

5 March 2025

Sharda Cropchem

Growth momentum to sustain; maintaining a Buy

We recently met Sharda Cropchem's Chairman and MD, Mr R V Bubna to gauge the business outlook. The key takeaways are 1) Management is confident of achieving double-digit revenue growth (guidance raised 26% y/y post Q3 results vs. 15-20% earlier) in FY25, particularly due to volumes and penetration into new markets. 2) Prices are largely stable q/q; however, further price hikes may be difficult to pass on. 3) Major markets of Europe and NAFTA are likely to see double-digit volume growth. 4) The improving margin trend would likely continue in Q4 despite the higher base. 5) Working capital is under control and is likely to improve. We broadly maintain our estimates. We expect revenue/EBITDA/PAT CAGRs of 14%/21%/23% over FY25-27. We, thus, retain our Buy rating, with an unchanged TP of Rs730, 15x FY27e EPS.

Guidance unchanged. Management expects the growth momentum to sustain, supported by the extensive registration pipeline, capex of Rs4bn-4.5bn driving revenue growth and margins being aided by the company's focus on operational efficiency. With realizations expected to rise in a better demand environment globally, management expects revenue of Rs40bn (guidance raised 26% y/y post Q3 results vs. 15-20% earlier), with the EBITDA margin at 15-18% in FY25. Further, management is optimistic regarding non-agrochemical performance and hopes for better demand.

Valuation. We largely maintain our earnings estimates. We expect 14%/21%/23% revenue/EBITDA/PAT CAGRs over FY25-27. The recent correction in the stock price provides an attractive entry point for investors. We, thus, maintain a Buy rating, with an unchanged TP of Rs730, 15x FY27e EPS. We believe risk-reward is favourable for the stock. **Risks:** Escalation in geopolitical tensions between Russia and Ukraine, forex movements, no major improvement in realisations and delay in registrations.

Key financials (YE Mar)	FY23	FY24	FY25e	FY26e	FY27e
Sales (Rs m)	40,452	31,630	39,841	45,650	51,832
Net profit (Rs m)	3,420	319	2,871	3,466	4,376
EPS (Rs)	37.9	3.5	31.8	38.4	48.5
PE (x)	14.2	152.6	17.0	14.1	11.1
EV / EBITDA (x)	6.7	16.4	7.0	5.7	4.5
PBV (x)	2.2	2.2	2.0	1.8	1.6
RoE (%)	16.5	1.4	12.2	13.3	14.9
RoCE (%)	20.2	3.4	16.5	18.0	20.1
Dividend yield (%)	3.5	37.8	3.5	3.5	3.2
Net debt / equity (x)	-0.1	-0.1	-0.1	-0.1	-0.2

Source: Company, Anand Rath Research

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Rating: **Buy**

Target Price (12-mnth): Rs.730

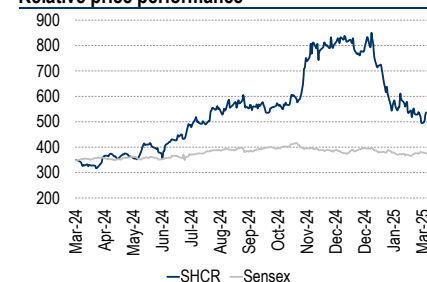
Share Price: Rs.527

Key data	SHCR IN / SHCR.BO
52-week high / low	Rs887 / 318
Sensex / Nifty	73903 / 22381
3-m average volume	\$1.9m
Market cap	Rs.48bn / \$556.1m
Shares outstanding	90m

Shareholding pattern (%)	Dec'24	Sep'24	Jun'24
Promoters	74.8	74.8	74.8
- of which, Pledged	0.0	0.0	0.0
Free float	25.2	25.2	25.2
- Foreign institutions	3.8	2.5	2.0
- Domestic institutions	10.1	12.8	12.9
- Public	11.3	9.9	10.3

Estimates revision (%)	FY25e	FY26e	FY27e
Sales	8.4	6.7	3.5
EBITDA	8.2	2.2	3.7
PAT	4.0	-2.2	-0.2

