"Sharda Cropchem Limited
Q3 FY2020 Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to the Sharda Cropchem Limited Q3 FY2020 Earnings Conference call, hosted by Antique Stock Broking. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask question after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manish Mahawar from Antique Stock Broking. Thank you and over to you Sir!

Manish Mahawar: Thanks Melisa. On behalf of Antique Stock Broking, I would like to welcome all the participants in the earning call of Sharda Cropchem. Ltd. From the management, we have Mr. R V Bubna-Chairman and Managing Director, Mr. Dinesh Nahar- GM Finance and Mr. Jetkin Gudhka-Company Secretary on the call. Now, I would like to hand over the call to Mr. R. V. Bubna for opening remarks. Over to you Sir!

R.V. Bubna: Thank you, Manish ji. Good day ladies and gentlemen. A very warm welcome to everyone present here for the earnings call of Sharda Cropchem Limited for Q3 and 9M FY2020. Sharda Cropchem is represented by myself, Ramprakash Bubna- Chairman and Managing Director, Mr. Dinesh Nahar- General Manager Finance and Mr. Jetkin Gudhka -Company Secretary.

Talking briefly about our Q3 results, Revenues decline by 18.7% year-on-year from Rs.470.7 Crores in Q3 FY2019 to 382.7 Crores in Q3 FY2020, mainly due to degrowth in Europe by 9.9%, NAFTA by 29.7% and Rest of the World by 29.1% year-on-year. On the other hand, LATAM grew by 87% year-on-year. During Q3 FY2020, our volume grew by 7.3% year-on-year.

Gross profit declined by 31.6% year-on-year from Rs.138.2 Crores in Q3 FY2019 to Rs.94.4 in Q3 FY2020. The gross margin contracted by 467 bps year-on-year to 24.7% in Q3 FY2020, mainly due to the challenging market environment in Europe and NAFTA.

EBITDA declined by 40.9% year-on-year from Rs 51.2 Crores in Q3 FY2019 to Rs 30.3 Crores in Q3 FY2020. During the quarter, EBITDA margin contracted by 298 bps to 7.9% in Q3 FY2020 due to lower gross margin.

Profit after tax stood at Rs.5.9 Crores in Q3 FY2020 as compared to Rs.20.3 Crores in Q3 FY2019, mainly due to higher depreciation of Rs.33.9 Crores in Q3 FY2020 as compared to Rs.23.3 Crores in Q3 FY2019.

Net working capital days stood at 84 days in 9M FY2020 as against 59 days in 9M FY2019.

Net cash balance as on 9M FY2020 stood at Rs.256.3 Crores as compared to Rs.208.3 Crores as on 9M FY2019.

With this brief overview, I would now like to hand over the call to our General Manager Finance, Mr. Dinesh Nahar for discussing our financial performance. Over to Mr. Dinesh Nahar!

Dinesh Nahar: Thank you, Sir. A very good evening to all. I will give you a brief about the Q3 FY2020 performance.

During Q3 FY2020, our revenue de-grew by 18.7% year-on-year this was due to unfavourable product and price variance by 25% year-on-year and a decline in foreign exchange by 1% year-on-year in Q3 FY2020; however, our volume grew by 7.3% year-on-year.

During Q3 FY2020, our Agrochemical business revenue de-grew by 17.8% year-on-year due to a decline in revenue in Europe and NAFTA region. However, our revenue grew in LATAM and Rest of the World. Our non-Agrochemical revenue declined by 22.5% year-on-year.

Cash profit for Q3 FY2020 stood at Rs.39.8 Crores as compared to Rs.43.6 Crores in Q3 FY2019. We incurred a capex of Rs.123.9 Crores in 9M FY2020 vis-à-vis Rs.100.8 Crores in 9M FY2019. Thank you, we now open the floor for the question.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Bharat Gupta from Edelweiss. Please go ahead.

Bharat Gupta: Sir, the first question was on the Europe region. You mentioned that because of the current weather condition we have seen of all in the revenues, I am speaking specifically for the Agrochemical segment. Now the season has already started and Q4 being the biggest quarter, just wanted to get a sense of how the revenue traction is coming along and is it that weather impact will end up leaving to Q4 also being muted in that region?

R. V. Bubna: Well, the signs of Q4 are better and we hope to do better in this quarter.

Bharat Gupta: Is it possible to elaborate that what is the change in the last one or two months, wherein Q3 muted performance is changing into a better performance than we are expecting in Q4?

