

# Initiating Coverage Sharda Cropchem Ltd.

5-July-2021





Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Agrochemicals	Rs 359.1	Buy at LTP & add more on dips to Rs 322	Rs 395	Rs 424.5	2 quarters

HDFC Scrip Code	SHACROEQNR
BSE Code	538666
NSE Code	SHARDACROP
Bloomberg	SHCR IN
CMP Jul 02, 2021	359.1
Equity Capital (Rs cr)	90.2
Face Value (Re)	10
Equity Share O/S (cr)	9
Market Cap (Rs cr)	3240
Book Value (Rs)	179
Avg. 52 Wk Volumes	292101
52 Week High	387
52 Week Low	231

Share holding Pattern % (Mar, 2021)	
Promoters	74.8
Institutions	19.8
Non Institutions	5.4
Total	100.0

## Fundamental Research Analyst

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### Our take

Sharda Cropchem has presence in both agrochemicals and non-agrochemicals business segments. It pursues a differentiated asset light business model whereby it completely outsources manufacturing of agrochem to China and focuses on product registrations. The company is constantly focusing on identifying new products and registration opportunities. Once these opportunities are identified, it immediately begins the process of seeking registration from regional authorities. It has 2,543 active registrations and a pipeline of 1,128 registrations mainly in the EU, US and LatAm. The company derived 86% of revenue from agrochemicals segment and 14% from the non-agrochem business in FY21. Total registrations have grown at a strong 12.5% CAGR over FY15-21. The registration process is extremely stringent and costly, especially in Europe.

Sharda is likely to maintain growth momentum due to rising wallet share in existing products, new launches, and expansion of in house sales team. The company guides for 10-15% growth in revenue and margin at ~18-19% in FY22. It aspires to exceed Rs 3,000cr revenue in the next 3-4 years. The product base is large and the marketing network is wide with a geographically diversified clientele. Increased investment, mainly in North America and Europe, should help expand customer base over the medium term. The company has a portfolio of 2,543 product registrations and a pipeline of 1,128 registrations across the regions as of Mar-2021.

In the belt segment (non-agro business), the company has seen improvement. This segment witnessed the real impact of COVID-19. All the material handling at ports, mines, etc. has been impacted adversely. Now, as these activities are normalising and demand is improving, the non-agrochem business should grow, in our view. The company invests heavily in registrations in Europe and NAFTA regions. In Europe, registrations are becoming more expensive and stricter. The company guided that total expenditure in new registrations would be around Rs 200-250cr every year for the next 2-3 years. Most of the investments made in registrations are expected to be funded through internal accruals. We are positive on the company, given its asset light model, product registration-led growth, net cash balance sheet, and healthy return ratios.

### Valuation and recommendation

Management has given a guidance of 10-15% growth for sales in FY22; we estimate sales growth of 13%/14% for FY22E/FY23E. We expect gross margins to be under pressure in the near term due to rising cost of technicals on account of shortage in availability of RM to



manufacture them. We believe that gross margin would improve in H2FY22 as RM prices have slowly started to taper down with RM availability issues subsiding, leading to China capacities gradually moving to normal operating levels.

Management has guided for an EBITDA margin in the wide range of 17.5-19.5% in the medium term. Sharda Cropchem continues to have a strong registration pipeline (1,128 products as on March-2021 at various stages of registration across different geographies). Europe and NAFTA regions will continue to be the growth drivers. Registration costs in Europe continue to rise, which would increase Capex spends for the company. We believe that a strong pipeline of registrations would drive volume and sales growth. Company's asset light model, cash rich balance sheet (cash & equivalents of Rs 340cr as on Mar-2021) and focus on registrations in stricter geographies augur well for tapping incremental volume growth. At CMP, the stock trades at 12.3x FY23E EPS. We recommend investors to buy the stock at LTP of Rs 359 and add more on declines to Rs 322 (11x FY23E EPS) for base case target of Rs 395 (13.5x FY23E EPS) and bull case target of Rs 424.5 (14.5x FY23E EPS) over the next two quarters.

