



# “Sharda Cropchem Limited Q2 FY2024 Conference Call”

October 23, 2023

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**Moderator:** Ladies and gentlemen, good day and welcome to Q2 FY24 Conference Call for Sharda Cropchem 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 the 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 Akshay. Warm welcome to all the participants on the Sharda Cropchem Q2 FY24 conference call. From the management, we have Mr. R. V. Bubna - Chairman and Managing Director, Mr. Dinesh Nahar - GM, Finance and Mr. Jetkin Gudhka - Company Secretary on the call. Without further ado, 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 Manish. Good afternoon and a very warm welcome to everyone present on this call. Along with me, I have Mr. Dinesh Nahar, General Manager, Finance and Mr. Jetkin Gudhka, Company Secretary 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.

As you are aware, we specialize in marketing and distribution of wide range of formulations and active ingredients of agrochemicals. These encompass fungicides, herbicides, insecticides and biocides catering to a diverse global customer base. Through its expertise and commitment, the company has established itself as a trusted partner in the agricultural industry worldwide.

We prepare comprehensive dossiers and seek registrations in our own name. We allocate substantial resources and establish our foothold in the market. Our total product registrations stood at 2,885 as on 30<sup>th</sup> of September 2023. Additionally, 1,130 applications for the product registrations globally are at different stages of



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approval. The capex for H1 FY24 stood at Rs.217 Crores. For the full year we expect a capex of around Rs. 400 Crores to Rs. 450 Crores.

We have successfully maintained strong relationship with third party manufacturers in China and India ensuring quality products at optimal prices. Over the years, we have built a customer network in global markets. Additionally, we are benefiting through economies of scale and leveraging our supply chain to deliver value to our customers.

For Q2 FY2024 the revenues have degrown from Rs.722 Crores to Rs.581 Crores. We have seen volume growth of 19.7% YoY. Volumes from agrochemicals grew by 18.8% YoY whereas volume from non agrochemicals grew by 30.3% YoY. Sales have degrown due to lower product price realizations across the globe, across Europe, NAFTA and LATAM regions.

Gross margins have reduced to 25.1% in Q2 FY24. The raw material and finished good sales price have reduced substantially. This has led to stock revaluation as per our accounting policy and has impacted the gross profits and profitability to the tune of Rs.13 Crores in Q2 FY24 and Rs.84 Crores in H1 FY24. The company is seeing an improving trend in the second half of the year.

With this brief review, I would now like to hand over the call to our General Manager finance Mr. Dinesh Nahar for discussing our financial performances. Thank you very much. I now hand over to Mr. Dinesh Nahar.

**Dinesh Nahar:**

Thank you Sir. Good afternoon everyone. Coming to Q2 FY24 performance, revenues stood at Rs. 581 Crores versus Rs. 722 Crores in Q2 FY23 a degrowth of 20% year-on-year. Coming to the split, agrochemical business degrew by 23% year-on-year to Rs.441 Crores whereas the non agrochemical business degrew by 4% year-on-year to Rs.140 Crores.

Gross margin stood at 25.1% in Q2 FY24 as against 27.3% in Q2 FY23. Raw material and finished goods sales prices have reduced substantially. This has led to a stock revaluation as per accounting policy and has impacted the gross profit and profitability to the tune of Rs.13 Crores in Q2 FY24.

EBITDA stood at Rs.38 Crores which is mainly due to the decline in the gross margin and increased other expenses which are related to strengthening of global workforce to support future growth. PAT for the quarter stood at (Rs.28 Crores).

In the agrochemical space Europe degrew by 3%, NAFTA region degrew by 42%, and LATAM region degrew by 21% whereas sales in the rest of the world degrew by 40%. Europe contributes 53%, NAFTA 30%, LATAM 11% and ROW 6% of the agrochemical business for Q2 FY24.

In the non agrochemical space, Europe degrew by 29%, NAFTA region grew by 3%, LATAM region degrew by 20% and ROW region grew by 13%. Europe contributes 16%, NAFTA 61%, LATAM 6% and ROW 17% of the non agrochemical business for Q2 FY24.

