Sharda CropChem Ltd (SHCR)

Management Meet Note | **Agro-chemicals**

DALAL & BROACHA STOCK BROKING PVT. LTD.

Equity Research Desk

2 July 2025

Sustained growth driven by the industry's recovery

We engaged with the Managing Director and CFO of Sharda Cropchem to gain a comprehensive understanding of the company's global business model and overall environment. Sharda's robust performance in FY25, coupled with its strategic plans for future expansion, provided the following key insights.

Business Model and Key Takeaways:

- The management continues to remain optimistic on the growth of the company. It maintains it guidance of 15% topline growth on the high base of FY25 which has also been the highest revenue (Rs.43 bn) it has ever achieved in company history.
- The growth will be backed by customer addition and increase in market share as Sharda does not have even ~10% market share in any of the regions that it operates in.
- The company has a strong hold in the Europe and NAFTA region (91% of Sales in FY25) because of its strong sales personnel network of ~350-400 which helps Sharda to maintain relationships with its dealers and to stay on top of the regions trends and demand outlook. Dealers are compensated higher compared to MNC players motivating them to push more Sharda products.
- The company works as merchant trader and sources ~95% of its technical products from China, which are shipped directly to the target region and typically formulated locally.
- The US tariffs have not affected demand, as the products are essential commodities. However, Sharda's products are subject to these tariffs. While technical products generally attract lower tariffs, Sharda continues to formulate them in China due to the significantly higher formulation costs in the US.
- The manufacturing that is done in China is not on an exclusive basis but in fact every transaction is negotiated.

Financial Summary

Y/E (Rs.Mn)	FY20	FY21	FY22	FY23	FY24	FY25
Sales	20,030	23,956	35,798	40,452	31,630	43,199
Expenses	17,222	19,589	28,969	34,021	28,802	37,243
EBITDA	2,808	4,367	6,829	6,431	2,829	5,956
EBITDA Margins (%)	**14**	**18**	**19**	**16**	**9**	**14**
Other Income	431	459	289	403	598	595
Depreciation	1,371	1,704	2,453	2,481	2,671	2,747
Interest	19	28	22	45	36	21
Profit before tax	1,849	3,095	4,642	4,307	719	3,783
Tax	202	802	1,150	888	400	739
Net Profit	**1,647**	**2,292**	**3,493**	**3,420**	**319**	**3,044**
EPS	**18.3**	**25.4**	**38.7**	**37.9**	**3.5**	**33.7**
PE (x)	**44**	**32**	**21**	**21**	**228**	**24**

Source: Company, Dalal & Broacha Research

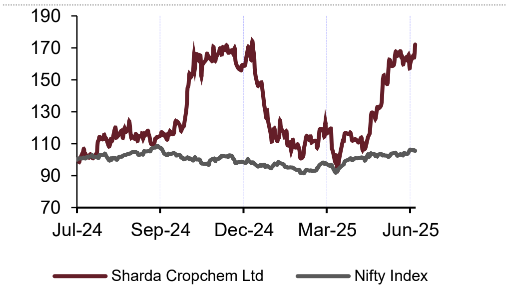
Rating

Not Rated

Market data		
Current price	**Rs**	**845**
Market Cap (Rs.Bn)	(Rs Bn)	76
Market Cap (US$ Mn)	(US$ Mn)	891
Face Value	Rs	10
52 Weeks High/Low	Rs	886.6 / 440.05
Average Daily Volume	('000)	140
BSE Code		538666
Bloomberg		SHCR.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Mar-25	Dec-25
Promoters	74.82	74.82
Public	25.18	25.18
Total	**100.00**	**100.00**

Source: Bloomberg

Bhavya Gandhi
+91 22 6714 1438
bhavya.gandhi@dalal-broacha.com

Bharat Gulati
+91 22 6714 1438
bharat.gulati@dalal-broacha.com

- The dumping phase by Chinese manufacturers has concluded, and the oversupply issue which had caused Sharda to take a Rs.900Mn write off to their own inventory last year. Chinese suppliers are now offering extended credit terms of 180 days, easing working capital requirements. This helps them stay competitive in the regions that they operate in.

Preferred partner for Dealers across the globe:

- **Better Margins for Dealers:** Sharda provides its dealers with higher margins compared to other multinational competitors.
- **Flexibility:** Sharda is far more flexible with the strategy and agreements that it has with its dealers which helps it get an edge over the multinationals who have rigid processes in place.

Registration hurdles build a powerful moat:

- **Cost of Registration:** Registration costs have roughly $4Mn making the process significantly more expensive than even putting up a plant for producing the goods.
- **Timeline:** It usually takes 2-10 years.
- **Registration Team:** ~40-50 people are present who are technically capable of handling the process.
- **Amortization Policy:** The company follows a conservative policy by amortizing all registrations over a fixed five-year period, regardless of their actual validity, which can extend up to 10 or 15 years; in contrast, peers often opt for longer amortization periods of 5, 10, or even 15 years.
- **Difficulty in Financing:** The company faces challenges from getting financed by banks for the procurement of these registration which is a very capital intensive process because these are intangibles.

Process of Registration:

- **Initial registration:** The company secures all registrations in its own name by preparing dossiers and adhering to the specific regulations and guidelines of each target region.
- **Onboarding of Manufacturer:** With every registration there must be a manufacturers name attached to it. Further once the registration is done there are 3-4 more manufacturers added to the same registration in order to derisk the business and can be done without creating any new dossiers.

Financial Performance and Outlook:

- The guidance for FY26 is given at 15% growth for topline.
- There is a 10-15% improvement in pricing and volumes that is expected to take place.
- EBITDA margins are expected to stay in the range of 15-18% for FY26.
- The non-agro business is expected to maintain its historical contribution, supporting consistent growth and stable margins.

Outlook:

With the oversupply issue resolved and realizations improving steadily, the industry cycle is showing signs of a turnaround in the export market. Sharda, supported by its asset-light model and management’s confidence in delivering mid-double-digit growth on a high base, merits a **positive outlook**. The company has demonstrated strong resilience by expanding its business without equity dilution or incurring debt, despite high entry barriers from complex registration processes and limited bank financing.

Disclaimer

Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D&B (CINU67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.
D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com
D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.
D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.
SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.
D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report-:

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has 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
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. 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 D&B or its group companies to any registration or

licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B . All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read “Risk Disclosure Document for Capital Market and Derivatives Segments” as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.
Tel: 91-22- 2282 2992, 2287 6173 | E-mail: equity.research@dalal-broacha.com