Gandhi: Got it and also with your experience in Agro-Chem over the years just wanted to know whenever this restocking happens is it like a steep recovery or is it like a gradual recovery where distributors start restocking, if we want to model our numbers is it like next year could be a sudden bounce back or is it going to be a gradual recovery here on?

R. V. Bubna: I think it is going to be a gradual recovery. It is not going to be steep or all of sudden big demand.

Bhavya Gandhi: Got it and also just wanted to know what is the amortization policy with respect to registrations for the newer registrations like what sort of policy for how many years we amortize our registrations if you can throw some light on that?

R. V. Bubna: See we amortize our capital assets over a period of five years and that has been the practice right from beginning and it continues to remain the same even at present.

Bhavya Gandhi: Also, from end demand consumer standpoint just wanted to know how is the sentiment is it like the end demand is also still getting affected or is it only because of the channel inventory we are facing demand issues?

R. V. Bubna: Sir nobody is excited in our market today, everybody is suffering, even the end user who had purchased the product six months back is nervous because the current prices are much lower than what the inventory he has, so there is no excitement among anybody about the demand.

Bhavya Gandhi: Got it and just one last question wanted to understand whenever we supply to NAFTA and Europe is it to third party distributors or is it to our own distributors like what is the business model if you can throw some light on that?

R. V. Bubna: Mr. Gandhi none of the distributors are owned by us, they are all independent players, and they act in their own way seeing the circumstances, the market dynamics and they take a decision. We do not own, or we do not have anything like own distributor. Many of our distributors are also distributing for the multinational companies and innovators.

Bhavya Gandhi: Got it. Fair enough and just one more thing Chinese players who are the manufacturers of our products do they also have their own registrations in the market that we supply?

R. V. Bubna: No Sir, normally a manufacturer is not interested in registrations he feels that his capital would be much better if he invests into tangible assets which he can see even sell at the time of need. Intangible assets are not very exciting and interesting for the manufacturer. If he has extra capital, he like to put up another plant or increase the capacity of his plant rather than in investing in funds into invisible and intangible registration assets.

Bhavya Gandhi: Got it and with the surplus cash?

Moderator: Thank you. We take the next question from the line of Dhruv Muchhal from HDFC AMC. Please go ahead Sir.

Dhruv Muchhal: Sir for 3Q you gave volume was for agrochemicals division was down 21% Y-o-Y what is price and product mix?

R. V. Bubna: Sir we do not have figure for agrochemicals. We have figures for both the things a total company. Forex Impact has been plus 2.3%, volume has contributed to minus 20.8% and price and product mix has impacted by 19.4%, overall growth has been going down with almost 38%.

Dhruv Muchhal: Yes, I was saying that in the prior calls you had mentioned that in distributors in North America because of the lower prices were saying that you either take the inventory or give us some discounts, Sir is that situation over or still it continues in 3Q and 4Q also?

R. V. Bubna: No Sir that situation was very unique situation. When the prices dropped significantly in a period of time now everybody has got used to it nobody is buying in big quantities and also the decline in price has gone down considerably.

Dhruv Muchhal: Sir last question is what would be our net cash or net debt by the end of December end?

R. V. Bubna: Net cash at the end of Q3 is Rs.370 Crores.

Dhruv Muchhal: Sure Sir. Great Sir, thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Gokul Maheshwari from Awriga Capital. Please go ahead Sir.

Gokul Maheshwari: Good evening. Sir BubnaJi you mentioned two important things one is that the inventory in China on the manufacturing side continues to remain elevated and on the other side you are mentioning that you are hopeful of price increases possibly coming in this year now two questions based on that if there is a lot of inventory yet one way what we have to see is that a lot of production has to go out of the system which you did allude to so can you just highlight any points on regarding that?

Gokul Maheshwari: The second part I was saying is that somewhere when someone raised a question about price increases, and you did mention that we are hopeful those price increases come through within a year but if we have a lot of inventory in the system where do you see that hope coming from for the prices increases to happen?

