"Sharda Cropchem Limited
Q3 FY22 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY22 earnings conference call of Sharda Cropchem Limited 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 Steven. 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 & Managing Director, Mr. Ashok Vashisht - CFO, and Mr. Dinesh Nahar - General Manager Finance 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 the Q&A. Thank you and over to you Bubna ji!

R. V. Bubna: Thank you, Manish. Good day ladies and gentlemen. A very warm welcome to everyone present here for the earning call of the Sharda Cropchem Limited for Q3 FY22 performance. Sharda Cropchem is represented by myself, Ramprakash Bubna, Chairman and Managing Director, our Chief Financial Officer, Mr. Ashok Vashisht, and Mr. Dinesh Nahar, General Manager Finance.

Talking briefly about our Q3 FY22 results, revenues grew by 78.2% Y-o-Y from Rs.494 Crores in Q3 FY21 to Rs.880 Crores in Q3 FY22 led by strong volume growth across geographies, better product mix and price realization. Europe grew by 124.1%, NAFTA grew by 75.8%, LATAM grew by 18% and the Rest of the World by 19.2% Y-o-Y. During Q3 FY22 agrochemicals to non-agrochemical mix stood at 82: 18. Agrochemical business grew by 79.8% Y-o-Y, Europe grew by 123.5% Y-o-Y, NAFTA grew by 82.3% Y-o-Y, LATAM grew by 27.1%Y-o-Y, Rest of the World grew by 5.3% Y-o-Y.

Formulation and active mix stood at 94: 6 in Q3 FY22. Non-agrochemical business grew by 70.9% Y-o-Y during Q3 FY22. NAFTA grew by 51.8%, Europe grew by 127.4%, the Rest of the World grew by 80% and LATAM degrew by 36% Y-o-Y.

The company continues to strengthen its product portfolio by prudently investing in new product registrations. Sharda Cropchem's total product registration stood at 2,645 on December 31, 2021. Additionally, 1,099 applications of the product registrations globally are at different stages of approval. The capex stood at Rs.203 Crores as on December 31, 2022, versus 170 Crores in the same period last financial year. With this brief overview, I would now like to hand over the call to our CFO, Mr. Ashok Vashisht for discussing our financial performances.

Ashok Vashisht: Thank you, Mr. Bubna. Good evening and thank you for attending the call. I am pleased to give you a brief on the Q3 FY22 financial performance. During the Q3 FY22 our revenue surged by 78.2% Y-o-Y, which was mainly driven by strong volume growth of 50.9% Y-o-Y, favorable price and product mix to the tune of 26.5% Y-o-Y coupled with exchange gain of 0.8% Y-o-Y during the quarter.

On year-to-date basis i.et for 9MFY22, revenue grew by 64.1% Y-o-Y, so we reached to Rs. 2,145 Crores in 9M FY2022 from Rs.1,308 Crores last year same 9 months.

Gross profit for the quarter grew by 75% Y-o-Y from Rs. 171 Crores in Q3 FY21 to Rs.298 Crores in Q3 FY22. Gross margin slightly reduced to 33.9% in Q3 FY22 mainly because of higher freight cost. On geographical mix, NAFTA region was the highest contributor during Q3 FY22 followed by Europe and ROW.

In terms of 9M FY22 performance, Gross profit grew by 57.8% Y-o-Y from Rs.419 Crores in 9M FY21 to Rs. 661 Crores in 9MFY22.

EBITDA registered a very strong growth of 97.1% Y-o-Y for the quarter. We recorded EBITDA of Rs.201 Crores in Q3 FY22, The EBITDA for Q3 FY21 was Rs.102 Crores. The EBITDA margin expansion was by 220 Bps to 22.8% in Q3 FY22 mainly driven by economies of scale, effective cost management which was marginally impacted by higher freight cost. Our 9MFY22 EBITDA grew by by 96.6% from Rs.209 Crores in 9M FY21 to Rs.411 Crores YTD December 31, 2022.

Profit after tax grew by 11.6% YoY from Rs.48 Crores in Q3 FY21 to Rs.102 Crores in Q3 FY22.

Our year-to-date profit after tax i.e for the 9M FY22 grew by 80.8% Y-o-Y from Rs.95 Crores in FY21 to Rs.172 Crores in 9M FY22. Our cash profit stood at Rs.161 Crores in Q3 FY22 as compared to Rs.89 Crores in Q3 FY21. We continue to focus on working capital efficiency and net working capital in terms of number of days stood at 72 days as at December 31, 2022.

