India I Equities

Agrochemicals

Initiating Coverage

30 December 2021

Sharda Cropchem

Pouring registrations; initiating, with a Buy

Rating: **Buy**
Target Price: Rs 480
Share Price: Rs 341

Powered by its focus on registering formulations and active ingredient across regions, Sharda's strong growth would continue. A strong pipeline and distribution network would add to growth. Internally-funded capex and FCF generation would strengthen its balance sheet, resulting in higher return ratios. We initiate coverage on Sharda Cropchem, with a Buy rating and a target price of Rs.480.

Peculiar business model. The company focuses only on registering formulations and active ingredients for regions, globally. Its revenue has clocked a 15.1% CAGR from FY13 to FY21. We estimate revenue from new and existing registrations to register a 16.6% CAGR over FY22-24. We estimate 16% and 10% revenue CAGRs over FY22-24 in its agrochemicals and non-agrochemical businesses, respectively.

Increase in registrations, strong pipeline driving growth. With **2**,610 registrations by 30th Sep'21, its registrations have recorded a 12% CAGR over FY14-FY21. We expect an 10% CAGR over FY22-FY24, primarily from its strong pipeline.

Niche business with strong entry barriers. Its identification of off-patent high-demand molecules, high registration cost and a long gestation period in registering formulations and active ingredients are high entry barriers.

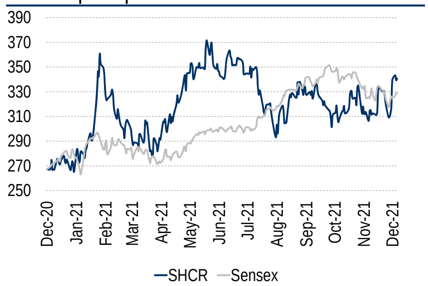
Strong financials. We expect an average ~18.6% EBITDA margin over FY22-24. Revenue/PAT to clock 15%/ 19% CAGR over FY22-24e. Capex for new registrations would be funded internally (Rs2.5bn-3bn each year). The company is virtually debt-free. We expect return ratios to improve supported by topline growth and stable margins.

Valuation. Currently, the stock trades at 10.9x FY23e and 9.2x FY24e earnings. Sharda is trading at the lower end of its historical P/E multiples (avg 16x over FY15-21). We value it at 13x FY24e EPS, with a TP of Rs480.**Risks:** Forex movements, dependency on china for RMs and delay in registrations.

Key data	SHCR IN / SHCR.BO
52-week high / low	Rs387 / 259
Sensex / Nifty	57806 / 17214
3-m average volume	$0.7m
Market cap	Rs31bn / $411.3m
Shares outstanding	90m

Shareholding pattern (%)	Sep`21	Jun`21	Mar`21
Promoters	74.8	74.8	74.8
- of which, Pledged	-	-	-
Free float	25.2	25.2	25.2
- Foreign institutions	0.9	1.2	3.2
- Domestic institutions	13.6	16.5	16.7
- Public	10.7	7.5	5.4

Relative price performance



Source: Bloomberg

Key financials (YE Mar)	FY20	FY21	FY22e	FY23e	FY24e
Sales (Rs m)	20,030	23,956	28,694	33,324	38,001
Net profit (Rs m)	1,647	2,292	2,369	2,820	3,330
EPS (Rs)	18.3	25.4	26.3	31.3	36.9
PE (x)	18.7	13.4	13.0	10.9	9.2
EV / EBITDA (x)	9.5	6.8	5.5	4.4	3.6
PBV (x)	2.2	1.9	1.7	1.5	1.3
RoE (%)	12.3	15.2	13.9	14.7	15.4
RoCE (%)	11.7	14.2	12.7	13.6	14.4
Dividend yield (%)	1.2	1.5	1.5	1.8	2.2
Net debt / equity (x)	(0.2)	(0.2)	(0.1)	(0.2)	(0.2)

Source: Company, Anand Rathi Research

Bhawana Israni
Research Analyst

Nav Bhardwaj
Research Analyst

Quick Glance – Financials and Valuations

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY20	FY21	FY22e	FY23e	FY24e
Net revenues	20,030	23,956	28,694	33,324	38,001
Growth (%)	*0.3*	*19.6*	*19.8*	*16.1*	*14.0*
Direct costs	13,886	16,360	20,172	23,327	26,411
SG&A	3,185	3,428	3,300	3,832	4,370
EBITDA	2,959	4,168	5,222	6,165	7,220
EBITDA margins (%)	*14.8*	*17.4*	*18.2*	*18.5*	*19.0*
Depreciation	1,371	1,704	2,144	2,494	2,869
Other income	280	658	430	500	570
Interest expenses	19	28	24	24	24
PBT	1,849	3,095	3,484	4,147	4,897
Effective tax rate (%)	*10.9*	*25.9*	*32.0*	*32.0*	*32.0*
+ Associates / (Minorities)	0.3	0.4	-	-	-
Net income	1,647	2,292	2,369	2,820	3,330
Adjusted income	1,647	2,292	2,369	2,820	3,330
WANS	90	90	90	90	90
FDEPS (Rs / sh)	18.3	25.4	26.3	31.3	36.9
FDEPS Growth	*(6.6)*	*39.2*	*3.4*	*19.0*	*18.1*
Gross margins (%)	*30.7*	*31.7*	*29.7*	*30.0*	*30.5*

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY20	FY21	FY22e	FY23e	FY24e
Share capital	902	902	902	902	902
Net worth	14,028	16,143	18,038	20,294	22,958
Total debt	172	808	808	808	808
Minority interest	3	3	3	3	3
DTL / (Assets)	654	868	868	868	868
Capital employed	14,856	17,822	19,717	21,973	24,637
Net tangible assets	278	209	209	209	209
Net intangible assets	3,881	5,231	5,673	6,404	6,035
Goodwill	4	4	4	4	4
CWIP (tang. & intang.)	1,614	1,310	1,724	1,000	1,000
Investments (strategic)	-	-	-	-	-
Investments (financial)	1,155	830	1,830	1,830	1,830
Current assets (ex cash)	14,961	18,388	22,754	25,759	29,375
Cash	1,534	2,605	1,171	2,545	4,044
Current liabilities	8,572	10,756	13,648	15,778	17,859
Working capital	6,389	7,632	9,106	9,982	11,515
Capital deployed	14,856	17,822	19,717	21,973	24,637

Fig 3 – Cash-flow statement (Rs m)

Year-end: Mar	FY20	FY21	FY22e	FY23e	FY24e
PBT after OI and Interest	1,588	2,464	3,078	3,671	4,351
+ Non-cash items	1,371	1,704	2,144	2,494	2,869
Oper. prof. before WC	2,959	4,168	5,222	6,165	7,220
- Incr. / (decr.) in WC	1,963	1,243	1,474	875	1,534
Others incl. taxes	403	581	1,115	1,327	1,567
Operating cash-flow	593	2,345	2,633	3,962	4,119
- Capex (tang. + intang.)	1,233	2,682	3,000	2,500	2,500
Free cash-flow	(640)	(337)	(367)	1,462	1,619
Acquisitions	-	-	-	-	-
- Div. (incl. buyback & taxes)	434	451	474	564	666
+ Equity raised	-	-	-	-	-
+ Debt raised	171	636	-	-	-
- Fin investments	(964)	(325)	1,000	-	-
- Misc. (CFI + CFF) (OI & Int.)	(237)	(898)	(406)	(476)	(546)
Net cash-flow	298	1,071	(1,435)	1,374	1,499

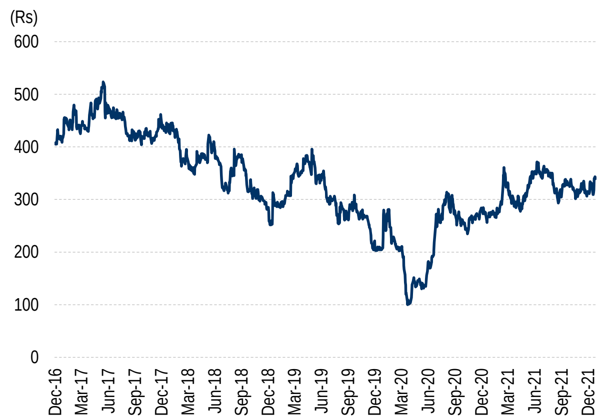
Source: Company, Anand Rathi Research

Fig 4 – Ratio analysis

Year-end: Mar	FY20	FY21	FY22e	FY23e	FY24e
P/E (x)	18.7	13.4	13.0	10.9	9.2
EV / EBITDA (x)	9.5	6.8	5.5	4.4	3.6
EV / Sales (x)	1.4	1.2	1.0	0.8	0.7
P/B (x)	2.2	1.9	1.7	1.5	1.3
RoE (%)	12.3	15.2	13.9	14.7	15.4
RoCE (%) - after tax	11.7	14.2	12.7	13.6	14.4
RoIC (%)	14.8	17.4	15.3	16.5	18.4
DPS (Rs / sh)	4.0	5.0	5.3	6.3	7.4
Dividend yield (%)	1.2	1.5	1.5	1.8	2.2
Dividend payout (%)	21.9	19.7	20.0	20.0	20.0
Net debt / equity (x)	(0.2)	(0.2)	(0.1)	(0.2)	(0.2)
Receivables (days)	180	177	175	175	175
Inventory (days)	100	117	130	120	121
Payables (days)	181	181	168	168	168
CFO : PAT %	36.0	102.3	111.1	140.5	123.7

