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# Conference Call Transcript

## Sharda Cropchem

### Q3FY16 Results

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*Corporate Participants*

**Mr. Ramprakash V. Bubna**
*Chairman & Managing Director*

**Mr. Conrad Fernandes**
*Chief Financial Officer*

**Mr. Sylpesh Dedhia**
*General Manager (Finance)*

## Questions and Answers

**Moderator:** Ladies and gentlemen, good day and welcome to Sharda Cropchem Q3 FY2016 Conference Call hosted by Edelweiss Securities Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask the questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing '*' then '0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manish Mahawar from Edelweiss Securities. Thank you and over to you Sir!

**Manish Mahawar:** Thanks. On behalf of Edelweiss Securities, I would like to welcome all the participants for earning call of Sharda Cropchem. From the management we have Mr. R.V. Bubna – Chairman and Managing Director, Mr. Conrad Fernandes – CFO and Mr. Sylpesh Dedhia – GM, Finance of the Company. Now I would like to handover the call to Mr. Buna for opening remarks. Over to your Sir!

**Ramprakash V. Bubna:** Thank you Manish. Good day ladies and gentlemen. Greetings and a very warm welcome to everyone present here for the earnings call for Sharda Cropchem Limited to the third quarter of the financial year 2015-2016. Sharda Cropchem is represented by myself, Ramprakash Bubna Chairman and Managing Director, Mr. Conrad Fernandes, Chief Financial Officer and Mr. Sylpesh Dedhia – General Manager (Finance).

Talking very briefly about the results, Q3 FY2016 revenues declined by about 2.7% due to lower business in Latin America partially offset by improved performance in Europe. The Latin America business was impacted due to tough economic environment, devaluation of their currency and severe rainstorm and extreme climatic conditions. Q3 FY2016 gross margin improves to 33.1% compared to 27.8% during this period driven by increased share of revenues from high margin European region as well as higher sales of formulations versus active ingredients. This inturn led to a higher EBITDA and PAT during Q3 FY2016. Nine month FY2016 revenues declined by about 3.6% due to similar reasons as provided before. Nine month FY2016 EBITDA declined by about 3.5% primarily due to adverse currency movement during 2015 compared to 2014. The decline in nine months FY2016 PAT was in line with the lower EBITDA. Given that our core competency is in registrations and we continue to invest in growing our registrations base. We own 1626 registrations as on December 31, 2015 across Europe, NAFTA, Latin America and Rest of the World. We have added 217 registrations during the nine-month period of the current financial year and during the particular quarter Q3 2016 we have added 83 registrations. We have another 786 registrations in the pipeline across geographies. We shall continue to remain focused on the identification and registration of potential molecules that are in strong demand.

With this I will now handover the call to Mr. Conrad Fernandes, our CFO for providing the financial highlights.

**Conrad Fernandes:** Thank you Mr. Bubna. Hello and good afternoon to all. I will walk you through the performance numbers and other details post which we can take up questions from your end. Operating revenues for the quarter stood at Rs.179.5 Crores as against the nine month number of Rs.696.2 Crores. On the forex side as you know the P&L items get translated at the average rate. This was adversely impacted because of the 16% depreciation in the EURO:USD rate from 1.316 as of December 2014 to 1.105 as on December 2015. This was partly offset by the upward movement in the USD:INR by 6.7% from 60.73 as on December 2014 to 64.77 for this quarter. Gross margin for the current quarter has improved to 33.1% as compared to 27.8% for the corresponding quarter of the previous year. This has been primarily due to the increased share in the high margin European markets and increased sales mix of formulations versus active ingredients. On a year-on-year basis gross margins have been maintained or marginally better at 33% as against 32.5%. The depreciation amortization expense has increased to Rs.8.2 Crores from Rs.5.5 Crore during the quarter and on YTD basis to Rs.24.7 Crores from Rs.16.7 Crores. This was on account of capitalization of intangibles relating to our product registrations. EBITDA (excluding forex) for the quarter grew by 114% to Rs.24.6 Crores. The EBITDA margin (excluding forex) have significantly improved to 13.7% compared to 6.2% during the quarter. EBTIDA improvement has come on the back of high gross profits during the quarter. On a nine month basis EBITDA margin remains stable at 16.5%. All this have resulted in a healthy increase of 59.1% in the current quarter's PAT which has moved to Rs.8.35 Crore from Rs.5.25 Crores. The PAT margin too has increased to 4.7% as compared to 2.8% during the quarter of previous year. On the cash flows front the working capital cycle has improved and reduced from 99 days to 71 days. This was mainly possible due to the reduced exposure in the LATAM region and improved collections. During the current quarter the company has incurred a capex of Rs.23.4 Crore taking the nine month capex spend on registrations to Rs.59.7 Crores. As of December end the company has total cash balance of Rs.237 Crores as compared to Rs.156 Crore as of March 2015.

