"Sharda Cropchem Limited
Q4FY2021 Post Result's Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Sharda Cropchem Limited Q4 FY2021 Post Results 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 telephone. 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: Thanks, Aisha. On behalf of Antique Stock Broking, I would like to welcome all the participants on the call of Sharda Cropchem. From the management, we have Mr. R V Bubna, Chairman and Managing Director, Mr. Ashok Vashisht, CFO and Mr. Dinesh Nahar- GM Finance on the call. Without further ado, I would like to hand over the call to Mr. R. V. Bubna for opening remarks. Post this, we will open the floor for questions and answers. Thank you and over to you Mr. Bubna!

Ramprakash V. Bubna: Thank you Mr. Manish. I welcome all the participants in this conference call. Good day ladies and gentlemen, a very warm welcome to everyone present here for the earning call of Sharda Cropchem Limited for Q4 & FY21. Sharda Cropchem is represented by myself, Ramprakash Bubna, Chairman and Managing Director, our Chief Financial Officer, Ashok Vashisht and Mr. Dinesh Nahar- General Manager, Finance.

Talking briefly about our FY21 results; revenues grew by 19.6% from Rs. 2,003 Crores in FY20 year-on-year (YoY) to Rs. 2,396 Crores in FY21 mainly due to growth in Europe by 20.2%, NAFTA 23.6% and LATAM by 30.6%. There was a decline in Rest of the World by 3.7%.

During FY21 our agrochemical and non-agrochemical mix stood at 86% agrochemicals and 14% non-agrochemicals. Agrochemical's business grew by 22.2%. Europe grew by 20%, NAFTA by 26%, LATAM by 24.6% and Rest of the World grew by 17.1%. So, there was growth in all four regions for agrochemical business.

The non-agrochemical business grew by 6%. Europe grew by 22.4%, NAFTA grew by 12.7% and LATAM grew by 87.1%. On the other hand, Rest of the World degrew by 33.4%.

The company continues to strengthen its product portfolio by prudently investing in new product registrations and enlarging the level on the existing registrations. Sharda Cropchem's total product registration stood at 2,543 in FY21. Additionally, the company has 1,128 product registrations in pipeline. The capex during FY21 stood at Rs. 309 Crores versus Rs. 162 Crores in FY20.

We are pleased to share that the Board of Directors of the Company have recommended a final dividend of Rs. 3 per share taking the total dividend payout for FY21 to Rs. 5 per share for this year.

With this brief overview, I would like now to handover the call to Mr. Ashok Vashisht, CFO for discussing our financial performance.

Ashok Vashisht: Thank you Mr. Bubna. A very good evening to all of you and thanks for joining our call. I will take you through the financial performance of the company for FY21.

During the FY21, our revenue grew by 19.6% YoY. This was mainly driven by strong volume growth at 21.5%. Foreign exchange gain was favourable during the year by 6.1%. The Company experienced an adverse price impact of around 8%.

Gross profit grew by 23.6% from Rs. 614 Crores in FY20 to Rs. 760 Crores in FY21. Gross margin expanded by 104 bps from 30.7% in FY20 to 31.7% in FY21 driven by favourable product mix.

In terms of geographical mix, Europe and NAFTA continued to be the growth engines for Sharda Corpchem. The Company's EBITDA performance was in line with revenue growth and volume growth. We delivered EBITDA of Rs. 455 Crores in FY21 against Rs. 351 Crores in FY20, registering a high double-digit growth of 29.8% YoY. The EBITDA margin has expanded by 150 bps to 19% in FY21. PAT grew from Rs. 165 Crores in FY20 to Rs. 229 Crores in FY21, registering an impressive growth of 39.2% YoY. If we talk about cash profits, we have reached Rs. 400 Crores in FY21 in comparison to Rs. 302 Crores last year, so thereby further strengthening the balance sheet of the Company.

In terms of working capital efficiency, our net working capital stood at 86 days in FY21 against 72 days in FY20 due to early payments of account payable in the current year. We continue to be efficient and deliver the working capital targets.