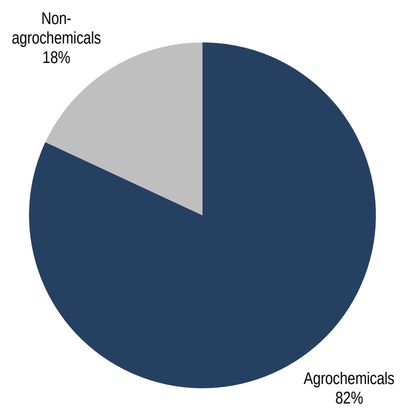
Source: Company, Anand Rathi Research

Fig 5 – Price movement



Source: Bloomberg

Fig 6 – Business mix – H1 FY22



Source: Company

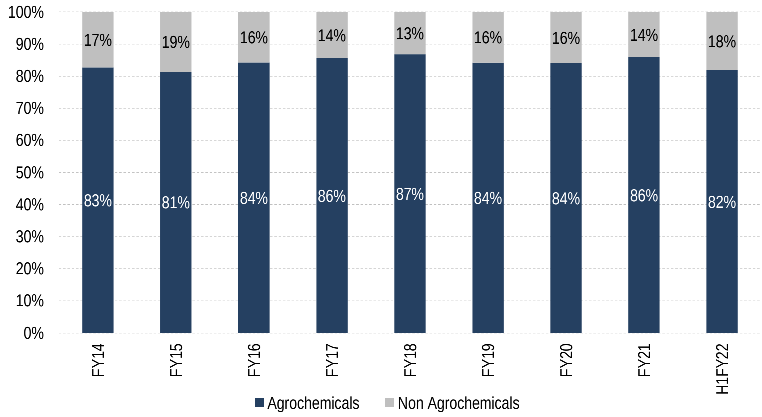
About the company

Sharda Cropchem's antecedents were two proprietary firms, set up by Ramprakash V. Bubna and Sharda R. Bubna, respectively and, on 12th Mar'04, changed to Sharda Worldwide Exports Pvt. Ltd. incorporating the agrochemicals and non-agrochemicals businesses of the two firms.

The business can be classified into

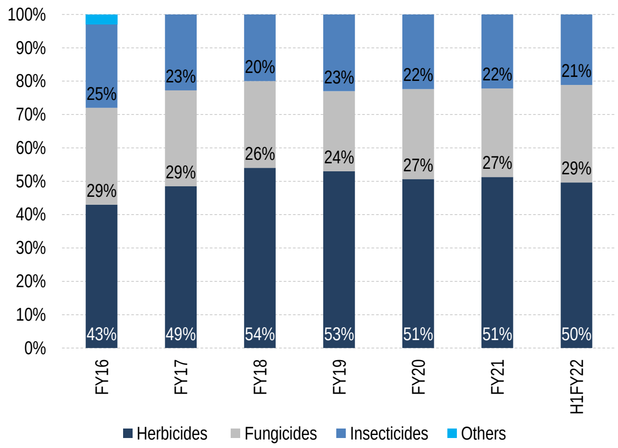
- **Agrochemicals.** The company markets a wide range of formulations and generic active ingredients globally (fungicides, herbicides, insecticides to protect varied crops) as well as specialty markets and biocides. It has a wide range of products, and focuses on identifying generic molecules, preparing dossiers, seeking registrations, marketing & distributing formulations or generic active ingredients.
- **Non-agrochemicals.** Besides, it procures conveyor belts, general chemicals, dyes and dye intermediates from Chinese or Indian manufacturers, and supplies them to more than 30 countries in Europe, North America, Latin America, Australia and Asia.

Fig 7 – Revenue mix - business vertical-wise



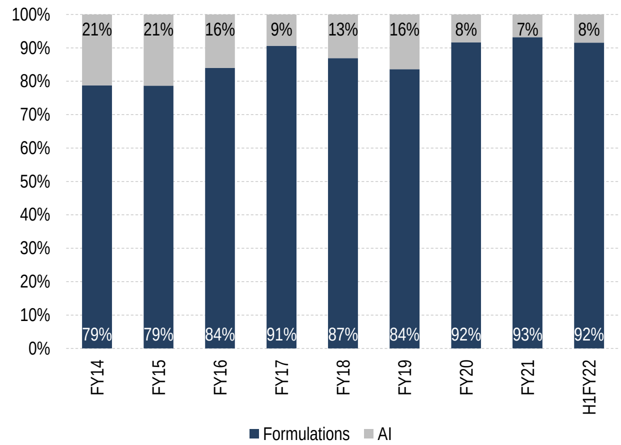
Source: Company

Fig 8 – Agrochemical revenue brk-up product wise



Source: Company

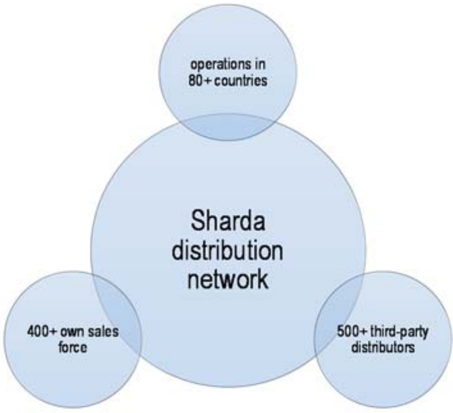
Fig 9 – Agrochemical revenue brk-up-Formulations vs AI



Source: Company

The company has operations in more than 80 countries with an established global marketing and distribution network (more than 500 third-party distributors and a sales force of over 400).

Fig 10 – Sharda's distribution network



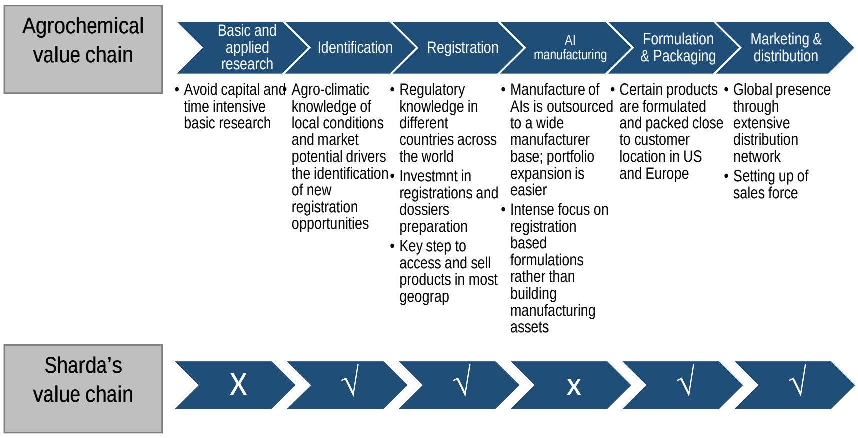
Source: Company

Peculiar Business Model

Its unusual business model in crop protection involves identifying off-patent generic molecules (or those soon going off patent), applying for and registering them in markets where demand is strong. During the identification process, it assesses margins, local competition and demand, then begins the processes for registration. It has consultants who identify particular molecules and formulations.

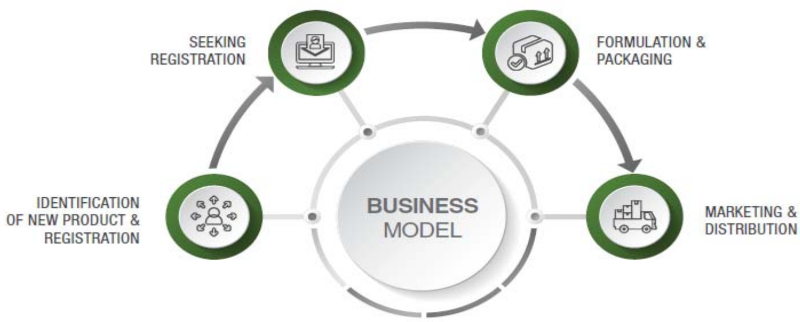
It does not manufactures any molecules. Formulations are procured primarily from China and India.

Fig 11 – Agrochemicals value chain; Sharda's operations



Source: Company

Fig 12 – The business model



Source: Company

Registration process

The business model is perceived as asset-light, but requires huge investments in registering molecules. Registration includes:

- **Identifying products, registration opportunities.** Identifying formulations and generic active ingredients is the company's cornerstone. The process takes into consideration competition, margins, entry barriers, market size, its leverage ability globally, time to register, and marketing.
- **Registrations.** The company's prime focus is on this, its competitive edge. Registration involves:

