"Sharda Cropchem Limited
Q3 FY2023 Earnings Conference Call"

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Analyst : Mr. Manish Mahawar - Antique Stock Broking

Management :

Mr. R. V. Bubna – Chairman & MD – Sharda Cropchem Limited

Mr. Ashok Vashisht – Chief Financial Officer - Sharda Cropchem Limited

Mr. Dinesh Nahar – General Manager -Finance - Sharda Cropchem Limited

Moderator: Ladies and gentlemen, good day, and welcome to Sharda Cropchem Q3 FY2023 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 Lizann. 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. Bubna for opening remark. Post which, we will open the floor for Q&A. Thank you, and over to Mr. Bubna.

Ramprakash Bubna: Thank you Mr. Manish. Good afternoon and very warm welcome to everyone present on the call. I hope you all are keeping safe and healthy. Along with me, I have Mr. Ashok Vashisht, Chief Financial Officer and Mr. Dinesh Nahar, General Manager, Finance, and SGA, our Investor Relations Advisors are also on the line. Hope you all have received our investor deck by now. For those who have not, you can view them on the stock exchanges and company website.

We are a global agrochemical company engaged in the process of marketing and distribution of formulations and generic active ingredients, fungicides, herbicides and insecticides across the globe. We have also entered in the biocide segment to cater to the disinfectants market, leveraging our product registration capabilities. We identified the generic molecules, prepare dossiers, seek registrations and market there and distribute these products in wide range of agrochemical sector. Sharda Cropchem's total product registration stood at 2,776 as on December 31, 2022. Additionally, 1,131 applications are in the pipeline at different stages of approval. The Capex incurred by us in the first nine months of this year is around Rs. 300 Crores. We maintain healthy relationships with multiple manufacturers in agrochemical industry, mainly in China and India. Sourcing from multiple manufacturers help company in getting quality products at optimal price thereby derisking our sourcing capabilities.

Over the years, we have built a strong brand franchise within our global markets. For Q3 FY2023, revenues grew by 16% to Rs. 1,017 Crores and for the nine months of this year, the revenues grew by 19% in the first nine months to Rs. 2,563 Crores and the growth was led by better product mix, and price realizations.

Gross margins in nine months of this year have been impacted by weakening of euro against dollar leading to increased input costs and the impact of general inflation across the geographies. Major currencies have depreciated against dollars in first six months of the financial year due to global & macro environment.

In Q3FY23, we have seen a rebound of these currencies against the U.S. dollars. Over 43% of our sales in the first nine months on the agrochemical sector has been in the Europe, whereas the majority of the company's raw materials are sourced from China in U.S. dollars. This has impacted the company's gross margins and overall profitability. EBITDA has remained flattish as we have seen margins decline. This was due to lower GP margins driven by weakening dollar, euro leading to increased input costs, general inflation, and strengthening of global force.

Profit after tax for nine months was also impacted by Forex losses. We have taken various measures to reduce the impact of Forex going ahead. We have increased our sales focus in the NAFTA region, which is being sold in U.S. dollars. We are also optimally hedging all our currencies against US dollar.

With this brief overview, I would now like to hand over the call to our CFO, Mr. Ashok Vashisht, for discussing our financial performance. Thank you everyone, thank you so much.

Ashok Vashisht: Thank you, sir, and good afternoon everyone on the call. I will take you quickly through the Q3 FY2023 financial performance and YTD December for the nine months financial performance.

Coming to Q3 FY2023, revenue stood at Rs. 1,017 Crores against Rs. 880 Crores in Q3 FY2022, registering a growth of 16% year-on-year basis. Revenue growth for Q3 was led by better prices, product mix, as well as volume growth mainly in agrochemicals. Gross margin stood at 30.5%. Gross margin have been impacted by weakening of euro against dollar leading to an increase in input cost, but it has improved from Q2 FY2023.

EBITDA has degrown by around 2% to 197 Crores essentially driven by comparatively margin decline due to lower GP margin because of same issue that is weakening of euro against dollar, as well as general inflation. PAT stood at Rs. 108 Crores versus Rs. 102 Crores in Q3 FY2022. PAT was supported by volume growth and positive impact on Forex.