## Financial Summary

Particulars (Rs cr)	Q4FY21	Q4FY20	YoY (%)	Q3FY21	QoQ (%)	FY19	FY20	FY21P	FY22E	FY23E
Total Revenues	1088	876	24.2	494	120.2	1,998	2,003	2,396	2,707	3,086
EBITDA	216	181	19.7	96	124.8	322	282	437	492	573
Depreciation	52	35	49.1	40	29.2	99	137	170	217	267
Other Income	4	-7	-151.4	22	-83.6	21	42	46	48	53
Interest Cost	1	0.4	81.8	0.5	77.8	8	2	3	5	4
Tax	33	-3	-	29	12.6	59	20	80	81	90
APAT	134	142	-5.6	48	177.4	176	165	229	238	264
EPS (Rs)						19.5	18.3	25.4	26.3	29.3
RoE (%)						14.6	12.3	15.2	13.9	13.9
P/E (x)						18.1	19.3	13.9	13.6	12.3
EV/EBITDA (x)						9.3	10.7	6.9	6.1	5.3

(Source: Company, HDFC sec)



## Q4FY21 result update

Sharda Crop posted 36% volume growth and price de-growth of 17% YoY during the quarter, while favourable forex impact of 5% YoY has resulted in overall revenue growing 24% YoY to Rs 1,088cr. Agrochemical revenue increased 22% YoY at Rs 1,005cr, while steady improvement in the industrial activities has led to 56% growth in the non-agrochemical revenue to Rs 83.4cr. Strong revenue performance was led by higher agrochemicals growth across regions with Europe/NAFTA/LatAm/RoW at 14%/35%/46%/6% YoY respectively. Gross margin contracted 500bps YoY to 31.3% due to change in product mix and abnormal high base of last year. Lower other expenses restricted the decline in margin, which fell 70bps YoY to 19.9%. PBT increased 20.8% YoY at Rs 167cr. Due to one-off tax benefits in Q4FY20, the company reported 5.5% decline in net profit at Rs 134cr. The company has guided for 10-15% growth in revenue along with 18-19% EBITDA margin in FY22.

## Key highlights from conference call

- Europe and NAFTA regions will be key growth drivers, going ahead.
- Technical prices in China increased during Q4FY21 due to shortage in availability of RM to manufacture them. However, current RM prices have started to normalise with availability issues reducing.
- Growth from Latin America (LatAm) business is expected to be slow because of economic and political crisis in the region and lower gross margin. The LatAm region has seen laxity in implementation of rules and regulations for product registrations.
- Registrations cost in Europe continues to move up along with strict compliance and regulations. The cost is very high compared to other markets.
- In the US, more than 70-75% market is controlled by MNC players.
- The company aspires to exceed Rs 3,000cr revenue in the next 3-4 years.
- It will continue to invest ~Rs 200-250cr each year towards registrations over the next 2-3 years.
- Agro commodities have been witnessing a surge in prices, which will lead to improved cash flow to farmers which in turn will translate into timely payments by dealers.
- Management mentioned that product pricing is completely dependent on the pricing set by MNCs for their products.
- The company needs to keep up inventory to meet demand in Europe and NAFTA regions.
- Management mentioned that only new registration cost gets capitalised while the re-registration costs are accounted for as revenue expenditure.



- Revenue in FY21 was up by 19.6% on the back of 21.5% volume growth, 6% forex gain while there was an adverse price-product mix impact of 8%.
- Tax expenses in Q4FY20 stood at Rs 33cr vis-à-vis a negative charge of Rs 3.5cr in Q4FY20 (as there was a one-time deferred tax adjustment in Q4FY20 due to changes in corporate tax rate).
- Gross margin break-up geography-wise - FY21
  - Europe – 38.7% (37.1% in FY20)
  - NAFTA – 25.1% (24.2%)
  - LatAm – 25.2% (28.1%)
  - RoW – 26.5% (25%)
  - Overall – 31.7%, +100bps YoY
- Total registrations are at 2,543 as on Mar-2021, the geography wise break-up is as under
  - Europe – 1,326, NAFTA – 236, LatAm – 744, RoW – 237,
- Total registrations pipeline is at 1128 as on Mar-2021, the geography wise break-up is as under
  - Europe – 760, NAFTA – 133, LatAm – 167, RoW – 68,

## Business segments

Sharda Cropchem Ltd is a leading global generic agrochemical company, which is engaged in the marketing and distribution of a wide range of formulations and generic active ingredients globally. It has a strong foothold in the advanced economies of Europe and US. Additionally, it has penetrated the regulated markets of LatAm and the rest of the world (RoW). The company has merely 2-3% of total business volume from India.