With this we now open the floor for questions.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Rohit Nagaraj from Sunidhi Securities. Please go ahead.

Rohit Nagaraj: Thanks for the opportunity and congrats on a good set of numbers for Q4 & FY21. Sir, the first question is, post the quarter have we seen any kind of disruptions in terms of our product or raw material availability? As well as in terms of dispatches, we have been hearing the second COVID wave has impacted the logistics both locally and globally, so have we seen any kind of such disruptions post the quarter or the current quarter?

Ramprakash V. Bubna: No Sir. Our business model is robust as our sourcing of most of the raw materials is from China. The Chinese economy has not been impacted by this second wave of COVID at all. In fact, China has grown as compared to the Rest of the World. So there has not been any disruptions post this quarter in China. Additionally, the current quarter is running very smoothly.

Rohit Nagaraj: Understood and that is good to hear. The second question is in terms of the growth which we had seen in Q4FY21 so was this growth has driven partially by inventory restocking as the channel inventories probably were lower. Hence, we have seen such a massive, almost 25% kind of growth, so is there any element of inventory restocking or is it a natural growth because overall good sentiment across the market, the commodity prices have been good and agri commodity prices have been quite vibrant locally. So that has benefitted the overall growth? Thank you.

Ramprakash V. Bubna: I think the growth has been mainly driven by our product mix, getting new registrations and getting deeper entry in the markets. The psychology overall has been subdued because of COVID-19 but agrochemicals and agriculture had been received priorities by the public as well as the authorities in the government. There has not been any adverse impact of the lockdowns on agricultural activities including manufacturing and supplies of agrochemicals around the world. Since, 98% of our actions are outside India, the company has also not been affected by the impact of COVID-19. The growth has been in a normal economic function, greater approach to the market and better product mix.

Rohit Nagaraj: Thank you, Sir. That is good to know and best of luck. If I have any questions, I will come back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Saumaya V from Spark Capital. Please go ahead.

Saumaya V: Thanks for the opportunity. Sir, the first question is on the gross margin, so in the current quarter, there is a decline in gross margins, in the presentation you had referred due to the product mix. Can you help us understand a bit more on this? You had mentioned that last year the product mix was more favorable. How do you look at gross margin going forward especially in the context of rising Chinese technical prices?

Ramprakash V. Bubna: If you compare only Q4FY21, then there is a decline in the gross margins because the gross margin in Q4FY20 was exceptionally high. However, if you take the total year's performance then the gross margin is better than last year so Q4 of last year was exceptionally better. We are starting from an exceptional base that is why there is an apparent decline in the gross margin for this quarter. Have I been able to explain you?

Saumaya V: Yes Sir. Was there any impact in terms of rising raw material prices in this quarter or are you seeing anything in April, May 2021 and how is the price increase that has been generally taken up by the global majors across geographies?

Ramprakash V. Bubna: I am not aware of any multinationals taking any price increase but if the multinationals do increase the prices then Sharda Cropchem will be benefited because we do not decide our selling prices independently on our own. We are only following the footsteps of multinationals. We cannot go away from their strategy that it is not in our interest to reduce the prices and we cannot increase the prices beyond certain limits because we cannot exceed the prices of the multinational. The market always gives preference for the multinationals as they have been there in the business for many years. So, to answer your question the business dynamics have been very steady and normal.

Saumaya V: Helpful Sir and on the import prices for you in terms of raw material prices so you have seen an increase in prices in the last few months?

Ramprakash V. Bubna: Yes, they are there but I think that is also getting tempered down in the very recent past. As there is ample availability, the prices are getting retained.

Saumaya V: Sir, so you are saying there was an increase but now it is getting a bit slowed down on that?

Ramprakash V. Bubna: Yes, it is a dynamic situation sometimes they tend to increase and sometimes they tend to come down, right now the price levels are very normal and flat.

Saumaya V: Got it Sir and just a question on the Q4FY21 can you just provide the volume, price, and FX mix as you gave for FY2021?