Coming to the split, agrochemical business, this grew by 16% year-on-year to Rs. 842 Crores whereas the Non Agro business grew by 12% year-on-year basis to Rs. 175 Crores. In Agrochemical space, Europe grew by 9%, NAFTA region grew by 27%, rest of the world grew by 17%, and LATAM it is a small degrowth of around 5%. In Q3 Europe contribute 39%, NAFTA contributes 47%, LATAM 6%, and rest of the world 8%, of the agrochemical business for Q3 FY2023.

Coming to Non Agro space in Q3, NAFTA region grew by 67%, LATAM grew by 102%, rest of the world grew by 9%, and there was a degrowth in Europe by nearly 57%. In Non Agro Europe contributes 14%, NAFTA 66%, LATAM 5%, and rest of the world are 15%.

Coming to the nine months FY2023 performance, revenue, we registered Rs. 2,563 Crores against Rs. 2,145 Crores in nine months FY2022. We are seeing a solid growth of 19% on year-on-year basis. Our revenue growth was led by better product mix and price realization. Gross margin stood at 28% for YTD December 2022. YTD December 2022 margins are better by 170 bps over the first half of the year margins, YTD September 2022.

EBITDA has grown by 1% to Rs. 414 Crores and PAT stood at Rs. 143 Crores against Rs. 172 Crores in nine months last year. As you are aware, PAT was impacted by high forex losses of nearly Rs. 69 Crores in nine months FY2023.

Coming to the split, Agrochemical business grew by 15% year-on-year basis to Rs. 2,032 Crores whereas Non Agro business grew by 38% year-on-year basis to Rs. 531 Crores.

In the Agrochemical space Europe grew by 15%, NAFTA grew by 23%, rest of the world grew by 18% and we registered a degrowth in LATAM by 6%. Europe continues to be the number one region in nine months at 43%, NAFTA 40%, LATAM 10%, and rest of the world 7% of the agrochemical business for nine months FY2023.

In the Non-Agrochemical space NAFTA grew by 76%, LATAM grew by 86%, rest of the world grew by 8%, and we registered a degrowth in Europe of around 7%.

In Non Agro, Europe contributes 22%, NAFTA contributes 59%, LATAM 6%, and rest of the world 13%.

We continue to have a very strong balance sheets and liquidity. Our cash and cash equivalents as on December 31, 2022, is at Rs. 303 Crores.

With this we open up the floor for questions, and we will be happy to answer. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Varshit Shah from Veto Capital. Please go ahead.

Varshit Shah: Sir, my first question is on the macro backdrop of Chinese supplies resuming and some more capacity by Indian players in certain molecules. So, do you see that post this environment of falling prices kind of stabilizes there could be actually a better days ahead for companies like Sharda who do not own manufacturing entities.

Ramprakash Bubna: You are absolutely right Mr. Varshit, I mean, we are seeing better times in this quarter and the year ahead, because Chinese prices are stabilizing, and the products are available on the demand, and the world is facing a lot of uncertainties. So, there is some shortage in the world situation, which will help us to get better realizations also.

Varshit Shah: Just one question on insecticides, in the presentation, we have reported a 42% decline in the insecticides segment. So, what is the reason for such a sharp drop, and at the same time there is a very sharp uptick in herbicide sales at 38% despite LATAM being weak overall. So, what is the reason for outperformance also in the herbicide sales despite a week LATAM.

Ramprakash Bubna: Frankly, we are not controlling these distribution between herbicides and insecticides. We are only catering to the demands of various markets and if the market demands more herbicides, we supply them herbicides, but we do not miss the loss of insecticide sector businesses. This purely happens because of the global environment and many factors including the crop pattern in consuming countries.

Varshit Shah: Sir, I understand that obviously we supply based on the opportunity, but just wanted to understand, what is the end driver for such a sharp drop in insecticides, I mean, I have been hearing this across industries that the insecticides demand overall is very weak. So any idea you have from your end customers. Is it related to weather, with old inventory system and any idea you have.

Ramprakash Bubna: No Sir, we do not get this kind of ideas and feedbacks from our customers, and we do not spend our energy trying to study these statistics. It is not impacting our business, and we are happy with what is happening.

Moderator: Thank you. The next question is from the line of Somaiah V from Spark Institutional Equities. Please go ahead.

Somaiah V: Sir, first question is on the end market both from NAFTA as well as Europe. On three fronts, so one, any color on inventory in the system at this point in time, that is one. Second, I mean, in the recent say one year or so, have you seen material market share shift into smaller players that is the second part, and third with respect to the price realization or improvement in price. This has been a function of supply chain disruption and a RM prices getting passed on, how it has been, and how do you see this going forward.