Thank you very much again for participating in the call. We now open the floor for the questions. Thank you.

Moderator: Thank you very much, we will now begin the question and answer session. The first question is from the line of Tarang from Old Bridge Capital. Please go ahead.

Tarang: Sir, good evening and congratulations for an extremely strong set of numbers. I had three questions, number one, if you could give us some sense on different components of capex for registration in terms of cost for instance, when incurring capex for registration, how much would it cost to get the bioequivalent studies, how much would the registration take and what are the other components and typically the time it takes to get a registration up and running?

R V. Bubna: Can you finish your question, Mr. Tarang?

Tarang: Yes, Sir, I have two more, if you could within geography that you operate, give some sense on the timing distances of getting the registration approved across geographies and the cost expenditure differential, which is the most expensive, how much would it be versus some other geography that you would typically get the registrations done and third is if we see your presentation, you have spoken about penetrating deeper into certain markets by deploying your own field source, so what is the thought process behind it, what is the incremental spread that you get on realizations by doing that and what are the strategic advantages that the business gets by doing that because I would assume it would also involve front loading of a lot of costs on P&L, so these are the three questions from me, Sir

R V. Bubna: Mr. Tarang, I will answer your questions one by one. First was the components of capex, if you have been tracking the agrochemical companies and the registration cost, this is absolutely undefinable. It depends on product to product, country to country and within the same country depends upon a lot of bureaucratic processes, so it is endless, sometimes one registration may take 3 years and another product in the same country or same geography may take 6 years or 7 years, so it is very difficult to give the components of capex, what was your second question, Mr. Tarang?

Tarang: Which geography would be the most expensive to get the same registration done, and in terms of timing, how much time would it take, which geography is the most stringent when it comes to the timeline for getting the registrations?

R V. Bubna: The answer to both the question is Europe, both in terms of expenses and timeline, sometimes the product you register in Europe may cost you €4 million, €5 million or €6 million and the time can go as well as high as 8 to 9 years and that kind of products you might get it in €2 million to €3 million and get the registration in 2, 3, or 4 years.

Tarang: And that will be homogeneous across all of Europe?

R V. Bubna: No, Sir, the first is registration, in all the countries in Europe we go step by step. We receive in one country first and then expand our best to the second, third, and fourth countries. Here also the lab results and the active ingredient is approved by one country, which is nominated by the European Union for every product, so that country first evaluates the equivalents of our product with the original product after having received the approval and registration of the active ingredient then we apply for the formulated product and the formulated product has to be approved by each country individually.

Tarang: Got it.

R V. Bubna: And the third step is the number of crops, we get approval for one crop and then slowly expand to other crops where the same product is applicable, so it is a continuous process, long-term process and very expensive, it needs a lot of patience.

Tarang: Got it and you spoke about deploying additional man force on the ground in certain markets, which my sense is maybe getting closer to the farmers than you already are, what kind of additional realization would this involve, I am sure your margins would be a lot better for you to do this probably and what kind of impact could we see in your P&L as you start deploying the strategy?

R V. Bubna: Mr. Tarang, most of our products are sold to the distributors, not to direct farmers as far as we are concerned, the products go from distributors to the retailers and sometimes directly to the farmers, the only contact we have directly with the farmers are some cooperatives who buy in a bulk way and then distribute to their members. We put our people on the ground to get the feedback about the usefulness of the product, performance of the product, and demand but the dealings are made with the distributors.

Tarang: Because in the presentation, you said forward integration build own sales force, so that would be restricted to the distributors, correct?

R V. Bubna: Yes, Sir.

Tarang: That is it from me, thank you.

Moderator: Thank you. The next question is from the line of Poojan Shah from the Akash Ganga Investment. Please go ahead.

Poojan Shah: Sir, my first question would be, we have great growth in this agro business, so can you give us a brief outlook about the type of growth and would it be sustainable for you for the next 4 to 5 years and are we getting traction from these new products, which we have registered or it has been getting traction from our old products portfolio?

R V. Bubna: Mr. Poojan, it is both getting traction from the old products as well as the new products, new products take a little extra time to establish, to find the acceptability in the market, but the old products which have been already established and accepted by the markets, farmers, and the consumers, it also depends upon the weather, many other factors to get the traction.

