



Management Discussion and Analysis



Ashish Bubna

Our core strategy continues to focus around increasing our portfolio of products through smart IP management. Our practice of engaging experienced consultants in different countries makes the registration procurement process more efficient. We also intend to leverage our existing dossier of generic active ingredients by developing new formulation compositions.

Manish Bubna

We plan to continue the expansion of our distribution presence geographically. With signs of early progress while establishing our network in Canada, we intent to explore new opportunities in Africa, Central America and Japan as well. We also plan to increase our marketing and distribution for biocide products in Europe.



Global & Indian Economic Overview

The upswing in global investment and trade continued since the second half of 2017, with global GDP increasing from 2.4% in 2016, to 3.8% in 2017, the fastest global growth trajectory since 2011. Interestingly, more than half the world's economies are contributing to this growth. This cyclical recovery is a result of a secular rebound in investment, manufacturing activity, and trade. The recovery in global investment growth was supported by historically low financing costs, rising profits, and improved business sentiments in advanced economies, emerging markets, and developing economies.

With financial conditions still supporting this growth trajectory, the Global GDP is estimated to be 3.9% in 2018 and 2019. Advanced economies — USA, EU, Japan — are expected to grow faster than potential this year and next, confirming this positive trend. Additionally, India will continue to be the fastest growing large economy in the world. (Source: IMF Report, April 2018)

India is considered to be the most dynamic emerging economy among the largest countries in the world. It is expected to continue on its pace of rapid growth, fuelled by an expansion in private consumption; and by the mould-breaking changes in taxation, infrastructure investment, and privatisation.

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In the first half of FY2018, growth in the Indian economy temporarily decelerated, as the rest of the world accelerated. Nevertheless, it remained the second-best performer amongst major countries, with strong macro-economic fundamentals. This interim deceleration was primarily caused by demonetisation measures and the introduction of the Goods and Services Tax (GST). In the second half, the scenario improved significantly and India jumped 30 spots on the World Bank's Ease of Doing Business ranking, while similar actions to liberalise FDI helped increase inflows by 20%.

Going forward, the Central Statistics Office (CSO) has estimated that India's overall economic growth will settle at 6.5% in FY2018, while the IMF estimates the growth potential to be 6.7% for the same period. According to data from the CSO, the expansion of agriculture, forestry and fishing activities is likely to slow to 2.1% in the current fiscal from 4.9% in FY 2017. Growth in the manufacturing sector is also expected to decrease to 4.6% in FY 2018, down from 7.9% in the previous fiscal.

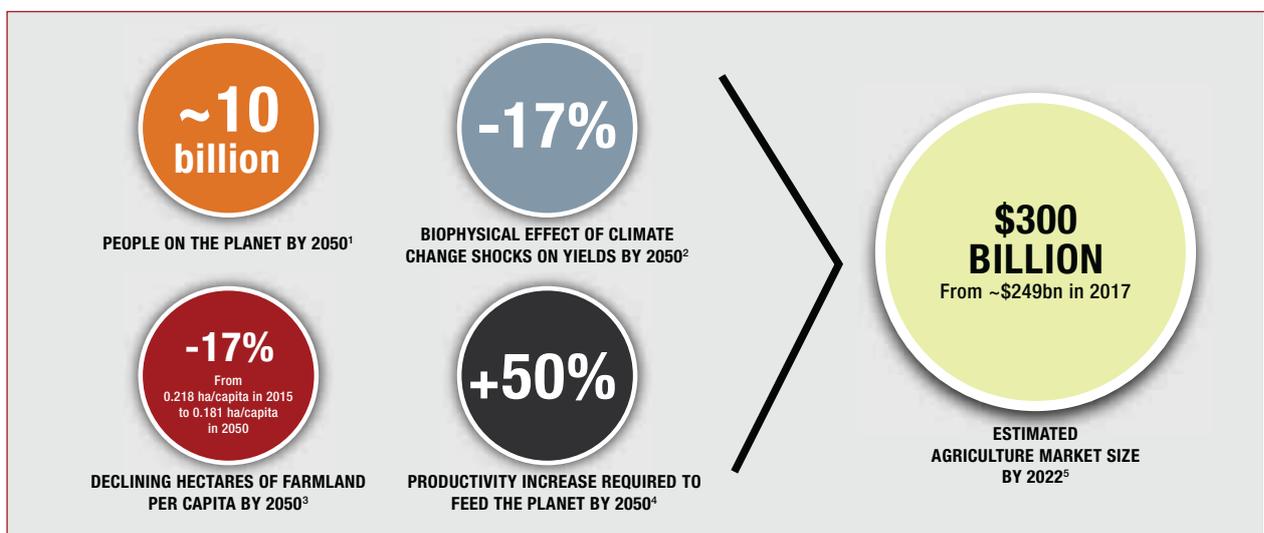
The Government's economic reform agenda will support a strong and sustainable growth rate going forward. Notwithstanding minor setbacks, India's overall economic outlook remains positive, driven by several factors. Strong private consumption of goods and services are expected to continue to support economic activity. The drop in private investment is expected to normalise as the corporate sector adjusts to the GST, which in the medium term is expected to benefit economic activity and fiscal sustainability. Meanwhile, the steady recovery in global trade is expected to encourage exports. In line with this positive economic development outlook, the IMF has projected India's growth to be 7.4% in FY2019.

