

SHARDA CROPCHEM

RESULT UPDATE

KEY DATA

Rating	HOLD
Sector relative	Neutral
Price (INR)	1,087
12 month price target (INR)	935
52 Week High/Low	1,091/440
Market cap (INR bn/USD bn)	98/1.1
Free float (%)	25.2
Avg. daily value traded (INR mn)	537.9

SHAREHOLDING PATTERN

	Jun-25	Mar-25	Dec-24
Promoter	74.82%	74.82%	74.82%
FII	5.48%	4.69%	3.77%
DII	9.38%	10.28%	10.07%
Pledge	0%	0%	0%

FINANCIALS

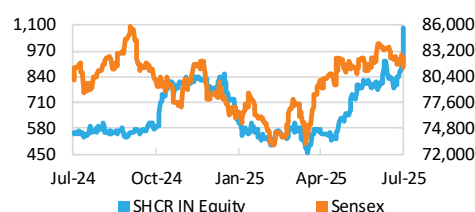
(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	43,199	49,009	55,079	62,384
EBITDA	6,135	8,675	10,300	11,978
Adjusted profit	3,044	4,228	5,351	6,060
Diluted EPS (INR)	33.7	46.9	59.3	67.2
EPS growth (%)	853.8	38.9	26.6	13.3
RoAE (%)	12.9	15.8	17.3	16.8
P/E (x)	32.2	23.2	18.3	16.2
EV/EBITDA (x)	15.6	11.2	9.3	7.8
Dividend yield (%)	0.6	0.6	0.6	0.6

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	49,009	55,079	0.0%	1.6%
EBITDA	8,675	10,300	12.7%	13.7%
Adjusted profit	4,228	5,351	19.3%	27.9%
Diluted EPS (INR)	46.9	59.3	19.3%	27.9%

PRICE PERFORMANCE



Promising yet unsustainable start

Sharda Cropchem's healthy earnings print in Q1FY26 was supported by a gradual recovery in global demand, normalising inventory levels in the channel and favourable pricing in key markets such as Europe. Sharda reported sales/EBITDA/PAT growth of 25.4%/179.4%/424.0% YoY beating all headline estimates.

As we rollover estimates to FY28E, we find Sharda's valuations quite stretched after a sharp rally post-results. The stock is trading at 16x FY28E EPS and 18x FY27E EPS, which we believe is high given Sharda's cyclical business. Hence, we downgrade the stock to 'HOLD' from 'BUY' as we transition to 7x EV/EBITDA valuation based on Q1FY28E, yielding a revised target price of INR935/share (earlier INR774).

Europe outperformance continues

Volumes in the agrochem business grew 11% YoY led by strong volume growth in Europe of 31.3%. Gross margin in the European region was surprisingly high (highest so far) at 43%, up 8pp. This subsequently drove blended GM to 35.5% (up 630bp YoY). Management expects GM to sustain, which we believe has historically been transient; maintaining 35%-plus GM seems challenging. The company also expects EBITDA margin to be in the range of 15–18%. Sharda continues to maintain a healthy registration pipeline. We note that despite having more than 2,000 products registered in different geographies, the top ten products contribute to a lion's share of revenue to the tune of 36%. The company also benefitted from a favourably stronger euro (as the euro appreciated against the dollar over the last six months), accruing 12% foreign exchange benefit, which also boosted profitability. We find these arguments temporary for Sharda Cropchem to sustainably grow or maintain the prevailing margins. Growth in the non-agrochemicals business was volume-led. It grew 58.5% YoY, especially in NAFTA by 36% YoY, possibly due to frantic buying behaviour amid tariff uncertainty.

Downgrade to 'HOLD' after sharp rally

Sharda's solid performance led to a sharp rally in the stock, surpassing our TP in only a quarter. We believe Sharda's business model undergoes vagaries caused by global agriculture and currency fluctuations, which may be recovering at this point. Hence, we refrain from ascribing a higher target multiple to the stock given the earnings cyclicity. That said, the company maintained its growth guidance despite significant growth in Q1FY26. This may warrant a moderation in quarterly earnings going forward. We also believe that the said growth for FY25–28E is more than priced in. Hence, we downgrade to 'HOLD' and await a better price point to enter the stock.