Poojan Shah: Industry outlook for agri business like will it be sustainable or you can say this would be sort of 3 to 4 times event, which we are seeing from China Plus one. Can just give broader outlook on the industry?

R V. Bubna: So, the industry outlook is very good and positive, as you know the population of the world is increasing, so is the demand for agricultural commodity and agrochemicals, we are in the business for more than 25 years and we are seeing that the global volume of agrochemical demand has increased from about $45 billion to around $70 billion now, and it is continuously increasing, so the outlook is positive.

Poojan Shah: Sir, and my last question would be, are we focusing into new geographies or are we focusing on the previous geographies can you just give some broad idea on that?

R V. Bubna: See, Mr. Poojan, we have been dealing with most o geographies for the last many years, but now we are concentrating on enlarging our portfolio for each geography.

Poojan Shah: Sir, got it. Thank you, Sir.

Moderator: Thank you. The next question is from the line of Dhaval Shah from Svan Investment. Please go ahead.

Dhaval Shah: Congratulations on great numbers, Sir. I have a couple of questions, first to start with, if we look at our long-term sales growth it has been in high double digit, but something it really changed for the company in the last 4 to 5 quarters, so if you could elaborate, has our distributor switched supplier and chosen our company to procure more or have we expanded our market, what is really changed, which is giving us such high growth rates and along with good margins, secondly we have been procuring from China and we hear different stories in the last 6 to 8 months regarding the cost pressure and the supply bottleneck that China is having, but our company seems to be quite resilient from all those problems, so can you give us some understanding, what has changed for us in the last 4 to 5 quarters and what sort of growth do you foresee going forward, thank you?

R V. Bubna: Mr. Dhaval, the last 4 to 5 quarters have been very unique, we have passed through such a big crisis, such big hassles and so many difficulties. We have been little prudent in choosing our strategies, we have to choose right products and the right quantity in spite of increase in the prices, forseeing at the end of the day the world will have to be going for high pricing, so many of these strategies and our direct communication and contact with the markets has helped us in planning the strategy and I think they would be sustainable.

Dhaval Shah: So, what would be the normalized growth rate that would be sustainable?

R V. Bubna: See, the growth depends upon many factors, the number of products and portfolio is one of the important factors, but it also depends upon the climatic conditions, sowing patterns of the crops and various agri commodities, I feel that the growth rate will continue positively.

Dhaval Shah: That is a great and good statement, thank you. Sir, but have you done any higher volume from our distributor where they have switched to us because whatever be the product mix or whatever be the price increase such high 60-70% kind of growth, I am unable to understand where are we getting that growth from or did we have some exclusivity for some product or geography, so if you can little bit elaborate?

R V. Bubna: We do not believe in exclusivity with any distributor for any product as far as we can help because at the end of the day one distributor will be able to cover limited geography in his territory and not a big way, I think the biggest factor that has helped us is our better position compared to our competitors, we find that the competitors have distributed some products and we try to give higher prices they immediately agreed on it, which means that the competition has not been able to provide and that is a factor that has helped us a lot.

Dhaval Shah: So, did we go and book some large quantities from where we are procuring and because of the supply bottlenecks, we were ready with the product and meet the demand, does that helped us?

R V. Bubna: Yes, but the path has not been so easy, the biggest problems that we have seen is in the logistics and the freight and delivery of the cargo, can you believe sometimes our ship has to wait for 4 to 6 weeks at the designated ports after it reaches the port to find a berth on the port, it is unimaginable and unexpected, clearing the cargo and taking to the consumer may take another 2 to 4 weeks, so we have been able to perform better on these fronts compared to the competition.

Dhaval Shah: More efficient, got it.

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

Saumya V: Thanks for the opportunity, Sir. My question is with regards to the volume breakup that you can give across geographies and the gross margin breakup of geographies?

R V. Bubna: I will give the volume breakup first, in Europe the volume was 43,58,034, NAFTA 32,81,707, Latin America 7,69,672 and Rest of the World 10,27,892, totally 94,37,304. What was the next question?

Saumya V: Geography wise gross margin breakup?

R V. Bubna: Europe, the gross margin was 35.5%, NAFTA 37.6%, Latin America 14.0% and Rest of the World 23.2%, overall 33.9%.