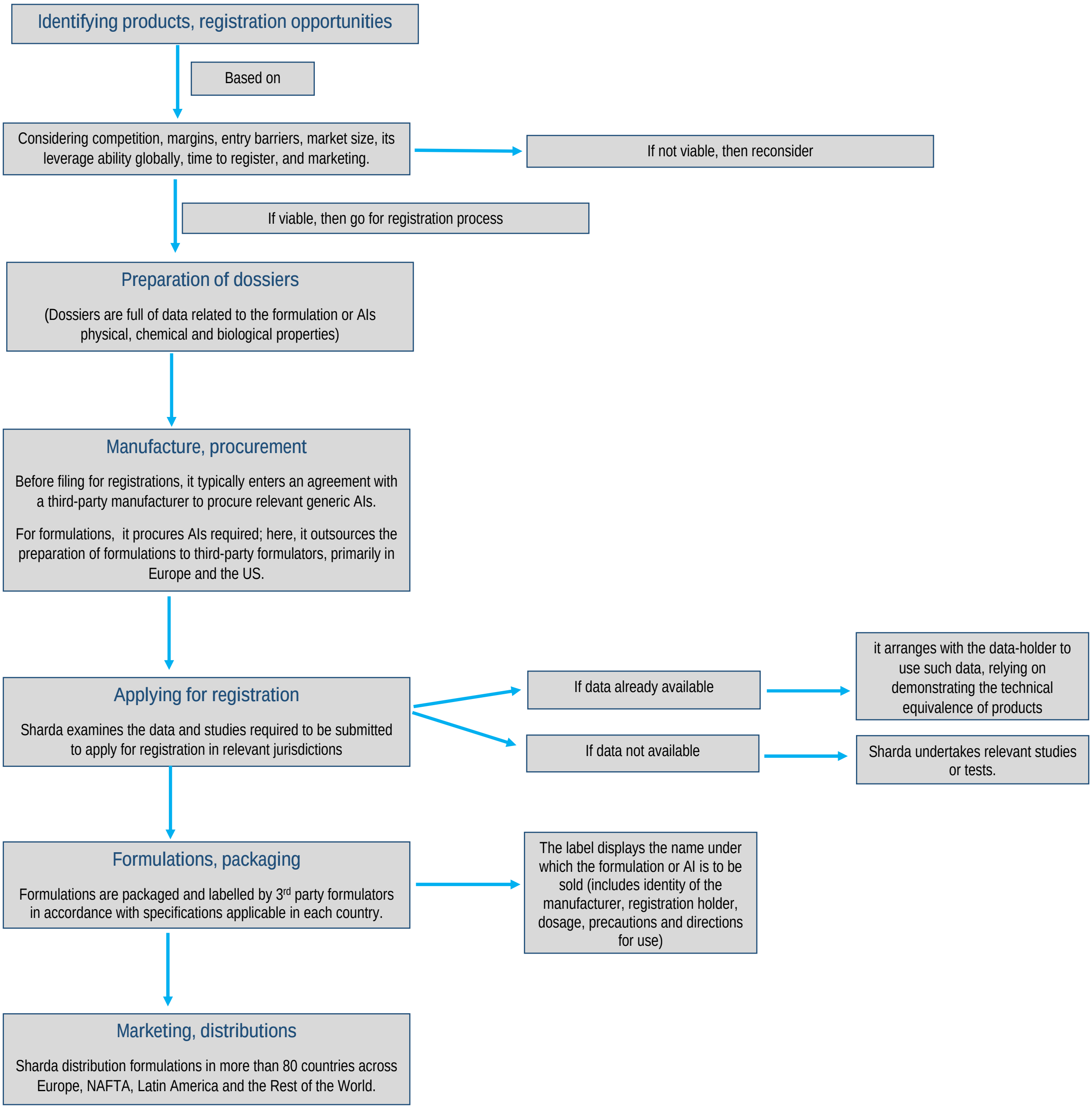
1. **Preparation of dossiers.** Dossiers are full of data related to the formulation or generic active ingredient: physical, chemical and biological properties. The company approaches good-laboratory practice (GLP)-certified laboratories for research and testing. Five-batch analyses, toxicity tests, physical-chemical testing, field trials and risk assessments are conducted in preparation of such dossiers.
2. **Applying for registration.** On identifying formulations and ingredients, the company examines the data and studies required to be submitted to apply for registration in relevant jurisdictions. If such data and studies are already available, it arranges with the data-holder to use such data, relying on demonstrating the technical equivalence of products. If data and studies are unavailable, it undertakes relevant studies or tests.

- **Manufacture, procurement.** The company does not manufacture but procures finished products primarily from China or India. Before filing for registrations, it typically enters an agreement with a third-party manufacturer to procure relevant generic active ingredients. Besides, for the preparation of formulations it procures the generic active ingredients required; here, it outsources the preparation of formulations to third-party formulators, primarily in Europe and the US.
- **Formulations, packaging.** Formulations are packaged and labelled by third-party formulators in accordance with specifications applicable in each country. The label displays the name under which the formulation or the generic active ingredient is to be sold and its constituents along with, *inter alia,* the identity of the manufacturer, registration holder, dosage, precautions and directions for use
- **Marketing, distributions.** The company undertakes marketing and distribution of formulations in more than 80 countries across Europe, NAFTA, Latin America and the Rest of the World, primarily through a network of over 500 third-party distributors and over 400 of its own sales force. The company sold its products under its own name.

This business model is a key differentiator of an innovator company, allowing Sharda to save capital, time and resources on R&D.

It is not involved in manufacturing and invests only in registrations. In FY16, it had Rs1.3bn of net intangible assets related to product registration; this increased to Rs5.3bn in FY21. Besides, it has Rs1.3bn of intangible assets under development as on 31st Mar'21 (comprising costs incurred in creating product dossiers, fees paid to registration consultants, application fees to the ministries, data-compensation costs, etc.).

Fig 13 – Flow chart comprising registration process



Source: Company, Anand Rathi Research

Fig 14 – Peer comparison

Companies	RoE (%)	RoCE (%)	EBITDA (%)	GM (%)	Assets turnover (x)
Insecticides India	12.2	11.4	10.8	24.9	1.5
PI Industries	18.5	17.1	22.1	43.8	0.8
Rallis India	14.8	14.0	13.3	39.3	1.4
Bharat Rasayan	25.4	23.0	21.9	37.4	1.4
Sharda Cropchem	15.2	14.2	17.4	31.7	1.3

Source: Company, Anand Rathi Research

Sharda has peculiar business model but it margins, RoE and RoCE are comparable with peers as it invest on intangible assets comprising product registrations and licenses. Other peers are engaged in manufacturing of crop protection products and invest on tangible assets.

Key investment arguments

High registering cost; long gestation

Barriers to other entrants

The business model seems to be a simple trading one but requires a keen understanding of the agro-chemicals market, identifying popular molecules, formulations and registering them across the globe.

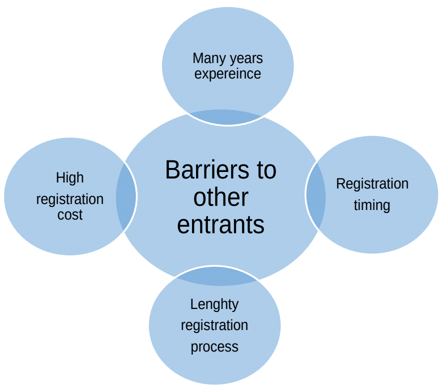
Cost, time to register formulations, active ingredients

The agrochemicals sector is highly regulated, and registration is a permanent feature. Before any active ingredient or formulation is sold in any country, it must receive approval from and be registered by relevant authorities to check efficacy, safety and environmental impact for each crop application.

The legal and procedural requirements to seek registration differ for each jurisdiction. Of the regulated markets, including Europe, the US, Brazil and Japan, the process and requirements to seek such registrations are complex and stringent.

Besides, the registration process is capital intensive and requires huge financial commitments: in creating dossiers, paying registration fees, data-compensation costs (particularly in the US), field trials, fees to consultants, laboratories and other intermediaries to ensure compliance with applicable regulatory requirements, safety standards and effectiveness on crops. Registration costs vary from $100,000 to $5.6m(€5m)

Fig 15 – Entry barriers



Source: Anand Rathi Research

The **registration procedure takes 4-5 years**, from identifying a product in a specific market to making available the final product to end-users. Management says the cost to register a molecule/formulation in Europe and the US is higher (strict regulations in those countries) than in other countries such as Argentina, Mexico, etc.

The legal and procedural requirements for registration differ in each jurisdiction. In 1994, when the company started its agro-chemicals business, the registration process was not that complex.

Over the years, the company focused on and navigated regulatory requirements in various jurisdictions. This has helped it anticipate potential issues and comply with regulatory requirements efficiently, a strong barrier to competition.

Rise in registrations; strong pipeline

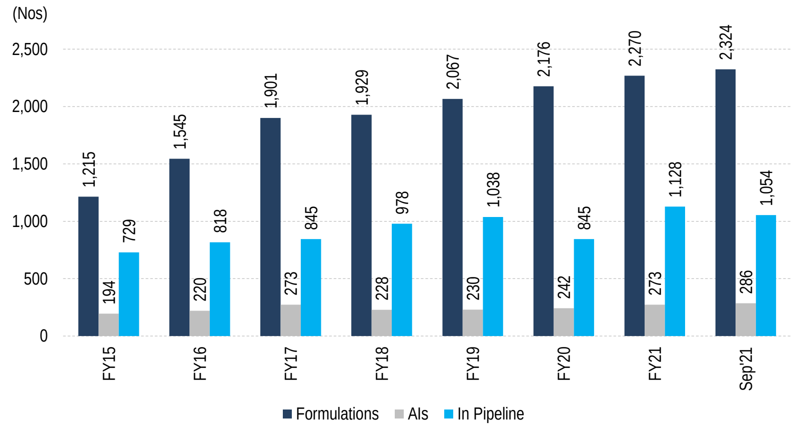
Focus on generic registrations, globally

The company continues to focus on identifying generic molecules going off-patent and seeking registrations, strengthening its range of formulations and generic active ingredients across Europe, NAFTA, LATAM and the Rest of the World.

The company is not looking for innovative products as it requires capital, time and resources primarily towards R&D. Being a generics agrochemical company, Sharda is able to proceed directly with the preparation of dossiers and seeking registrations after identifying opportunities in generic (off-patent) molecules and corresponding formulations and generic active ingredients.

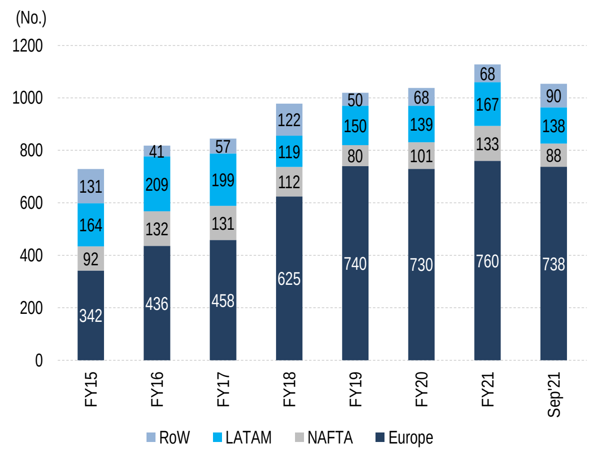
On 30th Sep'21, it owned more than 2,324 registrations for formulations (89%) and 286 for generic active ingredients (11%) across Europe, NAFTA, Latin America and the RoW. Besides, it has filed 1,054 applications for registrations. These are at different stages.