Ramprakash Bubna: We are very comfortable with the inventory, and we have sufficient inventory to cater to our needs. So there is no concern at all on the inventory front.

Somaiah V: The second part was on markets have shifted into smaller players in the last one or one and a half years, I mean, how has that been.

Ramprakash Bubna: No I do not think so, the market is not shifting to smaller players, in fact the process of registration is becoming more and more difficult and more and more extensive. So this would also restrict the entry of the smaller players. We do not see any obvious trends of shifting the market to the smaller players.

Somaiah V: The last one or two years for us there has been incremental gains on market share with the BRC contestants.

Ramprakash Bubna: Yes, there has been an incremental gain in the market share in the last one or two years. As and when we are moving forward, our products are finding better acceptability and our services are being appreciated by the customers.

Somaiah V: The other part was on price realization, generally the industry has seen a lot of support from price realization in the last one and a half years or so, is this largely a function of the supply chain disruption that happened during COVID, and also the raw material prices being higher, and if both of these are now away, so do you think the price increase could kind of either flatten or you could even see a decline from here.

Ramprakash Bubna: See it is difficult to comment on this, but I think that prices are fairly stable and they will continue at this level.

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

Sameer Deshpande: Good afternoon Bubnaji. Congratulations for the good numbers, and actually the first six months were quite difficult for us due to the foreign exchange issues, but now it seems that the tide has turned in favor of Euro versus USD and it seems the current ratio seems to be at on 1.08. So, I think we had a foreign exchange income of 12.4 Crores versus the losses. Now if we compare overall our results for the year normally the last quarter of the year that is the coming quarter will be the fourth quarter which is the highest profit-making quarter for the company historically also. So, now in the nine months, if you exclude the foreign exchange loss, our profits have been quite steady despite rise in turnover there is some compression in gross margins. Now we have reverted to 30.5% in this quarter of the gross margins. So, what is the scenario expected for the next quarter and we have a lot of the inventory pileup I think, Rs.1,427 Crores is the inventory versus Rs. 893 Crores. So what is the reason for that and whether the pricing etc., affects us, the high inventory.

Ramprakash Bubna: No, the pricing will not affect the higher inventory.

Ashok Vashisht: See as we have said earlier, we maintain 15% to 20% growth year-on-year so you can do your math what it comes for quarter four, and you have rightfully commented that, the euro is now again recovering and obviously this will help the company in Q4 and then for the whole year.

Ramprakash Bubna: But, I would say the recovery is not full, we were dealing that the time when it was $1.2 to a Euro now we are only 1.08, 1.09, but the experts are saying that euro is going to strengthen further, and we wait and watch the situation.

Sameer Deshpande: And the gross margins have reverted to 30.5%, which is a very encouraging thing this quarter and so do we expect the similar scenario to continue going forward in the Q4 also.

Ramprakash Bubna: Yes Sir.

Sameer Deshpande: Quite good. So the guidance of our company of around 15% to 20% growth in terms of sales and profits continues.

Ramprakash Bubna: Yes Sir.

Sameer Deshpande: Thank you very much and all the best.

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

Rohan Gupta: Sir, couple of questions. First is on this, can you provide the volume and price led breakup for the current quarter revenue growth.

Ramprakash Bubna: You want for the current quarter?

Rohan Gupta: Yes Sir.

Ramprakash Bubna: The volume in Europe was 35,90,000, LATAM was 411,000, NAFTA was 53,16,000 and rest of the world was about 970,000. Total 10,283,000.

Rohan Gupta: Sir, I wanted more on this overall volume and the price led growth for the quarter, not the region breakup, just, I mean, the revenue growth which was roughly 16% to 17% for the quarter. How much was price driven, and how much was volume driven.

Ramprakash Bubna: See the growth was 6.7% on price and product mix, and 9% on volume growth and FX impact is more or less zero.

Rohan Gupta: 7% you mentioned is a price led growth.

Ramprakash Bubna: Price and product mix.

Rohan Gupta: 7% is price and product mix, so 10% was the volume growth.

Ramprakash Bubna: 9%.

Rohan Gupta: Sir, second question is, we are moving more towards NAFTA market, I do not know sir how easy it would have been for you because you very quickly moved towards NAFTA market as sensing the pressure in a European market, quite commendable job by you, and your team. Just wanted to understand that, how do you see this NAFTA market keeps moving, and growth in NAFTA area, and now when the euro dollar sanity is coming back, will be back to again to European market because those are the highest margin market and what kind of the margin difference is there between European market and NAFTA market.