Now coming to H1 FY24 performance - revenues stood at Rs.1.219 Crores versus Rs.1,546 Crores in H1 FY24 a degrowth of 21% year-on-year. Coming to the split agrochemical business degrew by 23% year-on-year to Rs.916 Crores whereas the non agrochemical business degrew by 15% year-on-year to Rs.303 Crores.

Gross margin stood at 16.5% in H1 FY24 as against 26.3% in.H1FY23. Raw material and finished good sales prices have reduced substantially. This has further led to a stock revaluation as per accounting policy and has impacted the gross profit and profitability to the tune of Rs.84 Crores in H1 FY24. EBITDA stood at - (Rs.28) Crores whereas profit after tax for the half year stood at (Rs.116) Crores.

In the agrochemical space Europe degrew by 13%, NAFTA region degrew by 29%, LATAM region degrew by 38% whereas sales in the rest of the world degrew by 31%. Europe contributed 52%, NAFTA 33%, LATAM 10%, and ROW 5% of the agrochemical business for H1 FY24.

In the non agrochemical space Europe degrew by 51%, NAFTA region degrew by 14%, LATAM region degrew by 18% whereas sales in the rest of the world region grew by 56%. Europe contributed 15%, NAFTA 56%, LATAM 6%, and ROW 23% of the non agrochemical business for H1 FY24.



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Working capital days as on 30<sup>th</sup> September 2023 stands at 120 days. Thank you.  
We can now open the floor for the questions.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Himanshu Upadhyay from O3 PMS. Please go ahead.

**Himanshu Upadhyay:** Good afternoon. I had a simple question. We have seen a volume growth of 18.8% and a fall in revenue of 23%, so should we assume that overall average price fall is something like 40% and what we understand is we are very diversified across the product segment okay but if simple calculations I do, it seems that price fall is something like 40% which I am not able to comprehend? Secondly you say we are seeing improvement in the second half or expecting improvement? The improvement is on the demand side only or we are seeing the prices of chemicals also increasing and hence both the things are improving so can you elaborate on this question?

**R V Bubna:** Sir I will have to break your question into two parts. One you said is the drop in the prices to the tune of 40% and my answer is yes. There is a substantial drop in the prices of the products. In some products the prices have fell down to even 30% of the original prices about a year back. Now the second part is there is an increase in the volume and will that also impact the prices. My answer is yes here also so it is all a question of supply and demand. There was an abundant and excess supply from China and lot of products in the pipeline which led to a sudden crash in the prices and demand. Now once the demand is improving and the stocks in the pipeline are getting consumed, there would be some upward swing in the prices but I do not expect it to be very sharp. It will be very gradual because the stocks available are in abundance. Thank you.

**R V Bubna:** Mr. Himanshu which company do you represent.

**Himanshu Upadhyay:** O3 PMS. Can I ask second question?

**R V Bubna:** Yes please.



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**Himanshu Upadhyay:** We have seen inflation a challenge across the globe and almost all raw material prices are increasing, but if I see the price of agrochemicals or overall basket falling by 30% to 35% is it that the capacity has expanded substantially for chemicals and hence this price fall is there or you think capacities have not increased? It is just the channel which is so flooded that we are seeing such a price or abnormal price fall?

**R V Bubna:** See you have to go little backward and see the background of the general industry. During Corona time the capacities had got shrunk and the prices have jumped up very substantially. Now after the COVID situation has got improved the factories have restarted. Some people with enthusiasm added additional capacities so the production has increased substantially.

**Himanshu Upadhyay:** Okay but are we still seeing the supplies to be in quite excess of demand or your expectation is?

**R V Bubna:** As on date the supply is sufficiently in excess of the demand.

**Himanshu Upadhyay:** And hence our assumption is that prices will move very slowly upward?

**R V Bubna:** Yes the movement is expected to be slow.

**Himanshu Upadhyay:** Okay thank you for your reply.

**Moderator:** Thank you. The next question is from Sonal Minhas from Prescient Investment Management. Please go ahead.

**Sonal Minhas:** I wanted to understand the volume growth that we have seen during COVID and right now? During COVID we saw a very negligible volume growth, but the realizations were really going up. Now we are seeing that the volumes are up while the realizations have tanked by around 40% so in a business where you say you are filing for specialized products, your product niche areas in which you are operating are going up, as an investor Sir who looks at your business quarter on quarter how are we supposed to understand and connect the quality of your product vis-à-vis the volume that you basically are growing in because if we are