Fig 16 – Increase in registrations in the last seven years



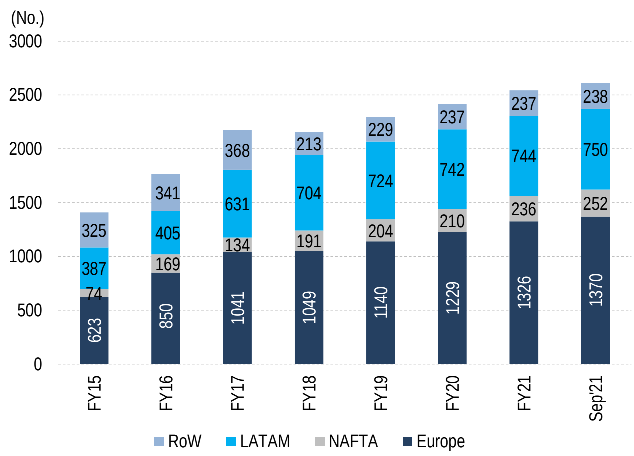
Source: Company

Fig 17 – Registrations in the pipeline, region-wise



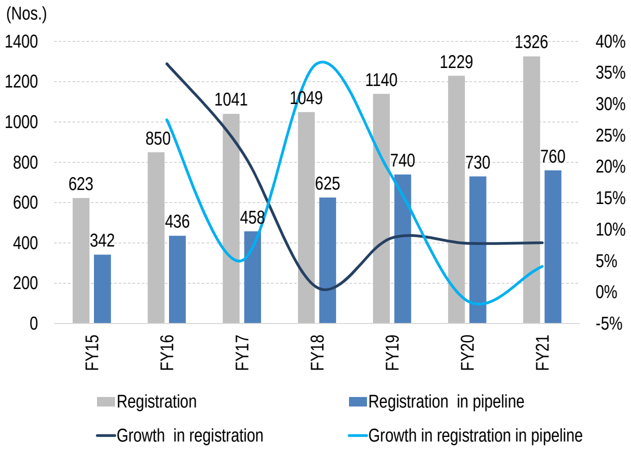
Source: Company

Fig 18 – Registrations, region-wise



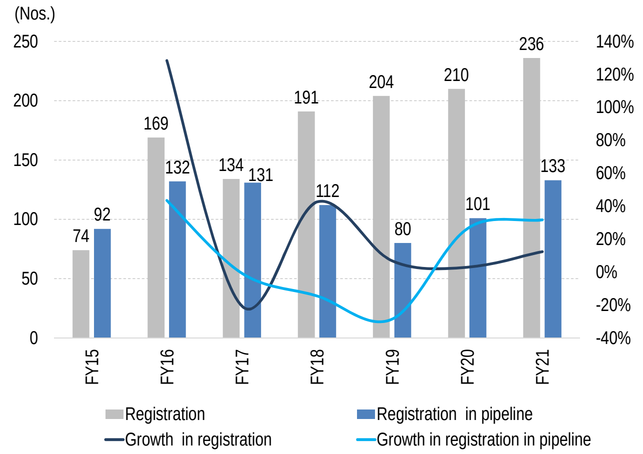
Source: Company

Fig 19 – Europe-registrations grew at 16% CAGR over FY14-21



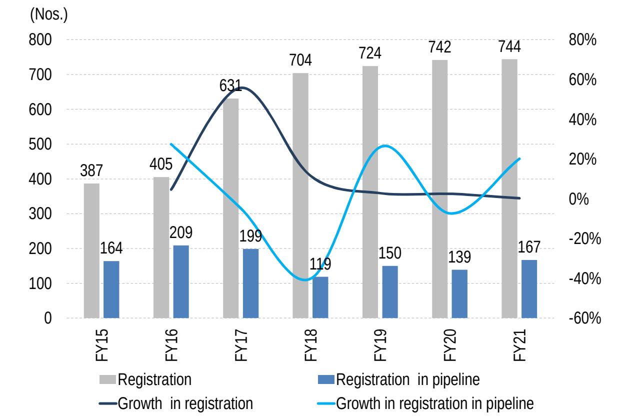
Source: Company, Anand Rathi Research

Fig 20 – NAFTA- registrations grew at 25% CAGR over FY14-21



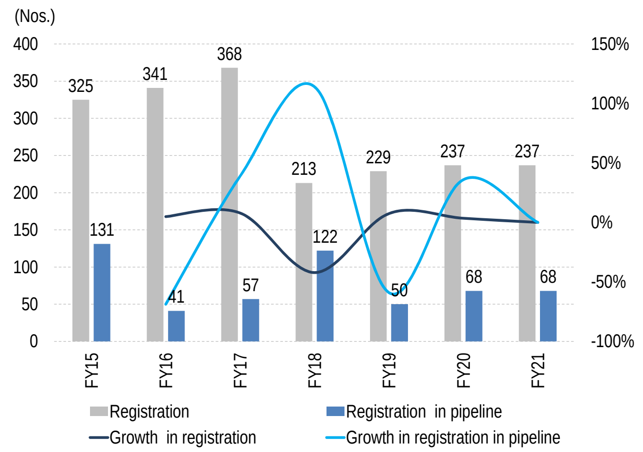
Source: Company, Anand Rathi Research

Fig 21 – LATAM- registrations grew at 16% CAGR over FY14-21



Source: Company, Anand Rathi Research

Fig 22 – RoW-registrations grew at 2% CAGR over FY14-21



Source: Company, Anand Rathi Research

The company's registration basket registered a 14% CAGR over FY14-21 to 2,543 formulations and AIs. In H1 FY22, this increased by another 67. We expect regular addition of registrations to support growth. The company focuses on adding registrations to strengthen its offerings in many regions. We estimate its registration basket to record a 10% CAGR over FY22-24.

Operations in different regions help diversify revenue, shrink business risk

Sharda has varied operations in different regions across Europe, NAFTA, LATAM and the RoW, offering a diversified range of formulations and generic active ingredients in fungicides, herbicides, insecticides and biocides.

For its non-agrochemicals business, it operates in more than 30 countries (Australia, in Asia, Europe, North America and Latin America).

Such diversified operations give it a competitive edge as it has knowledge of local weather and soil, which helps it foresee and satisfy local demand. Also, this reduces the risk of adverse market conditions, commodity-price changes, seasonal conditions or concentration and dependence on a single jurisdiction. The company has a lower business risk of cyclical fluctuations in a single market or crop than peers.

Agro-chemicals account for ~85% of its revenue and clocked an 18% CAGR over FY14-21. Revenue from Europe brought ~50% to its agro-chemicals business.

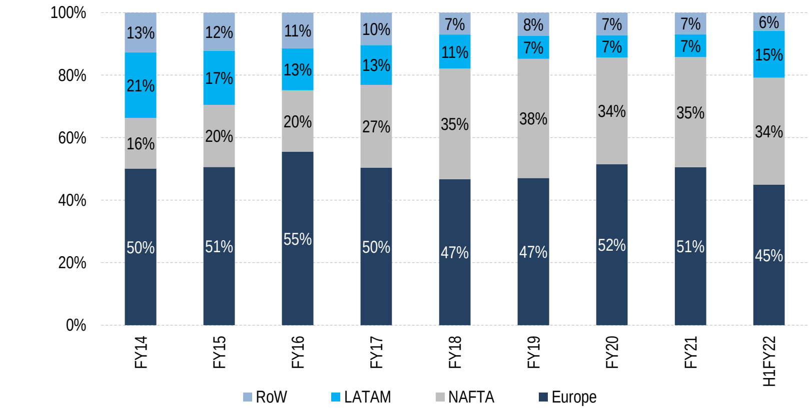
The agrochemicals revenue from NAFTA recorded a substantial ~32% CAGR over FY14-21, contributing 35% to its agro-chemicals business in FY21 against 16% in FY14.

Revenue share to agrochemical business from LATAM declined to 7% in FY21, from 21% in FY14, a 1% CAGR.

Revenue from the RoW recorded a 8% CAGR over the same period and brought ~6% to revenue in FY21 (from 13% in FY14).

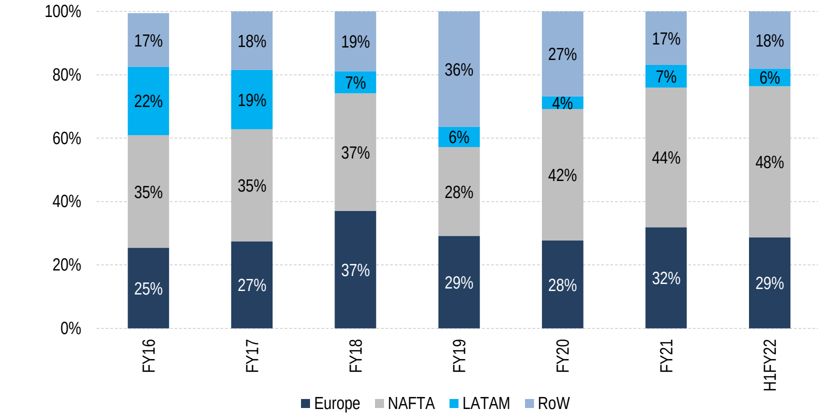
In its non-agrochemicals business, Europe brought 32% to revenue in FY21, LATAM 7%, NAFTA 44% and RoW 17%.