Relative price performance



Source: Bloomberg

Himanshu Binani
Research Analyst

Rohan Shukla
Research Associate

Quick Glance – Financials and Valuations

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
Revenues	40,452	31,630	39,841	45,650	51,832
Growth (%)	13.0	-21.8	26.0	14.6	13.5
Raw material	28,608	23,424	27,968	31,773	35,764
Employee & other expenses	4,837	5,378	5,310	6,004	6,463
EBITDA	7,007	2,829	6,563	7,873	9,605
EBITDA margins (%)	17.3	8.9	16.5	17.2	18.5
- Depreciation	2,481	2,671	2,944	3,424	3,904
Other income	-173	598	260	222	184
Interest expense	45	36	50	50	50
PBT	4,307	719	3,828	4,621	5,835
Effective tax rate (%)	20.6	55.6	25.0	25.0	25.0
+ Associates/(Minorities)	-	-	-	-	-
Adjusted income	3,420	319	2,871	3,466	4,376
Extraord. item (Loss)/Profit	-	-	-	-	-
Reported PAT	3,420	319	2,871	3,466	4,376
WANS	90	90	90	90	90
FDEPS (Rs/share)	37.9	3.5	31.8	38.4	48.5

Source: Company, Anand Rath Research

Fig 3 – Cash-flow statement (Rs m)

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
PBT adj. OI and interest	4,307	719	3,828	4,621	5,835
+ Non-cash items	2,526	2,708	2,994	3,474	3,954
Oper. prof. before WC	6,834	3,426	6,822	8,095	9,789
- Incr. / (decr.) in WC	3,037	-470	513	1,299	1,989
Others incl. taxes	514	484	1,617	1,827	2,143
Operating cash-flow	3,283	3,413	4,693	4,969	5,657
- Capex (tang. + intang.)	2,441	2,721	4,500	4,000	4,000
Free cash-flow	842	692	193	969	1,657
Acquisitions	-	-	-	-	-
-Div. (incl. buyback, tax)	553	270	543	652	763
+ Equity raised	-	-	-	-2	-1
+ Debt raised	-399	-62	-34	4	2
- Fin. investments	-989	1,214	-610	-622	-634
-Misc. items (CFI+CFF)	(311)	31	-	-	(3)
Net cash-flow	1,190	-885	225	941	1,532

Source: Company, Anand Rath Research

Fig 5 – Price movement



Source: Bloomberg

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
Share capital	902	902	902	902	902
Net worth	22,320	22,371	24,699	27,517	31,135
Debt	30	34	-	4	6
Minority interest	4	4	4	4	4
DTL / (Assets)	-79	-103	-103	-103	-103
Long-term liab. & prov.	27	14	14	14	14
Capital employed	22,301	22,319	24,614	27,436	31,056
Net tangible assets	50	182	182	182	182
Net intangible assets	6,630	6,900	8,456	9,032	9,128
Goodwill	-	-	-	-	-
CWIP (tang. & intang.)	2,039	2,829	2,829	2,829	2,829
Investments (strategic)	-	-	-	-	-
Investments (financial)	-	-	-	-	-
Current asset (excl. cash)	32,573	27,902	30,906	34,446	38,601
Cash	2,138	2,468	2,693	3,640	5,175
Current liabilities	21,128	17,961	20,452	22,693	24,858
Working capital	11,445	9,941	10,454	11,753	13,742
Capital deployed	22,301	22,319	24,614	27,436	31,056

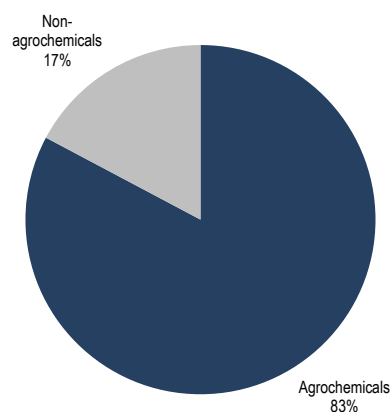
Source: Company, Anand Rath Research

Fig 4 – Ratio analysis

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	14.2	152.6	17.0	14.1	11.1
EV / EBITDA (x)	6.7	16.4	7.0	5.7	4.5
EV / Sales (x)	1.2	1.5	1.2	1.0	0.8
P/B (x)	2.2	2.2	2.0	1.8	1.6
RoE (%)	16.5	1.4	12.2	13.3	14.9
RoCE (%) - after tax	20.2	3.4	16.5	18.0	20.1
RoIC	16.5	1.4	12.2	13.3	14.9
DPS (Rs)	19.1	204.1	18.9	18.8	17.4
Dividend yield (%)	3.5	37.8	3.5	3.5	3.2
Dividend payout (%) - incl. DDT	19.1	204.1	18.9	18.8	17.4
Net debt / equity (x)	-0.1	-0.1	-0.1	-0.1	-0.2
Receivables (days)	152	192	153	157	158
Inventory (days)	129	166	127	115	113
Payables (days)	241	305	251	248	243
CFO : PAT %	96	1,069	163	143	129

