



Chairman & MD's Communique

We are a leading global agrochemical company, dedicated to the marketing and distribution of a comprehensive range of agrochemicals. Our core strength lies in procuring a diverse range of formulations and securing registrations for generic molecules worldwide. By leveraging our expertise and product registration capabilities, we strive to consistently identify generic molecules, prepare dossiers, obtain registrations, and effectively market and distribute our products.



The solid foundation built by Sharda Cropchem, not only in terms of its product portfolio but also in terms of its values and culture, has played a significant role in helping the Company navigate and overcome disruptions in the past.



Dear Stakeholders,

Looking back, the year 2022-23 presented us with unexpected surprises and hurdles to overcome. Initially, it appeared that the Covid-19 pandemic's impact was diminishing, but geopolitical conflicts in Europe introduced new challenges. These conflicts disrupted global supply chains and triggered an unprecedented energy shock, leading to a significant surge in food and commodity prices. The resulting inflationary pressures hindered global economic growth, reducing it from 6.1% in 2021 to approximately 3.2% in 2022. It is projected to further decline to around 2.2% in 2023. Despite these challenges, India emerged as one of the fastest-growing economies in 2022.

The Journey from Roots

Notwithstanding various obstacles in different regions, Sharda Cropchem has effectively mitigated their impact through unwavering support and persistent efforts. The solid foundation built by Sharda Cropchem, not only in terms of its product portfolio but also in terms of its values and culture, has played a significant role in helping the Company navigate and overcome disruptions in the past.

Drawing upon its extensive experience and expertise throughout the agrochemical value chain, spanning from research and development to distribution, Sharda Cropchem has established a solid foundation in the realm of agrochemicals. This rich legacy of experience has provided the company with a firm foothold in the industry. Moreover, by adhering to its principles, harnessing its capabilities, and implementing forward-thinking strategies, Sharda Cropchem ensures sustained growth and security for the years to come, generating value for all our stakeholders.

In a dynamic macroeconomic and industry landscape, we have successfully maintained strong relationships with third party manufacturers in China and India, mitigating sourcing dependencies and ensuring quality products at optimal prices. Over the years, we have built a strong network within our global markets. Additionally, we are benefiting through the economies of scale and leveraging our supply chain to deliver value to the customers.

Notably, during the first half of the financial year, we encountered challenges stemming from the depreciation of numerous currencies against the U.S. dollar, primarily influenced by the Russia-Ukraine conflict. As a result, we experienced forex losses. Fortunately, in the second half of the year, we witnessed a rebound in these currencies, which is reflected in our financial performance.

Financial Performance

Regarding our financial prudence, we have intensified our focus on revenue generating investments and are continually looking to augment our operational efficiencies with the aim of improving our margins.

During the fiscal year 2022-23, we experienced a mix of positive and negative trends in our financial performance. On the positive side, we achieved revenue growth, witnessing an increase from ₹ 3,580 Cr in 2021-22 to ₹ 4,045 Cr in 2022-23. This growth can be attributed to improvements in our product mix and better price realisation.

On the other hand, our gross margins were impacted, experiencing a slight decline from 30.2% in 2021-22 to 29.3% in 2022-23. This drop was primarily due to the weakening of the euro/dollar exchange rate, which resulted in increased input costs, particularly in the first half of 2022-23. The decrease in gross margins directly affected our EBITDA and EBITDA margins, which dropped from ₹ 729 Cr (20.4%) in 2021-22 to ₹ 713 Cr (17.6%) in 2022-23. General inflationary pressures and investments aimed at strengthening our workforce for future growth have contributed to lower EBITDA margins, subsequently impacting overall profitability.



₹ 328 Cr *

Cash and Cash Equivalent

* Includes FDs of ₹ 114 Cr clubbed in Non Current Other Financial Assets



The profit before tax (PBT) declined from ₹ 464 Cr in 2021-22 to ₹ 431 Cr in 2022-23, primarily due to increased forex losses of ₹ 58 Cr in 2022-23. However, PBT (excluding the forex losses), recorded a growth of 2% in 2022-23. The profit after tax (PAT) also decreased by 2% to ₹ 342 Cr in 2022-23, mainly driven by lower profits in the first half of 2022-23.