I now leave the floor open for questions from the audience. Thank you.

**Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We will take the first question from the line of Dhiresh Pathak from Goldman Sachs.

**Dhiresh Pathak:** Thank you Bubna Ji. Sir if you can provide region wise volume growth for the quarter?

**Ramprakash V. Bubna:** The region wise growth is about 58% in European Union, NAFTA region there is a degrowth of 41%, Latin America there is a degrowth of 35% and in Rest of the World it is about 13% growth.

**Dhiresh Pathak:** This is volume growth right we are talking about?

**Ramprakash V. Bubna:** Yes please.

**Dhiresh Pathak:** Okay and for nine months now if you can share that region wise?

**Ramprakash V. Bubna:** For the nine months the growth in the European region is about 30%, NAFTA region is about 6%, Latin America there is a degrowth of 29% and Rest of the World its 17% growth.

**Dhiresh Pathak:** Now I think year–to-date volume growth is only 6% although EU seems to have good growth. From next year FY2017 based on the environment that you are seeing right now in the markets that you are present, what is your sense in terms of volume growth we can do next year?

**Ramprakash V. Bubna:** See my friend it will all depend upon the international environment, mainly the currency versus dollar. If we consider that this is the bottom of the devaluation of world currencies against dollar then we can look forward to a good growth but if the currencies are going to behave in very erratic way then it's not so easy to predict the next year's performance.

**Dhiresh Pathak:** So at a similar European versus Rupee conversion do you think we can do another good 20%-30% growth in the EU region, right at least that you are confident of?

**Ramprakash V. Bubna:** We are more impacted by the Euro versus Dollar, Euro versus Dollar exchange rate if this remains the same and also our customer countries all the other countries if they are also stable versus dollar then we can look forward about 10% to 15% growth.

**Dhiresh Pathak:** In terms of registrations growth like for example registrations growth like north of 20% but volume growth you guide as 10% to 15% so that is just a function of the poor macro right now because you would have assumed that the mix or the rationales of the registrations would be similar to the existing portfolio and therefore growth in registrations should overtime match the volume growth in the business but that does seem to be running lower than that?

**Ramprakash V. Bubna:** No Sir you cannot link the registration growth to the volume growth because you must understand after we receive the registration there is an element of season. Suppose I receive a registration in a month of October, the season may start only in the next spring so there is a time lag of about six to nine months. Similarly, we have also required to find a place in the market, we have to introduce our product, so you cannot link the registration growth directly to the volume growth. There is a time lag and there are many other factors which impact the volume growth, registration, is one of them.

**Dhiresh Pathak:** Last question Sir, the margin gross margin improvement has been very strong so if you could briefly refresh us in terms of region wise gross margin?

**Ramprakash V. Bubna:** Region wise gross margin for the first nine months in Europe it is 40%, Latin America 24% and NAFTA 28% and Rest of the World also 28%.

**Dhiresh Pathak:** In Belts how much do you make?

**Ramprakash V. Bubna:** This is gross.

**Dhiresh Pathak:** No that I understand I think you also have a small portfolio in belt right, how much is the gross margin in that?

**Ramprakash V. Bubna:** Well, in the European region the gross margin for the non-agro business, I would not call it a belt but because it is all other products including general chemicals, chlorine chemicals and all that, in Europe the gross margin about 23%, Latin America about 13%, NAFTA region about 18% and Rest of the World about 21%.

**Dhiresh Pathak:** Thanks Sir.

**Moderator:** Thank you very much. We will take the next question from the line of Sachin Kasera from Lucky Investment.

**Sachin Kasera:** Good afternoon Sir. Congratulations for good set of numbers. The diverse performance that we are seeing between Europe versus the other two key regions is it to with the currency volatility in the LATAM and other emerging markets?