Ramprakash V. Bubna: Volume in Q4 FY21 for Europe was 71,73,002 as compared to 54,27,439 in the Q4FY20, registering a growth of 32.2%. In the NAFTA region, the volume during Q4FY21 62,39,020 as compared to 42,01,050 in the Q4FY20, there is an increase of 48.5%. In LATAM, the volume has been 5,72,767 in Q4FY21 as compared to 5,07,302 which is an increase of 12.9% and Rest of the World, the volume stood at 8,75,582 in Q4FY21 as compared to 7,58,038 registering a growth of 15.5%. Overall, the volume has been 1,48,60,371 in Q4FY21 as compared to 1,08,93,829 with an overall growth of 36.4%.

Saumaya V: Thank you Sir. I was also looking at the volume, price, and FX percentage for Q4 YoY percentage?

Ramprakash V. Bubna: Volume, price, Mr. Ashok will answer this question.

Ashok Vashisht: Mr. Somaiah, the volume is up by 36.4% but then there was price and mix impact of 17.2% and there was a favorable forex impact of 5.0%. We registered an overall growth of 24.2% during Q4FY21.

Saumaya V: Helpful. Thank you, Sir. I will join back in the queue.

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

Rohan Gupta: Sir two questions from my side. First is on our growth, many global players have shown huge growth in the Latin American market. However, our growth is primarily driven by Europe and NAFTA. Could you just throw light are we focusing only on these regions and cautiously not increasing our sales in Latin America market or there is growth as well in that market?

Ramprakash V. Bubna: In Latin America, there are some issues, political turmoil and economic setbacks, so the exchange rates and the currencies are going down against the dollars. The general economic stress causes an irregular payments cycle. There are delays in the payments and people are not buying big quantities, so all these effects have a natural tendency of Latin America business to get slower as against Europe's and NAFTA's strong and stable economy. Thirdly, we are investing very heavily on the registrations and the compliance of rules and regulations are strictest in Europe followed by the NAFTA region. In Latin America, there is some elasticity in the implementation of the rules and regulations. So, some people take advantage of this situation and bring some products and thereby reduce the margins. The products have a lower price, hence the margins too get subdued in Latin America.

Rohan Gupta: Thank you, Sir.

Moderator: Thank you. The next question is from the line of Sachin Kasera from Svan Investments. Please go ahead.

Sachin Kasera: Good afternoon Sir and congratulations on a good set of numbers. I had a couple of questions. You mentioned in the previous query that we are making heavy investments in the registration and because of which the heaviness for the last two or three years the cash in the balance sheet has not increased significantly as most of the cash flows going there. So, is it now a new and permanent feature for our company or this is likely a temporary phase of two or three years and then in the next one to two years slowly this will come down and we start to make good cash flows once again, pushing the cash in the balance sheet to go up?

Ramprakash V. Bubna: Sir, I would say that the process of investment in the registration is more or less a continuous process. We have still a lot of scope to enter deeper into the market. We require a good product mix for deeper market penetration. The registration process in Europe is becoming expensive and stricter. I feel that at least for the next few years, our investments into the registrations will continue to grow. It is also not totally decided by the companies and its management, there are many factors that influence the investment in the registrations. One is the progress of the process of registration. Sometimes the progress takes place at a normal speed and sometimes it is subdued because of many factors beyond the control as the bureaucracy is involved, adverse weather situation, or sometimes the effect of the diseases. So, the process of registration has a lot of uncertainty. I would say if you ask me to reply in a simple way, the investment into the registrations will be in the range of about Rs. 200 Crores to 250 Crores for the next two to three years.

Sachin Kasera: Sir, in that scenario if you see from Rs. 335 Crores cash in the balance sheet the cash has come down to almost Rs. 262 Crores to Rs. 270 Crores and last two years we have not had any significant cash flow post investment to the registrations. Our margins, our return on capital also went down. If you are going to work on this model, then the cash will keep on depleting and the returns will keep coming down. So, over a medium term, how do we create value for the shareholder if such a change in the business model scenario?

Ramprakash V. Bubna: I will ask Ashok to reply to this question.