Financials

Year to March	Q1FY26	Q1FY25	% Change	Q4FY25	% Change
Net Revenue	9,848	7,851	25.4	18,285	(46.1)
EBITDA	2,153	770	179.4	3,032	(29.0)
Adjusted Profit	1,428	273	424.0	2,036	(29.9)
Diluted EPS (INR)	15.8	3.0	424.0	22.6	(29.9)

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	43,199	49,009	55,079	62,384
Gross profit	12,918	16,173	18,176	20,587
Employee costs	520	637	716	811
Other expenses	6,263	6,861	7,160	7,798
EBITDA	6,135	8,675	10,300	11,978
Depreciation	2,747	3,616	3,774	4,538
Less: Interest expense	21	29	29	29
Add: Other income	595	607	638	669
Profit before tax	3,783	5,637	7,134	8,080
Prov for tax	739	1,409	1,784	2,020
Less: Other adj	0	0	0	0
Reported profit	3,044	4,228	5,351	6,060
Less: Excp.item (net)	0	0	0	0
Adjusted profit	3,044	4,228	5,351	6,060
Diluted shares o/s	90	90	90	90
Adjusted diluted EPS	33.7	46.9	59.3	67.2
DPS (INR)	6.0	7.0	7.0	7.0
Tax rate (%)	19.5	25.0	25.0	25.0

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Europe growth(%)	42.1	13.1	12.1	13.1
NAFTA growth(%)	41.4	13.5	12.7	13.5
LATAM growth(%)	28.0	17.4	12.6	13.4
EBITDA margin (%)	14.2	17.7	18.7	19.2
Net profit margin (%)	7.0	8.6	9.7	9.7
Revenue growth (% YoY)	36.6	13.5	12.4	13.3
EBITDA growth (% YoY)	116.9	41.4	18.7	16.3
Adj. profit growth (%)	853.8	38.9	26.6	13.3

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	6.5	6.0	6.5	6.5
Repo rate (%)	6.3	5.0	5.0	5.0
USD/INR (average)	84.6	86.5	86.0	86.0
ROW growth(%)	(11.7)	13.5	12.7	13.5
Tax rate(%)	19.5	25.0	25.0	25.0
Capex (INR mn)	(3,326.2)	(5,430.1)	(4,835.9)	(5,000.0)
Agrochem mix(%)	87.4	87.2	86.9	86.7
Non-Agrochem mix(%)	12.6	12.8	13.1	13.3

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	32.2	23.2	18.3	16.2
Price/BV (x)	3.9	3.4	2.9	2.5
EV/EBITDA (x)	15.6	11.2	9.3	7.8
Dividend yield (%)	0.6	0.6	0.6	0.6

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	902	902	902	902
Reserves	24,103	27,700	32,419	37,847
Shareholders funds	25,006	28,602	33,321	38,750
Minority interest	4	4	4	4
Borrowings	0	0	0	0
Trade payables	13,102	14,904	16,750	18,971
Other liabs & prov	8,493	8,489	9,254	10,174
Total liabilities	47,249	52,642	59,972	68,542
Net block	7,432	9,242	10,304	10,766
Intangible assets	0	4	4	4
Capital WIP	2,914	2,914	2,914	2,914
Total fixed assets	10,346	12,160	13,222	13,684
Non current inv	0	0	0	0
Cash/cash equivalent	2,203	649	2,269	4,914
Sundry debtors	19,554	22,155	24,899	28,201
Loans & advances	0	0	0	0
Other assets	15,073	17,677	19,580	21,742
Total assets	47,249	52,642	59,972	68,542

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	3,044	4,228	5,351	6,060
Add: Depreciation	2,747	3,616	3,774	4,538
Interest (net of tax)	21	29	29	29
Others	378	(142)	(225)	(142)
Less: Changes in WC	279	(3,195)	(1,812)	(2,181)
Operating cash flow	6,469	4,536	7,117	8,305
Less: Capex	(3,326)	(5,430)	(4,836)	(5,000)
Free cash flow	3,143	(894)	2,281	3,305