Saumya V: Thank you, Sir that is helpful. The second question is with respect to the raw material sourcing cost, so are you seeing any slowdown, if any, from China from the peak that we saw last year or it is still continuing to remain at the same level?

R V. Bubna: We have a feeling that from this year onwards, starting from 2022, there is some easing of the situation in terms of availability of the product and sustainability of the prices, so the prices may be slightly decline.

Saumya V: Got it, Sir. I will join back the queue, thank you.

Moderator: Thank you. The next question is from the line of S. Ramesh from Nirmal Bang. Please go ahead.

S. Ramesh: Thank you. Sir, just to understand your perspective on the outlook and how you see the impact of the high input prices affecting the volume of sales of crop protection chemicals because in the US there is a concern that the high input cost may result in some slowdown in farmer spending, so what is your view on the potential for growth in volume terms for the crop protection chemical industry for the next one year?

R V. Bubna: I feel that there will be some growth in the demand of these products for the crop protection where agricultural yields will improve and the consumption of agro chemicals will also go up.

S. Ramesh: So, you are not unduly worried about the current high cost of inputs impacting the farmer incomes and forcing them to reduce the rate or planter area?

R V. Bubna: Mr. Ramesh, I feel the worst is over. We are on the path of comfort zone than what we have seen in the year 2021 and 2020.

S. Ramesh: Thank you very much and wish you all the best.

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

Bharat Gupta: Mr. Bubna, good evening. Thanks for taking my question. Sir, just confirming in terms of our revenue, what could have been the contribution coming out from the volume growth in the higher realization?

R V. Bubna: The volume contribution is 50.9% for Q3 FY22 and 53.2% for 9M FY22.

Bharat Gupta: Right, Sir, what has been the realization during this quarter?

R V. Bubna: Pricing increase in this quarter has been 26.5%.

Bharat Gupta: Right, Sir, also just to get a sense because it has been a higher realization like we have taken a decent amount of pricing increase that is eventually reflecting in the numbers as well, so is it primarily because the MNC have also passed it across the end customer taking in view the higher commodity prices, which are there in the global markets?

R V. Bubna: It could be one of the factors.

Bharat Gupta: So, simultaneously, the amount of equivalent like percentage hike has been competitive as per what MNCs have taken, is my understanding correct?

R V. Bubna: No, I am not able to comment on that because it is very difficult to understand the strategy of the MNCs. They make it more complicated by giving a higher amount in the price list and they are giving discounts or incentives behind the back end, but I guess that is one of the factors.

Bharat Gupta: Sir, also if a look at the gross margin profile, there has been a decent amount of jump if I look at the NAFTA margins or the North America margins, so can you give us a brief sense what has been the key contributors behind such a spike in the gross margins?

R V. Bubna: I think one of the main important factors is the availability of the products on the part of our competitors.

Bharat Gupta: So, inventory situation has dried up out there in the North American markets; one of the reasons?

R V. Bubna: Yes, please.

Bharat Gupta: Sir. That is it from my side. Thank you so much.

Moderator: Thank you. The next question is from the line of Siddharth Gadekar from Equirus. Please go ahead.

Siddharth Gadekar: Sir, I have one question, if we look at active ingredient from China, so Y-o-Y if I compare for Q3 FY22 versus Q3 FY21, it appears that prices have increased anywhere between 30% to 59% Y-o-Y, in terms of that did we facing challenging in sourcing our active ingredients from China one, secondly, have we taken the entire price hike in this quarter or there could be some more price hikes, which could reflect in the fourth quarter?

R V. Bubna: No, I think you have taken effective price rise till the third quarter, fourth quarter we are still to see how the price rise or prices behave; we have to follow the trend in the market.

Siddharth Gadekar: Sir, there was no major inventory gain we were carrying from low cost inventory because of that we have seen this kind of a margin increase, is that understanding right?

R V. Bubna: I would say the marginal advantage of the price rise in the inventories.

Siddharth Gadekar: Got it.

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

Rohit Nagraj: Thank you and congrats on a very good set of numbers. Sir, my first question, in terms of the logistics and freight cost, you have indicated that in Q3 also we are feeling some pressure, but coming into Q4, how are we seeing the situation in the freight as well as logistic cost and given that for the next couple of months, how are we seeing those rates probably we would book shipment from China to other geographies, thank you?