**Ramprakash V. Bubna:** See the currency volatility in the other market does impact the business but the general rule is that in the European region the registrations are very difficult, very expensive and time consuming. So there are very few people who attempt to make registrations in European Union. The competition in European Union is limited, entry barrier is very strong and number of players is very small. We are able to maintain a higher margin and we also able to maintain good sales prices with some discount to the innovators prices.

**Sachin Kasera:** Sir what is the trend that we witness in Europe because Euro also have depreciated little bit against the dollar do you witness any pricing pressure in Europe also or there the pricing is much more stable?

**Ramprakash V. Bubna:** The prices in Euro are stable at a Euro level but they are declining at the dollar level if you compare in terms of dollars.

**Sachin Kasera:** Okay but our margins I seen I think have been more or less stable in the European region?

**Ramprakash V. Bubna:** No our margins have also declined in the European Union because of the decline in the value of Euro versus Dollar. Most of our sourcing is in dollar and we are selling in euro so there is a direct decline in the margins depending upon the euro to dollar exchange rates.

**Sachin Kasera:** Secondly this growth in the Europe is mainly driven by new registrations or is there also the volume growth in existing molecules that you have witnessed in the first nine months?

**Ramprakash V. Bubna:** See the growth in the sales is not just because of the growth in the registrations most of the growth comes from the existing molecules, two registrations will show their performance may be after six months or a year or sometimes a two years period.

**Sachin Kasera:** Sir just reference to a previous query that you mentioned you said if the currency remains stable you are looking at 10% to 15% growth that you are referring mainly to the non-European operations are that is also including Europe because Europe this year has done very well?

**Ramprakash V. Bubna:** I am talking about overall.

**Sachin Kasera:** But specifically how do you see Europe Sir for the next year, if you can comment on that?

**Ramprakash V. Bubna:** Europe will still improve. It will do better than this year.

**Sachin Kasera:** Are there any pricing pressure that we have witnessed in the non-European region in the sense we may because the sharp currency depression on the local currency were you able to take some price cuts in some of the key markets in the non-European region Sir?

**Ramprakash V. Bubna:** Yes, we have to because the purchasing powers of these countries are getting reduced and because of the volatility of the exchange rate the distributors are very afraid to take positions and they are being very careful.

**Sachin Kasera:** Any sense you can give us Sir around roughly what is the range of price cuts that you would have taken in the last three to six months?

**Ramprakash V. Bubna:** I would say it is very difficult to say but it could be in the range of 5% or so, 5% to 7%.

**Sachin Kasera:** Just one last question Sir, you mentioned that the working capital cycle has improved, scenario in which we are today wherein the non-European markets are very weak what is the key reason for this improvement in the working capital cycle?

**Ramprakash V. Bubna:** See the length of credit period in European region is much smaller compared to say Latin America. Latin America the credit period is very long so with the reduction in the proportion of business in Latin America and increase in the proportion of business in European region this has helped us to reduce the working capital cycle.

**Sachin Kasera:** What is the difference in working capital cycle between Europe and non Europe Sir?

**Ramprakash V. Bubna:** Europe it ranges from 60 days to 120 days in Latin America it starts with 180 days and can go to 210 days to 240 days.

**Sachin Kasera:** Thank you very much Sir.

**Moderator:** Thank you. We will take the next question from the line of Manoj Baheti from Edelweiss.

**Manoj Baheti:** Good afternoon Bubna Ji. Sir I have couple of questions, first question is on our new registrations. You mentioned 83 new registrations during the quarter right?

**Ramprakash V. Bubna:** Yes Sir.

**Manoj Baheti:** Sir if you can talk a bit on addressable market size for these 83 new registrations and also the kind of price erosion, which can happen because of this product registration?

**Ramprakash V. Bubna:** See Baheti Ji it is a very difficult exercise to find out the market potential for these new registrations. It all depends on so many factors. All I can tell you is that the additional registrations give us a better access to the market and we are able to penetrate more into the market. It is very difficult to quantify it.

**Manoj Baheti:** When do you expect this new registration you said around two quarters right, they will start contributing to your revenues, right?

**Ramprakash V. Bubna:** Yes please, next quarter depending upon the time of receipt of these registrations and time of application of the product for the following season.