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filing in Europe, if we are filing for new products in US and the products are in the niche areas where you have a reasonable presence there should be some understanding of volume growing over time? Sir and I am a little handicap here how am I supposed to understand the volume of this business given that this is a specialty product that we are actually selling here so just educate us a little Sir because the swing in volumes is very difficult to understand?

**R V Bubna:** Mr. Minhas you must understand that we still have less than 5% of the total global volume of the business so at a global level the scenario may be different, but at an individual level our scenario is a little more brighter than the global level.

**Sonal Minhas:** Sir I appreciate that and therefore the potential looks bright and I understand that for you to give guidance on volume and realization it is difficult because this is not in your control, but I am questioning the fact that the products that you are filing the niche areas you are entering are these defensible because we are public market investors? We have seen products which are into niches and good quality areas? There is either a defense of margins or there is a defense on realization which we do not see here Sir so are we missing something in terms of understanding the product fundamentally because such swings do not happen in defensible products Sir?

**R V Bubna:** No that may be your experience. Our experience is that we are going into the products which are just going off patent where the competition is very little and again after we get the registration, the competition is still very less because of the entry barrier of registrations which is a very difficult, highly capital intensive and time consuming process and the innovators still control about 75% of the market even after the products go off patent, so we feel that we are on the right track and if we continue like this, we will continue to grow.

**Sonal Minhas:** Okay sir, so if we assume this COVID related squeeze first did not happen or supply constraint did not happen and let us say 12 months from here on or 18 months from here on where all of this is behind us? Can we assume more linearity and more predictability in the volume of the business just the volume Sir?

- R V Bubna:** I think the volume will increase.
- Sonal Minhas:** Got it Sir. Thanks a lot. Thanks for the opportunity.
- Moderator:** Thank you. The next question is from the line of Rohan Gupta from Nuvama. Please go ahead.
- Rohan Gupta:** Good evening. Thanks for the opportunity. Sir the first question is on our segmental losses in agrochemical, Sir you mentioned that roughly Rs.13 Crores is attributed to inventory net losses because of the liquidation of high cost inventory however there is a EBIT loss of Rs.58 Crores so the rest is it because of the continuous pricing pressure and then we have to sell it at a lower prices or the scenario will continue or it is just only high inventory which we had and then we had to sell it and that this loss is over now?
- R V Bubna:** Yes unfortunately this inventory was not created by us in the planning. We had received firm purchase orders from our customers mainly in North America. We delivered the goods to them and then the prices started crashing so the customer said you please take back the goods. We will not be able to pay you and even if you leave it to our godown you will have to pay us rent. We were forced to take the goods back and that added to our inventories and now those inventories are getting offloaded. We are moving towards the normalcy and this is what leaves us to give us a little bit of optimism about the performance of the company.
- Rohan Gupta:** So when you say Rs.13 Crores is the inventory losses? It includes all the goods which you have taken back including that also?
- R V Bubna:** Rohan it is mainly the revaluation of the stock.
- Rohan Gupta:** Revaluation of the stock which is with us only right?
- R V Bubna:** Yes with us and the prices have shrunk.
- Rohan Gupta:** So this is basically including primarily the material which we have taken back from the distributors?





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**R V Bubna:** Yes Sir

**Rohan Gupta:** Okay and so there is no commitment from the distributor side and if the prices fell even they have taken the material and it was I mean it was a sold material? We were bound to take it back is it not some kind of breach of the contract or I mean the trade of the terms?

**R V Bubna:** It is a breach of the contract and we had to go through it.

**Rohan Gupta:** Just because we want to maintain the relationship with the dealers?

**R V Bubna:** Sir we had no other choice except to take them to the court of law which is a very difficult process and not advisable and was happening across the industry. Every customer or purchaser has gone back on his commitments and raised his hands.