Its revenue is geographically segmented into four markets, namely Europe, North American Free Trade Agreement (NAFTA), LatAm and RoW. It has two business verticals, namely agrochemicals and non-agrochemicals.

It is engaged in the activities of identifying new products and registration opportunities. Once these opportunities are identified, it immediately begins the process of seeking registration from the regional authorities. Entire manufacturing of the products is outsourced to vendors in China, which further helps it mitigate the sourcing risk. It is able to maintain an asset light model, given it has no investment in land, plant and equipment for research and manufacturing activities.



Agrochemical segment – The company is primarily a crop protection chemical player that is engaged in the marketing and distribution of a wide range of formulations and generic Active Ingredients (AIs). It operates in Europe, the NAFTA region, Latin America and the rest of the world. It serves fungicide, herbicide and insecticide segments, which protect different kinds of crops, the turf and specialty markets, as well as disinfectants in the biocide segment.

Non-agrochemicals – Company is also engaged in the order-based procurement and supply of belts, general chemicals, dyes and dye intermediates. It sources these non-agrochemical products from Chinese or Indian manufacturers and supplies to over 30 countries across Europe, North America, Latin America, Australia, and Asia.

Sharda Cropchem’s promoters and management have rich experience in the agrochemicals business, having played a key role in developing the business. The company’s apt domain knowledge and experience gives a substantial competitive advantage for expanding its business in existing markets and entering new geographies. The company’s business and operations are led by a qualified, experienced and capable management team. The ability to attract and retain key management personnel and in house team helps it streamline the registration process, thus optimising registration costs and time.

### **Asset light business model**

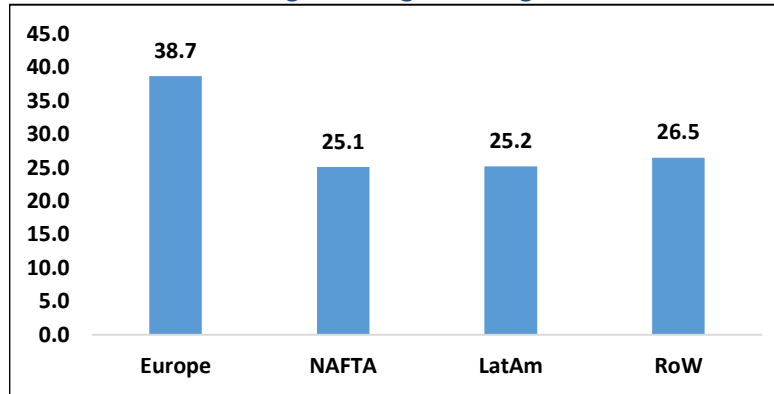
Unlike the innovators, Sharda Cropchem follows a unique asset light business model, facilitating its competitiveness in identifying generic molecules, preparing dossiers, seeking registrations, marketing and distributing formulations through third party distributors or through its own sales force. The asset light business model enables the company to focus and invest its scarce resources, i.e., capital and time for strengthening its registrations portfolio of generic active ingredients. Sharda Cropchem’s asset light business model acts as a key differentiator from an innovator company, allowing the company to save its capital, time, and resources on R&D.

### **Banks on registration**

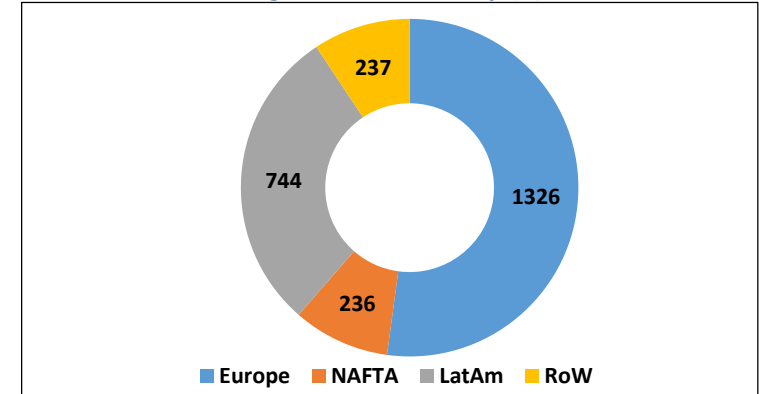
Sharda continues to bank on smart intellectual property (IP) management for identifying generic molecules going off-patent and focus on seeking registrations to strengthen portfolio of formulations and generic active ingredients across Europe, NAFTA, LatAm and Rest of the World (RoW). The company seeks to obtain registrations of new formulations by leveraging existing dossiers and portfolio of formulations and generic active ingredients. Its focused approach has yielded fruit as several registrations and the library of dossiers owned by the company has grown from strength to strength. Company has assiduously devoted its time and capital for procuring registrations in