**Manoj Baheti:** Sir you also mentioned this appreciation of USD vis-à-vis Euro has impacted our overall performance so if you can talk a bit on the hedging policy of the company will it make sense to lock the rates if not why?

**Ramprakash V. Bubna:** See we do have the currency risk for next six to nine months beyond that we consider it also very risky and a speculation we do not know nobody can say for sure that the dollar will become 1.15 versus a Euro or 1.05. So we consult the experts and take a short term hedging. We cannot hedge it for a long term.

**Manoj Baheti:** For nine months what is our hedging policy Sir for short term do we have 100% of our exposure or is some percentage of our exposure we do hedge?

**Ramprakash V. Bubna:** It is not 100% of our exposure. It is some percentage of the exposure.

**Manoj Baheti:** Do we have some hedging policy for that what is the percentage of our exposure we generally do hedge?

**Ramprakash V. Bubna:** We consult the experts and we take their views. Say for example in this week what is the upside of Euro and what is the downside and then we put the limits for the forward contracts. We hedge it by pure vanilla forward contract. We do not go in for the derivatives. So if the consultants say that Euro is likely to go to 1.105 then we could set a limit over there. When we have a requirement we can even sell it at 1.098 or 1.095. We have limited choice we have to operate within the uncertainties that the exchange rate is moving.

**Manoj Baheti:** One more question on our hedging side, does it also happen over a long term because you mentioned that beyond nine months if you do hedging it turns out to be a speculation so do you mean to say that the over a longer period your realization itself will adjust to the exchange rate and then hedge becomes irrelevant?

**Ramprakash V. Bubna:** No. I will explain you. Most of the time the experts go wrong, when the Euro start going down to 1.06 – 1.05 level, people say that it can go up to 1:1, when it goes up to 1.15 they say it can go up to 1.20, so we have to take our own decisions. Experts always move ahead of the trend and we do not want to land into a situation where we have booked our Euro at 1.05 dollar to a Euro and it goes up to 1.15 after sometime and vice versa.

**Manoj Baheti:** But Sir even if you do hedge your operating side will cushion whatever losses or gains you will enter means at the most you will loose the additional opportunity, right if you do the hedging my question is whether in long term itself adjust to the currency rate movement or if you do hedge you can only loose the additional opportunity which you may gain so how does it work?

**Ramprakash V. Bubna:** Sir the additional opportunity is very important for us. We do not want to loose on the additional opportunity that is why we are very careful every week, every day we are very careful, how much we hedge the forward contracts. We do not want to loose on the additional opportunities.

**Manoj Baheti:** But generally even in long term you are saying that the price does not adjust right means even if the Euro has depreciated against USD significantly over last eight to nine months still there is no improvement in pricing right that a permanent loss right?

**Ramprakash V. Bubna:** Correct.

**Manoj Baheti:** Lastly if you can also give some colour on likely spend which you are going to incur over next one or two years on the new product registrations?

**Ramprakash V. Bubna:** Sir we have been spending about $12 to $14 million, every year on the registrations. This includes new product as well as the renewal of the existing registrations.

**Manoj Baheti:** Sir out of these 83 registrations how many of these are new registrations and how many of these are just geography extension?

**Ramprakash V. Bubna:** Well, geography extension is also a new registration for us. In the sense that if I have a registration in Spain for a particular product and if I get it in Portugal it is a new registration for me. So it need not be a new molecule in many cases it is also a geography extension.

**Manoj Baheti:** Sir can you share the breakup of this 83 then how many of these are because I believe that if it is just a geography as such it does not cost that much vis-à-vis a new registration right?

**Ramprakash V. Bubna:** You are right. Sir I do not think we have made that analysis of giving a geography we can give it to you later on at a one to one call.

**Manoj Baheti:** Thank you for taking my question and wish you all the best.

**Moderator:** Thank you. We will take the next question from the line of Chetan Thakkar from ASK Investment.

**Chetan Thakkar:** Good afternoon Bubna Ji. Sir I just had couple of questions. First was on the reduction in other expenditure that we have seen in this quarter what is that largely because of?

**Ramprakash V. Bubna:** These are saving in the cost of freight and sales and marketing expenses.

**Chetan Thakkar:** Sir I wanted to get the debtor number absolute if you can share that at the end of the current quarter versus March 2015 and September 2015?