R V. Bubna: Mr. Nagraj, the pain continues to be there, but the encouraging thing to be seen is there is no further increase in the freights and slightly there is softening of the freight rates, it has been painful and heavy but I see the trend is slightly easing out.

Rohit Nagraj: Right, Sir, got it. Sir, you have indicated just for a particular partnership that on China availability of material if they relatively easing out as far as 2022 is concerned, so given this key, would there be some pressure on us in terms of volume growth given that for the first 9 months we have grown because the competition was having relatively lesser amount of stocks or inventory. We have a better position in terms of materials, so would that entire FY23 volume growth, thank you?

R V. Bubna: It will not impact, Mr. Nagraj, we feel it may impact positively.

Rohit Nagraj: Fair enough, Sir. That is helpful. Thank you so much and best of luck.

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

Dhruv: Thank you so much. Congratulations for a very good set of numbers. Sir, the first question is a bit of repetition of the earlier one, in the last few calls and this call, you have mentioned that the disruption from China and the freight issue has benefited us because we have been more agile versus probably the competitors, but you also mentioned that this is now easing, freight is also not increasing further, and China is also improving, but still you do not see this to the existing sales or degrowth forecast, so if you can help us what is driving this confidence in terms of the stability of sales growth?

R V. Bubna: Mr. Dhruv, I do not know if the competitors are able to take immediate advantage of the easing out situation, but we feel that we are feeling more at peace than the things have been there in the past.

Dhruv: Sir, it seems the distributor, which are buying from you and which are probably from others, have shifted to you and that is why because in the earlier call you mentioned the number of distributors as such have not increased significantly, it is with existing distributors buying more from you, so do see the shift to you by the distributor that is more prominent and they will continue to buy more from you because of some underlying change, which has happened in the market?

R V. Bubna: Sir, I have not shared that the number of distributors have not been increasing, there is an increase in the number of distributors also, I think there is a small misunderstanding here and the distributors are finding our service much better to suit their requirements and they are patronizing us, that is the only thing I can say.

Dhruv: Got it and even the situation normalizes from freight or availability from China, you do not see that the current base declining and you can grow the existing base itself?

R V. Bubna: Yes, Sir, we will be able to grow, it will not affect our growth if the situation could go also to our advantage.

Dhruv: Sir, why do you say that because now it is improving and now it is easing, so how does it come to our advantage then?

R V. Bubna: There will be less uncertainties.

Dhruv: Got it, Sir. I thought that this uncertainty and the lack of transparency in the system was benefiting you?

R V. Bubna: I am making comparative statements as compared to competitors.

Dhruv: Sir, I was saying that free cash flow generation now will be strong and capex requirement I believe is around Rs.300 Crores odd, which can be sufficiently met with the existing business, so any plans for probably increasing dividend or some thoughts on the capital allocation?

R V. Bubna: We are looking into that direction.

Dhruv: And the capex remains at Rs.300 Crores, right Sir?

R V. Bubna: More or less.

Dhruv: Sir, one last question quick one, is it possible to share the market share of some of your say for example, top 3 products. Individually what would be the market share in these products be, say for example, let us talk about Europe, you might have an X molecule and say top 1 molecule, what would the market share in that molecule for Europe or any representative sense that you can give us?

R V. Bubna: We have a very small pie in the world and global markets. Our market share will not be more than 10% in any geography or any country for any molecule.

Dhruv: 10% would be the max for even for your top molecules?

R V. Bubna: It is not a very precise calculated figure, it is just an estimate that is not be more than 10%, if could be even 8%, 7%.

Dhruv: Got it. Sure, Sir. Great, Sir. Congrats and thank you so much.

Moderator: Thank you. The next question is from the line of Archit Joshi from Dolat Capital. Please go ahead.

Archit Joshi: Thank you for the opportunity, Sir and congrats for a great set of numbers. Sir, I was just trying to understand a bit more on the commentary that you gave for the growth that you have registered, a very healthy growth numbers for this quarter. Is it that other than the dried up inventory that you are talking about, were there some molecules that were registered of late which were picked up by distributors and there was a strong volume growth for some of the molecules, which were in the pipeline and then fructified into sales volume, is it that or it was just the inventory situation which help us and if we add some more sustainability perspective I mean this growth can sustain going ahead?