THE AGROCHEMICAL MARKET IS EXPECTED TO REACH USD 300 BILLION BY 2022 FROM USD 249 BILLION IN 2017.

The Agrochemical Industry

This industry is in high demand due to the rising demand for pesticides, an increase in the popularity of genetically modified crops, and pressure on farmers to reduce the cost of crop cultivation by using efficient agricultural products. Agrochemicals are used in agriculture, horticulture, and floriculture; including a broad range of hormones, pesticides, synthetic fertilisers, and chemical growth agents. Some benefits of using agrochemicals include modifying the needs of crops to suit the changing weather patterns and increasing crop production by using scarce resources optimally. (Source: Wise Guy Global Agrochemicals Market Research Report)

Following a slump in 2015, although the value of the market – in US dollar terms – improved slowly, the global crop protection market has struggled to achieve any significant recovery. High levels of crop stocks led to lower prices, which in turn affected farm profitability and depressed sales. This was exacerbated by resistance issues and new product introductions, which increased the distributor's inventory of old products, enabling the resultant strong price pressure.



¹ United Nations 2015; ² FAO 2016 "Climate Change and Food Security"; ³ FAO 2016 "Climate Change and Food Security"; ⁴ FAO 2017 "The Future of Food and Agriculture - Trends and Challenges"; ⁵ "Agrochemicals Market- Forecast 2017- 2022" Wiseguy Reports, July 2017.

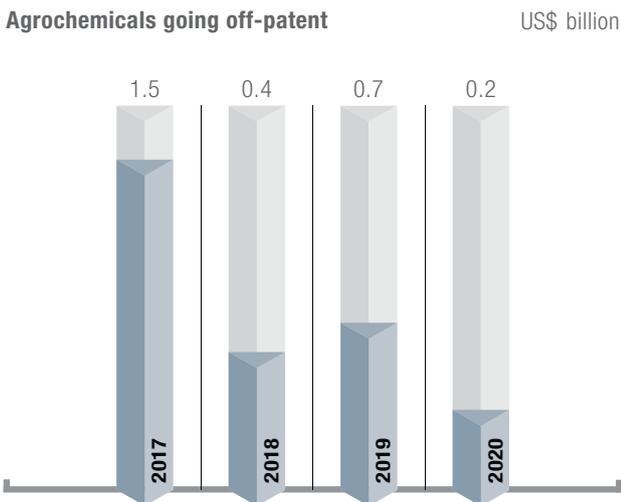


2017 WAS A YEAR IN WHICH WEATHER CONDITIONS DEPRESSED MARKET PERFORMANCE. THE OPPORTUNITY FOR RECOVERY EXISTS IN 2018.

A prolonged El Nino phenomenon weather pattern finally ended in 2017. However, a slow start to the spring season in North America & Europe, and dry weather in Europe, Brazil and Argentina, continued to have a negative influence on agrochemical demand as the year progressed.

Despite weaker global crop harvests in 2017, there was no appreciable increase in crop prices, and therefore there is little optimism for any major improvement in farm profitability in 2018. As it may be expected, planting in Argentina in the 2017-18 season has moved away from soybean plantation and back to maize; while in Brazil there's an expectation for a further increase in soybean plantations and a decline in maize. It is probable that the USA will see a decline in soybean and a rise in the maize area in 2018, which should be positive for agrochemical market development.