Ramprakash Bubna: European market the margins are much better. See in quarter three European gross margin was about 35.5%, NAFTA was around 28%, LATAM was 24% and rest of the world 27%, overall 30.5%.

Rohan Gupta: So, the gross margin which you indicated which is 30% despite lower share of Europe and you expect this gross margin are going to be maintained at 30% level even in the next quarter as well and once we go back once again to the European market do you see that the overall margin can improve further.

Ramprakash Bubna: It would improve to some extent.

Moderator: Thank you so much. The next question is from the line of Dhruv Muchhal from HDFC Mutual Fund. Please go ahead.

Dhruv Muchhal: Sir, first question is on the Non-Agrochemical business, that seems to be doing very well both on revenue and margins and the margins were also best ever. So, if you can throw some light what is driving this, how sustainable this is, and is there any one-off there.

Ramprakash Bubna: No, this is sustainable, and the growth and margins are improved mainly because of the service and quality. Timely delivery of the goods in spite of hassles in the logistics and international freights and shipping space, we are still able to achieve timely delivery of the goods to the customers and better price realization.

Dhruv Muchhal: So this is primarily what belting or this is something more they have started something additional there.

Ramprakash Bubna: Mainly belting.

Dhruv Muchhal: And so the belts go primarily into what is it mining, what are the categories, what is the category that it goes into.

Ramprakash Bubna: See the general term is for material handling and mainly in the mining, also on the ports or even the highway industries where the goods have to be transported from one point to the other point.

Dhruv Muchhal: Because here also margins are very strong, and I am not very sure if this is also a registration-based business like your agrochemical business so I am just trying to understand how sustainable these margins are.

Ramprakash Bubna: I think you have understood, this is not registration based at all. This is purely a service and quality factors, which drives this business.

Dhruv Muchhal: Okay probably I will try to understand this better later. So, the second thing was on the margins for the agrochemical business now if I remove the FX impact the margins seems to be a bit lower versus the last year they have improved versus 1H levels, but still a bit lower. So how do you see this trend, I mean, any signals in terms of the improvement, what can drive the improvement and some color on that.

Ramprakash Bubna: There will be, and we look forward to some improvement in this.

Moderator: We will move onto the next question that is from the line of Akshat Mehta from Pioneer Investcorp. Please go ahead.

Akshat Mehta: Good afternoon sir and thank you for the opportunity. I would like to know that within our agrochemical business, could you provide the break as in what would be the mix between sale of formulations and sale of AI and the margins for the same.

Ramprakash Bubna: The formulations gives us a much better realizations and much better margins. In the AI there is not so much of value addition. So, the margins in the AIs are definitely lesser.

Akshat Mehta: Margins in AI are better.

Ramprakash Bubna: Margins in AI are not better and if you compare them with formulations.

Akshat Mehta: Any number you could provide as in what percentage mix or something like that.

Ashok Vashisht: See if you break that around 97% for the quarter was formulation, 3% AI, and for nine months 93% formulation, 7% AI.

Akshat Mehta: Okay, 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 congrats for a good set of numbers. On slide #18 in the presentation, we have given some key initiatives the company has taken basically to offset the impact of this weak Euro. So, if you could, which is basically higher focus on NAFTA closing in euro currency, optimal hedging and seeking price increases. If you could give us some more insights or little more granular details about all these four initiatives that will help us appreciate the numbers much better.

Ramprakash Bubna: The measures we have mentioned here are increased sales focus on the NAFTA region, I think this does not require any further clarification spending more time and pushing the customers, then optimal hedging of currencies. See we do not like to speculate or take positions in the case of currencies also and now if we do a little common sense-based hedging, it is helping us and giving us good rewards.

Sachin Kasera: So, Sir, can you tell us say, before you took these measures what percentage of your exposure you are hedging and how much increase now you have taken in for example if you hedging zero or 10%, 20% only are like having 50%, 60% of exposure if you could give us some number that would be helpful.

Ramprakash Bubna: The numbers are difficult to give, but I want to tell you that when the Euro was going down and you are not seeing an opportunity to hedge, if it was 1.05 we were thinking that when it starts going up we will sell but on the contrary it used to go to 1.04 or 1.03. So the hedging was much lesser and now when it is going up we feel more motivated and encouraged to sell it forward and this is the strategy that we are applying now it is also dependent upon the trend of the exchange rates not just our desire.