R. V. Bubna: Sir as I have also mentioned the Chinese production capacities have been reduced by the manufacturers voluntarily and that means the addition to the inventories is going to be less and whatever demand is catered to our supplies the inventory level will go down and this will contribute to slight improvement in the prices because everybody is suffering and everybody is eager and doing its best to get a better realization and better prices.

Gokul Maheshwari: I think in a net-net way what you are saying is that with a certain level of price increases that inventory can get absorbed in the system?

R. V. Bubna: Yes. It is a natural phenomena.

Gokul Maheshwari: Yes, I think that answers my question. Thank you.

Moderator: Thank you Sir. The next question is from the line of Rohan Gupta from Nuvama Wealth and Investment Limited. Please go ahead Sir.

Rohan Gupta: Good evening. Sir my first question is on our increased working capital cost both inventory as well as debtors has gone up compared to last year while the focus was on collections and reducing the inventory but it has still gone up so it is very muted demand scenario which has impacted this or we had just increased the inventories to benefit from the expected price rise maybe in future or debtors are not paying is that driven by that reason?

R. V. Bubna: No Sir. Can you repeat. You said you put your question in three parts what I feel in general that the first part is right, second part and third parts are not right but if you can repeat, I can answer specifically each part and then wait for my answer?

Rohan Gupta: So, Sir what was the reason for increase in inventories?

R. V. Bubna: The reason for increase in inventory is slow receipt of the payments and inventory which was returned back to us by our customers. Voluntarily we have not created those inventories. These inventories got created because of the return by the customers who could not sell their products.

Rohan Gupta: Second then what was the reason for increase in debtors?

R. V. Bubna: Rohan you will be pleasantly surprised. Our debtors have reduced from Rs.1,830 Crores to Rs.890 Crores so almost 50% between March 2023 and December 2023 so we are comparing four-month period with four quarters and three quarters. The last quarter our sales are also very high so that is one of the reasons. I do not have ready figure for December 2022 for the debtors but there is no significant increase in the debtors Sir.

Rohan Gupta: Sir if I understand our business model right then we have always and we should always be beneficiary when the prices fall of the raw material because we do not manufacture anything we just buy from the market, this is the time when we have seen the maximum price fall has happened in China, but on the contrary where we should have gained in the current environment we still posted weak margin and losses and also have to give probably higher discount to the customers to collect the payment. Sir is this understanding probably about our business model then is wrong because even the raw material prices fall we would not benefit, when the raw material prices will go up at that scenario also we would not benefit like how we have seen in the post pandemic environment when the prices were going up. Sir there seems to be some disconnect in our business model just wanted to understand your thought process on that?

Rohan Gupta: Sir just wanted to understand in a falling raw material prices ideally, we should have benefited?

R. V. Bubna: I will answer this. Our inventory has increased not because of our voluntary purchases. Our inventory has increased because of customers are very enthusiastic almost one-and-a-half years ago to build up the inventory because they have passed through the COVID situation where the material was not available to them as per their demand so they built up the orders and by the time the goods were delivered to them there was a steep decrease in the prices so they returned the goods to us and in spite of fighting with them and the legal questions and ruining our relations and following the trend of the market we gracefully accepted the goods back because they were supplied to them on credit and they said if you do not take it back we will not be able to pay you so our inventory got built up involuntarily because of return of huge amount of goods by our customers. Now come to the next part of your question.

Rohan Gupta: So, Sir when the raw material prices now have started going up are you expecting that at least they will not fall and over next one year because Chinese supply is coming down so they may go up do you think that we will go back to the previous level margin Sir at gross level?

R. V. Bubna: This is what we hope but I want to tell you our inventory levels will also go down because we will sell to our customers from the inventory we already have. Our purchases from China have got reduced considerably because there is no fresh demand. Third part of your question Rohan.

Rohan Gupta: No Sir I think that answers both the questions, so thank you very much for answering so patiently Sir. Thank you.

Moderator: Thank you Sir. We take the next question from the line of Manav Kapasi from B&K Securities. Please go ahead Sir.