Cereal production in the EU-28 saw a marginal improvement in 2017 following poor harvests in 2016. Oilseed rape registered a significant increase in output. Despite rising global wheat stocks, prices are currently strengthening, whilst rapeseed stocks are falling and prices improving. This would suggest a more positive outlook for the EU and Canadian markets in the next year.



As 2017 was a year in which weather conditions depressed market performance, the opportunity for recovery exists in 2018. It is likely that farm economies in most major markets will remain weak, with many of the negative pressures that existed in 2016 and 2017 persisting. (Source: Agbioinvestor Market Insight, December 2017).

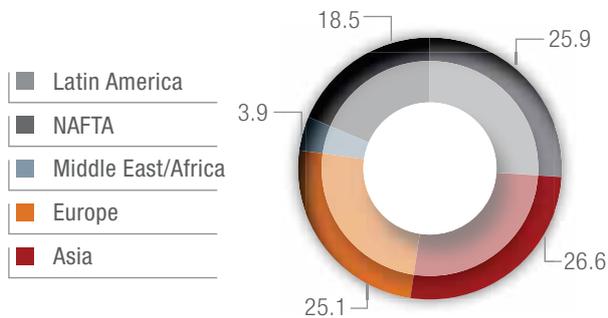
SIZEABLE OPPORTUNITY FOR GENERIC PESTICIDES
Products worth ~USD3bn to go off-patent over 2017-20

Generic pesticides account for ~60% of the global crop protection market, while proprietary off patent and patented pesticides account for the remaining share. Falling agricultural commodity prices have driven the US and Latin American farmers towards low-cost generic products. The US and Latin American markets account for ~27% and ~17% of the global agrochemicals market, respectively; and the shift to generic agrochemicals, coupled with a variety of products going off patent is expected to create an attractive opportunity (estimated to be worth ~USD3 bn over CY17-20) for the generics industry. Products worth USD3.7bn have already gone off patent over CY15-17. While this would result in a contraction of the US and Latin American markets in terms of value, it opens a plethora of opportunities for Indian agrochemical companies.



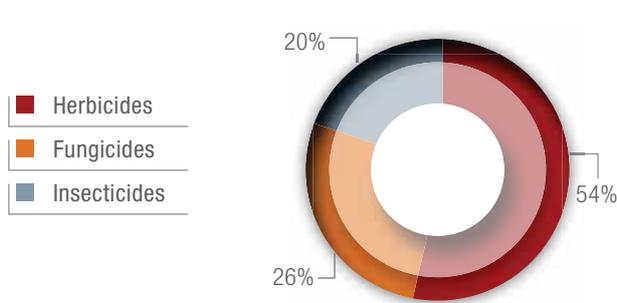
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Region-wise global crop protection market mix



Source: Phillip McDougall

Segment-wise global crop protection mix



Source: Phillip McDougall

INCREASING WEED RESISTANCE AND LABOUR SHORTAGES TO PROVIDE ROOM FOR AGROCHEMICALS GROWTH

INCREASING USAGE OF GENERIC PRODUCTS DUE TO SUBDUED FARM INCOME

Subdued farm incomes to drive preference for generics

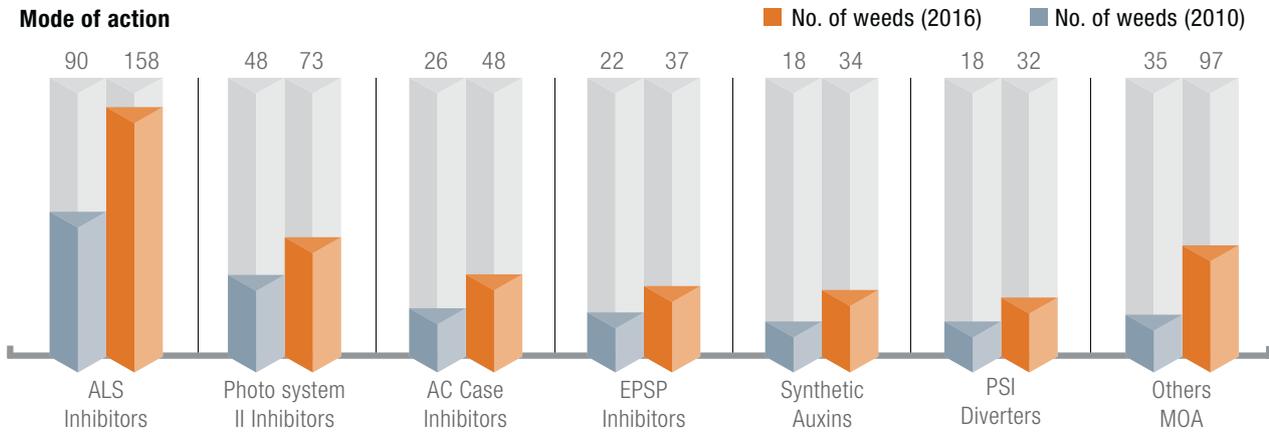
The global crop protection industry declined at a compounded annual rate of 2.7% over CY13-16 on declining farm income due to 3-8% compounded annual decline in the prices of key cereals. Yet, Sharda Cropchem grew at a CAGR of 21% over FY14-18. The demand for cost effective generic pesticides is likely to grow at a healthy pace and Sharda Cropchem Limited would be a key beneficiary.