R. V. Bubna: The main factor is due to the weather, the autumn was not very good in Europe as well as in the USA but the spring is appearing to be good and we are having a better order booking position now than it was in the previous quarter.

Bharat Gupta: Second on the NAFTA region, I think, as you mentioned last quarter, a big reason for the fall, as you said, is because of the issues related to the US-China trade war. Would you attribute that mainly to the foreign revenue, does it that the weather had an impact if that reason also?

R. V. Bubna: I would say both, but the US-China trade war had a very big dampening effect on the sale of Agrochemicals in the USA.

Bharat Gupta: With resolution coming along at least the stalling of further duties being installed, is there a possibility that the growth could come back in the coming quarters or it will still take time in this region?

R.V. Bubna: I think that will take time because if at all something happens this will be only in the new imports which will need minimum three weeks to four weeks just a transit time. So, for the new goods to arrive there and find acceptance, it will be also little late for the spring, because for the spring most of the purchases are done by the customers in February and March, so we are likely to miss the season of spring for the new trade war settlement to take an impact.

Bharat Gupta: Sure Sir and just one more question on the margin side, we have obviously seen a gross margin contraction is that completely attributable to the change in mix because Europe and NAFTA as a region is reduced or is it that we still see technical prices increasing and that is also pressuring our margins?

R.V. Bubna: No technical prices are not on the rise. Technical prices are fairly stable or I would say they are slightly on the downward side, but the main thing is demand and the customers and farmers are offering a lot of resistance for the increasing in the prices due to higher taxes in USA.

Bharat Gupta: Sir, just last question from my side, if I look at the breakup of revenues as you mentioned with the volume growth was 7% but what has led to negative 25% price slash mix change, is it mainly that we have seen a low category of product being sold or is that pricing reduction that we have taken if you could just elaborate further on that also?

R.V. Bubna: I would say an element of frustration on the part of many players who want just to get rid of their stocks at beaten down the prices.

Bharat Gupta: Sir, are we seeing this trend continue ahead also because then we could see pricing pressure continue for the next few months?

R.V. Bubna: No, the law of natural variation of statistics says that it cannot continue for very long. I feel that there will be some reversal of this trend.

Bharat Gupta: I will get back in the queue for further questions. Thank you.

Moderator: Thank you. We have the next question from the line of Chetan Thakkar from ASK Investments. Please go ahead.

Chetan Thakkar: Good evening Sir. Sir, region-wise what was the gross margin in the current quarter if you can share that?

R.V. Bubna: Sir, the gross margin in European region was 37.1% as compared to 40.1% last year, NAFTA was 16.9% compared to 26.7%, LATAM 26% compared to 14.9% and RoW was 33.2% compared to 23.3% last year.

Chetan Thakkar: Sir, broadly the correction that is there in Europe and in NAFTA, so NAFTA is it a function of the duty because of which prices have to be adjusted and duties have to absorbed by us and in Europe is it just a function of prices because people want to get rid inventory?

R.V. Bubna: You answered my question Sir. In NAFTA it is mainly because of the duties and the farmers reluctance to bear that duty and ultimately, the distributors or sellers had to do that and in Europe little bit of desperation on the part of few players.

Chetan Thakkar: So, Europe margin can recover once their inventory is cleared so that margin can go back to NAFTA will take its time?

R.V. Bubna: NAFTA will take more time.

Chetan Thakkar: And Sir, region-wise if you can share the volume for this quarter?

R.V. Bubna: Well, the volumes in Europe were 18,67,000 kgs compared to 19,93,000 kgs so there is de-growth of 6.3%, in NAFTA it was ~16,73,000 kgs compared to 20,70,000 kgs which is a degrowth of 19.2%. In LATAM it is 8,23,000 kgs compared to 2,31,000 kgs; increasing by 2.5 times or you can say 255.9%. Rest of the World it is 9,67,000 kgs compared to 6,75,000 kgs which is an increase of 43.2%. Overall it is 53,30,000 kgs compared to 49,70,000 kgs which is about 7.3% increase.

Chetan Thakkar: And Sir, in LATAM the growth is coming from which particular country?

R.V. Bubna: In LATAM, it is mainly coming from Brazil, Peru then Ecuador and Bolivia.

Chetan Thakkar: So, Brazil is a larger contributor there?

R.V. Bubna: Yes, Brazil is a larger contributor.

Chetan Thakkar: Sir, I missed the last quarter volume number also if you can give that that will be very helpful Q2 FY2020?

R.V. Bubna: Q3, you mean.