Sachin Kasera: And sourcing in Euro currency so before this euro crisis what type of sourcing you are able to do in Euro and currently what percentage of our sourcing would be happening in Europe.

Ramprakash Bubna: I would say almost zero or very negligible in Euros, but when Euro was going down we would try to source it in Euros but the suppliers were also very conservative. If the rate is 0.96 Euros to a dollar, they will try to give a price based on 0.94, which was not very comfortable for us. So the sourcing in Europe was very negligible and we are happy that we did not source much in the Euros, mainly the sourcing is in dollars.

Moderator: Thank you. The next question is from the line of Dhruv Muchhal from HDFC Mutual Fund. Please go ahead.

Dhruv Muchhal: Sir, my question was that if I adjust for the FX against this quarter and also the previous year quarter the margins for the agri business are still a bit low, the adjusted is 17% last year, which is currently 10% this year. So, what is driving this impact, is it just the Euro and USD issue where you have still not been able to pass on the full price or the cost impact or is there something else and any trend on the improvement.

Ramprakash Bubna: There is no other trend, mainly it is the exchange rates

Ashok Vashisht: only and only that.

Dhruv Muchhal: Which is getting reflected in your gross margins, the exchange rates which you reported separately, that is separate.

Ashok Vashisht: That is on the quarter end position which is reported as exchange gains / Loss. But it goes through the gross margin as well.

Dhruv Muchhal: Sir, I am seeing some of your global peers are talking about high system inventory across some of the major regions, and also the second part was that the agrochemical prices out of China, the technical prices out of China have started to decline. We see most of the molecules the prices are declining. Sir, in that context do you still believe that 15%, 20% growth guidance can be achieved for the next year or do you think that could be a downward division.

Ramprakash Bubna: And what was the last part of your question.

Dhruv Muchhal: Sir, the agrochemical prices, the technical prices from China are also declining we see glyphosate has declined and all these other molecules have declined. So as you pass that on to your customers I am not sure, I mean, fully pass on will happen, not happen. So just one thing to understand will it have any implication on your growth guidance and the margin guidance or that should be achieved.

Ramprakash Bubna: Not significant, and even for the passing on we have the first dispose of the inventories that we have so it will be very slow process.

Dhruv Muchhal: Perfect Sir, great, all the best and thank you, sir.

Moderator: Thank you. The next question is from the line of Rohit Nagraj from Centrum Broking. Please go ahead.

Rohit Nagraj: Thanks for the opportunity. Sir, as we understand LATAM is one of the largest markets globally and our market share in terms of the geographies are relatively more. So how are we going to tackle or how are we focusing on this market and is there any room for generic products that we are marketing across other geographies in the LATAM market and what is the registration pipeline that we are looking at. Thank you.

Ramprakash Bubna: I think this is a news to us that LATAM is the largest market, LATAM is not the largest market. In my opinion LATAM comes at the second or third level and the LATAM market is driven mainly by the economies of each individual countries and the exchange rates of the local currency versus dollars. All the transactions that happen in these countries are mainly in US dollars and if the currencies are depreciating then the players there feel very much hurt by the drop in the currency and they have to take out more local currency to meet the same demand of dollars, because of this factor the LATAM market is still declining and going down.

Rohit Nagraj: Sure thank you, apologies maybe my assumption was wrong. Second question in terms of the operating Opex which has come down and we have started getting those benefits of lower transportation cost or freight cost. So, do we expect incremental benefit during, I mean, right from Q4 because last quarter also it was probably transitory in nature where the freight costs and other costs were declining and now probably they have stabilized. So we will see a little more impact, favorable impact from the Opex point of view.

Ramprakash Bubna: Yes, marginal yes.

Rohit Nagraj: Sure, that is all from my side and best of luck Sir. Thank you.

Moderator: Thank you. The next question is from the line of Bhavya Gandhi from Dalal & Broacha Stock Broking. Please go ahead.

Bhavya Gandhi: I just wanted to understand on the gross margin front because since now Euro has already appreciated like two quarters back we were at 1.1 and now again we are at 1.09, but gross margins on Y-o-Y seems to be on lower side. So is it high-cost inventory or what is it if we remove the Forex impact.