**Rohan Gupta:** Okay sir does it have a sore impact on our relationship or our dealers model with whom we were doing the business and we have also gained a lot of market share in last two years especially in European market when the prices were going up and many regional player in Europe was not able to meet the demand and we gained the market share that actually helped us in post pandemic environment. So is it that the the returns are more from the new traders, new dealers or with the old relationship it was not visible or it is across and how it is going to have impact on our market share going forward?

**R V Bubna:** Rohan your question has been very long and it comprises of many questions. First of all I was able to get the grasp of your first part of the question whether it has led to sore in the relationship my answer is no. In fact we have gained a lot of respect and confidence from our customers that we have stood by them and we helped them to come out of the situation and it will definitely also increase our customer base. I do not know whether I answered all your questions or if something remains please repeat it.

**Rohan Gupta:** Sir I was saying that we have gained a lot of market share in post pandemic era because when the China prices were going up and material was not available many of the local European guys could not cater to the market and we gained the market

share and in that process we added new dealers so is the return more from the new dealers which we have added in last two years or it is across?

**R V Bubna:** It is very difficult to distinguish. We have in general received more respect from most of our dealers and customers that we are a company which is able to support them in a tough time.

**Rohan Gupta:** Sir we have shown a very solid volume growth however we have seen that there is a huge inventory destocking going on so in that kind of scenario how you were able to push the inventories in the market? I mean how we could report this kind of volume growth and what territory?

**R V Bubna:** So this is a very difficult question to answer but the customers approached us. We approach the customers and bought the goods from us.

**Rohan Gupta:** Sir it may be like that because you were taking the materials back so all the high-cost inventory they have given you back and then repurchase the item at a lower price right?

**R V Bubna:** Yes sir and in some instances they say the inventory can stay with us but you give us a discount from the sale price to prevailing market price and we have also complied with that request of them so physically some inventories have not come back to us but we have given them a credit note or discount.

**Rohan Gupta:** Okay so in terms of volume growth and the kind of margin which we have seen in first half how do you see that the recovery in second half more importantly in terms of margins? Is this high-cost inventory liquidation and impact on the profitability and higher discounts asked by the dealers all that is over or there is still some pressure on margin front in second half?

**R V Bubna:** Sir the customers are also aware what are the prevailing prices at the source with China. It is a very transparent system so we have to also live within those constraints and if somebody was selling at \$100 and if I am earning 25% margin then the gross profit for me was \$25 but if the same product is being sold at \$30 and I am earning 25% margin still then my gain is only \$7.5 so this is making a

big impact and that is why I would say that there would be a very slow improvement on the profitability.

**Rohan Gupta:** So you are saying that even if the percentage margins may come back to 25% to 30% at absolute level with the fall in 30% to 40% realization absolute EBITDA or absolute gross profit will be significantly under pressure even in second half or maybe even next year as well?

**R V Bubna:** I would say in the second half. I do not want to make a guess in the next year. I would say second half yes.

**Rohan Gupta:** Okay Sir I will come back in queue for further questions. Thank you.

**Moderator:** Thank you. The next question is from the line of Resham Jain from DSP Asset Managers. Please go ahead.

**Resham Jain:** Good evening Sir. Sir I have three questions. First question is typically we have seen general behavior of a distributor whenever prices are falling they hold up their purchases and reverse is also true when prices goes up, demand suddenly goes up so at this point of time obviously prices have come down, but what are your experiences let us say of the past whenever this kind of situation has occurred in the past?

**R V Bubna:** Resham this kind of situation has not occurred in the past. This is a very unique situation which we feel is in the history of our company's existence but the prices have dropped and crashed so severely and so quickly and I do not think that such unique things happen very often.

**Resham Jain:** Understood Sir very clear. Sir second question is as you clearly mentioned that this kind of situation were unique and since Sharda has a very strong balance sheet it could sustain all the kind of losses and maybe even could sustain even more quarters, but lot of smaller marginal players who might be present in this market? Even some of the larger companies are facing kind of balance sheet related issues and all? Are you seeing any consolidation happening at the smaller obviously

there are very few smaller players present but any consolidation in the marketplace?