different countries. Every jurisdiction has different legal and procedural requirements for seeking registrations. With its rich experience, Sharda Cropchem has successfully obtained the necessary regulatory approvals from these jurisdictions. The company is well-equipped to respond to potential issues and efficiently comply with regulatory requirements. The company invests heavily in registrations in Europe and NAFTA regions. In the Europe region, registrations are getting more expensive and strict. The company guided that total expenditure in registrations would be around Rs 200-250cr per year for the next two years.

**Regionwise gross margin**



**Registrations Breakup (#)**



### Strong registrations pipeline

Sharda Cropchem has 2,543 registrations, comprising formulations (~89%) and active ingredients (11%). The company has a pipeline of 1,128 registrations across Europe, NAFTA, Latin America and the rest of the world. As per the company's trend, it procures 100-150 registrations every year, which come from a portfolio of over 150 molecules. Registration continues to be an engine of growth for the company, and it focuses on adding more registrations for strengthening its product offerings to multiple geographies.

### De-risking sourcing capabilities

The company maintains a healthy relationship with multiple manufacturers in the agrochemical industry, mainly in China, from where it sources and with various formulators from Europe and the US. Sourcing from multiple manufacturers helps the company in getting at the





optimal price, thereby de-risking its sourcing capabilities. Despite swinging demand cycles, the company has gained the flexibility to supply formulations or generic active ingredients at competitive market prices through its cordial relationships with third-party manufacturers and third-party formulators.

### **Widespread global distribution network**

Sharda Cropchem is strengthening and widening its sales force in Europe, US, Canada, Mexico, Colombia, South Africa and other jurisdictions, in addition to third-party distributors with a goal to enhance its presence in the agrochemical value chain. It enables the company to penetrate its formulations and generic active ingredients in various countries backed by third-party distributors and the presence of its own sales force.

Sharda has a presence in most of the regions; however, it is still at a very low level, not more than 5% to 10%. In some specific cases, it could be even as high as 15% and one of the major reasons for this is that the innovators and multinational companies continue to dominate all the markets around the world. They still control about 75% for the market share on an overall average. So, the generics have only about 25% market share to compete with among themselves and that is why most of the generics have a market share of 5-10% each, sometimes ~15%.

### **Diversified geography and products portfolio**

With its diversified range of formulations and generic active ingredients in fungicide, herbicide, insecticide and biocide segments, the company has grown by expanding its business operations in over 80 countries across Europe, NAFTA, Latin America and RoW. Backed by rich experience in multiple geographies and products, Sharda Cropchem has developed knowledge about the local weather and soil conditions, which aids to predict and meet the local demand. Additionally, the company's rich library of dossiers gives it an opportunity to enter untapped markets.

### **Working capital-intensive operations**

Sharda group's working capital requirement is typically higher than that of its peers because of broad product portfolio and wide geographic reach. It has a large inventory due to numerous stock keeping units and seasonality in geographies that the group operates in. Working capital cycle is likely to remain at the same level. Additionally, there are substantial receivables from certain overseas markets, especially Latin America. While it maintains liquid surplus to manage working capital requirement, any significant stretch in the working capital cycle may impact its balance sheet and cash flow.





## Key concerns

Currency risk - Sharda deals in multiple currencies across various geographies. Being a global player, it has large exposure to foreign currency revenue, mainly in US dollar and euros. Any adverse movement in foreign exchange rates could impact its revenue and profitability.

Extension of patents - Company is exposed to a high risk from patent laws of different countries. Any extension of patents may adversely impact the business. The introduction of formulations and generic active ingredients might get postponed on the undue extension of patent terms, or extension of exclusivity in the marketplace by the respective regulatory authorities, which will unfavourably affect its business.