Chetan Thakkar: No Sir, Q2 September quarter FY2020.

R.V. Bubna: I mean, I do not have it off-hand with me. We can give it to you later on.

Chetan Thakkar: Thank you so much.

Moderator: Thank you. We have the next question from the line of Vishnu Kumar from Spark Capital. Please go ahead.

Vishnu Kumar: A very good evening Sir. My first question is if you have to place the product in NAFTA and Europe in the Q4 by when you should have started the purchases and if you could just tell us broadly the timeline when you give a PO and when the product goes to those regions?

R.V. Bubna: See, we have already done most of the purchases in Q4 for NAFTA region because in NAFTA region, people want the product at least one or two months before application and this is in their own warehouse. We have to take the product get it formulated packed and keep it ready. The customers come and they want delivery on the next day. So, we have done most of the purchases for Q4 in NAFTA region.

Vishnu Kumar: Which means if you have to place the product between January-March your technical purchase price would have been prior to September-October rates or November-December rates?

R.V. Bubna: I would say September to November period.

Vishnu Kumar: This is the window where you buy and you formulate and it has to be in the market by that time?

R.V. Bubna: Yes Sir.

Vishnu Kumar: Last year, if you have to take the Q4 run rate, I mean last year we did about 750 odd Crores, based on the current run rate at least how does it look like for this quarter specifically because this is a biggest quarter?

R.V. Bubna: I think we will reach around the same level about 750 Crores.

Vishnu Kumar: We will reach the similar levels in the current quarter. Sir, you also mentioned that prices are gradually coming down but would you have the benefit of the prices because you mentioned that September-November is when you had procured and prices probably have started coming off from November-December or January. So, when will we as a company get the benefit of the lower cost reduction?

R.V. Bubna: Sir not in the Q4 but there is also a seasonal factor. The demand for these products is lowest in the Q3. So, when we do the buying in the Q3 that is the lowest rates. In the Q4 the demand from the Chinese local markets and others go up the prices are in the rise in the Q4. Have I answered your question Mr. Vishnu?

Vishnu Kumar: No not really Sir. My question was that because that you had procured these for the Q4, you had in Q3 probably when prices were still not coming down so which means that the margin benefit will it come in the Q4 or is it only that the next year we will see some margin benefit of the reduction in prices?

R.V. Bubna: See the purchases that we have done in the Q3 has also been very good because the seasonal factor the prices in the Q3 are the lowest, so we have been able to take advantage of that seasonal factor. If we have to buy the same products in this quarter, we would be ending up paying more because there is a lot of demand coming from various sources in general. So, we will be a better off having bought in the Q3.

Vishnu Kumar: How structural are you seeing these prices come down because you are also mentioning that Q4 some amount of prices may come back because there will be more demand, are you as a block seeing these prices coming down next year and in your sense at least will there be a 10%-15% correction for next year and the year after, how are you are seeing the Chinese because you are talking that lot of these customers there about supplying products. Do you see that generally prices will start going lower in the next one, one and half years?

R.V. Bubna: As I see the prices in the Q4 would be lower than the prices in the same Q4 last year and so is the case of the Q1 of financial year, the prices will be lower compared to that period last year.

Vishnu Kumar: This is because you are seeing new factories starting up or to put in differently in lack of demand or something of that sort, are you seeing structurally this is going to play out the peak of the prices is behind us and we are not going to see it again, is that the right assessment?

R.V. Bubna: I think the right answer is that the restrictions which the factories had to produce those restrictions have been removed more or less, so the availability is more than the demand.

Vishnu Kumar: The restrictions have been removed, is it the temporary restriction has been moved, it can come back or factories have been re-sited and in the new locations and they have started?

R.V. Bubna: The factories have also relocated themselves and those situations coming back, in my opinion the chances are remote.

Vishnu Kumar: Sir my next question is again, for the first nine months last year, this is for December 2018, we did almost about Rs 70 odd Crores now we have done only Rs 23 Crores obviously lot of reasons behind this. Do we see from next year onwards at least we will be definitely on the growth part and any rough guidance you could give that we may be at least seeing this kind of growth in topline margins or any of that sort the next year?

R.V. Bubna: I can only give you an overall impression. I feel that if the situations remain the same and the China-US trade war gets cooled down then the things will be better next year.

Vishnu Kumar: Okay and if you could just give the capex done for the first nine months?

R.V. Bubna: I think I have already stated in my speech, the capex done as of December 31, 2019 is Rs. 124 Crores compared to Rs. 101 Crores last year.