Fig 23 – Agrochemicals revenue break-up, region-wise



Source: Company

Fig 24 – Non-agrochemicals revenue break-up, region-wise



Source: Anand Rathi Research

Though Sharda has operations in most regions, its market share is much lower than those of MNCs (over 75%, says management). Hence, generics manufacturers have only ~25% market share. At product launch Sharda normally is the 2nd/3rd generics player in the market. Prime competition is with MNCs/innovators, not generics players.

For continuous growth, it is further penetrating existing markets and entering new ones. It continues to expand and strengthen its distribution in tandem with its continuous investment in registrations to compete with global manufacturers, who operate on all continents.

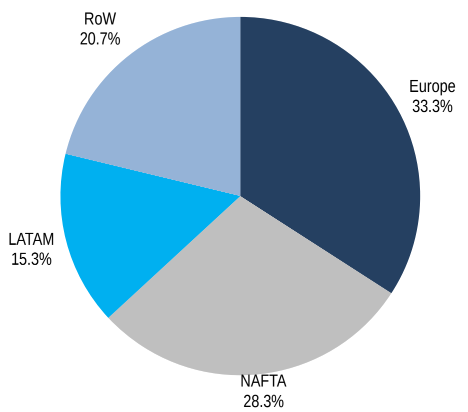
Europe has higher margins

Management says the highest margins arise from Europe, a highly regulated market. This region accounts for ~50% of the company's revenue, and gives the company a 35%+ gross margin (GM). Hurt by a change in the product mix, the GM on sales to Europe declined substantially in Q2 FY22 to 33.3% (from 38.6% in Q1 and 36.7% in Q2 FY21). Sharda expects this margin to recover in coming quarters.

The GM on sales to the NAFTA region rose to 28.3% in Q2 FY22 (from 20.2% a year ago and 22.8% the quarter prior). The company's NAFTA region margins are regularly improving. It expects the trend to continue.

Sharda plans to sharpen focus and better grow its market by adding registrations. Region-wise margins in Q2 FY22 were:

Fig 25 – Region-wise margins in agro-chemicals



Source: Anand Rathi Research

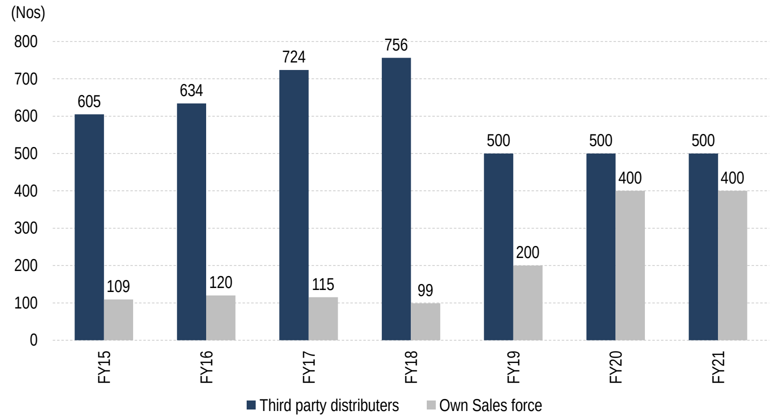
Strengthening its distribution network

Traditionally, the company distributed formulations and generic active ingredients through third-party distributors in Europe, NAFTA, Latin America and the RoW.

To reduce its reliance on third-party distributors and increase operations in various countries, it forward-integrated and set up its own sales force in countries in Europe and in the USA, Canada, Mexico, Colombia, South Africa, India and the rest of the world.

Number of its third-party distributors rose to 500+ in the last seven years. In FY14, it had 440 third party-distributers and a sales force of 100+ in more than 60 countries. By H1 FY22, its own sales force in over 80 countries rose to over 400.

Fig 26 – Distribution network



Source: Company

Sharda is expanding its geographical reach using its dossiers, and planning to penetrate existing markets and enter others. At present, it has on-ground market activation in process in Mexico, Colombia, Hungary, Spain, Poland, Italy, Portugal, Canada, the USA and India.

Management says globalisation has helped it lever the best possible global supply-chain options for the most efficient ways to produce quality products.

Strategy to become a one-stop solutions provider

The company is working to adopt a factory-to-farmer approach and to become a one-stop solutions provider with its established market operations and sound execution capability. This would support margin and product expansion, and serve customers efficiently. Management says this approach would help strengthen existing customer relations, besides offering scope to acquire new ones.

Biocides on the growth path

Agricultural biologicals are a distinctive group of natural products, derived from naturally occurring micro-organisms, beneficial insects, plant extracts, and other organic matters.

Agricultural biologicals are the fastest-growing in agricultural inputs. The key driver here is the mounting demand for eco-friendly, chemical-free products for greater yield.

Sharda began marketing and distributing biocides in Nov'12 in different countries: Spain, France, Italy, Hungary, Croatia, the UK, Slovakia, Slovenia, Belgium, Bulgaria, Greece, Poland and the Czech Republic. It continues to focus on its biological crop-protection range ('biologicals'), a broad category of derived plant-protection products.

Industry data show the agricultural biologicals market is expected to register an 11% CAGR over FY21-26 to $19bn from $9.4bn in 2019.

Sharda is focusing more on Europe and scaling up marketing and distributing biocides. It is targeting increased biocide registrations.

Industry Overview

Crop-protection products control pests, which compete with crops for nutrients or consume the crop itself. Pests come in many forms: weeds, insects (visible and microscopic) and diseases. Crop-protection products are herbicides (weed-killers), insecticides (bug-killers), and fungicides (disease-killers). These improve agricultural yields, boosting production of more food for a growing and increasingly wealthy population.

An industry report says demand for foodstuffs would rise ~50% by 2050 due to the rise in population and to higher income. The global crop-protection chemicals market was valued at $59.8bn in 2021 and is estimated at $76.9bn in 2030, a 3.5% CAGR. Herbicide segment is expected to be the highest contributor to this market.

The Asia-Pacific region dominates regional demand for agrochemicals due to the need to feed the already high and growing population. Countries like India, China, Indonesia and Australia dominate in the use of crop-protection chemicals. Europe and North America are also high-demand centres for agrochemicals, major imports of active ingredients coming from China.

In coming decades, estimated growth in the US and Europe is expected to be lower than in Asia and Brazil as application rates of crop-protection products plateau in the former group. Further, the EU aims at 20% reduction in fertiliser consumption by 2030. The Europe crop-protection chemicals market was valued at $8.7bn in 2021, and is expected to record a 2.2% CAGR over 2021-30 to $9.9bn.

Industry reports say demand for organic food is growing there. Organic foods are grown without synthetic fertilisers, pesticides, herbicides or fungicides. The North American crop-protection-chemicals market is expected to clock a 2.3% CAGR, from $15.6bn in 2021 to $17.9bn in 2030.

The Asia crop-protection chemicals market is expected to grow at a higher 3.9% over 2021-30, from $22.9bn to $30.4bn. The Brazil market, valued at $3.6bn in 2021, is projected to clock a 3.4% CAGR over 2021-30 to $4.6bn.

In the past few years, low crop prices and adverse weather have shrunk the global crop-protection market. Price rises were limited, primarily due to huge stocks with distributors in many markets, as well as to oversupply.

22 AI patents to expire by 2030

Globally, India is the fourth-largest producer of agrochemicals after the U.S., Japan and China, and has emerged as the 3rd largest exporter of pesticides. It is a major hub of pesticide generics production. It banks on the fact that brand-named molecules, exclusive to producing companies, are open to others after the patent period of 20 years.

The fact that 22 such molecules will soon be off patent would substantially expand offerings of Indian companies to people at home and abroad and help fetch extra revenue.

Nearly 22 AIs for pesticides will go off-patent in the next 10 years. Demand for some of these off-patent technical-grade molecules, globally, is expected to rise markedly. The market for these is expected to cross $4.1bn by 2026. Some products (chlorantraniliprole, fluropyram, fluxapyroxad, cyantranilipore, bixafen, sedaxane, fenpyrazamine, and flupicolide) have vast markets.