Source: Company, Anand Rath Research

Fig 6 – Segment-wise revenue, Q3 FY25



Source: Company

Fig 7 – Segment-wise revenue: High double-digit revenue growth in agrochemicals likely to continue

(Rs m)	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25
Agrochemicals	6,150	5,760	8,420	13,160	4,750	4,410	5,080	12,150	6,790	6,340	7,690
Growth % y/y	15	15	16	6	-23	-23	-40	-8	43	44	51
% share	75	80	83	89	75	76	80	93	86	82	83
Non-agrochemicals	2,100	1,460	1,750	1,660	1,620	1,400	1,240	970	1,060	1,430	1,600
Growth % y/y	138	4	12	-13	-23	-4	-29	-42	-35	2	29
% share	25	20	17	11	25	24	20	7	14	18	17
Total	8,250	7,220	10,170	14,820	6,370	5,810	6,320	13,120	7,850	7,770	9,290

Source: Company

Fig 8 – EBIT and margins have seen positive trajectories in FY25 ytd; further improvements likely

(Rs m)	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25
Agrochemicals	(184)	(120)	951	2,141	(1,456)	(586)	(192)	1,906	76	121	68
Growth % y/y	NA	NA	(17)	12	NA	NA	P2L	(11)	L2P	L2P	L2P
EBIT margin %	(3.0)	(2.1)	11.3	16.3	(30.7)	(13.3)	(3.8)	15.7	1.1	1.9	0.9
Non-agrochemicals	432	289	510	476	433	307	293	160	223	304	351
Growth % y/y	315	124	138	51	0	6	(42)	(66)	(49)	(1)	20
EBIT margin %	20.6	19.8	29.1	28.7	26.7	21.9	23.7	16.5	21.0	21.3	21.9

Source: Company

Fig 9 – Region-wise revenue break-up – agrochemicals: Double-digit growth likely to continue in Europe and NAFTA

(Rs m)	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25
Europe	3,120	2,380	3,160	8,930	2,460	2,310	2,310	7,820	3,640	4,040	2,940
Growth % y/y	24	10	5	46	-21	-3	-27	-12	48	75	27
% share	51	41	38	68	52	52	45	64	54	64	38
NAFTA	1,920	2,300	3,960	3,090	1,660	1,330	1,840	3,400	2,490	1,260	3,590
Growth % y/y	10	28	27	-37	-14	-42	-54	10	50	-5	95
% share	31	40	47	23	35	30	36	28	37	20	47
LATAM	830	640	500	470	400	500	340	330	400	580	540
Growth % y/y	-2	-10	3	-57	-52	-22	-32	-30	0	16	59
% share	13	11	6	4	8	11	7	3	6	9	7
RoW	280	440	800	670	230	270	590	600	260	460	620
Growth % y/y	19	19	33	86	-18	-39	-26	-10	13	70	5
% share	5	8	10	5	5	6	12	5	4	7	8
Total	6,150	5,760	8,420	13,160	4,750	4,410	5,080	12,150	6,790	6,340	7,690