**R V Bubna:** Resham we have no active role in these things so whatever I say would be just a guess. We do not spend much time on what is happening with these smaller players. It could happen. My answer to you that it could happen, but it may not happen.

**Resham Jain:** Okay understood Sir. That is also clear. Sir lastly this is not a financial question, but generally an observation? Over the last three to four years what we have seen is that there have been multiple changes in the CFOs at the company since let us FY2018-FY2019 there are like three to four CFOs which got changed at a very short interval and CFO as a designation for a listed company is a very important role especially so any thoughts there how do you see this with the new CFO selection over there?

**R V Bubna:** We are talking about human beings. Human beings have the same nature but what I can tell you is that everybody who has come and gone, he has gone with a very big prospectus so he finds that his tenure in Sharda proves lucky to him and he gets a better opportunity and better offers which we are also happy that people are prospering, but we have not forced. We have not created any situation for any CFO to quit our company. We have been able to make the best use of whichever CFO has joined us and he has helped us to grow the company.

**Resham Jain:** Okay Sir. Thank you so much and all the best.

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

**Darshita:** Good afternoon. Sir my first question was regarding the prices? I wanted to understand how the prices are moving currently? I mean do we expect any stock revaluation taking place in the second half of the year as well or have you already taken the impact of it in the first half itself?



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**R V Bubna:** Madam we have taken care, we did some stock revaluation also in the Q1 assuming that would be the end of the thing but it did not happen. We have again done the revaluation. The impact has been much smaller than the Q1 and we feel that right now there is not much of a scope for further prices going down and our necessity to do any stock revaluation in the Q3 or Q4.

**Darshita:** Okay thank you that is helpful. The second question was so our competition in the regions where we largely operate in that is Europe and NAFTA would be MNC and also a few Chinese players so when we say that China has been dumping the inventory in the market what is the kind of discount at which they are dumping as compared to what we are selling at?

**R V Bubna:** Madam I would not call it as dumping. They are making goods available at the prices and if they are not able to sell it they reduce the prices on their own and this is happening right at the source. If some customer goes with them and presses them for some further reduction considering their own situation they comply with that. They are also suffering. They are not very happy. Many of them have closed their manufacturing plants and sitting on an inventory and they are also losing very heavily because they have bought the raw materials at a higher level and now they are forced to sell at a loss. They are not very happy to do that. They are not doing it willingly, but if they have to stay in business then they have to do these things.

**Darshita:** Right so does this scenario like this result in a market share loss for us of any kind?

**R V Bubna:** Market share loss, no, not for us because of the entry barrier of registrations the Chinese players can play any role within China or outside the territories where goods are selling. Inside the territories the scenario is different. They cannot go and dump anything into any country without registration.

**Darshita:** Right and just one last thing on the pricing? I mean you mentioned that there is almost a 40% decline on realization during the quarter? If we look at that number it looks like the prices are way below the pre COVID levels also? I mean if you compare that to your FY21 realization number versus right now it looks like the

prices are below pre COVID levels significantly. So why are we not expecting any jump at least I mean the prices coming back to the mean level if not going above that or I mean at least reaching the pre COVID levels?

**R V Bubna:** Madam, I have not understood your question very well but I only understood your remark that the prices have gone down to a pre COVID. The answer is yes and now lot of manufacturers are sitting with high quantity of inventory and they also need cash flow so in the need of cash flows, they are trying to increase the price but then again they have to also see there should be customers who will buy them at that higher price so it is open transparent question of supply and demand. Supply is still there excessively there.

**Darshita:** Excessively there got it and the on-ground demand continues to be strong on farmer level?

**R V Bubna:** Farmer level yes. Farmer level because I am sure you are doing these studies also. The agricultural productions have not gone down. The demand of agri products have not gone down and even in countries like Ukraine, I would like to let you know that the agricultural activity is fairly normal. We are selling to Ukraine and our sale during the war time has been slightly higher than the previous year and they are paying.

**Darshita:** Right got it and just two data related questions if you could give us the agrochemical volume, region wise agrochemical volume?