Analysing the performance of our Company's agrochemical segment in 2022-23, we witnessed a surge in revenues, increasing from ₹ 3,004 Cr in 2021-22 to ₹ 3,348 Cr in 2022-23, representing a growth rate of approximately 11.4%. This growth can be attributed to increased demand for crop protection chemicals and successful penetration of our products in key regions.

In terms of region-wise breakdown within the agrochemical segment, Europe demonstrated strong growth, with revenues rising from ₹ 1,379 Cr in 2021-22 to ₹ 1,774 Cr in 2022-23, marking a growth rate of around 29%. This surge was a result of effective market presence and the adoption of region-specific strategies. However, the NAFTA region experienced a slight decline in revenues, decreasing from ₹ 1,153 Cr in 2021-22 to ₹ 1,125 Cr in 2022-23, signifying a drop of approximately 2%. The LATAM region also witnessed a decrease in revenues, falling from ₹ 315 Cr in 2021-22 to ₹ 239 Cr in 2022-23, reflecting a decline of around 24%. The Rest of the World (RoW) showed mixed results, with revenues increasing from ₹ 156 Cr in 2021-22 to ₹ 209 Cr in 2022-23, indicating a growth rate of about 34%.

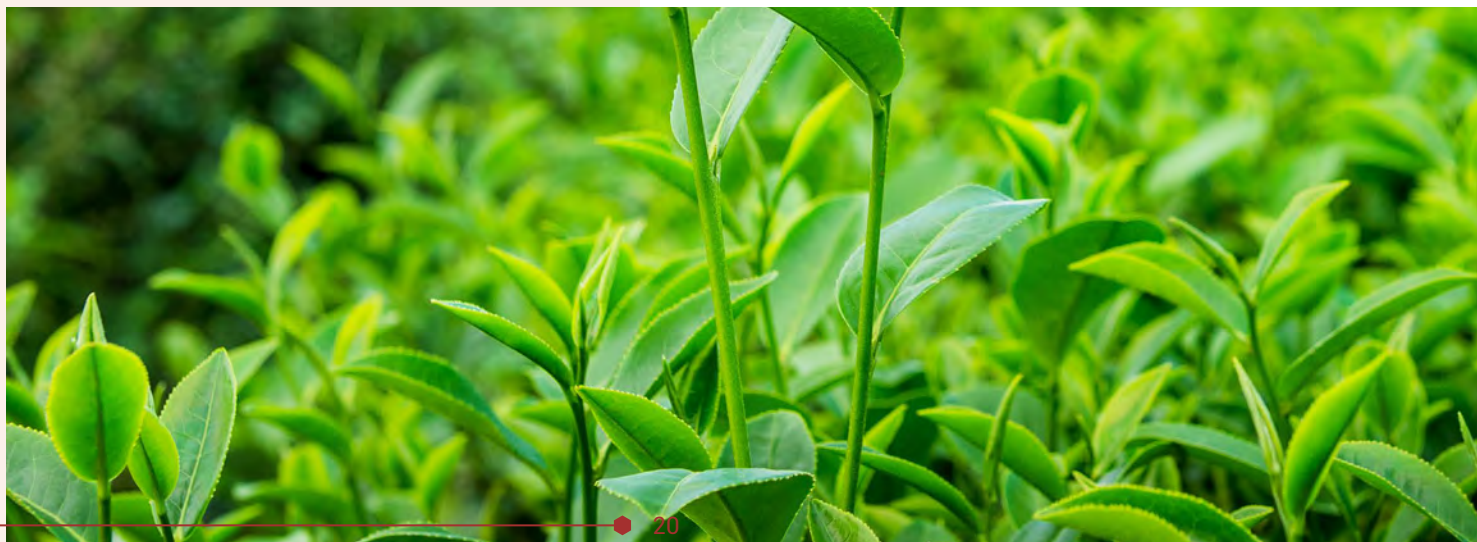
In the non-agrochemical segment, we witnessed growth of 21% in revenues, increasing from ₹ 576 Cr in 2021-22 to ₹ 697 Cr in 2022-23. This growth is attributed to the expansion of our product portfolio and successful

