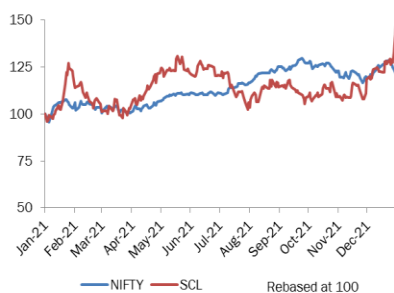


Robust quarter led by across-the-board growth

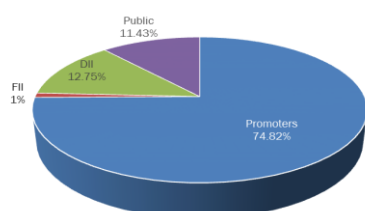
BUY

Sector	: Agrochemicals
Target Price	: ₹ 566
Current Market Price	: ₹ 438
Market Cap	: ₹ 3,953 crores
52-week High/Low	: ₹ 455/262
Daily Avg Vol (12M)	: 2,55,474
Face Value	: ₹10
Beta	: 1.18
Pledged Shares	: 0%
Year End	: March
BSE Scrip Code	: 538666
NSE Scrip Code	: SHARDACROP
Bloomberg Code	: SHCR IN
Reuters Code	: SHCR.NS
Nifty	: 17,149
BSE Sensex	: 57,491
Analyst	: Research Team

Price Performance



Shareholding Pattern



3Q FY22 Update

Result Analysis

- Sharda Cropchem Limited (SCL) reported robust 3Q FY22 performance. Revenues increased by 78.2% y-o-y to ₹ 879.8 crore, driven by strong volume growth across geographies, better product mix, and higher price realisations.
- The agrochemicals-to-non-agrochemicals revenue mix remained broadly unchanged on a y-o-y basis at 82:18. The geographical split for agrochemicals revenues was NAFTA 43%, Europe 42%, LatAm 7% and RoW 8%. The geographical split for non-agrochemicals revenues was NAFTA 44%, Europe 38%, LatAm 3% and RoW 15%.
- Gross margin was marginally down by 60 bps y-o-y to 33.9% due to higher freight costs. EBITDA margin expanded by 220 bps y-o-y to 22.8% as the higher freight costs were more than offset by economies of scale and effective cost management.
- PAT grew by 111.6% y-o-y to ₹ 102.2 crore. PAT margin expanded by 184 bps y-o-y to 11.6% as a lower effective tax rate more than offset higher depreciation and FX loss during the quarter.

Outlook & Valuation

SCL has already achieved 90% of FY21 revenues in 9M FY22 as it is well-set to record healthy sales growth in FY22. Management believes 20% volume growth is achievable on a sustainable basis as it expects 3Q FY22 margins to be maintained going forward. SCL's key strengths include a wide range of products, a geographically-diversified revenue mix, and a strong global distribution model. Focusing on product registrations across global markets, the company has procured 2,645 registrations (2,355 for formulations and 290 for active ingredients) while 1,099 registrations are in pipeline at different stages across locations. The SCL stock has appreciated 37% since we initiated coverage with a BUY rating on 10 August 2021. Basis the robust performance in the last quarter, we revise our forecasts upwards while rolling on to FY24E to value the stock. At current levels, the SCL stock trades at 9.3x FY24E EPS. We maintain a BUY rating on the stock based on a target P/E multiple of 12.0x FY24E EPS that generates a price target of ₹ 566 with an upside of 29%.

Key Financial Metrics (Consolidated)

₹ crore	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Operating revenue	1,998	2,003	2,396	3,095	3,566	4,091
Growth		0.3%	19.6%	29.2%	15.2%	14.7%
EBITDA*	327	351	455	622	756	875
EBITDA margin	16.3%	17.5%	19.0%	20.1%	21.2%	21.4%
PAT	176	165	229	277	364	425
PAT margin	8.8%	8.2%	9.6%	8.9%	10.2%	10.4%
Diluted EPS (₹)	19.6	18.3	25.4	30.7	40.3	47.2

Source: Company data, Khambatta Research; *Excluding write-off of intangible assets and intangible assets under development

Sharda Cropchem Limited

25 January 2022

Financial Performance (Consolidated)

₹ crore	3Q FY21	2Q FY22	3Q FY22	Y-o-Y	Q-o-Q	9M FY21	9M FY22	Y-o-Y
Operating revenue	493.8	642.8	879.8	78.2%	36.9%	1,307.5	2,145.3	64.1%
EBITDA*	101.9	103.8	200.9	97.1%	93.6%	209.2	411.3	96.6%
EBITDA margin	20.6%	16.1%	22.8%	220 bps	669 bps	16.0%	19.2%	317 bps
PAT	48.30	32.02	102.20	111.6%	219.2%	95.29	172.29	80.8%
PAT margin	9.8%	5.0%	11.6%	184 bps	663 bps	7.3%	8.0%	74 bps
EPS (₹)	5.4	3.5	11.3	111.6%	219.2%	10.6	19.1	80.2%

Source: Company data, Khambatta Research; *Excluding write-off of intangible assets and intangible assets under development

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Sharda Cropchem Limited

25 January 2022

Guide to Khambatta's research approach

Valuation methodologies

We apply the following absolute/relative valuation methodologies to derive the 'fair value' of the stock as a part of our fundamental research:

DCF: The Discounted Cash Flow (DCF) method values an estimated stream of future free cash flows discounted to the present day, using a company's WACC or cost of equity. This method is used to estimate the attractiveness of an investment opportunity and as such provides a good measure of the company's value in absolute terms. There are several approaches to discounted cash flow analysis, including Free Cash Flow to Firm (FCFF), Free Cash Flow to Equity (FCFE) and the Dividend Discount Model (DDM). The selection of a particular approach depends on the particular company being researched and valued.

ERE: The Excess Return to Equity (ERE) method takes into consideration the absolute value of a company's return to equity in excess of its cost of equity discounted to the present day using the cost of equity. This methodology is more appropriate for valuing banking stocks than FCFF or FCFE methodologies.

Relative valuation: In relative valuation, various comparative multiples or ratios including Price/Earnings, Price/Sales, EV/Sales, EV/EBITDA, Price/Book Value are used to assess the relative worth of companies which operate in the same industry/industries and are thereby in the same peer group. Generally our approach involves the use of two multiples to estimate the relative valuation of a stock.

Other methodologies such as DuPont Analysis, CFROI, NAV and Sum-of-the-Parts (SOTP) are applied where appropriate.

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Buy recommendations are expected to improve, based on consideration of the fundamental view and the currency impact (where applicable) by at least 15%.

Hold recommendations are expected to improve, based on consideration of the fundamental view and the currency impact (where applicable) between 5% and 15%.

Sell recommendations are expected to improve up to 5% or deteriorate, based on consideration of the fundamental view and the currency impact (where applicable).

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Sharda Cropchem Limited**25 January 2022**

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