**R V Bubna:** Region wise agrochemical volume in Europe it is 3.6 million, LATAM 0.8 million, NAFTA 2.6 million and the rest of the world 0.5 million.

**Darshita:** Okay and the gross margins region wise?

**R V Bubna:** Gross margin Europe 34%, LATAM 28%, NAFTA 5% and the rest of the world is 45%. So NAFTA has been the biggest affected region and that constitutes also a substantial part of our businesses.

- Darshita:** Right and could you give the distribution between volume, price and exchange? I just want to understand if there was any exchange benefit?
- R V Bubna:** Volume has grown. This is globally. Volume has grown by 20%. Foreign exchange impact has been about 5%, price and product mix is minus- 45% and total growth is minus -19.5%.
- Darshita:** Got it. Thank you so much Sir. I will get back in the queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Dhruv Muchhal from HDFC AMC. Please go ahead.
- Dhruv Muchhal:** Thank you so much. Sir what was the sales reversal that we would have booked in Q2?
- R V Bubna:** Sales reversal in Q2 has been in the range of about Rs.70 Crores.
- Dhruv Muchhal:** And Sir when you give this volume price and FX plate where does the sales reversal come in? Is it negative on volumes or I mean where does it fit in?
- R V Bubna:** It fits into the volume growth.
- Dhruv Muchhal:** Okay so had the sales reversal not been there your volume growth would have been whatever percent higher that is the right way to think of?
- R V Bubna:** Yes.
- Dhruv Muchhal:** Okay sure sir and so your inventory even in the, I mean at the end of Q2 still seems a bit high in number of days? If I compare it versus the history for the Q2 period it is still a bit high so is there any worrying signs still that the inventory that we carry can still create some pressure?
- R V Bubna:** See this is a result of all those reversals that we have to do and collecting the goods back from our customers, but that process is more or less dried up now so the inventories will get consumed in the next quarter end.

**Dhruv Muchhal:** Okay and all these inventories are not mark to market to the current technical prices so there is no further loss that can come on these inventories?

**R V Bubna:** No it is mark to market.

**Dhruv Muchhal:** Sir one thing you mentioned about these US distributors of yours returning goods because of the pricing impact? Is the same situation also in Europe or Europe is adhering to the commitments? I am just trying to understand the intensity?

**R V Bubna:** Europe it is very insignificant. In Europe they only request for extension of the payment terms or some small discount but it will not be so much blunt. In US it has been the other way.

**Dhruv Muchhal:** Got it. Sir, in US what we see is it specific to some molecules that we had some exposure to and hence the impact is large or it is across many I mean many molecules?

**R V Bubna:** I would say across. It again depends from molecule to molecule. If some molecules productions have gone up and the demand has been normal then the drop has been very significant. In some molecules it is not so bad.

**Dhruv Muchhal:** Sir because when we see the data whatever data we get it seems the price impact and volume impact for US is mainly in glyphosate and probably some other herbicides,so I am just trying to understand is this very particular to specific molecules or I mean as you said it is across many molecules?

**R V Bubna:** Mr. Dhruv glyphosate is known to be a very volatile product and the biggest product in the agrochemical business so even in the normal cases the fluctuations in glyphosate has been more eminent and more obvious. Other products there are many other products which has faced this thing. They are all non glyphosate.

**Dhruv Muchhal:** Okay so it is not only glyphosate?

**R V Bubna:** The product is ammonium which is having similar applications of glyphosate. That product has seen a very big drop this year in prices.