R V. Bubna: When we get a new molecule it does not have an impact immediately, ours is a seasonal business sometimes we register the molecule which is off season for the product and to introduce the product into the market also takes at least 1 or 2 seasons, so most of this is from the product, which were registered in the previous years, some products have helped us during this year.

Archit Joshi: Got it, Sir. So basically, was this just like of one-off quarter because if we look at the growth numbers I think in the last 9 to 10 quarters we have not seen NAFTA doing better than Europe not just in terms of sales, but also in terms of gross margins, so just was little curious to understand where is this coming from and would the situation is not this high at least in mid terms would we be able to see growth in the same quarters?

R V. Bubna: Yes, Sir, that is right.

Archit Joshi: Got it, Sir. Thank you. Thanks for the clarification. That is it from my side.

Moderator: Thank you. The next question is from the line of Nitin Agarwal from DAM Capital. Please go ahead.

Nitin Agarwal: Very good afternoon and congratulations on a very good set of numbers. Sir, two questions, one is on the non-agro business, what is the driver for that business, it's also grown very well in this year?

R V. Bubna: The non-agro has grown again because of properly strategizing the requirements and just remember most of the non-agro business is made to order, in non-agro business there is no stocking and selling, we receive orders and we have to get the products made as per the requirements and specifications of the customers and then deliver, so probably here also our customers have found Sharda a better source to supply them the products within their expected timelines compared to the competitors, so it is mainly based on the service and deliveries.

Nitin Agarwal: What would be the main product that we make for the customers in this business, which is largely the belts business or something else which is there along with it?

R V. Bubna: No, largely the belts and other products, we get them made after we receive the orders from the customers.

Nitin Agarwal: Last question on this one, what is the gross margin in this business in general in 9 months?

R V. Bubna: Gross margin in this business is around 13% to 14%.

Nitin Agarwal: Sir, lastly on the agrochemical business, we have had about 50% volume growth there as you mentioned for the 9 months, is it possible to break it between existing products and new products items of what would have driven the volume growth?

R V. Bubna: It is not so easy and we have not done that analysis.

Nitin Agarwal: Sir, just lastly, you also answered to the previous participant that this is a very high growth year we will probably growing 50% or so in our volumes assuming the trend sustained for that last quarter also, on this high base which is there or what would be if you get a 3 to 5 years view of the business, what is the normalized volume growth one should think this business can achieve 15%, 20%, what is the normalized level of volume growth we can achieve, Sir?

R V. Bubna: I would say around 20%.

Nitin Agarwal: With margin value increases because we are doing relatively higher value products as we go forward?

R V. Bubna: I will say that we will be able to maintain the margins.

Nitin Agarwal: Thank you, Sir.

Moderator: Thank you. The next question is from the line of Sonal Minhas from Persistent Capital. Please go ahead.

Sonal Minhas: Sir, I had two questions, one was around the Europe business, wanted to understand, you mentioned that the reason you have done exceptionally well in this 9 months and this quarter is the service and inventory levels of the competition, but on the service just wanted to double click and understand what do the distributors actually say about the product in terms of the yield of your product being better than competition or is there some other quantitative factor about the productivity of the product, which is important, why I am asking this is to understand also the stickiness of the business over the course of next 1to 3 years given the product specifications?

R V. Bubna: I think our products are performing very well. I do not know if they had a bad experience with the competition, but our product is performing very well and you must know that when we deal with agrochemical products, the quantity and lot of parameters are decided by the registration authority, which we have to comply with, and our product has to be equivalent in all respects to the innovative product, so these are the factors which are taken care of our production stage, performance is more or less following unless of course there is some variation or deficiency at the further application on the part of the farmers or some other adverse weather effective, so there is no complaint about the performance of our product.

Sonal Minhas: Sir, follow up this, what is the pricing gap of our products in general maybe we can just compare Europe, our products versus let us say the larger competition there and has that pricing gap narrowed over the course of the last 1 or 2 years, just want to understand that?

R V. Bubna: Sir, we try to understand the pricing of our leaders who are multinational and innovators, we try to price our product around plus or minus 10% of the innovator's product, but the biggest situation about the innovative product is that it is not very open and transparent information.

Sonal Minhas: I understand and this pricing just on your rich experience or whatever you understood from the distributors as that gap narrowed because of inventory shortages in the last one year?