Changes in government policies – Sharda complies with the laws, rules and regulations of multiple countries due to its global presence, which might affect the decision making process. Any modifications in governmental policies related to agriculture and any adverse alterations in policies relating to the agro-sector, such as a government’s reduction in agricultural expenditure, retraction of incentives and subsidy systems, new export policy for crops, fluctuation of commodities prices, will impact the company’s business. The stated factors could lower the farmers’ ability to obtain a minimum support price for the crop-output, which might reduce their ability to spend on agrochemical, thereby impacting the company’s market demand and sales. Mitigation - the company’s strong geographic spread and diversified product portfolio reduces its reliance on any single country for selling its products.

Adverse climate or weather conditions and reduced pest attacks - Demand for agrochemicals gets adversely impacted by unfavourable climate or weather patterns and pest attacks, thereby building up inventory in the system. The seasonal nature of the business makes it difficult for an agrochemical player to forecast crop output based on historical production, thereby affecting business operations. Adverse weather conditions in regions will negatively affect the company’s sales. Further, a delayed or adverse monsoon could negatively affect collection of receivables.

Steep hike in technical product prices - Sharda Cropchem is fully dependent on contract manufacturing and has limited control over manufacturing costs. In case it is unable to pass on the higher prices to end customers due to high competitive intensity, there can be short to medium term phase of extreme volatility in margins for the company.



Regulatory risk - Company operates in a highly regulated sector; if it fails to comply with regulations prescribed by authorities, its financials would be adversely affected. Any negative regulatory changes may adversely impact the industry as well as Sharda's financials. If any products registered by the company are banned or rendered obsolete by authorities, there can be a loss to the investment in those respective registrations. Also, constant increase in pricing of registrations and re-registrations in EU and US is a matter of concern for the company, which is likely to impact its cash flows.

Dependence on Chinese suppliers - Sharda is predominantly dependent on Chinese vendors for its sourcing. Issues like adverse movement in Chinese currency, rising labour costs, and heightened costs of environmental compliance could significantly impact the competitiveness of Chinese manufacturers. This, in turn, could affect its sourcing capabilities.

Need to keep surplus cash as a cushion, which can be used against any possible unforeseen event, leading to stretching of working capital - Unlike other agrochem companies, Sharda Cropchem's major assets are its registrations, which are intangible in nature. This is one of the reasons, the company has always been conservative in leveraging its balance sheet.

US-China trade war - China is one of the key players in the agrochemical industry. The ongoing US-China trade war combined with environmental inspections has led the industry to search for alternative sources of supplies. The US' July 2019 aid package to compensate farmers for the trade war has bought some relief to the crop protection spending.

Seasonality factor - Due to the nature of the business, the company derives 40-45% of its revenue and 50-55% of its net profit in the fourth quarter of the year.

Valuation discount to peers: Sharda's peers quote at a higher valuation as they play on India's core competency in manufacturing chemicals at competitive cost and tying up with MNCs abroad for supplies. Also its peers have avoided the path of registrations abroad which is costly and could entail unknown risks going forward. However, Sharda has laid the foundation of a strong asset light model which can do well in particular years depending on patent expiries, good demand situation abroad due to weather and farmer incomes and competitive manufacturing costs in China.

Costs could remain high for a few more months impacting margins: Raw material costs though now in a falling trend are higher on a YoY basis. Also shipping costs remain high due to lower availability of ships/containers. This situation could correct over the next 1-2 quarters. Product registration costs are written off over the 5 years. Looking at growing costs of product registration, Sharda will have to ensure sufficient sales of registered products to offset the rising write-off of registration costs.

## Company background

Sharda Cropchem is a crop protection chemical company that markets and distributes a wide range of formulations and active ingredients globally. It also has a presence in the non-agrochem segment i.e., belts, general chemicals, dyes and intermediates. Agrochemical and non-agrochemical businesses contributed 86% and 14% to revenue in FY21. The company commenced operations via two sole proprietary firms, each set up by Mr. Ramprakash V. Bubna and Sharda R. Bubna. After incorporation as Sharda Worldwide Exports in 2004, the generic agrochemical and non-agrochemical businesses conducted by both the firms were transferred to the company. Under the asset light business model, the company offers a diversified range of formulations, without incremental manufacturing Capex. It has a presence across fungicide, herbicide, and insecticide segments, which protect different kinds of crops; the turf and specialty markets; as well as disinfectants in the biocide segment. The name was changed to Sharda Cropchem and it was converted into a public limited company in FY14. The company had come out with an IPO in Sep-2014 and raised Rs 352cr through the same.