Source: Company

Fig 10 – Category-wise revenue break-up – agrochemicals

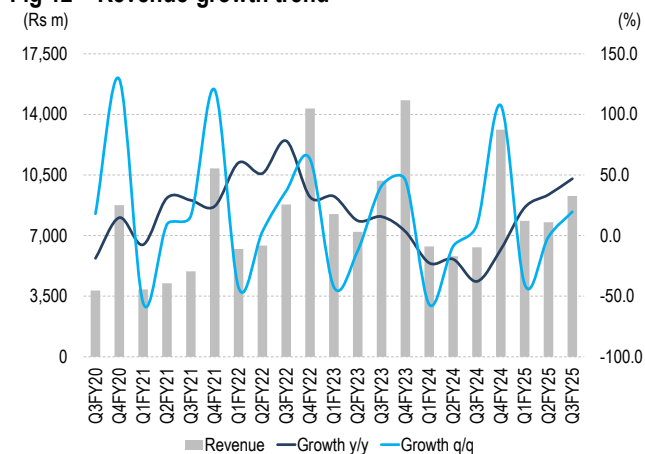
(Rs m)	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25
Herbicides	3,540	3,270	4,950	6,530	2,520	2,420	2,800	5,430	3,180	3,560	4,690
Growth % y/y	39	25	37	-11	-29	-26	-43	-17	26	47	68
% share	58	57	59	50	53	55	55	45	47	56	61
Insecticides	1,050	1,250	970	2,450	990	1,300	1,180	2,140	1,540	1,380	1,470
Growth % y/y	-23	-21	-43	79	-6	4	22	-13	56	6	25
% share	17	22	12	19	21	29	23	18	23	22	19
Fungicides	1,560	1,240	2,500	4,180	1,240	690	1,100	4,580	2,070	1,400	1,530
Growth % y/y	8	50	31	13	-21	-44	-56	10	67	103	39
% share	25	22	30	32	26	16	22	38	30	22	20
Total	6,150	5,760	8,420	13,160	4,750	4,410	5,080	12,150	6,790	6,340	7,690

Source: Company

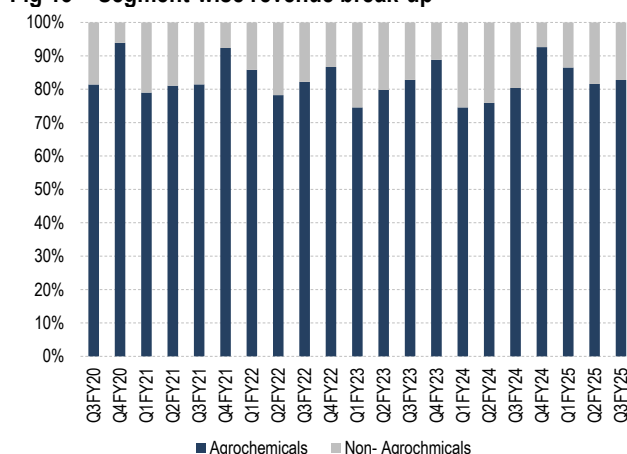
Fig 11 – Region-wise revenue break-up – non-agrochemicals

(Rs m)	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25
Europe	590	320	260	200	220	230	240	160	160	240	170
Growth % y/y	143	-23	-56	-63	-63	-28	-8	-20	-27	4	-29
% share	28	22	15	12	14	16	19	16	15	17	11
NAFTA	1,140	830	1,150	1,110	840	860	750	600	680	920	1,130
Growth % y/y	195	18	66	1	-26	4	-35	-46	-19	7	51
% share	55	57	66	66	52	61	60	62	65	65	71
LATAM	130	100	80	50	110	80	70	50	120	70	170
Growth % y/y	160	30	90	-50	-15	-20	-13	0	9	-13	143
% share	6	7	5	3	7	6	6	5	11	5	11
RoW	230	210	260	310	450	230	180	160	90	190	130
Growth % y/y	12	1	10	82	96	10	-31	-48	-80	-17	-28
% share	11	14	15	19	28	16	15	16	9	13	8
Total	2,090	1,460	1,750	1,670	1,620	1,400	1,240	970	1,050	1,420	1,600