R V. Bubna: It could have been, but not very significantly.

Sonal Minhas: Thank you and that is it from my side.

Moderator: Thank you. The next question is from the line of Gagan Thareja from ASK Investment Managers. Please go ahead.

Gagan Thareja: Good afternoon, Sir. My first question is around the approximate timeline for the pending registrations, so what time can they be registered and brought to market?

R V. Bubna: It is very difficult Mr. Thareja, no logic works in the process of registrations and no forecast works over there because we are dependent upon a lot of uncertain factors, one is the bureaucracy of the registration authorities, they have to meet representatives of various ministries have to get together and meet and take a decision, second is the trials on the field, weather conditions, infections during the weather, there are a lot of uncertain factors and I do not think anybody to make a guess and predict and achieve defined timeline for the registration.

Gagan Thareja: And to a previous participant, you indicated that on your current sales base post FY22, you think 20% annualized growth is sustainable. Are you talking about volume growth or are you saying that it is rupee term growth of 20%, which is sustainable going ahead?

R V. Bubna: Volume growth.

Gagan Thareja: And in terms of pricing, it has been very volatile in the last entire year, input prices moved up, you have been very proactive and taken price increases in past month, do you foresee a situation where next year prices move down sharply also?

R V. Bubna: I do not think it will move down sharply. If there is a decline, it will be very gradual and slow.

Gagan Thareja: A gradual and slow decline and this year's 50% volume growth you indicated that it is partly coming from your competitors not being able to put inventory in the market and partly your own efficiency, if you could give us some new ballpark idea as to one of your major competitors based out of China itself, secondly with easing input materials situation when they come back into the market and try to take back share despite of losing by aggressive pricing, how are you thinking about strategizing around that and sort of maintaining the market share that you have gained in the last year?

R V. Bubna: Mr. Thareja, you had made your question very long, I have understood some part of your question, which is easier for me to answer is our competitors, whether they are from China directly, they are not from China directly, many producers believe in production and not investing in any tangible asset like registration, so China is not our direct competitor for any of these markets.

Gagan Thareja: Sir, secondly, I mean your competitors will invariably easing input materials scenario want to grab back some volume share, which they might have lost in the last year as you indicated that they could not supply and you gained at their expense. So consequently, I am inferring that they will also want to take back whatever share they lost and therefore maybe go a little aggressive in pricing, do you foresee a situation where some of the gains that you have made this year which have come due to market share gains might not stick or sustain or do you feel that now your situation with the distributors is strong enough for you to sustain your gained market share?

R V. Bubna: We will find other avenues how to keep the growth of our products and keep penetrating into the market. I am saying that this could be one of the reasons why we were able to get a better share of the market.

Moderator: Thank you. The next question is on the line of Vishal Biraia from Max Life Insurance. Please go ahead.

Vishal Biraia: Just one question, how has been the inventory scenario at the retail level and the distributor level?

R V. Bubna: See, if I have understood these markets, my understanding is the markets that the retailers do not maintain a very big stock, if they want the product they send an inquiry they want the product the next year the third day, if I tell him that I am going to get a product it is on sea and on the way it will take a week, they do not come back to us, so they want product very quickly whenever they come up with the demand.

Vishal Biraia: Right, Sir, so the distributors would be maintaining all the inventory, so what is the kind of inventory level that would have, would they have lower than the normal inventory level?

R V. Bubna: So, distributors also would maintain minimum inventories. They all depend upon the registration, all this who make the requirements of the inventory as and when they want.

Vishal Biraia: Thank you very much.

Moderator: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Thank you very much for the opportunity. I wanted to understand about the several price hikes that you have taken in the fourth quarter as well you will see depending upon the raw materials situation how do you place your price hike, just wanted to understand on the back of these, how do you see EBITDA margin sustainability, now it has increased over last maybe couple of quarters and standing about 20% to 21% with that the sustainable level that we are looking at going forward?

R V. Bubna: I think it is sustainable.

Deepak Poddar: And what sort of improvement we are looking at over and above that if at all?

R V. Bubna: It is very difficult to comment, I think it is sustainable and our efforts is to still improve as much as you can.

Deepak Poddar: That is it from my side. All the very best.

Moderator: Thank you. The next question is from the line of Paras Adenwala from Capital Portfolio Advisors. Please go ahead.