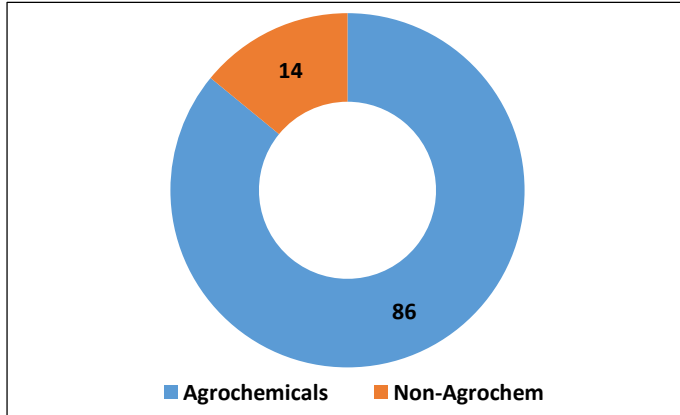
## Peer Comparison

Company	Mcap (Rs cr)	Revenue				EBITDA Margin				PAT				RoE			
		FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E
Insecticides	1528	1363	1420	1545	1699	11.4	10.7	10.7	11.2	86	93	99	117	11.8	12.8	12.1	12.5
Sharda Crop	3240	2003	2396	2707	3086	14.1	18.2	18.2	18.6	165	229	238	264	12.3	15.2	13.9	13.9
Rallis India	6288	2252	2429	2727	3074	11.7	13.3	14.5	15.0	185	229	262	307	13.2	14.2	15.7	16.3
Dhanuka	4629	1120	1387	1540	1732	15.5	19.4	18.5	18.8	141	211	213	243	19.9	28.3	26.5	25.2

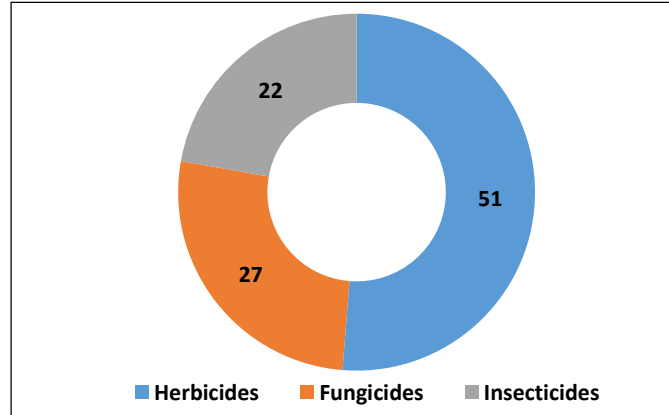
Company	EV/EBITDA				P/E			
	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E
Insecticides	10.3	9.9	9.1	7.9	17.8	16.4	15.4	13.1
Sharda Crop	10.4	6.7	6.1	5.3	19.7	14.1	13.6	12.3
Rallis India	23.8	19.7	16.8	14.0	34.0	27.5	24.0	20.5
Dhanuka	20.3	15.2	14.8	12.8	32.8	21.9	21.7	19.0



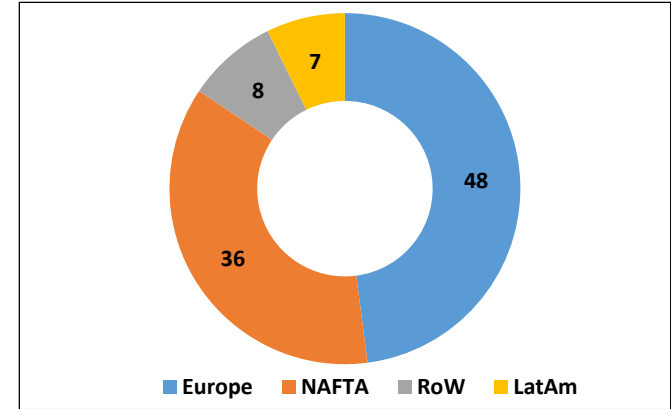
### Revenue Split (%)