Vishnu Kumar: For full year how much will we end up doing?

R.V. Bubna: Full year we hope to do between Rs. 150 Crores to 170 Crores.

Vishnu Kumar: I just missed the margin when you mentioned the region-wise if you could repeat that?

R.V. Bubna: In Europe, the margin is 37.1%, NAFTA region 16.9%, LATAM 26% and Rest of the World 33.2%.

Vishnu Kumar: Sir, comparable number also?

R.V. Bubna: In Europe 37.1% versus 40.1% last year, NAFTA 16.9% versus 26.7% last year, LATAM 26% versus 14.9% last year and Rest of the World 33.2% versus 23.3% last year.

Vishnu Kumar: Got it. Thank you. I will come back in the queue.

Moderator: Thank you. We have the next question from the line of Chirag Dagli from HDFC Mutual Fund. Please go ahead.

Chirag Dagli: Thank you for the opportunity. Sir, for the first nine months Europe sales in Euro terms has been flat and Q4 we are getting into a weak base last year, so how should we think about the Q4 specifically for the European region if you can give us some sense whether this will be a significant growth, weak growth?

R.V. Bubna: As I look at the order book position and demand, I think we should be able do the same as last year in the Q4 European region.

Chirag Dagli: So we should be flat Y-o-Y in Europe?

R.V. Bubna: Yes, there could be a 5% plus or even 2% - 3% minus but generally it should be flat.

Chirag Dagli: When one looks at gross margins in Europe historically, we have been 45%-47% and last year in FY2019, if my numbers are right, we were at 43.5%. Is there any outlook that you want to give for full year, what sort of gross margins should one take in? For Europe gross margins?

R.V. Bubna: I will tell you in Europe, the overall gross margins about 37.1% and if you have a breakup between agro and non-agro, agro has been about 40.6% almost 41% and non-agro about 22%. I feel as far as the agro are concerned; we should be able to cross this 40.1%; our margins should be higher overall for the whole year.

Chirag Dagli: For the whole year, you should be able to do more than 40%?

R.V. Bubna: More than 41%.

Chirag Dagli: Sir, in the US if you can talk a little about how our pipeline is looking especially new products, what is the outlook looking like for some of our key products?

R.V. Bubna: The pipeline is good. We are continuously investing on new registrations and receiving them, but somehow the market is very complicated. The big four distributors control more than 75% market and the generics are fighting for the balance 20%-25% market share. So, to get the margins it is a little tough but we hope it will be better.

Chirag Dagli: Have we resolved our Acetochlor formulation if so?

R.V. Bubna: Yes.

Chirag Dagli: So, the product is now available in ample supplies in the market.

R.V. Bubna: Yes, please.

Chirag Dagli: So, it is only a matter of time that this picks up, Sir.

R.V. Bubna: Matter of time and again there is a less of demand in the sense that we are not able to get good margins because the multinational, the main competitor they fill up the stocks of the customers in the month of June-July for the next year and they give them a very long credit, somehow we are trying to learn the market and try to improve but we are not very happy with the margins.

Chirag Dagli: So this Q4 we will not see a big pick up in Acetochlor?

R.V. Bubna: Well we may be able to sell the goods but not the very good margin as we want.

Chirag Dagli: Thank you so much.

Moderator: Thank you. We have the next question from the line of Vishal Gugnani, an investor. Please go ahead.

Vishal Gugnani: I caught in your initial comments that one of the reasons for lower profit is higher depreciation and it was quite a substantial increase in the depreciation so is this because we got a lot of new registrations that we are going to expense out now or is it that we have spent significantly on the registrations in the recent past, if yes can you elaborate on which registrations these are and for which markets?

R.V. Bubna: See, we had capitalized a lot of registrations last year, so this is the impact of the previous year as well as new registrations that we are getting this year. Our capex this year is about 25% more than what we did last year.

Vishal Gugnani: Could you elaborate on which key markets these are?

R.V. Bubna: They are mainly in European regions and NAFTA.

Vishal Gugnani: Herbicide?

R.V. Bubna: That I do not have the details, but I can only tell you that it is mainly in Europe and NAFTA region.

Vishal Gugnani: All right. Thank you.

Moderator: Thank you. We have the next question from the line of Nitin Agarwal from IDFC Securities. Please go ahead.