Ramprakash Bubna: Please understand the currency rate does not have an instant impact on the business. The benefit will come going forward when we will start getting better realizations.

Bhavya Gandhi: And as of now we do not have any forward contracts or hedging of Euro currency right.

Ramprakash Bubna: We do have forward contracts for 1.04, 1.05, 1.06 and we were very happy at those rates then we are seeing that earlier rates of 0.99 and 0.96. Today they look so, but then we have to leave it then.

Bhavya Gandhi: So how much would be our forward contracts in terms of Europe sales is it possible to quantity.

Ramprakash Bubna: No, difficult to quantify, but overall I can tell you that overall the company is getting benefited.

Bhavya Gandhi: Okay fair enough, thank you so much, that is it from my end.

Moderator: Thank you. The next question is from the line of Rushabh Shah from K R Choksey Shares & Securities. Please go ahead.

Rushabh Shah: My question is, why do we call our business an asset light business when we spend more than 5% revenue on new registration, and if we include the Capex on intangible, the free cash flow are not as good as they seem to be, and for growth we need to invest very heavily in the business.

Ramprakash Bubna: You can call it anyway, what we are saying is that we are not investing into tangible assets and we are nimble footed, you can get any other technology nobody is stopping. We have the asset light comes when we spend on the tangible assets or fixed assets, which we are not doing and registrations are considered to be an intellectual property and nobody calls them tangible.

Rushabh Shah: If you look at registrations in to 2019 when we were at 2,300 now we are nearly at 2,700 and pipeline has increased on 1,000 to 1,100 and despite our spending despite as increasing our spending on registrations materially from Rs. 200 Crores to Rs. 400 Crores what will we understand from this data.

Ramprakash Bubna: You understand from the data as it is given and you can give it any terms to the business, we have no objection people call it as asset light and we agree with them.

Rushabh Shah: My last question is for two to three years the profitability is less and we spent less on the registrations can it materially impact our business growth and profitability in the future.

Ramprakash Bubna: In the future yes, it will because we have to be in line with what is happening and with the global trend and more and more the new products are coming into this business we have to stay with them otherwise we will lose market share in future.

Rushabh Shah: Thank you so much.

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

Darshita: Thank you for the opportunity. My first question is regarding the price hike. Have we taken any price increase on sequential basis.

Ramprakash Bubna: I think I have explained in the past, we cannot decide the price on our own. The price is set by the multinational companies who are having a major share of the market, the innovators are still controlling more than 75% of the market share and we try to tag our price a little behind them at a maybe 5% to 10% discount, if we want to increase we can, but this is the trend.

Darshita: My question was as compared to second quarter, in the third quarter have we taken price increase, why I am trying to understand this is that after China has resumed operations we have seen that the raw material prices have started to come off. So, what I am trying to understand is that this benefit that we have from pricing, how long will it continue, be it for MNCs or for us, how long will it continue.

Ramprakash Bubna: We have not taken any conscious price increase. We are maintaining the same prices and if there is a small drop in the sourcing prices that is the benefit, if it is a better exchange rate that is a benefit to us.

Darshita: And looking at the current situation from China I think you would be the best person to answer that by looking at the current situation in China given that the prices are coming off in any time in FY2024 like is there any kind of guidance that we get as to when will the benefit of price increase will stop flowing into the top line growth and then the 7% number that we have seen in third quarter, will it starts reducing as we go forward.

Ashok Vashisht: See 7% is not only price hike it is a product mix and price, so I would say it is mainly the product mix, which is really 7%.

Darshita: All right. My second question is regarding the tax rate expectation for FY2023 where do we see the tax rate being set over here.

Ashok Vashisht: 25% to 27% around that, because we are into new tax regime now, so basically 25% to 27%.

Darshita: And the last question was regarding the registration and pipeline breakup, if you could provide the region wise registration and pipeline breakup.

Ramprakash Bubna: I will give you first the registrations, in Europe 1490, LATAM 750, NAFTA 290, and the rest of the world 243, total 2,776. Now what was the next question.

Darshita: The pipeline breakup.

Ramprakash Bubna: Pipeline, Europe 700, LATAM 175, NAFTA 150, and rest of the world 105.

Darshita: Thank you so much for the opportunity.

Moderator: Thank you. The next question is from the line of Chintan from Prudent Corporate. Please go ahead.

Chintan: Thanks for the opportunity Sir. Sir, I have a question how we build our inventory for example on what basis like what demand is in which region or any statistical data we have.