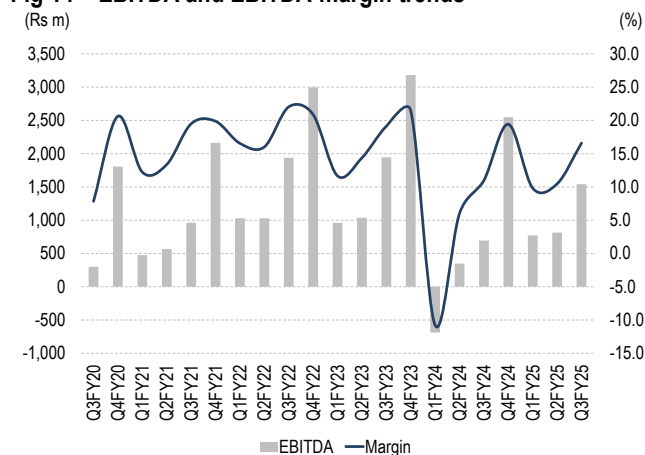
Source: Company

Fig 12 – Revenue-growth trend

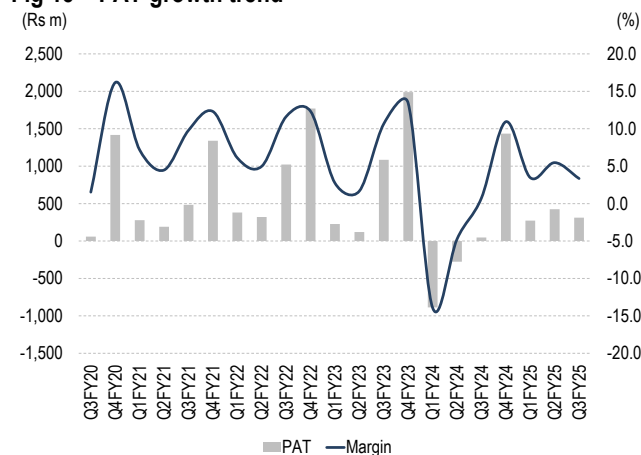
Source: Company

Fig 13 – Segment-wise revenue break-up

Source: Company

Fig 14 – EBITDA and EBITDA-margin trends

Source: Company

Fig 15 – PAT-growth trend

Source: Company

Valuation

Fig 16 – One-year-forward P/E band chart



Source: Bloomberg, Anand Rath Research

Key risks

Dependence on monsoon is generally an inherent risk in agrochemicals. Other factors specific to the company are

- **Delay in registrations.** Delay in securing registrations would lead to revenue loss because of the seasonal nature of the business.
- **Forex volatility.** As a global manufacturer, it is vastly exposed to foreign currency. It primarily sources active ingredients and formulations from China in dollars and sells to the EU in euros. To a certain extent, it enjoys a natural hedge since a substantial portion of its revenue and expenditure is in foreign currencies. Its foreign-currency exposure over and above this may curb profits.
- **Climate.** Crop-protection products are affected by extreme climatic conditions (floods, drought, etc.), an inherent risk.
- **Dependence on Chinese suppliers.** The company depends on Chinese and local vendors for active ingredients and formulations. Adverse movements in Chinese currency, rising labour and environmental compliance costs could notably affect the competitiveness of Chinese manufacturers, which could restrict the company's sourcing.
- **Global context; high stocks with distributors; sales returns.** If distributors are unable to sell products due to a global slowdown, chances of sales-returns increase, thereby hurting revenue.

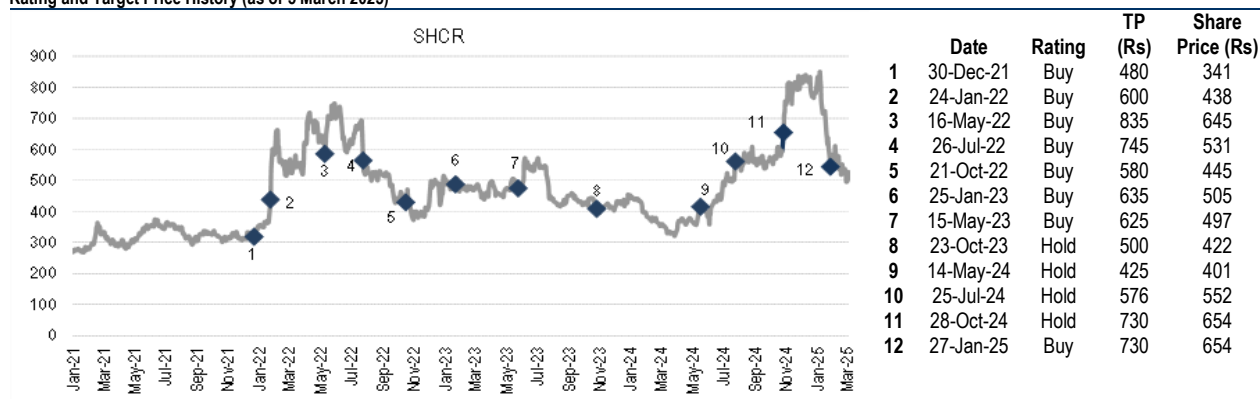
Appendix

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Compliance officer-Deepak Kedia, email id - deepakkedia@rathi.com, Contact no. +91 22 6281 7000

Grievance officer-Madhu Jain-email id- grievance@rathi.com, Contact no. +91 22 6281 7191

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.