Nitin Agarwal: Sir, thanks for taking my question. Sir, we know in the last two years in particular while the global agrochemical market has been little choppy for the last three years to four years now, we had particularly severe pressure on our business model over the last two years, so when you sort of look out in the next two years to three years, do you think there are any changes are happening in the industry, how do you feel about the business model that we have. Do we feel any need to tinker it in terms of any geographical focus or any incremental we need to do to grow incrementally from here on?

R.V. Bubna: We have paper down the line they are very optimistic and very positive, and I do not think that we can do much of a tinkering. The core sector about the business model is to get registrations which we are successfully getting so we should look forward for better performance in the near future.

Nitin Agarwal: In terms of the geographical focus, we continue to do well in Europe but NAFTA, you alluded to the fact that in U.S. it is difficult to get market share given the way the market is structured in terms of big guys there, so how do you look at US on an outlook on a more long-term basis in terms of harsh, do we see a way around this challenge which is there in the U.S.?

R.V. Bubna: We have been able to perform very well last year. This year there has been some challenges but I think there is a good time after every challenge, so we hope to do better next year in U.S.

Nitin Agarwal: LATAM is there any differentiated that we trying to do in LATAM or LATAM is also the way we have grown, we believe the same template for growing in LATAM also have been used in Europe or given the fact that the market has its own peculiarity in terms of the customer channels, do we need to go anything different there?

R.V. Bubna: No, we have put more efforts in Brazil and in some other countries in LATAM and they have given us the results, so we have performed well in terms of volumes as well as in the margins.

Nitin Agarwal: Sir, lastly with this the challenges which have come in China over the last couple of years, what is your experience with respect to the sourcing of products, has it become more difficult or the uncertainty has made it little more difficult on that part?

R.V. Bubna: No, it is not difficult it is getting easier. As I explained earlier the production is increasing and the availability of the product is also increasing, so that makes the sourcing easier.

Nitin Agarwal: Okay. Thank you very much.

Moderator: Thank you. We have next question from the line of Tarang Agarwal from Old Bridge Capital. Please go ahead.

Tarang Agarwal: Good evening. Sir I just wanted to get a sense on what is your average registration expenditure per product if there is a broad average?

R.V. Bubna: Mr. Agarwal it would have been very nice if I can answer this question. There is no real answer to your question. The expenditure per product depends upon the product itself and the territory, the region where you are doing it. It can vary from may be from Rs 1 Crores to 10 Crores, it is very difficult to say per product on an average.

Tarang Agarwal: Okay and once you put in that registration what is the kind of turn that you expect from the product generally when you are filling in for registrations?

R.V. Bubna: I did not understand your question correctly.

Tarang Agarwal: Sir, if you say register a product for Rs 5 Crores, generally prior to the registration what is the market potential of that product that you see which cannot sort of incentivizes you to go in for registrations?

R.V. Bubna: Mr. Agarwal it all depends upon what figure you want to put. The potentials are huge. If I am investing Rs 5 Crores, I can look forward to return of Rs 20 Crores, after I get the registration period of next five years but this Rs 20 Crores can come down to Rs 10 Crores or it can go to Rs 22 Crores.

Tarang Agarwal: In terms of your current registration products which are up for registration, how many products are up for registration?

R.V. Bubna: The number of products in the pipeline is about 1,013 as on 31st December, 2019.

Tarang Agarwal: Thank you.

Moderator: Thank you. We have the next question from the line of Bharat Gupta from Edelweiss. Please go ahead.

Bharat Gupta: Thank you, Sir. Sir, I am guessing that the reduction in creditor's days is mainly on the factor as you said that because of the tightness and supply happening in China, as you mentioned with the situation improving and factory is coming on board, is there a potential that this could reverse in the coming days?

R.V. Bubna: See the Chinese normally they do not give credit and they do not give a longer credit, so from that point of view, the credit period is going to remain the same. We have the credit of 125 days in last year, it has come down to 112 days in this year.

Bharat Gupta: Is this is the choice from our own side because when I look at the data a couple of years back also it was close to 150 days, so going forward our working capital days would be similar to the range that we have done in Q3?

R.V. Bubna: I think it will be in the same range as we are doing now.

Bharat Gupta: Sure Sir and this is the last follow-up on that I think in the earlier discussion you have mentioned that the MNCs end up placing their products much earlier in the system and they end up giving credit days which I think would be one of the reasons why they must be seeing a better sales compared to us. So do we have a thought of increasing our receivables or debtor days outstanding to drive sales in the future?

R.V. Bubna: Please repeat the last part of your question.