**Ramprakash V. Bubna:** See the debtors at the end of March 2015 was Rs.454 Crores and at the end of December 31 2015 Rs.328 Crores.

**Chetan Thakkar:** Sir this reduction is largely come from the debtors in the LATAM region?

**Ramprakash V. Bubna:** No Sir. I must explain you that our business is seasonal and we have a lot of sale in the Q4.

**Chetan Thakkar:** Sir what was this debtor number in December 2014?

**Ramprakash V. Bubna:** Yes, that would be a proper comparison. Number of days I have the information. In December 2014 it was 149 days and on December 2015 it is 129 days.

**Chetan Thakkar:** Sir the price reduction that you talked about that we have taken of 5% to 7% that is largely in the LATAM region that we have taken this price reduction?

**Ramprakash V. Bubna:** Sir not only LATAM, all the countries where the currencies have devaluated even in say Canada, Mexico, South Africa we have to take the price reduction.

**Chetan Thakkar:** Sir but nothing significant in Europe there also we have taken some price reduction?

**Ramprakash V. Bubna:** Sir with the passage of time there is a pressure on the prices of European region as well. So there is some small reduction in European region as well.

**Chetan Thakkar:** But in your presentations if I look at it, it mentions that there was a price increase in this current quarter at a blended basis?

**Ramprakash V. Bubna:** That is also mainly because of the product mix and the region mix. Our sales in the European Unions have increased and that in LATAM has decreased.

**Chetan Thakkar:** Okay, so that is what is reflecting the price product and region impact?

**Ramprakash V. Bubna:** Yes please.

**Chetan Thakkar:** Thank you so much Sir.

**Moderator:** Thank you. We will take the next question from the line of Mrunal Savla from Anand Rathi.

**Mrunal Savla:** Good afternoon Sir. Sir I have one question is there any impairment of registration in this quarter?

**Ramprakash V. Bubna:** No there is no impairment here on registration in the quarter.

**Mrunal Savla:** Because if I see Rest of World Q2 FY2016 registrations were 337.

**Conrad Fernandes:** That is the renewal that is pending. We have applied for renewal. That is why there is a drop of one registration.

**Mrunal Savla:** Thanks a lot.

**Moderator:** Thank you. We will take the next question from the line of Dhiresh Pathak from Goldman Sachs.

**Dhiresh Pathak:** Thank you for the follow up. Sir you had given me gross margin region wise for nine months this year year-to-date. Can you share similar numbers for the corresponding period last year?

**Ramprakash V. Bubna:** We do not have this information off hand, Mr. Dhiresh.

**Dhiresh Pathak:** But would it be fair to say that let us say in EU you said in nine months year-to-date European Union is 40%, now would it be fair to say that even in EU where you had that such strong volume growth because of currency, the gross margins compared to the year above period would have been lower?

**Ramprakash V. Bubna:** Sir actually I can only make one statement that the gross margins have declined, gross margins for the similar period last year was much better.

**Dhiresh Pathak:** Because on a blended basis year-to-date there has been improvement in gross margin at the company reported level from 32.5% to 33%?

**Ramprakash V. Bubna:** This is for the quarter Sir.

**Dhiresh Pathak:** No, I am saying for the nine months year-to-date if you see, your gross margins are 33% last year compared to 32.5%, so there is a 50 BPS of although very small 50 BPS of improvement, region wise if you were to you do not have it in front of you but obviously some regions would have done better versus others now because you are exposed to the Euro currency which has depreciated so I was just trying to get a flavour of that which regions would have seen gross margin benefits much more than the 50 BPS that is being shown at the company average versus which regions would have seen much more severe?

**Ramprakash V. Bubna:** Dhiresh, I will only tell you this gross margin we have been able to maintain mainly because of the growth of volumes in European Union and decline in the volume of Latin America but if you compare our gross margin within Europe from last year to this year there has been a decline.

**Dhiresh Pathak:** Okay and that decline if you have that in your mind is it like 2%-3% what is the decline?

**Ramprakash V. Bubna:** It is significant. If I recollect well answering some of these questions during our IPO stage we were talking about 50% gross margin in European Union.

**Dhiresh Pathak:** So then either the product mix has become richer because if you let us say have gone from 50% gross margin in EU to 40% gross margin in EU and still at a company level we are improving margins by 50 BPS then may be the product mix in EU has become much richer you are selling higher margin products?