Fig 27 –Products going off patent in coming years

S.no	Name of Molecule	Name of Inventor	Market Size $m 2019	Patent Expiry	Usage
1	Bixafen	Bayer Crop Science	276	2023	Broad spectrum fungicide for cereals
2	Chlorantraniliprole	Corteva/FMC	1750	2024	Chewing insects of soybean, F&V, rice, cotton, maize, pome fruit, sugarcane, potato, and cereals
3	Cyantraniliprole	Corteva/FMC/Syngenta	120	2026	Effective against the larval stages of lepidopteran insects; and on thrips, aphids, and some other chewing and sucking insects on a variety of crops
4	Fenpyrazamine	Sumitomo Chemical	11	2022	Highly effective against grey mold, stem rot, and brown rot in fruit and vegetables
5	Flubendiamide	Bayer Crop Science	507	2024	Mainly effective in controlling lepidopteron pests, incl. resistant strains in rice, cotton, corn, grapes, other fruit and vegetables
6	Fluopicolide	Bayer Crop Science	45	2024	Fungicide for grapes, potatoes, fruit and vegetables
7	Fluopyram	Bayer Crop Science	87	2024	Against fungal diseases such as gray mold (Botrytis), powdery mildew, apple scab, Alternaria, Sclerotinia and Monilinia
8	Fluxapyroxad	BASF SE	491	2022	Broad spectrum fungicide for cereals, soybean, specialty crops, and turf
9	Isopyrazam	Syngenta AG	129	2023	Broad spectrum fungicide. Controls a wide range of fungal pathogens incl. Septoria tritici, Puccinia recondita and Puccinia striformis
10	mandipropamid	Syngenta AG	179	2023	Late blight of potato and tomato. Also used in tobacco, F&V, and vine.
11	Penflufen	Bayer Crop Science	170	2024	Potato: Black Scurf (Rhizoctonia solani), Silver Scurf (Helminthosporium solani), Dry rot (Fusarium spp.). Cereals: Root rot (Rhizoctonia spp.), Smut, (Rape, Soybean, Cotton), and a number of seed-borne pathogens.
12	Penthiopyrad	Corteva Agriscience	85	2024	It offers unique RootingPower™ that results in stronger, healthier roots for higher crop productivity.
13	Pinoxaden	Syngenta AG	421	2026	Highly selective systemic herbicide used to control monocotyledonous grass weeds
14	Pyriofenone	Ishihara	5	2024	Fungicide developed for the control of powdery mildew in cereals and grape vines.
15	Pyroxsulam	Corteva Agriscience	215	2024	Broad spectrum grass and broadleaf weeds of cereals.
16	Sedaxane	Syngenta AG	108	2024	Long-lasting protection against difficult-to-control seed-, soil-, and air-borne pathogens
17	Thiencarbazone-methyl	Bayer Crop Science	155	2024	Herbicide used for the selective control of grasses and broadleaf weeds primarily in corn.
18	Valifenalate	Ishihara	25	2024	Used to control mildew in many crops including grapes, potatoes, and tomatoes.
19	Benzovindiflupyr	Syngenta AG	419	2028	Control broad range of fungal diseases-blight, mildew, rust, scab, leafspot on corn, soybean, ornamentals, turf, etc.
20	Sulfoxaflor	Corteva Agriscience	190	2027	Sucking pests of turf, soybean, cotton, cereals, and F&V.
21	Saflufenacil	BASF	225	2024	Broadleaf weeds of soybean, maize, sugarcane, cereals, non-crop, and orchards
22	Aminopyralid	Corteva Agriscience	160	2021	Broad spectrum weedicide for pasture, rangeland, oil palm, rubber, F&V, and cereals.

Source: India pesticides- DRHP, Industry data and Anand Rathi research

More specifically in regulated markets but also in others, where so many products are going off patent, vast opportunities will arise. In India, generics for such products will fuel enormous growth for manufacturers and formulators, directly or indirectly, once patented products no longer fall under the IPR). We believe that healthy growth opportunities will be thrown up for Sharda as many products are coming off patents.

Financials

Revenue growth along with sustainable margins

15% revenue CAGR over FY22-24

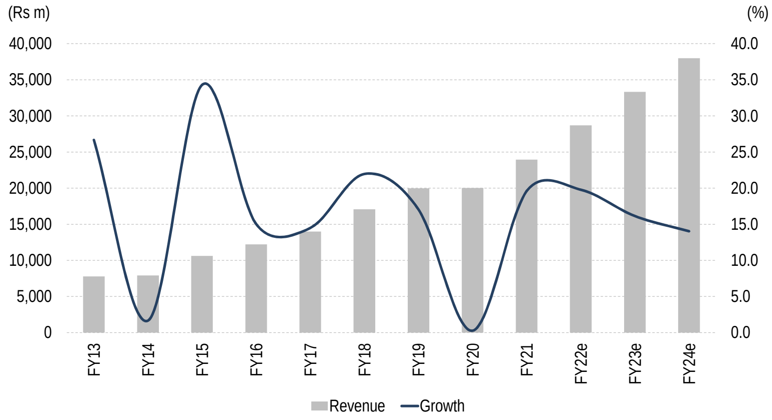
Over FY13-21, the company's revenue clocked a 15% CAGR. We expect the growth momentum to continue. Strong growth across regions leads us to estimate a 15% consolidated revenue CAGR over FY22-24 to Rs38bn. Revenue growth drivers are

- rising wallet share for existing products
- new product launches and
- expansion of the in-house sales team with
- deeper market penetration in existing and new geographies

Revenue break-up

Agrochemicals revenue accounts for ~85% of the company's revenue; the balance ~15% comprises conveyor belts, dyes and intermediaries. Of agro-chemicals revenue, Europe accounted for an average 49% over the last five years; NAFTA and LATAM accounted for ~34% and ~9% respectively. The company generates ~90% revenue from formulations and 10% from AIs. We estimate 16% and 10% revenue CAGRs over FY22-24 in its agrochemicals and non-agrochemical businesses, respectively.

Fig 28 – Revenue to clock ~15% CAGR over FY22-24



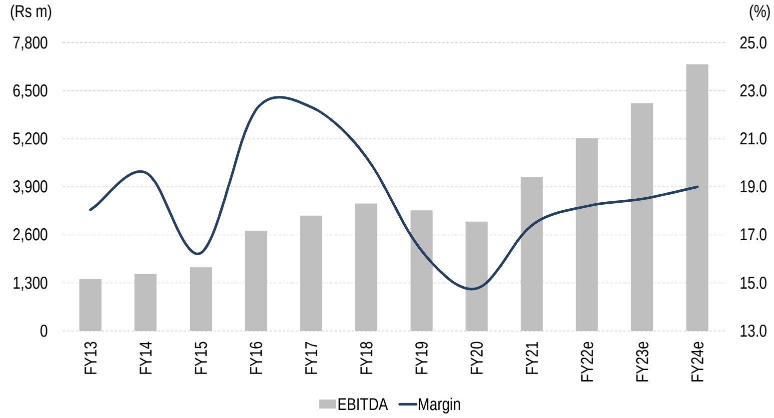
Source: Company, Anand Rathi Research

EBITDA margin to be steady

The 18% EBITDA margin in FY13 rose to 22.3% in FY17, supported by better gross margins. From FY18, the EBITDA margin started contracting due to adverse climate, rising RM costs and higher capitalisation costs.

We expect the EBITDA margin to be a steady 18-19% over FY22-24. In absolute terms we expect EBITDA to register a 17.6% CAGR over FY22-24, led by better volume growth with new registrations in the pipeline.

Fig 29 – EBITDA margin expansion over the years



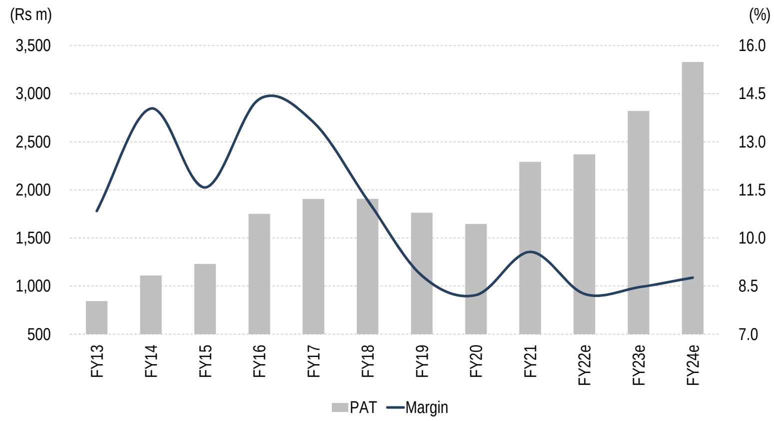
Source: Anand Rathi Research

PAT to clock a 19% CAGR over FY22-24

The company's strong revenue growth and better margins lead us to expect a 19% net profit CAGR over FY22-24 to Rs.3.3bn. Forex losses primarily led to PAT shrinking, from 11% in FY18 to 9.6% in FY21. We estimate net profit growth to be higher than revenue growth largely because of the margin expansion and greater efficiencies.

Exchange rate fluctuation risk. Being a global player, Sharda has exposure to foreign currency as generates revenue mainly in $ and €. Owing to timing difference, the forex rate at which a sale is recorded in the books of account might not be equal to the forex rate at which the cash is realised. It results in foreign currency gain or loss, based on the currency movement. Sharda's exports act as a natural hedge against imports. Additionally, it takes plain vanilla hedge against the orders to reduce its exposure. It uses forward currency contracts to hedge its forex risk.

Fig 30 – Profit to clock a 19% CAGR over FY22-24



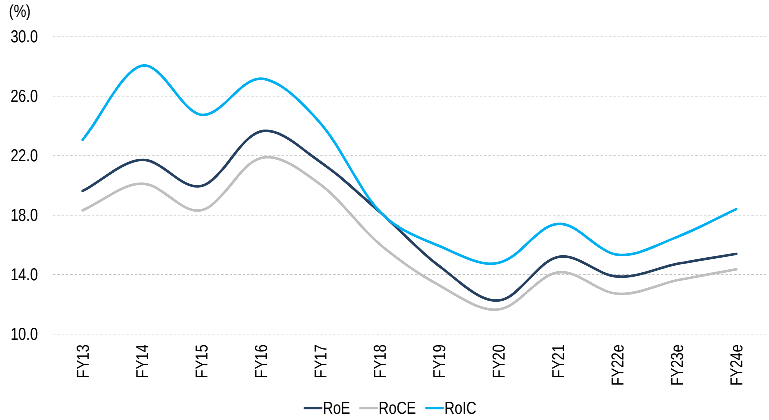
Source: Anand Rathi Research

Healthy return ratios

Backed by a higher EBITDA margin (averaging 20%), the RoE averaged 21% over FY13-17. In the last four years, the EBITDA margin had contracted to an average 17.2% on which the RoE declined to ~15%. Considering profit growth and stable margins now, we estimate the RoE to rise to 15.4% in FY24 (from 13.9% in FY22). We estimate a 12.7-14.4% RoCE over FY22-24.

Further, the company is debt free and has ready cash. We estimate the RoIC to increase to 18.4% in FY24, from 15.3% in FY22.