Ashok Vashisht: Actually, you are making a very valid point. However, the investments which we are putting are for securing the accelerated growth. When we are investing for example Rs. 300 Crores annually this year and which will continue, it will be contributing for incremental revenue growth, higher margins and we will reap benefits of economies of scale, thereby financial returns will be much better. The company is looking forward to expanding its market in the new geographies which has complex entry barriers enabling us to achieve accelerated growth. So, we foresee that with all the investments, the cash position will become much better going ahead. The cash and cash equivalent were Rs. 269 Crores in FY20 and this went up to Rs. 343 Crores as of March 31, 2021 so it has strengthened.

Sachin Kasera: We have to look at the net debt because last year there was no debt in FY20 and the cash and cash equivalent was Rs. 335 Crores. We have Rs. 68 Crores of debt in FY21. If I adjust for the debt, then net cash and cash equivalent has gone up?

Ashok Vashisht: We can connect offline. The cash and cash equivalent stood at Rs. 268 crores so even if you reduce debt, which is temporary. It is still on the high side, despite making an additional investment of Rs.100 Crores this year.

Sachin Kasera: Can you give some sense on the margins, it has come down from 22% in FY2017 to 17.5% last year, however, there is some improvement to 19% this year. When can we see this going back to that 22% to 23% levels that we used to enjoy four to five years back or this 18 to 19% is the new normal for us?

Ramprakash V. Bubna: The product mix will play a big role and geographical expansion. Now, we are very near to 20%, so I think we cannot say when it will, but we can say the margins would be better for the growth which we are foreseeing.

Sachin Kasera: Thank you very much, Sir.

Moderator: Thank you. The next question is from the line of Rajeev Sehgal an investor. Please go ahead.

Rajeev Sehgal: Good evening. Congratulations to the management on a very commendable set of numbers. If we compare the performance for FY20 and FY21, there are two line items which have a very significant variation, one is the foreign exchange gain or loss and the second is the tax expense. I would like the management to kindly explain the reasons for such significant variation. Does the company have a hedging policy and do you expect similar variation in the current financial year as well on account of these two line items? Thank you.

Ramprakash V. Bubna: Foreign exchange gain and loss is a function of cross currency exchange rates between dollar and various currencies which cannot be predicted and which is not decided by any company on its own.

Our business model if you have seen most of the buying is done in dollars from China, but sales are in the local currencies. In Europe, most of our sales are in Euros, so last year the Euro dollar exchange rate was varying from 1.05 to 1.1. This time it is varying around 1.2, so if I am selling at the same Euro prices, we have the natural increase in the margin for almost 10% in this year. So, these are the factors which are leading similarly in the case of Canadian currency or Mexican Peso all these cross-currency exchange rates have a direct impact on our margins which cannot be predetermined or controlled by us.

Ashok Vashisht: I will answer your question on taxation. There was a change in the corporate tax rate last year, we got one-time impact in terms of reduction in the deferred tax liabilities in line with the new corporate tax rates. So, the effective tax rates which is coming for this year FY 21 is a significant higher because of the onetime benefit, which we got last year. This year it is a normal one, so the tax rate would be in line with the current year FY21 tax rate for us until and unless there is a new change in the tax regulations.

Rajeev Sehgal: Thank you.

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

Himanshu Binani: Thank you for taking my question. I have some bookkeeping questions. So, wanted to understand the gross margin region wise, can you please help us with that?

Ramprakash V. Bubna: The gross margin region wise, Europe was 38.7% this year as compared to 37.1% last year, so there is an increase this year. NAFTA was 25.1% compared to 24.2%. Latin America was 25.2% as compared to 28.1%. The Rest of the World was 26.5% as compared to 25% last year. Overall, it is 31.7% this year as compared to 30.7 last year, an increase of 1%.

Himanshu Binani: Right Sir. Can you please share region wise product registration and product registration pipeline?

Ramprakash V. Bubna: The product registrations stood at 2,543 and the breakup is Europe 1,326, NAFTA 236, LATAM 744 and the Rest of the World 237. You also asked the question of registration in the pipeline?

Himanshu Binani: Yes Sir.