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	12.9	15.8	17.3	16.8
RoCE (%)	16.8	21.1	23.1	22.5
Inventory days	118	121	127	126
Receivable days	146	155	156	155
Payable days	134	156	157	156
Working cap (% sales)	32.0	34.7	34.2	33.6
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.1)	0	(0.1)	(0.1)
Interest coverage (x)	160.9	174.4	225.0	256.5

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	853.8	38.9	26.6	13.3
RoE (%)	12.9	15.8	17.3	16.8
EBITDA growth (%)	116.9	41.4	18.7	16.3
Payout ratio (%)	17.8	14.9	11.8	10.4

Exhibit 1: Quarterly financial snapshot (INR mn)

	INR mn							
Year to March	Q1FY26	Q1FY25	% change	Q4FY25	% change	FY26E	FY27E	FY28E
Revenue	9,848	7,851	25.4	18,285	(46.1)	49,009	55,079	62,384
Raw material costs	6,356	5,562	14.3	12,845	(50.5)	32,836	36,903	41,797
Gross profit	3,492	2,289	52.6	5,440	(35.8)	16,173	18,176	20,587
Employee costs	149	112	33.9	182	(18.1)	637	716	811
Other expenses	1,190	1,407	(15.4)	2,226	(46.6)	6,861	7,160	7,798
Total operating expenses	1,339	1,518	(11.8)	2,409	(44.4)	7,498	7,876	8,609
EBITDA	2,153	770	179.4	3,032	(29.0)	8,675	10,300	11,978
Depreciation	781	648	20.5	719	8.6	3,616	3,774	4,538
EBIT	1,372	123	1,018.9	2,313	(40.7)	5,059	6,526	7,440
Less: Interest Expense	6	8	(27.1)	4	36.6	29	29	29
Add : Other Income	325	193	68.4	252	28.7	607	638	669
Add: Prior Period items								
Profit Before Tax	1,691	308	449.4	2,561	(34.0)	5,637	7,134	8,080
Less: Provision for Tax	263	35	645	525	(49.8)	1,409	1,784	2,020
Reported Profit	1,428	273	424.0	2,036	(29.9)	4,228	5,351	6,060
Adjusted Profit	1,428	273	424.0	2,036	(29.9)	4,228	5,351	6,060
Equity capital (FV INR 10)	902	902	0.0	902	0.0	902	902	902
No. of Diluted shares outstanding (mn)	90	90	0.0	90	0.0	90	90	90
Adjusted Diluted EPS	15.8	3.0	424.0	22.6	(29.9)	46.9	59.3	67.2
As % of revenues								
COGS	64.5	70.8		70.2		67.0	67.0	67.0
Gross profit	35.5	29.2	630.5	29.8	570.5	33.0	33.0	33.0
Employee costs	1.5	1.4		1.0		1.3	1.3	1.3
Other expenses	12.1	17.9		12.2		14.0	13.0	12.5
Total operating expenses	13.6	19.3		13.2		15.3	14.3	13.8
EBITDA	21.9	9.8	1204.8	16.6	528.0	17.7	18.7	19.2
Net profit	14.5	3.5		11.1		8.6	9.7	9.7

Source: Company, Nuvama Research

Company Description

SCC is a crop protection chemical company marketing and distributing a wide range of formulations and active ingredients globally. It also procures and supplies belts, general chemicals, dyes and dye intermediates. The company commenced operations via 2 sole proprietary firms, each set up by Mr. Ramprakash V. Bubna and Ms. Sharda R. Bubna. After incorporation as Sharda Worldwide Exports in 2004, the generic agrochemical and nonagrochemical businesses carried out by both the firms were transferred to the company. The company's name was changed to Sharda Cropchem and it was converted into a public limited company in FY14.

Investment Theme

SCC pursues a differentiated asset-light business model underpinned by focus on product registrations. SCC is on cusp of exponential surge riding multiple triggers—rising wallet share in existing products and new launches further bolstered by expansion of in-house sales team. We perceive re-rating potential in light of strong product registration led growth, net cash balance sheet and return ratios.