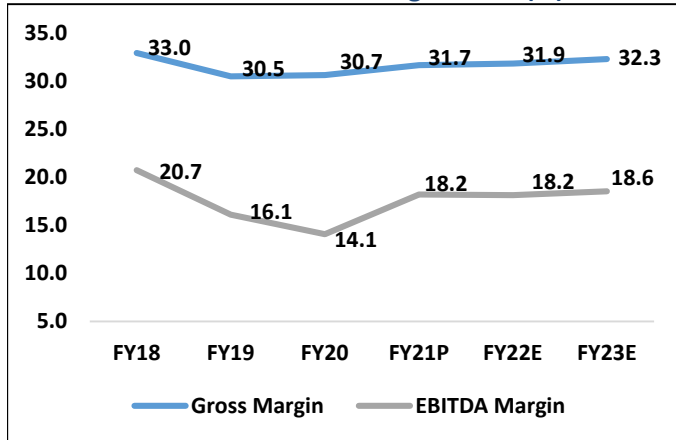
### Agrochem revenue mix (%)



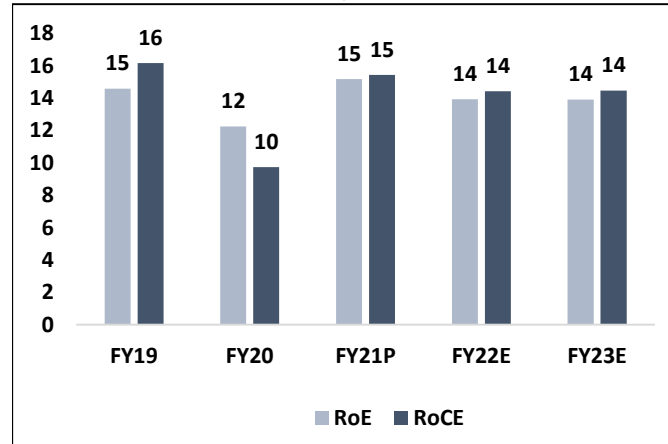
### Geographywise revenue split (%)



### Gross and EBITDA margin trend (%)



### RoE/RoCE Trend



Source: Company, HDFC sec Research

## Financials (Consolidated)

### Income Statement

(Rs Cr)	FY19	FY20	FY21P	FY22E	FY23E
<b>Net Revenue</b>	<b>1998</b>	<b>2003</b>	<b>2396</b>	<b>2707</b>	<b>3086</b>
Growth (%)	17	0.3	19.6	13	14
Operating Expenses	1675	1721	1959	2215	2513
<b>EBITDA</b>	<b>322</b>	<b>282</b>	<b>437</b>	<b>492</b>	<b>573</b>
Growth (%)	-9	-12.5	54.8	12.7	16.4
<b>EBITDA Margin (%)</b>	<b>16.1</b>	<b>14.1</b>	<b>18.2</b>	<b>18.2</b>	<b>18.6</b>
Depreciation	99	137	170	217	267
EBIT	223	145	266	275	305
Other Income	21	42	46	48	53
Interest expenses	8	2	3	5	4
PBT	235	185	309	318	354
Tax	59	20	80	81	90
<b>RPAT</b>	<b>176</b>	<b>165</b>	<b>229</b>	<b>238</b>	<b>264</b>
Growth (%)	-7.8	-6.6	39.1	3.8	11.1
EPS	19.5	18.3	25.4	26.3	29.3

### Balance Sheet

As at March	FY19	FY20	FY21P	FY22E	FY23E
<b>SOURCE OF FUNDS</b>					
Share Capital	90.2	90.2	90.2	90.2	90.2
Reserves	1194	1313	1524	1707	1908
<b>Shareholders' Funds</b>	<b>1284</b>	<b>1403</b>	<b>1614</b>	<b>1797</b>	<b>1998</b>
Net Deferred Taxes	36	-7	13	9	3
Long Term Provisions & Others	4	16	17	22	30
<b>Total Source of Funds</b>	<b>1323</b>	<b>1412</b>	<b>1645</b>	<b>1828</b>	<b>2031</b>
<b>APPLICATION OF FUNDS</b>					
Net Block & Intangibles Assets	591	577	675	748	780
Long term loans & advances	9	12	9	12	18
<b>Total Non-Current Assets</b>	<b>600</b>	<b>589</b>	<b>684</b>	<b>760</b>	<b>798</b>
Current Investments	212	116	83	91	110
Inventories	365	382	526	525	594
Trade Receivables	811	989	1163	1299	1463
Cash & Equivalents	124	154	261	283	298
Other Current Assets	36	41	68	76	90
<b>Total Current Assets</b>	<b>1549</b>	<b>1682</b>	<b>2100</b>	<b>2276</b>	<b>2555</b>
Short-Term Borrowings	0	0	68	54	42
Trade Payables	640	689	807	875	976
Other Current Liab & Provisions	166	146	215	226	244
Short-Term Provisions	20	24	50	54	60
<b>Total Current Liabilities</b>	<b>826</b>	<b>859</b>	<b>1140</b>	<b>1208</b>	<b>1322</b>
Net Current Assets	723	823	961	1067	1232
<b>Total Application of Funds</b>	<b>1323</b>	<b>1412</b>	<b>1645</b>	<b>1828</b>	<b>2031</b>

