

SHARDA CROPCHEM

RESULT UPDATE

KEY DATA

Rating	HOLD
Sector relative	Neutral
Price (INR)	865
12 month price target (INR)	967
52 Week High/Low	1,181/440
Market cap (INR bn/USD bn)	78/0.9
Free float (%)	25.2
Avg. daily value traded (INR mn)	267.8

SHAREHOLDING PATTERN

	Sep-24	Jun-24	Mar-24
Promoter	74.82%	74.82%	74.82%
FII	4.69%	3.77%	2.52%
DII	10.27%	10.07%	12.76%
Pledge	0%	0%	0%

FINANCIALS

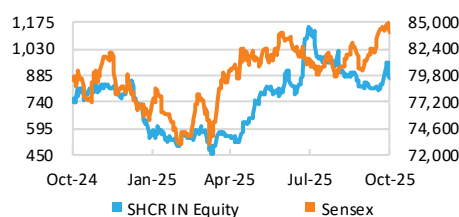
(INR mn)

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	FY24E	FY25E	FY24E	FY25E
Revenue	49,009	55,079	0.0%	0.0%
EBITDA	8,675	10,300	0.0%	0.0%
Adjusted profit	4,228	5,351	0.0%	0.0%
Diluted EPS (INR)	46.9	59.3	0.0%	0.0%

PRICE PERFORMANCE



Strong volumes; potential capped

Sharda Cropchem's healthy Q2FY26 performance was driven by strong sales growth from LATAM and NAFTA. Overall, all regions reported double-digit growth translating to top-line growth of 19.6% YoY to INR9.29bn. Volume growth in the agrochemicals division was 35% YoY; non-agrochemicals volumes grew 11% YoY.

Sharda's asset-light model, strength in robust registration-led portfolio and solid volume growth in a challenging global agrochemical environment led to a solid H1FY26 performance. Post a sharp run-up in the stock price, we do not find much upside in the stock. We value the stock at 7x Q2FY28E EV/EBITDA with a revised target price of INR967 (earlier INR935); retain 'HOLD'.

Solid volume growth

Sharda Cropchem reported strong volume growth across regions in agrochemicals; Latam volumes almost doubled to 1.6mn litre, NAFTA volumes were up 42% YoY to 3.3mn tons, Europe – the high margin geography, grew 25% YoY to 7mn litre. Overall, agrochemical volumes surged 35% YoY at the company level. Sales grew 19.6% YoY to INR9.29bn, led by 34.8% volume growth, 1.9% forex growth and negative 17% impact of product mix. Non-agrochemicals volumes expanded 11% YoY, whereas EBIT growth in non-agrochemicals was stronger (+29.8% YoY) than sales growth. Sharda Cropchem continues to maintain a strong registration pipeline of 1,068 products (current registrations at 2,994) to foster double-digit volume growth in ensuing years. Sharda Cropchem shall incur a capex of INR4.5–5.0bn to facilitate the said registrations. Working capital improved to 84 days (down 34 days versus Mar-25). Management also said that they do not anticipate any impact of US tariffs on their business.

Upside capped; strong margins in the price

We are baking in EBITDA/PAT CAGR of 25.0%/25.8% over FY25–28E with EBITDA margins of 18.7%/19.2% in FY27E/28E. We are keeping estimates unchanged. Sharda Cropchem is trading at 14x FY28E EPS where we believe upside gets capped since the stock ran up by ~55% in the last six months offering limited room for re-rating hereon. We continue to value Sharda Cropchem at 7x EV/EBITDA on Q2FY28E EBITDA; retain 'HOLD' on the stock.

Financials

Year to March	Q2FY26	Q2FY25	% Change	Q1FY26	% Change
Net Revenue	9,291	7,769	19.6	9,848	(5.7)
EBITDA	1,329	896	48.3	2,153	(38.3)
Adjusted Profit	744	424	75.3	1,428	(47.9)
Diluted EPS (INR)	8.2	4.7	75.3	15.8	(47.9)

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 statement (INR mn)