market penetration. Analysing the region-wise breakdown within the non-agrochemical segment, Europe experienced a decline in revenues, decreasing from ₹ 179 Cr in 2021-22 to ₹ 136 Cr in 2022-23, reflecting a downfall of around 24.0%. In contrast, the NAFTA region witnessed a significant increase, with revenues rising from ₹ 287 Cr in 2021-22 to ₹ 424 Cr in 2022-23, marking a growth rate of about 47%. The LATAM region also showed growth, with revenues rising from ₹ 27 Cr in 2021-22 to ₹ 37 Cr in 2022-23, registering a growth rate of approximately 35%. The Rest of the World (RoW) exhibited growth as well, with revenues rising from ₹ 82 Cr in 2021-22 to ₹ 101 Cr in 2022-23, indicating a growth rate of around 23%.

Opportunity Landscape, Paving the Way Forward

The provision of registrations in each jurisdiction entails distinct legal and procedural requirements. The Company has successfully obtained the regulatory approvals from these jurisdictions. Additionally, we are well equipped to respond to all the potential issues as well as have the readiness to efficiently respond and comply with the regulatory requirements.

With the competitive advantage of a large pipeline of registrations, a strong global presence, and a unique asset-light business model, we are well-positioned to capitalise on the existing and emerging opportunities. As of 31 March, 2023, we have achieved a total of 2,821 registrations, and currently have 1,143 applications in the pipeline. With this we are ready to leverage the opportunity landscape and drive sustainable growth in the coming years with strong value chain.



Future Strategic Priorities

Our key strategic priorities for the next leg of growth revolves around the following:

-  **Market Expansion:** Expanding and strengthening distribution presence by utilising the existing dossier library and following two-fold strategies of penetrating into both existing and new markets.
-  **Strengthening Sales Force:** Continuing leveraging our market presence and capabilities, adopting a factory-to-farmer approach, with focus on key markets in NAFTA, Europe, LATAM, and ROW.
-  **Increasing Product Registrations:** Identifying off-patent generic molecules and investing in dossier preparation and registrations in our own name.
-  **Bolstering Value:** Enhancing focus on revenue-generating investments, margin improvements and cost management. By doing so we aim to eliminate non-value-added activities and drive accelerated and value-accretive growth.

These priorities will drive our growth, enhance our market position, and optimise operations, while crafting future opportunities.

Empowering Communities, Building Sustainable Foundation

With a focus on prioritising employees, shareholders, and customers, we foster an inclusive workplace that paves the way for success. Harnessing the expertise and experience of our knowledgeable team, we boldly venture into new geographical territories. Our commitment to empowering women, promoting equality, and implementing transparent HR practices allows us to attract top talent and build strong connections throughout our organisation.

Through our strong commitment to social responsibility, we utilise our CSR budget to make a positive impact on the community. In our pursuit of creating a better world, we actively invest in various impactful initiatives. These include investment in medical relief, eradicating hunger, women's empowerment, animal welfare, promotion of sports, rural development and building a sustainable future together.

Note of Thanks

In conclusion, I would like to express my sincere gratitude to all our stakeholders for their unwavering support and trust in the Company. Our strong roots and commitment to excellence, innovation, and sustainable practices has guided us through turbulent times and positioned us for future success. Looking ahead, we remain dedicated to our strategic priorities, focusing on growth, market expansion, and operational efficiency. With the steadfast support of our skilled workforce, dedicated customers, and esteemed partners, we are confident in our ability to navigate the ever-evolving business landscape and deliver sustainable value to all our stakeholders. Together, we will continue to craft a brighter future for the Company and the communities we serve.

With Best Wishes,

Ramprakash V. Bubna,
Chairman & Managing Director