- Dhruv Muchhal:** Okay got it and Sir probably two things Sir? You mentioned that in enthusiasm lot of Chinese have set up new capacities also? Sir is there a significant increase in new capacities in China based on whatever your ground checks are saying? I mean say for example I am not sure how you put it but some qualitative comments there will be helpful Sir? What is the quantum of capacities that have come? What is the new supply that has come up in China?
- R V Bubna:** I was there in China about three months back. There was an exhibition and I am also going to China for another exhibition which is annual. The last time when the manufacturers came they said they have shut down their plants. One man said that there are seven plants and they shut down four of them because they cannot afford to run them. So now I think the situations are getting more normalized. The shutting down process may not be so abrupt but I get the feedback from when we talk to them and communicate with them that they are still sitting with a lot of inventory. Nobody is daring to put up a new plant.
- Dhruv Muchhal:** So, they already put it seems lot so many?
- R V Bubna:** The only biggest problem would be to restart the plants that they have shut down if the demand goes up which is not happening so far.
- Dhruv Muchhal:** And Sir last question is, Sir any guidance you can give for sales growth for the full year this year and the EBITDA growth? The EBITDA margin probably that you are expecting or just for H2 what is the growth that you are expecting and EBITDA margin?
- R V Bubna:** I think we will have to wait and watch the situation. If I am going to give you something this is going to be a guess which I prefer to avoid.
- Dhruv Muchhal:** Sure sir no worries. Thank you so much Sir and all the best. Thank you.
- Moderator:** Thank you. The next question is from the line of Vishu Kumar from Avendus Spark Institutional Equities. Please go ahead.



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**Vishu Kumar:** Thanks for your time Sir. Sir during the conversation you mentioned high inventories across manufacturers in China and also in the end market so when we look at over the next 2quarters to 4 quarters or 12 months or so are we thinking in terms of planning our inventory how purchases? Sir when do you think the situation in your opinion will normalize because you also said this is a unique case and so when we are really getting into the market? How are you thinking the market will change?

**R V Bubna:** Mr. Vishnu Kumar this process is very simple for us and one of the reasons for it being so simple for us is that we are very nimble footed. We are not manufacturing so we very easily can switch from one product to the other product without any botheration of any restrictions at all. Most of our planning is guided by the discussions which we have with our distributors or consumers and they give us feedback at this season this product is likely to and then we plan to source them. We are not planning so much even advance that this thing will happen. We always get a feedback from our customers and then we do the planning.

**Vishu Kumar:** Understood Sir. Sir current feedback that you have at least when do you think this excess inventory situation will normalize at least whatever feedback you have? This is more from an industry question trying to understand when will excess inventory will probably change in your opinion?

**R V Bubna:** See some customers who must have bought 10 containers from us are asking for only two containers now but they are asking for some product quantity so this gives us an indication that earlier it was out of excitement, out of greed and now they are being more practical.

**Vishu Kumar:** Understood Sir.

**R V Bubna:** Question we are presuming at least the end level customers distributors they are not speculative you understand. Chinese are obviously not speculative because they are already suffering with the inventories so this gives us an impression that slowly the things will come back to reason and normality and logic.



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- Vishu Kumar:** Got it. Just a timeline if you have anything that you think will change this finally what you said if there is any time when you think it will improve?
- R V Bubna:** I have already said that this is moving towards normality and the speed is not very big . The speed is normal or less than normal.
- Vishu Kumar:** Understood Sir. Sir first half is most. I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Rohit Nagraj from Centrum Broking Limited. Please go ahead.
- Rohit Nagraj:** Thanks for the opportunity. Sir my first question is again harping on China so what is your assessment from Q1 to Q2 in terms of the supplies coming from China and the pricing of products I mean how it has changed on a Q-o-Q basis your thoughts on that thank you?
- R V Bubna:** Mr. Nagraj this depends from product to product. You cannot generalize it. In some product there is an excess capacity or excess stocks, the normalizing process is very slow. Some products it is getting faster. That is the only thing I can say. It is very difficult to generalize.
- Rohit Nagraj:** Sure sir that is helpful. Sir second question is in terms of weather-related challenges in any of the geographies are we seeing it across any geographies and for particularly some crops in those geographies thank you?
- R V Bubna:** Sir those things are also the fact and reality. In some European territories the weather has not been so good and our customers and distributors are sitting with the unsold stock but this has not been the case. You cannot generalize. It is happening in some pockets of Europe and some pockets of also US.
- Rohit Nagraj:** Right thank you so much Sir and best of luck.
- Moderator:** Thank you. The next question is from the line of Anuj Sharma from M3. Please go ahead.