## Cash Flow Statement

(Rs Cr)	FY19	FY20	FY21P	FY22E	FY23E
Reported PBT	235	185	309	318	354
Non-operating & EO items	-21	-42	-38	-48	-53
Interest Expenses	8	2	3	5	4
Depreciation	99	137	170	217	267
Working Capital Change	315	-74	-138	-84	-150
Tax Paid	-81	-63	-58	-81	-90
<b>OPERATING CASH FLOW ( a )</b>	<b>556</b>	<b>146</b>	<b>249</b>	<b>327</b>	<b>332</b>
Capex	-143	-176	-234	-290	-300
Free Cash Flow	22	75	63	37	32
Investments	-238	66	-51	-3	-6
Non-operating income	21	42	1	48	53
<b>INVESTING CASH FLOW ( b )</b>	<b>-360</b>	<b>-68</b>	<b>-284</b>	<b>-245</b>	<b>-253</b>
Debt Issuance / (Repaid)	-171	-3	64	0	3
Interest Expenses	-8	-2	-3	-5	-4
FCFE	19	64	85	32	31
Share Capital Issuance	0	0	0	0	0
Dividend	-36	-54	-18	-55	-64
<b>FINANCING CASH FLOW ( c )</b>	<b>-207</b>	<b>-51</b>	<b>43</b>	<b>-60</b>	<b>-65</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>-10</b>	<b>27</b>	<b>7</b>	<b>22</b>	<b>15</b>

## Key Ratios

	FY19	FY20	FY21P	FY22E	FY23E
<b>Profitability (%)</b>					
Gross Margin	30.5	30.7	31.7	31.9	32.3
EBITDA Margin	16.1	14.1	18.2	18.2	18.6
EBIT Margin	11.2	7.2	11.1	10.2	9.9
APAT Margin	8.8	8.2	9.6	8.8	8.6
RoE	14.6	12.3	15.2	13.9	13.9
RoCE	21.4	9.7	15.4	14.4	14.5
<b>Solvency Ratio</b>					
Net Debt/EBITDA (x)	-1	-1	-0.6	-0.7	-0.6
D/E	0	0	0	0	0
Net D/E	-0.3	-0.2	-0.2	-0.2	-0.2
<b>PER SHARE DATA</b>					
EPS	19.5	18.3	25.4	26.3	29.3
CEPS	30.6	33.5	44.3	50.4	58.9
BV	142	155	179	199	221
Dividend	4	4	5	5.5	6.5
<b>Turnover Ratios (days)</b>					
Debtor days	148	180	177	175	173
Inventory days	82	68	69	71	70
Creditors days	142	149	153	147	145
<b>VALUATION</b>					
P/E	18.4	19.7	14.1	13.6	12.3
P/BV	2.5	2.3	2	1.8	1.6
EV/EBITDA	9.3	10.7	6.9	6.1	5.3
EV / Revenues	1.5	1.5	1.2	1.1	1
Dividend Yield (%)	1.1	1.1	1.4	1.5	1.8
Dividend Payout	20.5	21.9	19.7	20.9	22.2

Source: Company, HDFC sec Research

# Sharda Cropchem Ltd.

598.71	685.65	685.65	685.65	203.88	118.92	118.92
(-22.11)	(-14.51)	(-7.74)	(-11.01)	(-11.01)	(-11.01)	(-11.01)
142.09	167.22	154.12	393.13	-62.95	-187.58	-42.88
(-35.11)	(-17.40)	(-7.88)	(-7.88)	(-111.88)	(-71.40)	(-111.88)

Stock Price Chart







## Disclosure:

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