**Ramprakash V. Bubna:** Sir the volumes in European Union have gone up considerably compared to what it was in 2014.

**Dhiresh Pathak:** No, but volumes would now, our understanding was that volumes would not impact gross margin much right because you are buying from China selling in Europe if you are selling the same product?

**Ramprakash V. Bubna:** Sir overall the company level gross margins we are getting about 32.5% and 33% that is the company level and that has been able to be achieved in spite of the devaluation of a currencies and drop in the margins all over because the Latin America which is a low margin market there the volume has gone down and European Union which is higher margin market the volume has gone up.

**Dhiresh Pathak:** Okay, so it is a region mix impact although region wise margins have come down?

**Ramprakash V. Bubna:** Exactly.

**Conrad Fernandes:** We get double benefit of increased volumes in higher market so that is a double benefit.

**Dhiresh Pathak:** But the understanding is that volumes would not impact gross margin right unless you are selling a different kind of product, which you did not sell earlier?

**Ramprakash V. Bubna:** No, I tell you one thing, if there is a product called 'X' if I am selling it at 20% margin in Latin America I may be selling it at 40%-45% margin in European Union. So it is a sale of this product that moved up in European Union and goes down in Latin America there is an overall improvement in the margins.

**Dhiresh Pathak:** Yes so for the same product region mix is important but for the same product and the same region selling higher volumes would not impact gross margins?

**Ramprakash V. Bubna:** You are absolutely right.

**Dhiresh Pathak:** Thank you so much.

**Moderator:** Thank you. We will take the next question from the line of Manoj Baheti from Edelweiss.

**Manoj Baheti:** Sir just one follow up question, you mentioned that your margins for European region is significantly higher than LATAM and your working capital cycle for European region is much shorter so if we translate into ROCE for both the regions I am sure that in terms of ROCE it means a big difference between LATAM and Europe if you can give some color on that?

**Ramprakash V. Bubna:** Sir you will have to elaborate your question little more.

**Manoj Baheti:** Your working capital investment for LATAM is significantly higher, you mentioned that for LATAM working capital days or receivable days it starts from 180 and it goes as high as 240-250 days whereas for European region it is around 120 days right?

**Ramprakash V. Bubna:** Correct.

**Manoj Baheti:** European region has almost twice or 1.5 times of margin vis-à-vis LATAM right?

**Ramprakash V. Bubna:** Yes correct.

**Manoj Baheti:** So if we look at return on capital employed because of significantly higher blockage of funds in LATAM so if you can give us some bifurcation between the ROCE which you are making from the European region vis-à-vis LATAM region?

**Ramprakash V. Bubna:** Manoj I can only tell you at this stage that the ROCE in European Union is much better than Latin America, the quantities and the figures we do not have right now.

**Manoj Baheti:** Sir only one thing is it possible that LATAM ROCE may be just single digit kind of number if you look at the kind of difference between the gross margins and working capital?

**Ramprakash V. Bubna:** I mean I will not be able to comment unless I see the figures.

**Manoj Baheti:** Thanks.

**Moderator:** Thank you. We will take the next question from the line of Balwindar Singh from B&K Securities.

**Balwindar Singh:** Thanks for the opportunity. Firstly, I remember last year we were talking of volume growth of around 15% - 20% over the medium term but now you have cut it down to 10%-15% is it primarily because of the fact that currency has depreciated in this one year period or because I see we have been continuously getting registrations so what exactly is the reason for the cut in volume growth over the medium term?

**Ramprakash V. Bubna:** Balwindar, you have already your question on my behalf. It is mainly because of the currency depreciation.

**Balwindar Singh:** Okay so 10% to 15% is like may be it is like a fair estimate or a conservative estimate? Are there chances of outperforming it assuming currency stays here only?

**Ramprakash V. Bubna:** See I do not want to be proved wrong after sometime, Balwindar so I am trying to be realistic as well as conservative.

**Balwindar Singh:** Okay and Sir what has been the nine months capex?

**Ramprakash V. Bubna:** Capex was informed to you, about Rs.60 Crores.

**Balwindar Singh:** Thank you.

**Moderator:** Thank you. We will take the next question from the line of Dhiresh Pathak from Goldman Sachs.

**Dhiresh Pathak:** Thank you again for the followup. Sir like Europe if you see for the full year it will be more than 50% of your business right?