Paras Adenwala: I was looking at your numbers for the last 6 to 7 years and I realized that on normalized basis your operating margins are around 24%, so do you think that is something which going ahead, you would be in a position to reach over there and maintain it?

R V. Bubna: Yes, we will be able to reach and maintain, but that is you saying that it is around 24% for the last couple of years.

Paras Adenwala: This year and for last couple of years it has been lower than that, this year in the nine months again it has been around 20% to 21%, so you think you would be in a position to reach 24%, which has been in a case in the past or you could reach over there once again?

R V. Bubna: I would say that we should be there between 20% and 24%.

Paras Adenwala: Secondly, your return on capital employed considering the fact that you are essentially a marketing and distribution company, your return on capital employed should be significantly higher than what we are seeing right now. We have seen that your competitors tend to do much better despite the fact that they have a good amount of manufacturing capacities, so what would you have to comment on that, please?

R V. Bubna: I do not have an immediate answer to this question.

Paras Adenwala: That is about it, please. Thank you very much.

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

Vishnu Kumar: Sir, thank you for your time. Sir, you sounded one of the most optimistic and confident that I have heard at least in the last 2 to 3 years from your business prospect. I understand your business, but if you could tell us what is it that you are doing slightly different because in general the US agrochemical market growth rate is 3% to 5%, the large companies have also grown at 8% to 10% in the last 2 to 3 quarters, but if the growth slows down there then how should we think about it?

R V. Bubna: Vishnu, I have not understood your question. Can you repeat it once again?

Vishnu Kumar: I am just trying to understand that because of the strong growth that you have seen, what gives you confidence that now the growth rate will be much better than in the past? Is there any specific things we are doing that it is going to drive the growth, if so if you can spell out a few things that you are doing differently versus what we have been doing till now?

R V. Bubna: Sir, the biggest factor is our understanding of the market. The US market is very strange and difficult to understand, we feel that we understood the market over the last so many years and accordingly, play our cards.

Vishnu Kumar: Is the last 2 quarters growth because glyphosate was in short supply price wise also and are we seeing a benefit because we are operating in other products which is not glyphosate is there any big upmove in our volume growth that has come because of this?

R V. Bubna: In context to glyphosate, it is very difficult for me to comment, all I can say is that we have been able to meet the demand of the customer for the product that we were asked and many a times, despite this growth we have to decline inquiries and demands because we do not have inventory ourselves.

Vishnu Kumar: In top 2 to 3 chemicals can you give us names of which you have done well in this year?

R V. Bubna: The chemicals we do not disclose in this kind of meeting, Sir, it is our trade secret.

Vishnu Kumar: Understood, just again circling back on the growth front, in the last one year, things have been great for the NAFTA and Europe market from a farmer income price point which seems to change as we speak that farm income is coming down, fertilizer price have gone up generally the profitability of farmers are coming down, at the time, I am asking actually two questions in the same one, farm income coming down and also there seems to be some sense of a restocking that is getting completed, so should we see some of the end market slowdown in next one year or so, are you seeing any signs, I know the current trend is very strong now, but one year down the line, how do you see the end market and our growth according?

R V. Bubna: I can only comment that most of our customers have their complaint about availability of the funds with them to make payments on time, we have been receiving payments on time and with slight incentives we get payments before time, so that gives the impression that the farmers are with funds now where are they getting from and how are they getting that is the next level, which we have no time to go into.

Moderator: Thank you. The next question is from the line of Pushkar Jain from Sequent Investment. Please go ahead.

Pushkar Jain: Sir, I wanted a breakup of volume for the 9 months. Can you provide it?

R V. Bubna: Yes, Mr. Jain, I will give you the breakup of the volume for the 9 months, Europe it is 116,64,106, NAFTA 86,87,018, Latin America 38,30,265 and the Rest of the world 25,65,825 and in total 2,67,47,215.

Pushkar Jain: Thanks a lot, Sir. This has increased by 50% YoY in 9M FY22, right?

R V. Bubna: Overall. Yes. 53.2% YoY in 9M FY22.

Pushkar Jain: Thanks a lot, Sir.

Moderator: Thank you. Ladies and gentlemen, due to time constraint, it was the last question. I now hand the conference over to Mr. Manish Mahawar for closing comments. Over to you, Sir!

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

R V. Bubna: No, Sir. I think we have covered everything and there is no further thing to add.

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