INR mn								
Year to March	Q2FY26	Q2FY25	% change	Q1FY26	% change	FY26E	FY27E	FY28E
Revenue	9,291	7,769	19.6	9,848	(5.7)	49,009	55,079	62,384
Raw material costs	6,084	5,622	8.2	6,356	(4.3)	32,836	36,903	41,797
Gross profit	3,207	2,147	49.4	3,492	(8.1)	16,173	18,176	20,587
Employee costs	123	104	19.0	149	(17.3)	637	716	811
Other expenses	1,755	1,147	53.0	1,190	47.5	6,861	7,160	7,798
Total operating expenses	1,879	1,251	50.2	1,339	40.3	7,498	7,876	8,609
EBITDA	1,329	896	48.3	2,153	(38.3)	8,675	10,300	11,978
Depreciation	762	691	10.2	781	(2.4)	3,616	3,774	4,538
EBIT	567	205	176.3	1,372	(58.7)	5,059	6,526	7,440
Less: Interest Expense	3	5	(28.9)	6	(38.4)	29	29	29
Add : Other Income	294	255	15.3	325	(9.6)	607	638	669
Add: Prior Period items								
Profit Before Tax	857	455	88.3	1,691	(49.3)	5,637	7,134	8,080
Less: Provision for Tax	114	31	267	263	(56.8)	1,409	1,784	2,020
Reported Profit	744	424	75.3	1,428	(47.9)	4,228	5,351	6,060
Adjusted Profit	744	424	75.3	1,428	(47.9)	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	8.2	4.7	75.3	15.8	(47.9)	46.9	59.3	67.2
As % of revenues								
COGS	65.5	72.4		64.5		67.0	67.0	67.0
Gross profit	34.5	27.6	689	35.5	(94)	33.0	33.0	33.0
Employee costs	1.3	1.3		1.5		1.3	1.3	1.3
Other expenses	18.9	14.8		12.1		14.0	13.0	12.5
Total operating expenses	20.2	16.1		13.6		15.3	14.3	13.8
EBITDA	14.3	11.5	276	21.9	(756)	17.7	18.7	19.2
Net profit	8.0	5.5		14.5		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	State street co	0.14
DSP Investment	1.94	Samco Asset man	0.13
Dimensional Fun	0.59	Wisdom Tree	0.10
Prine Bridge in	0.53	Ameriacan Centu	0.09
Samsung Life in	0.19	Motilal Oswal	0.09

*Latest public data

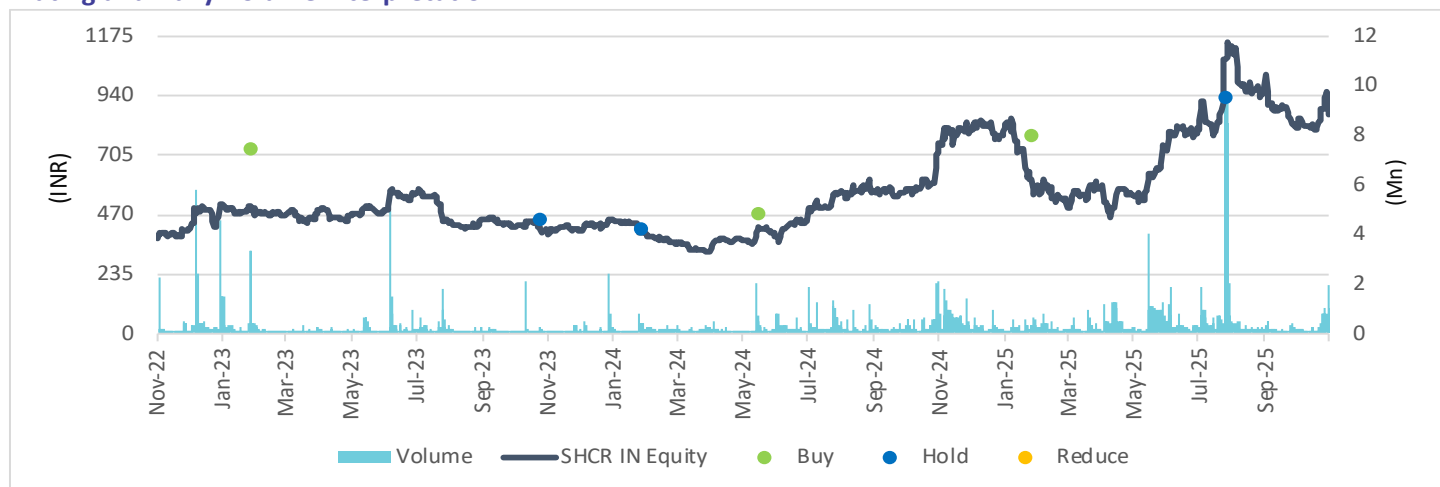
Recent Company Research

Date	Title	Price	Reco
25-Jul-25	Promising yet unsustainable start; <i>Result Update</i>	1,087	Hold
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

Recent Sector Research

Date	Name of Co./Sector	Title
17-Oct-25	Rallis India	Decent quarter in challenging times; <i>Result Update</i>
06-Oct-25	Agri Inputs	Order of merit: Global agri, then domestic; <i>Sector Update</i>
01-Aug-25	UPL	Good start in a challenging environment; <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%	205
Hold	<15% and >-5%	68
Reduce	<-5%	37

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