Ramprakash V. Bubna: The registrations in the pipeline are Europe 760, NAFTA 133, LATAM 167, and Rest of the World 68. Total 1,128.

Himanshu Binani: Sir, I do have one more question basically on the growth guidance, how do one see it in the next few years?

Ramprakash V. Bubna: The growth is expected to be in the range of 10% to 15%. We have explained continuously there are many factors in our business which are very difficult to predict, forecast and control and one of them is the weather. It plays a very important role in the growth and demand of our products, cross currency case wise decide the margins and some factors like COVID-19 or anything which may impact. COVID-19 had an impact on Sharda's business limiting the cost of logistics. The freight rates in the last six months has gone up to about more than 400% compared to last year. The ship rates, air freights, and surface transports in Europe and NAFTA region has increased. It could not have been predicted and we hope this would come down when the situation moves more towards normalcy. But overall, we can say that our business will grow in the range of 10% to 15%.

Himanshu Binani: One last question, we had seen intangible write offs which has been now a constant feature, we have almost Rs. 42 Crores in FY19, Rs. 55 Crores in FY20, and Rs. 38 odd Crores. So, going forward how one may look at this number?

Ramprakash V. Bubna: Mr. Himanshu, nobody can give you a trend or precise information as it depends on multiple factors. Now, these are decided by the auditors and our team put together about the use of the particular asset. Most of it is decided during the course of the year and difficult to predict in advance. However, it will be in the same range of Rs. 30 to 50 Crores. Sometimes, the government authorities ban some registrations while we have already made the investments. So, this cannot be predicted in advance. Have I answered your question?

Moderator: Thank you. The next question is from the line of Sameer Deshpande from Fair Deal Investments. Please go ahead.

Sameer Deshpande: Good evening Sir and congratulations for the excellent results. Actually, because of the tax effect, the real growth in profits seems to be a bit understated. The profit before tax has gone up by 67% in FY21. Whereas, at the net level because of the higher tax this year, growth seems to have subdued a bit. I would like to know the guidance of the operating margin going forward.

Ramprakash V. Bubna: The operating margins would remain more or less flat.

Sameer Deshpande: Around 18.5% to 19% or so.

Ramprakash V. Bubna: Yes please.

Sameer Deshpande: Because currently, they are at 18.7% or so.

Ramprakash V. Bubna: Yes, it is in the same range. You have rightly answered the question, 18% to 19% or 17.5% to 19.5%.

Sameer Deshpande: Regarding our inventory, it has gone up substantially this year about Rs. 150 Crores and debtors had gone up by about Rs. 173 Crores. So, is it because of the rise in sales we are witnessing higher inventories?

Ramprakash V. Bubna: There is no particular or specific reason Mr. Sameer. These are the factors. You have also partly answered part of my question, with the growth in the revenue and wider coverage in the markets, we have to ship the inventory whenever available. Secondly, our business is seasonal. When the demand comes, they want the product next day and our business cycle is that if you want to sell a product in a particular region in NAFTA or Europe, we have to plan at least three months in advance. So that is why we have to keep higher inventories to be on the safer side and sell more. What was the second question?

Sameer Deshpande: The other question is regarding the other intangible assets under development this is the expenditure we incur for new registrations and compliances, etc., which is that figure mainly?

Ramprakash V. Bubna: Yes please.

Sameer Deshpande: Once everything is completed you write off about Rs. 30 Crores to Rs. 48 Crores which you mentioned every year?

Ramprakash V. Bubna: Yes please.

Sameer Deshpande: Now with the new government regulations since the goodwill write off is not allowed as expenditure so what is the rule for this intangible asset write off is there any change?

Ramprakash V. Bubna: Mr. Ashok informs me that goodwill is about Rs. 43 lakhs which is very insignificant.

Ashok Vashisht: We may take a call it will not affect our balance sheet.

Sameer Deshpande: I do not want to know about goodwill. I am saying other intangible assets write off that expenditure is allowed for income tax?

Ashok Vashisht: It is not goodwill. That is write-off of intangible assets which is allowed.

Sameer Deshpande: No change in it.