Bharat Gupta: I was saying that in the earlier discussion in the call, you mentioned that most of the MNC companies end up placing their products much earlier in the system and they end up giving receivables or at least days outstanding for a much higher period, so is there a chance that we could also extend our credit period to the system to drive sales in the future?

R.V. Bubna: No, we cannot match with them because they are in a different atmosphere, we have lot of regulations and we have to comply with our regulations in India. So we cannot give very long credit even if we feel that the customer is safe.

Bharat Gupta: Has it happened that over the last couple of years or say four quarters–five quarters that the MNCs have got significantly aggressive with their receivables?

R.V. Bubna: This is what I feel. The MNCs are getting more and more aggressive and more liberal in giving credits.

Bharat Gupta: That is all from my side. Thank you so much.

Moderator: Thank you. We have the next question from the line of Deepak Kolhe from B & K Research. Please go ahead.

Deepak Kolhe: Thank you, Sir, for this opportunity. Sir, can you please give the registration as per geography wise, registration pipeline geography wise?

R.V. Bubna: Europe region is 721, NAFTA region 84, LATAM 142 and Rest of the World 66.

Deepak Kolhe: Sir, how is the inventory situation currently and can you please give some colour on that?

R.V. Bubna: Well, the inventory situation is 103 days on December 31, 2019 as compared to 92 days in same period last year.

Moderator: I am sorry to interrupt Sir the current participant line has got disconnected so we move to the next question and once they come back, we will put them to through.

We have the next question from the line of Somaya V from Spark Capital. Please go ahead.

Somaya V: Thank you for taking my question, couple of questions. Sir, based on your explanation on the procurement cycles, so is it right to say that we had a high cost inventory impact which impacted our gross margins this quarter?

R.V. Bubna: Can you repeat your question once again?

Somaya V: Sir, based on the procurement cycle that we follow, three months to six months ahead of replacement season, so probably we had bought out our inventory at the time of peak technical prices so that kind had a impact on our gross margin this quarter, is that the right reading?

R.V. Bubna: No, I will not say so. Our procurement policy has been more or less the same in the last two years to three years subject to availability of the goods and our procurement policy this year we feel we will have a positive impact in Q4 this year.

Somaya V: For the current quarter whatever we have placed we would have probably brought three months or four or five months back where the technical prices are on the rising trend so is that one of the reasons that we had high cost inventory stacked up which kind of impact Sir, this quarter?

R.V. Bubna: I would not say that the current inventory is high cost. I think our current inventory cost is reasonable.

Somaya V: Sir, can you give some colour on the channel inventory in both the key markets US and Europe, so how it has been after the weather impact so is this still elevated or we are seeing people giving lot of discounts in getting the inventory clear in both these markets?

R.V. Bubna: Channel inventory means Sharda's inventory or the trade inventory?

Somaya V: The overall inventory in the system in both US and Europe?

R.V. Bubna: It is very difficult for me to comment.

Somaya V: Sir, US-China trade deal this is the first phase, I understand that probably for this season we have to wait, so what is the kind of positive impact that it could bring for us in North America? We have talked about having negative impacts from duties and also what is the kind of volume could bring for us in North America?

R.V. Bubna: I have not had a chance to go into the details of this trade deal but if it is involving reduction in the additional duties that US government had put then it could have a definitely positive impact on the agrichemical market.

Somaya V: On the working capital, you had given pointers on working capital movement, so overall, you think things have changed between the way things were in Q3 last year versus now. We have a shift in working capital I mean the days have gone up, overall do you see things have changed and what is your outlook for probably next few quarters?

R.V. Bubna: See this working capital number of days is a technical calculation but I feel today the situation is better than last year.

Somaya V: Okay and on the tax rate I believe you had mentioned that you will wait before you move on to this newer lower tax rate, so that still continues?

R.V. Bubna: I did not understand. We were not waiting for newer tax rates.

Somaya V: In the 25% lower tax rate adoption?

R.V. Bubna: In the Indian context, for the income tax you are talking about?

Somaya V: Yes.

R.V. Bubna: No, we are going to continue with the old tax rates because we have lot of incentives to encash upon.

Somaya V: Okay Sir got it. Thank you.

Moderator: Thank you. Ladies and gentlemen that was the last question. I would like to hand the floor back to the management for closing comments. Please go-ahead Sir.

R.V. Bubna: I would like to thank all the participants and thank you very much for a very informative and lively questions & answers session and we hope we will continue to be in touch. Thank you very much. Thank you, everybody.

Moderator: Thank you, gentlemen. Ladies and gentlemen, on behalf of Antique Stock Broking, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.