Manav Kapasi: Okay so last quarter Sir you had given gross margin breakup region wise as well as agrochemical region wise volume so if you can help us with this quarter number Sir?

R. V. Bubna: Our gross margin in Europe has come down from 37.7% to 36.4% very marginal drop. In Latin America the gross margins have gone up from 24% to 31%. In NAFTA gross margin have gone down from 27% to 12%. This is the region which has been very badly hit us and this is a contribution to high inventories and very poor margins and gross margin in rest of the world has stayed stable at 25% to 25%.

Manav Kapasi: Volume breakup region wise for agrochemicals?

R. V. Bubna: Sir I appreciate these questions very intelligent questions. In Europe the volumes have gone down from 3.28 mn to 2.86 mn minus 13%. In Latin America the volumes have gone up from 422k to 503k an increase of 19.3%. NAFTA region the volumes have gone down considerably from 5 mn to 3.23 mn amounting to 35.3% negative. Rest of the world the volumes have gone up from 1.05 mn to 1.10 mn almost 5% increase. Overall, the volumes has gone down by 21% put all the four regions together.

Manav Kapasi: Understood. Thank you so much Sir and all the best.

Moderator: Thank you Sir. We take the next question from the line of Viraj from SiMPL. Please go ahead Sir.

Viraj: Just couple of questions. One is little clarification on the cash part. You said the debtors have reduced from Rs.1,830 Crores to Rs.890 Crores so it is almost Rs.940 Crores reduction in debtors in last nine months?

R. V. Bubna: Nine months yes you are right.

Viraj: But our overall cash component has just increased from say Rs.323 Crores to Rs.370 Crores?

R. V. Bubna: Maybe we have to look at the inventory and receivables. These are the two to three factors which lead to the cash reserves.

Viraj: No receivables you said that it is already reduced by almost Rs.950 Crores so is the major part of that is an inventory, right?

R. V. Bubna: Yes please.

Viraj: So if you see the Non-Agro business it is majorly conveyor belts is the product which we cater to can you give some perspective on what is driving growth in this business for us because the market is you have you seen a industry which is a multi-billion dollar industry and here unless there is a consistency in terms of supply and good credentials in our manufacturing companies usually they do not entertain new suppliers so for us what is driving this growth in this business?

R. V. Bubna: Sir I can only say one thing service, quality and transparency and at the same time we do not have a very big share of the world market. We may not be having more than 10% of the world market so a significant increase in our company's market contributes to very small part to the world market.

Viraj: So, if you have to understand the mix in that business say between replacement versus new projects how would that mix be like?

R. V. Bubna: I cannot comment on this. I have not looked into it from that angle.

Viraj: But generally, is it more of a replacement driven business or is it more of a project driven business?

R. V. Bubna: Most of our demand is coming from resellers, distributors in that particular region. We do not have any access to the end users.

Viraj: Just one more question on this, if you look at the margin in this business in last 10 years we have been earning around 17% operating margin and in last nine months we have gone 24% operating margin so what is driving such a high margin for us and why if a manufacturer sees this kind of a margin then what stops them from entering in this further in the end market because unlike Agro-Chem there is no registration required here?

R. V. Bubna: Sir this business is purely service oriented. If you supply the customer quality goods in time the customer becomes good friend, and he comes to us again and again. I can only say maybe your competitors are not so efficient or so competent to give them the same service. That is the only thing I can say. There is no magic in our hands to influence them or mesmerize.

Viraj: The increase in margin also in the last nine months to say 24% what is that?

R. V. Bubna: Sir pure buying and selling things with little alertness and smartness.

Viraj: Thank you.

Moderator: Thank you Sir. Ladies and gentlemen that was the last question for the day. I would now like to hand the conference over to Mr. R. V. Bubna for closing comments. Please go ahead Sir.

R. V. Bubna: Yes Madam. 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 future too. In case you require any further details, you may contact us or Mr. Deven Dhruva from SGA, our investor relations partners. Thank you very much.

Moderator: Thank you. On behalf of Antique Stock Broking that concludes this conference. Thank you for joining us. You may now disconnect your lines.