**Ramprakash V. Bubna:** Yes.

**Dhiresh Pathak:** Now in Europe you are doing at 30%? In Europe your volume growth is 30%?

**Ramprakash V. Bubna:** 30% for this quarter, nine months.

**Dhiresh Pathak:** Nine months is 30% right, so I am assuming you would probably end the year with similar 30% and you have rich registrations in Europe even if let us say Europe does 30% even next year then you would probably then also do about 15%-odd growth for the company will come just from Europe growing at 30% and if the other regions do not grow if Europe does what it has done this year you should probably hit 15% assuming other regions do not decline?

**Ramprakash V. Bubna:** See there will always be degrowth. If Europe is growing at the end of that total has to be 100.

**Dhiresh Pathak:** What I am saying is if the other regions where you want to reduce your exposure and you do not grow and you remain flat and Europe does what it has done this year for you then also you should be hitting 15% volume growth easily so is there any weakness that you are seeing in Europe based on the current currency levels that you feel that you may not be able to grow at 30% volume growth levels in Europe next year based on what we know as of today obviously things change because of currency I am saying what you know as of today, what you see as of today?

**Ramprakash V. Bubna:** See I can only tell you that I cannot be 100% sure of any region including Europe as far as the currencies are concerned. So I have to take into account all these uncertainties and I just will give you my impression, overall impression.

**Dhiresh Pathak:** But Sir the Chinese currency is declining when you buy from there are they not reducing their dollar price to you because?

**Ramprakash V. Bubna:** What is the decline? From 6.2% to 6.5% it is 1.6%. Chinese currency there is lot of talk of declining but it is not happening and if it will happen then we will see there are always multiple effects of any event we cannot take only one impact.

**Dhiresh Pathak:** But let us say from the time of IPO to now I do not have the numbers but Chinese currencies would have depreciated meaningfully right?

**Ramprakash V. Bubna:** Not meaningfully. If I recollect it was about 6.2 or I mean IPO and now yesterday also it was 6.55.

**Dhiresh Pathak:** 5% or so and versus that you are saying the Euro has depreciated for you much?

**Ramprakash V. Bubna:** About 30%.

**Dhiresh Pathak:** Sir in Europe when we work out the numbers we see the value growth is 20% versus the volume growth of 30% so about 10% or so is the impact of realization and mix so for like-to-like products that you sold in Europe this year versus last year was there a price reduction of high single digit?

**Ramprakash V. Bubna:** There has been a price reduction of single digit percentage in European Union.

**Dhiresh Pathak:** That is mainly coming from the lower raw material pricing that you are getting you and that you are passing that on or is it because of competition?

**Ramprakash V. Bubna:** Competition Sir.

**Dhiresh Pathak:** But Sir the raw material prices are also crude linked, so they also would have come down that is not resulting to less of?

**Ramprakash V. Bubna:** Sir multinationals do not want to loose their market share.

**Dhiresh Pathak:** But Sir multinationals also would face the same headwind right from the raw material?

**Ramprakash V. Bubna:** But their capacity to face the headwind is very strong so they may like to sacrifice little bit on the margin but try to maintain their market share.

**Dhiresh Pathak:** But you are saying these are generic multinational companies or you are saying everywhere any way is competing much with the innovative product right?

**Ramprakash V. Bubna:** No we are competing with the innovator multinational Sir in European Union and they tend to reduce their price in order to maintain their market share and we have to follow them.

**Dhiresh Pathak:** Thank you.

**Moderator:** Thank you very much. As there are no further questions in the queue, I now hand the conference over to Mr. Manish Mahawar for closing comments.

**Manish Mahawar:** Thank you Bubna Ji for providing us an opportunity to host this call and would you like to make a closing comment Sir?

**Ramprakash V. Bubna:** I think there is nothing new. I think Mr. Fernandes will like to make any comment.

**Conrad Fernandes:** We like to thank all the analysts for getting on this call and taking interest and we look forward to our next earnings call.

**Ramprakash V. Bubna:** I would like to thank all the participants and particularly, Mr. Dhiresh Pathak and Mr. Baheti who have taken so much of interest into our results. Thank you.

**Moderator:** Thank you. On behalf of Edelweiss Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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