Fig 31 – Improving return ratios supported by better margin

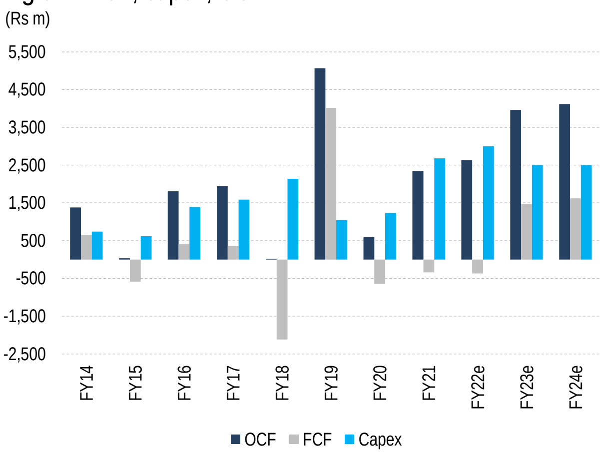


Source: Anand Rathi Research

Free cash-flow generation, with a strong balance sheet

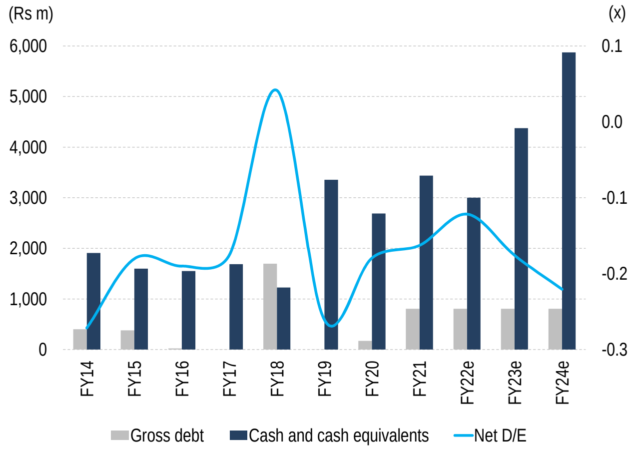
The company averages Rs1.5bn capex yearly. It has guided to Rs2.5bn-3bn in FY22 on registrations. Considering the past trends and molecules going off patent in coming years, we expect Rs8bn over FY22-24 on product registrations. Despite huge capital investment, we expect it would generate Rs2.7bn as FCF over FY22-24, supported by a healthy balance sheet and better working-capital management. The company is debt free and capex would be funded from internal accruals.

Fig 32 – FCF, capex, OCF



Source: Company, Anand Rathi Research

Fig 33 – Debt positioning in the business

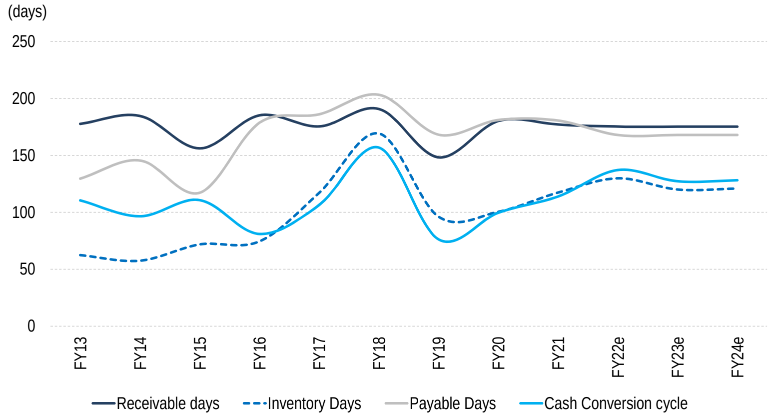


Source: Company, Anand Rathi Research

Cash-conversion cycle

The cash-conversion cycle over FY17-21 stretched to an average 111 days (from 100 over FY13-17) because of stocks needed to be maintained. We expect ~137 days in FY22, considering higher stocks due to supply and international logistic issues, then, a decline to ~128 days in FY23 and FY24.

Fig 34 – Working-capital cycle



Source: Anand Rathi Research

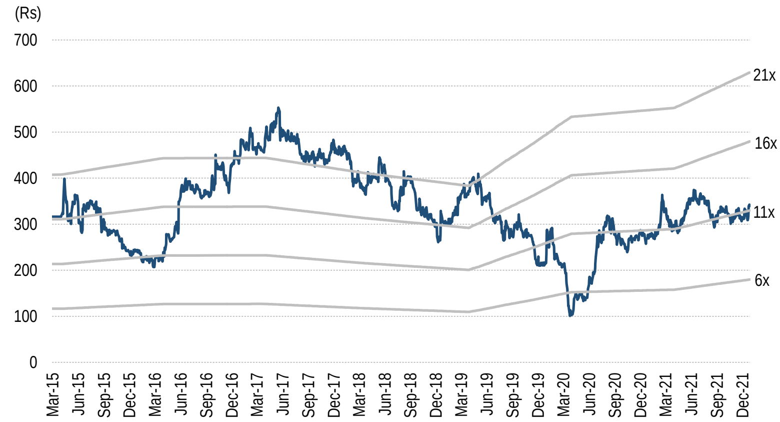
Valuations

Considering the persistent strong growth momentum (a 19% PAT CAGR over FY22-24, the sturdy business model, a healthy pipeline of formulations and active-ingredient registrations, a better revenue mix across regions and consistent RoEs and RoCEs, we are upbeat about the company's mid- to long-term prospects.

Further, assurance has risen about a sustainable revenue steam, driven by a strong pipeline of registrations across regions, and its announcement of registrations of formulations and active ingredients.

At present, the stock trades at 10.9x FY23e and 9.2x FY24e earnings. Sharda is trading at the lower end of its historical P/E multiples (avg 16x over FY15-21). We initiate coverage with a TP of Rs480, based on 13x FY24e. We expect a high growth momentum, a strong balance sheet, free cash-flows and strong return ratios over FY22-24.

Fig 35 – PE band



Source: Bloomberg

Fig 36 – Peer Comparision (Valuation)

	CMP	Mcap	EV	P/E(x)				EV/EBITDA(x)				EV/Sales(x)				RoE(x)			
	(Rs)	(Rs bn)	(Rs bn)	FY21	FY22e	FY23e	FY24e	FY21	FY22e	FY23e	FY24e	FY21	FY22e	FY23e	FY24e	FY21	FY22e	FY23e	FY24e
UPL Ltd	758	579	869	20.2	14.7	12.3	10.7	10.4	9.2	8.2	7.4	2.2	2.0	1.9	1.7	15.9	18.4	19.0	18.7
Rallis India	267	52	49	23.4	28.4	22.7	19.1	15.3	17.2	13.3	11.0	2.0	1.9	1.7	1.4	14.8	11.0	12.6	13.6
Sumitomo Chemicals	391	195	190	56.5	50.1	40.0	32.5	39.0	35.1	28.4	23.4	7.2	6.4	5.6	4.8	23.9	22.3	22.9	23.5
Dhanuka Agritech	725	34	32	16.0	16.1	14.4	12.9	12.1	12.0	10.6	9.4	2.3	2.2	2.0	1.8	26.7	23.9	22.5	20.8
PI Industries	3,001	455	435	61.7	52.9	43.0	35.6	42.7	36.3	29.4	24.6	9.5	8.1	6.8	5.8	18.0	15.3	16.3	16.9
Insecticides India	682	13	15	14.3	11.2	9.3	8.0	10.0	8.3	7.0	5.9	1.1	1.0	0.9	0.8	10.5	13.3	14.1	13.6
India Pesticides	319	37	35	27.3	22.2	17.5	18.3	19.3	16.0	12.5	13.1	5.5	4.5	3.7	3.8	41.6	30.5	25.3	23.9
Industry Average				31.3	27.9	22.7	19.6	21.3	19.1	15.6	13.5	4.3	3.7	3.2	2.9	15.0	12.3	14.5	15.1
Sharda Cropchem	341	31	27	13.4	13.0	10.9	9.2	6.8	5.5	4.4	3.6	1.2	1.0	0.8	0.7	15.2	13.9	14.7	15.4

Source: Bloomberg, Anand Rathi Research

Fig 37 – Peer Comparision (Financials)

	Revenue (Rsbn)				EBITDA(Rsbn)				PAT (Rsbn)				CAGR % (FY22-24)			EPS (Rs)			
	FY21	FY22e	FY23e	FY24e	FY21	FY22e	FY23e	FY24e	FY21	FY22e	FY23e	FY24e	Revenue	EBITDA	PAT	FY21	FY22e	FY23e	FY24e
UPL Ltd	386.9	430.5	466.5	506.7	83.5	94.8	105.8	116.9	28.7	39.5	47.2	54.3	8.5	11.0	17.3	41.0	56.3	67.4	77.5
Rallis India	24.3	26.8	30.0	33.8	3.2	2.9	3.8	4.4	2.2	1.8	2.3	2.7	12.3	22.0	22.0	9.4	11.8	14.0	18.2
Sumitomo Chemicals	26.4	29.6	34.3	39.9	4.9	5.4	6.7	8.1	3.5	3.9	4.9	6.0	16.1	22.4	24.1	6.9	7.8	9.8	12.0
Dhanuka Agritech	13.9	14.7	16.4	18.4	2.7	2.7	3.1	3.5	2.1	2.1	2.4	2.6	11.8	13.2	11.7	45.2	45.2	50.5	56.4
PI Industries	45.8	53.9	64.2	75.6	10.2	12.0	14.8	17.6	7.4	8.6	10.6	12.8	18.4	21.4	21.9	48.6	56.6	69.6	84.0
Insecticides India	14.2	16.1	17.4	19.4	1.5	1.9	2.2	2.6	0.9	1.2	1.4	1.7	9.7	18.8	18.1	45.4	58.3	70.1	81.3
India Pesticides	6.5	7.8	9.5	9.3	1.8	2.2	2.8	2.7	1.3	1.7	2.1	2.0	9.0	10.4	10.0	11.7	14.4	18.2	17.4
Sharda Cropchem	24.0	28.7	33.3	38.0	4.2	5.2	6.2	7.2	2.3	2.4	2.8	3.3	15.1	17.6	18.6	25.4	26.3	31.3	36.9