**Anuj Sharma:** Thank you for this opportunity Sir two questions? Sir I was saying that our model has been challenged for the first time considering the price falls? Do you intend to have any changes to the model or what are the key changes you will bring about after this price falls?

**R V Bubna:** See Mr. Anuj we do not see any reason to change our model because of this. We feel that this model is the most flexible one and we would like to continue with that.

**Anuj Sharma:** Okay just in terms of how do you deal with your customers any changes or this is part of the trade the rejection of goods? Anything you can think about in that or that is part of the trade?

**R V Bubna:** I think it is a part of the game and this does not happen very often as I have told some of your colleagues that we are facing this for the first time in the history of our company. I do not think these things are going to be normal or usual.

**Anuj Sharma:** Okay my second question is on the non agrochemical segment now behavior also in terms of pricing seems to mimic the agrochemical segment? Now I understand these were more manufacturing oriented stuff how is the pricing so much varying in the non agri segment especially in Europe?

**R V Bubna:** The variation has not been too much and for your information many of our non agro products are giving us better margins than the agro products at this point of time. The only factors which were affecting the non agrochemical business were the logistics cost and the transportation cost which became very significant and transportation had increased more than 10 to 12 times. The freight and transportation costs are coming down but we are non agro business is made to order. It is not keeping inventory and then selling so the inventory problem has not been very severe in non agro in.

**Anuj Sharma:** Okay when I look at your slides it seems to indicate the pricing fall in even non agro in the first half is more than 20% and I was wondering how does that function?



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- R V Bubna:** Mr Anuj that price includes the cost of freight and the freight has come down from say \$100 to \$10 now back to the pre COVID times.
- Anuj Sharma:** Okay all right. Thank you that answers my question.
- Moderator:** Thank you. The next question is from the line of Siddharth Gadekar from Equirus. Please go ahead.
- Siddharth Gadekar:** So my question is specifically to the North American market so where we have seen a significant drop in our gross margins? Can you just highlight that how much is the contribution from glyphosate and the overall drop one and secondly in terms of the end demand are we still seeing inventory built up there or are things likely to go back to normal in the next two to three quarters?
- R V Bubna:** Sir your voice was getting cut in between for the first part so can you repeat the question once again louder and speed should be a little slow.
- Siddharth Gadekar:** Sir in North America specifically we have seen a sharp drop in our gross margins how much of that would you attribute to glyphosate and glufosinate? Secondly in terms of the inventory levels in glyphosate and glufosinate is there still a significant amount of inventory built up even for CY2024 how should we look at it?
- R V Bubna:** Glyphosate forms a very small part of our total business. Glufosinate yes, but most of the inventories have been taken care of. Nobody is sitting with significant inventories. In fact we are buying something for a new requirements at a price which is about 20% of the original prices that we paid and selling it with about same margins that we are earning but the absolute margins are much lesser.
- Siddharth Gadekar:** So is it fair to assume Glufosinate is still below \$10 and even for the Q3 we are not seeing any recovery in those prices?
- R V Bubna:** Yes, you are right. The Glufosinate is selling at less than \$10 which was otherwise selling at \$45.



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**Siddharth Gadekar:** Okay Sir and in terms of cost of production you will have any sense what would be the cost of production of glufosinate or you can get a sense that when can we see recovery?

**R V Bubna:** Mr. Siddharth how does it help us. We can go get into lot of details but it does not help us. We have a lot of better things to do to look at our business than looking at the manufacturer's business. Manufacturer is crying. Manufacturer is very unhappy with these prices. He is forced to sell it at these prices because he also needs some cash flow. What is his raw material prices now and at that time that is a very long thing for us to go which is not necessary for us.

**Siddharth Gadekar:** Okay Sir. Thank you.

**Moderator:** Thank you. Ladies and gentlemen that was the last question for today. I would now like to handover the conference to management for closing comments.

**R V Bubna:** Thank you everyone for joining us. I hope we have been able to answer all your queries. We look forward to such interactions in future. We hope to meet your expectations in the future too. In case you require any further details, you may contact us or Mr. Deven Dhruva from SGA our investor relations advisors. Thank you once again and have a nice evening.

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