Sameer Deshpande: What I was asking for goodwill is that the government has not allowed from this year, however, write-off for goodwill as an allowable expenditure but does not have any effect on our write-off of other intangible assets which we are doing.

Ashok Vashisht: Let me clarify, the intangible assets write off does not include goodwill at all. So, it is purely intangible assets, IPR which is allowed. So, we have not written off any goodwill. As of now, it is a very small amount in our books which is coming around Rs. 43 lakhs.

Sameer Deshpande: Are we getting any export incentives which have been canceled by the government from January that is MEIS scheme? Are we getting any export incentives in FY21?

Ramprakash V. Bubna: Mr. Sameer, if you study our business model, we do not do any exports. We are doing mainly third country sales. Export means sourcing from India and sending the products out of India. Our sourcing of products from India is hardly 2% to 3% of the total business volumes, so this cannot impact our business model.

Sameer Deshpande: Okay. Thank you.

Ramprakash V. Bubna: Thank you.

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

Rohan Gupta: Thanks for the follow-up question. Bubna Ji, this is on the agro commodity prices globally. So, we have seen all the prices have gone up. You have also mentioned that recently you had competitions from all the innovators. So, will we see the vibrant agri commodity prices come down by the innovator, are going to see the benefit and going to increase the prices for their products or any such indication which can help us also taking up the price increases?

Ramprakash V. Bubna: Rohan Ji, I think this question can be better answered by the innovators and not us. Only I can comment is if the prices of the agro commodities are rising then there will be better cash flow in the hands of the users of agrochemicals and farmers. If they are comfortable with their liquidity, it will impact our business by receiving payments on time or reporting on incentives which is a good thing for the company. So, it will have an indirect impact. Now, if the multinationals take advantage of the situation of increasing the prices with the availability of cash flow with the farmers it will also affect us positively because we will follow the trend what the multinationals do.

Rohan Gupta: Right Sir on the same extension you rightly said that farmers will have a better cash flow in their hand, can it make reverse situation also if the multinationals do not increase the prices and we are a generic company with almost 20% to 30% discount selling to the innovators. Have you ever seen that in this industry if the farmers had a very solid cash flow in their hand and if the multinational do not increase the prices I mean they continue to do that is there a chance there is a farmers can go back to the innovators or the higher brand from generic? Can it happen, Sir?

Ramprakash V. Bubna: No Sir, I do not think that trend will happen. The farmers are smart and intelligent. They know that our product is as effective as the innovator’s product. It is approved by the authorities of their countries, so in terms of benefit in the farm there is not much of a difference, The farmers are very smart, they would like to save as much money as they can even if they have a better cash flow. As the cash flow is not there to serve as a charity to the multinational companies. So, I do not think that is going to happen. This is just a guess.

Rohan Gupta: Second question on China situation. You said that China has not been impacted at all by the second wave and the manufacturing operations, do you think mainly input prices have gone up sharply in last 30 to 40 days. What is the impact of the rising input prices in our company on our products?

We have also seen such kind of price increase and what is the price increase for the raw material which you have now?

Ramprakash V. Bubna: Rohan Ji, this situation is there only in few individual products. We are talking about the trend. There are some products which are in short supply because of specific reasons for each product, non-availability of the raw materials, maybe those raw materials are coming out of mining or some factors which is not in the hands of anybody, the prices are going up because of the reduction in the production capacity mainly because of non-availability of raw materials as we understand and that situation cannot last for very long. Everywhere industrialists are involved and people find a way, and people find some solutions to these problems, so this is not going to continue for many years. I think this is for a very short-term period. Overall, the situation should improve. Overhead costs are increasing. As I told you the cost of fuel petrol, diesel, transportation and lot of these things are increasing and they are having an impact all from the product at the manufacturer's level and at the distributor level and registration holder level but this also cannot continue for very long for a container we were paying $1,500 to $2,000 earlier freight we are paying about $6,000 to $7,000 or $8,000 because of the non-availability of the container space, ships and the ships are not moving mainly due to COVID-19 factor this way or that way. This will improve and change. These are not manipulated things. These are happening because of the circumstances.