Ramprakash Bubna: We have to take a judgment after talking to our customers, and we are in regular touch with our customers, they give us a feedback that this product is having better demand and this is the situation. We design our strategy mainly based upon the feedback that we receive from our customers.

Ashok Vashisht: We make indicated forecast based on feedback from our various customers.

Chintan: And sir, cannot we make a hedging strategy, a disciplined process for the future? It looks like we are doing hedging on a human bias.

Ashok Vashisht: Hedging on?

Chintan: I mean, a standard process for our hedging. I mean we are doing hedging just on human bias currently, it looks like. Or we have any risk team who are running something?

Ashok Vashisht: No. We are evaluating this and we may take some calls on that shortly. We are evaluating, and we have already started taking few positions, which is already implemented.

Chintan: And sir, there are so much entry barriers in terms of registration. So, cannot we slowly increase our receivable days or I mean, improve our life cycle of the business?

Ashok Vashisht: We can, but this sector works like that and in fact, we are one of the best-performing companies in terms of working capital. So, even innovators give credit period for a year, but we still try to maintain as less as possible, but yes, there is a scope and we are very mindful of that and we are improving on that, and the numbers which you are seeing for third quarter, especially inventory are meeting the demand of Q4 FY23., As you guys are aware, fourth quarter for the company is the biggest quarter. So mainly because of that, the inventory is on higher side, and towards the end of this year, it will be significantly lower.

Chintan: Is there any number against our current receivables, how much we have hedged?

Ashok Vashisht: As current trend is going on, there is a natural hedge. wWe do not actually go by very specifics. We take a general hedge and do not go customer specifics.

Chintan: Okay. Thank you so much, sir.

Moderator: Thank you. The next question is from the line of Archit Joshi from B&K Securities. Please go ahead.

Archit Joshi: Good afternoon, sir, and thanks for the opportunity. I might be asking this question again. I missed the point that you made earlier about the sourcing strategy that we have had. We have mentioned in the presentation that we have moved on to buying in Euro currency and you earlier mentioned that we were not doing it earlier. So, just one question here. How much percentage of our COGS will now be denominated in euro currency? Is there something more that is left for us to completely start buying into euro?

Ashok Vashisht: Yes, when we implemented this interim strategy, buying in Euro, this was essentially because of the weakening of Euro and we have reached in the first half of the year around 8% to 10%, but now with the Euro coming back towards normal, still it has to improve a lot. So, majorly now, I will say, mainly the sourcing is in USD only. We had done sourcing in Euro in the interim period only.

Archit Joshi: Sir, how easy or difficult it is to have these ad-hoc decisions whether or not to buy in Euro or in USD?

Ashok Vashisht: See, it can be implemented instantly. I mean in a month's time because when we are negotiating prices, we do not have long-term contracts. We have short-term contracts with our sourcing partners. So at that time, we can implement, if need arises. So it can be implemented in a short period.

Archit Joshi: Understood, Sir. That clarifies a lot. Thank you. Have a good day. Thanks.

Moderator: Thank you. The next question is from the line of Yogesh Tiwari from Arihant Capital. Please go ahead.

Yogesh Tiwari: Good afternoon, Sir. My first question is if you can share the gross margins for your herbicide, fungicide and insecticide portfolio for Q3?

Ramprakash Bubna: Sir, we do not have that kind of analysis and we do not go into those details. We look at the overall picture.

Yogesh Tiwari: Sure, sir, but directionally, can we say that herbicide has more margins compared to insecticides and fungicides? Any direction view?

Ramprakash Bubna: No, it is difficult to comment. It depends from individual product, product to product.

Yogesh Tiwari: And Sir, the second question is, if you can share some details on the demand and pricing environment of Metribuzin in the U.S. market?

Ramprakash Bubna: No, we cannot comment on individual product, and we do not have that information.

Yogesh Tiwari: Sure, Sir. Thank you from my side. Thank you, Sir.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Bubna for his closing comments.

Ramprakash Bubna: I want to thank all of our investors who have taken so much of time to attend this call and it has been a good experience. We also learn from the questions. I want to thank everyone for joining us and I hope we have been able to answer all your queries. We look forward to have such interactions in future as well. We hope to meet your expectations in the future. In case you require any further details, you may contact us or our Investor Relations firm, SGA, Mr. Deven Dhruva. Thank you so much once again.

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