Source: Bloomberg, Anand Rathi Research

Key risks

We believe monsoon dependence is an inherent risk for agro-chemicals. Other factors specific to the company are

- **Delay in new registrations**. Delays in securing registrations would lead to loss of revenue in coming quarters due to the seasonal nature of the business.
- **Forex volatility.** Being a global manufacturer, the company is vastly exposed to foreign currency movements. It primarily sources active ingredients and formulations from China in dollars, and sells to the EU in euros. Since a substantial portion of its revenue and expenditure is in foreign currencies, to a certain extent it enjoys a natural hedge. Its foreign-currency exposure over and above this natural hedge may curtail its profits.
- **Climatic conditions.** Crop-protection products are affected by extreme climatic conditions (floods, droughts, etc.), an inherent risk.
- **Dependence on Chinese suppliers.** The company is completely dependent on China and local vendors for active ingredients and formulations. Adverse movements in Chinese currency, rising labour and environmental-compliance costs could markedly impact the competitiveness of Chinese manufacturers, which could affect Sharda's sourcing.
- **Global context, high stocks with distributors, returns of sales.** If distributors are unable to sell the products due to the global slowdown, there are high chances of sales returns increasing, and impacting the company's revenues.

Company Background, Management

Technically-qualified management

The promoters and the management have rich experience in agro chemicals and have played a key role in developing the business. The company's apt domain knowledge and experience offers it a substantial competitive edge in expanding its business and entering new regions.

Fig 38 – Management

Name	Designation	Description
Ramprakash V Bubna	Chairman & MD	Founder. Bachelor's degree of technology in chemical engineering from IIT, Bombay. Over 53 years' experience in chemicals, agrochemicals and related businesses. Responsible for overall business operations and strategy.
Sharda R. Bubna	Director	Promoter. Bachelor's Degree in Arts, Nagpur University. Through her sole proprietary concern, Sharda International, she has been involved in chemicals, agrochemicals and related businesses from 1987 to 2004.
Ashish R Bubna	Director	B.Com. 30 years' experience. Instrumental in strategizing early investment in product registrations and building a library of dossiers. Responsible for marketing, procurement, registrations and logistics of the agrochemicals business.
Manish R Bubna	Director	Bachelor's degree in chemical engineering. 28 years' experience. Spearheaded the company's foray into conveyor belts and general chemicals
M. S. Sundra Rajan	Independent Director	Post-graduate, economics, University of Madras, with specialisation in mathematical economics and national Income and social accounting. Associate of The Indian Institute of Company Secretaries of India. Was chairman & MD of Indian Bank. Over 38 years' experience in banking
Shitin Desai	Independent Director	B.Com. University of Mumbai. Over 41 years' experience in banking and financial services. Consultant to Bank of America Merrill Lynch. Earlier, executive vice-chairman, DSP Merrill Lynch.
Shobhan Thakore	Independent Director	BA (Politics) and LLB. Solicitor, Bombay High Court and the Supreme Court of England and Wales. Advisor to leading Indian companies on matters relating to corporate law and securities-related legislation. Acted on behalf of leading investment banks and issuers for initial public offerings in India and several international equity and equity-linked debt issues by Indian corporate houses.
Sonal Desai	Independent Director	CA; Executive Diploma in Hospital Administration, Tata Institute of Social Sciences. 34 years' experience in handling not only pure finance and accounting but also commercial and embedded functions, resulting in a rare blend of leadership experience and functional competence. Assignments provided her unique experience and expertise in marketing, operations, projects and refineries management

Source: Company

Appendix

Analyst Certification

The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

Anand Rathi Ratings Definitions

Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps (>US$1bn) and Mid/Small Caps (<US$1bn) as described in the Ratings Table below:

Ratings Guide (12 months)			
	Buy	**Hold**	**Sell**
Large Caps (>US$1bn)	>15%	5-15%	<5%
Mid/Small Caps (<US$1bn)	>25%	5-25%	<5%

Research Disclaimer and Disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

Anand Rathi Share and Stock Brokers Ltd. (hereinafter refer as ARSSBL) (Research Entity) is a subsidiary of Anand Rathi Financial Services Ltd. ARSSBL is a corporate trading and clearing member of Bombay Stock Exchange Ltd, National Stock Exchange of India Ltd. (NSEIL), Multi Stock Exchange of India Ltd (MCX-SX) and also depository participant with National Securities Depository Ltd (NSDL) and Central Depository Services Ltd. ARSSBL is engaged in the business of Stock Broking, Depository Participant and Mutual Fund distributor.

The research analysts, strategists, or research associates principally responsible for the preparation of Anand Rathi research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

General Disclaimer: This Research Report (hereinafter called "Report") is meant solely for use by the recipient and is not for circulation. This Report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, derivatives or any other security through ARSSBL nor any solicitation or offering of any investment /trading opportunity on behalf of the issuer(s) of the respective security (ies) referred to herein. These information / opinions / views are not meant to serve as a professional investment guide for the readers. No action is solicited based upon the information provided herein. Recipients of this Report should rely on information/data arising out of their own investigations. Readers are advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by ARSSBL to be reliable. ARSSBL or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. While due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of ARSSBL shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way whatsoever from the information / opinions / views contained in this Report. The price and value of the investments referred to in this Report and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. ARSSBL does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding taxation aspects of any potential investment.

Opinions expressed are our current opinions as of the date appearing on this Research only. We do not undertake to advise you as to any change of our views expressed in this Report. Research Report may differ between ARSSBL's RAs and/ or ARSSBL's associate companies on account of differences in research methodology, personal judgment and difference in time horizons for which recommendations are made. User should keep this risk in mind and not hold ARSSBL, its employees and associates responsible for any losses, damages of any type whatsoever.

ARSSBL and its associates or employees may; (a) from time to time, have long or short positions in, and buy or sell the investments in/ security of company (ies) mentioned herein or (b) be engaged in any other transaction involving such investments/ securities of company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) these and other activities of ARSSBL and its associates or employees may not be construed as potential conflict of interest with respect to any recommendation and related information and opinions. Without limiting any of the foregoing, in no event shall ARSSBL and its associates or employees or any third party involved in, or related to computing or compiling the information have any liability for any damages of any kind.

Details of Associates of ARSSBL and Brief History of Disciplinary action by regulatory authorities & its associates are available on our website i.e. www.rathionline.com

Disclaimers in respect of jurisdiction: This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject ARSSBL to any registration or licensing requirement within such jurisdiction(s). No action has been or will be taken by ARSSBL in any jurisdiction (other than India), where any action for such purpose(s) is required. Accordingly, this Report shall not be possessed, circulated and/or distributed in any such country or jurisdiction unless such action is in compliance with all applicable laws and regulations of such country or jurisdiction. ARSSBL requires such recipient to inform himself about and to observe any restrictions at his own expense, without any liability to ARSSBL. Any dispute arising out of this Report shall be subject to the exclusive jurisdiction of the Courts in India.

Statements on ownership and material conflicts of interest, compensation - ARSSBL and Associates

Answers to the Best of the knowledge and belief of ARSSBL/ its Associates/ Research Analyst who is preparing this report

Research analyst or research entity or his associate or his relative has any financial interest in the subject company and the nature of such financial interest.	No
ARSSBL/its Associates/ Research Analyst/ his Relative have actual/beneficial ownership of one per cent or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report?	No
ARSSBL/its Associates/ Research Analyst/ his Relative have actual/beneficial ownership of one per cent or more securities of the subject company	No
ARSSBL/its Associates/ Research Analyst/ his Relative have any other material conflict of interest at the time of publication of the research report?	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation from the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have managed or co-managed public offering of securities for the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation or other benefits from the subject company or third party in connection with the research report	No
ARSSBL/its Associates/ Research Analyst/ his Relative have served as an officer, director or employee of the subject company.	No

Other Disclosures pertaining to distribution of research in the United States of America

This research report is a product of ARSSBL, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by ARSSBL only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, ARSSBL has entered into an agreement with a U.S. registered broker-dealer, Cabrera Capital Markets. ("Cabrera"). Transactions in securities discussed in this research report should be effected through Cabrera or another U.S. registered broker dealer.

1. ARSSBL or its Affiliates may or may not have been beneficial owners of the securities mentioned in this report.

2. ARSSBL or its affiliates may have or not managed or co-managed a public offering of the securities mentioned in the report in the past 12 months.

3. ARSSBL or its affiliates may have or not received compensation for investment banking services from the issuer of these securities in the past 12 months and do not expect to receive compensation for investment banking services from the issuer of these securities within the next three months.

4. However, one or more of ARSSBL or its Affiliates may, from time to time, have a long or short position in any of the securities mentioned herein and may buy or sell those securities or options thereon, either on their own account or on behalf of their clients.

5. As of the publication of this report, ARSSBL does not make a market in the subject securities.

6. ARSSBL or its Affiliates may or may not, to the extent permitted by law, act upon or use the above material or the conclusions stated above, or the research or analysis on which they are based before the material is published to recipients and from time to time, provide investment banking, investment management or other services for or solicit to seek to obtain investment banking, or other securities business from, any entity referred to in this report.

Additional information on recommended securities/instruments is available on request.

ARSSBL registered address: Express Zone, A Wing, 9th Floor, Western Express Highway, Diagonally Opposite Oberoi Mall, Malad (E), Mumbai – 400097.
Tel No: +91 22 6281 7000 | Fax No: +91 22 4001 3770 | CIN: U67120MH1991PLC064106.