Rohan Gupta: Are we in a position to pass on the rising input cost or there will be some short-term pressure on the margins?

Ramprakash V. Bubna: Wherever we can pass on as I told you because the multinationals cannot afford to keep on paying from their pocket. If they are having higher costs, they would definitely pass on to the consumers and we will follow the trend. Sometimes because of the situation, if the product is not available, it is in short supply then we can pass it on very easily to the customers and the customers, fortunately, they know everything and they do not grumble much. In the case of our non-agro business, freight is forming a very important part of the cost. So many times, even after concluding the contracts when we approach the consumers, that look this was the ship freight earlier and this is shipping freight now after some negotiations they do come forward and offer to share that cost 50%to 60% or more because they also need the goods. So, in many cases, we have to pass on.

Rohan Gupta: We will be able to pass on and there will be no impact on margins for innovators?

Ramprakash V. Bubna: More or less yes.

Rohan Gupta: Sir just last question from my side. Sir, you mentioned roughly Rs. 300 Crores kind of capex for this year.

Ramprakash V. Bubna: Yes please.

Rohan Gupta: Sir how much of that will be for the re-registration and how much is likely for the new registration if you can give some breakup of that?

Ramprakash V. Bubna: Sir this is capex. I think re-registration does not come under capital expenditure. New registrations fall under capital expenditure. Re-registration is coming under revenue expenditure.

Rohan Gupta: No Sir, I did hear the money which we spend on registration?

Moderator: Sir I am sorry to interrupt but we have participants in the queue.

Rohan Gupta: Thank you I will come back in queue.

Ramprakash V. Bubna: We will talk about it later, Rohan.

Moderator: Thank you. The next question is from the line of Sameer Deshpande from Fair Deal Investments. Please go ahead.

Sameer Deshpande: Sir I wanted to know regarding the tax rate, this time our tax rate is around 26% so will that be the same, going forward?

Ashok Vashist: Yes, Sameer that will be more or less the same. Last year we got one-time benefit because of change in the corporate tax rates wherein we had to revalue our tax liability and it is onetime benefit and tax rate was too low that may be around 9%. So, it will be in this range only which is for FY21 going forward.

Sameer Deshpande: Regarding the earlier participant was asking the question, I also want to know the new product registrations we take in various countries and for that purpose, we have to spend certain money and all those things and at the same time they are assets what is the exact things which go under the intangible assets?

Ramprakash V. Bubna: Please be a little more detailed, Mr. Sameer. Anything that is going up to I mean satisfy the requirements of the authority including lab trials, lab sample testing by approved laboratories, field trials and lot of things, all those things are going under registration expenses.

Sameer Deshpande: That goes under intangible Sir and once it is finally commercialized when you start write it off?

Ramprakash V. Bubna: No. Till we receive the registration, the expenditures are classified under capital work-in-progress after we receive the registration in our hand and we are able to start taking use of it by selling that day we have the asset created. The asset is created when we get registration certification in our hand, t that point of time it gets capitalized and write it off over 5 years.

Sameer Deshpande: That is written off over a period of?

Ramprakash V. Bubna: 5 years. It is depreciated not written off.

Sameer Deshpande: Thank you very much.

Moderator: Thank you. Ladies and gentlemen that is the last question. I would like to hand the floor back to Mr. Manish Mahawar for closing comments. Please go-ahead Sir.

Manish Mahawar: Thanks Aisha. On behalf Antique Stock Broking, I would like to thank the team of Sharda Cropchem for providing us an opportunity to host the call. Bubna ji, would you like to make any closing comment Sir.

Ramprakash V. Bubna: I would like to thank all the participants who have joined. If any participant who feels that the time was not enough or they have any other additional questions, they can contact us later on by telephone, by e-mail or correspondence. We will be very happy to answer their questions and it has been a very enlightening conference call for us.

Moderator: Thank you Sir. Thank you, management. Ladies and gentlemen, on behalf of Antique Stock Broking that concludes this conference. Thank you for joining us and you may now disconnect your lines.