Key Risks

Weather: The crop protection industry has to contend with the vagaries of nature. Inclement weather can trigger pest infestations as well as affect demand for crop protection products. Adverse weather conditions in SCC's regions will negatively affect the company's sales. Further, delayed or adverse monsoon could negatively affect collection of receivables. However, we believe SCC has presence in over 76 countries which minimises country specific risk and its impact on overall financials. **Genetically modified (GM) crops:** The use of crop protection products is significantly less for GM crops. Hence, growth and acceptance of GM crops by consumers may adversely affect SCC's business. **Adverse currency movement:** SCC deals in multiple currencies across geographies. Ergo, any sharp movement could impact the company's earnings adversely. Further, its relatively long receivables cycle enhances the currency volatility risk. However, we believe it can pass on the impact to customers to some extent with a lag. Moreover, SCC's sales and purchases are in EUR/ USD and USD, respectively. Hence, it provides natural hedge to significant extent. However, we see major currency risk in term of EUR-USD movement

Additional Data

Management

MD	Ramprakash V. Bubna
WTD	Ashish Bubna
WTD	Manish Bubna
ED	
Auditor	B S R & Associates LLP

Holdings – Top 10*

	% Holding		% Holding
HDFC Asset Mana	6.93	Motilal oswal A	0.08
DSP Investment	2.14	Wisdom tree	0.07
Dimensional Fun	0.57	American centur	0.05
Tata AMC	0.15	AXA SA	0.02
State street co	0.09	Samco Asset man	0.02

*Latest public data

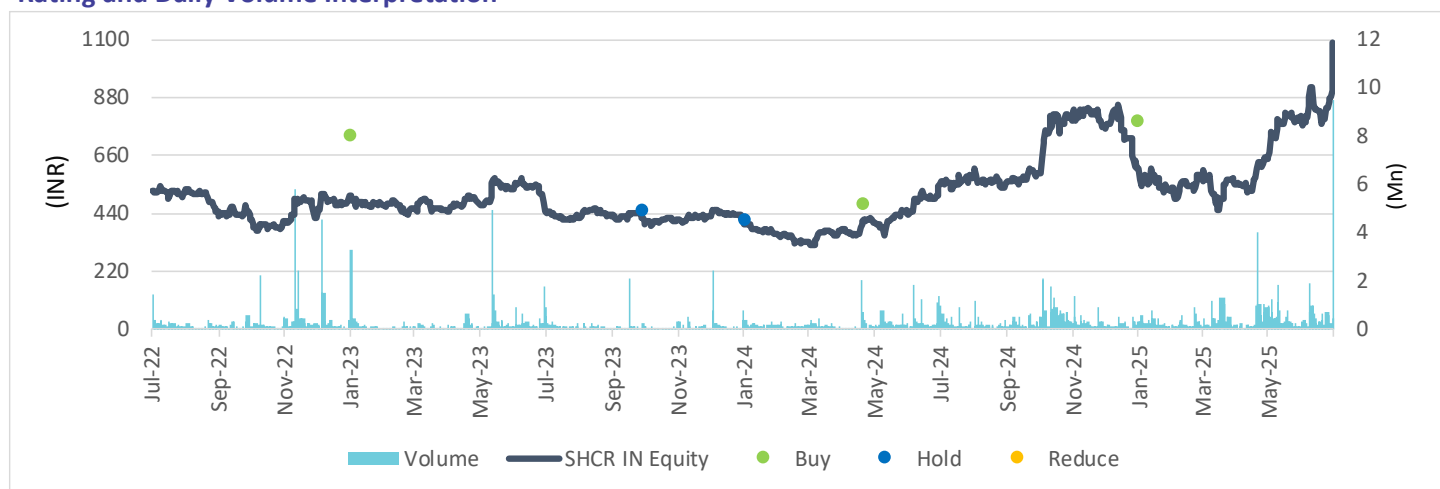
Recent Company Research

Date	Title	Price	Reco
15-May-25	Strong volume growth; <i>Result Update</i>	613	Buy
24-Jan-25	Volumes and margins both improve ; <i>Result Update</i>	725	Buy
28-Oct-24	Margin expansion to continue; <i>Result Update</i>	653	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
15-Jul-25	Rallis India	All-round beat; <i>Result Update</i>
07-Jul-25	Agri Inputs	Raining good news: Strong start to Khari; <i>Sector Update</i>
16-May-25	Dhanuka Agritech	Double-digit growth poised to continue; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	202
Hold	<15% and >-5%	66
Reduce	<-5%	36

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