The menace of weed resistance is spread across the globe, with 479 unique herbicide resistance cases across 91 crops in 69 countries. Most weeds have developed resistance against 23 of 26 known herbicide sites of action and 162 herbicides. Moreover labour shortages across geographies will drive the demand for herbicides.





Increasing number of weeds becoming resistant to different modes of action



Regional Market Performance 2017 – Nominal US Dollars

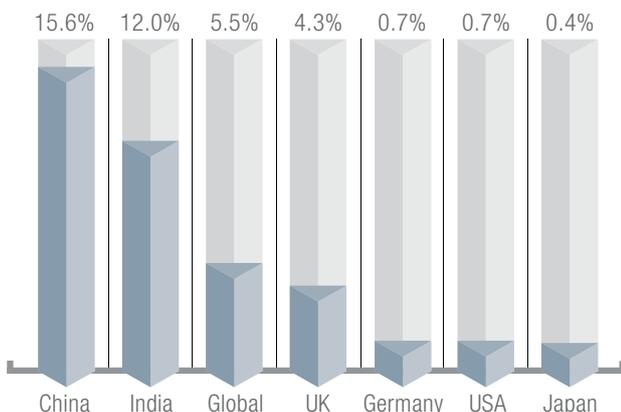
Region	2016(\$m)	2017(\$m)	Growth 2017/2016 (%)
North America	9,367	9,390	+0.2
Central & South America	14,484	13,895	-4.1
Europe	12,399	12,955	+4.5
Asia Pacific	16,546	16,765	+1.3
Middle East / Africa	2,293	2,325	+1.4
World	55,089	55,330	+0.4

Most regions recorded an increase in value in US dollar terms. However, Central & South America's declined, affected by a weak performance in Brazil and unfavorable currency exchange effects. The key reasons for the weak performance in Brazil were inventory issues, low crop prices, a weak farm economy, and poor economics for distributors. In addition, dry weather impacted the second half of the 2016/17 season by depressing pest and disease pressure.

Market size and growth

The global agrochemicals market was at USD 54.5 bn in 2014, up from USD 43.0 bn in 2009, growing at a CAGR of around 5%. It is expected to reach around USD 276 bn by the end of 2022, registering a CAGR (2016-22) of 4.6%. (Source: Allied Market Research, Industry Forecast 2014-2022)

Projected growth rates of agrochemicals 2014-19



Business Overview

Sharda Cropchem Limited is a fast-growing global agrochemicals company with an asset-light business model. The Company is engaged in the marketing and distribution of a wide range of formulations and generic active ingredients, in more than 80 countries. Sharda's key business differentiator is its early presence in developed markets with entry barriers that have a high cost of registration, and stringent testing standards with prolonged approval timeline. In FY18, 80% of the company's revenues came from the highly developed European and NAFTA markets. The Company operates two business verticals - agrochemicals business and non-agrochemicals business.

Agrochemicals Business

Sharda Cropchem is primarily a crop protection chemical company largely operating across Europe, NAFTA, Latin America and ROW. It is engaged in global marketing and distribution of a wide range of formulations and generic active ingredients (AIs), across the Fungicide, Herbicide and Insecticide segments.

Non-AgroChemicals Business

The Company is involved in the order-based procurement and supply of non-agrochemical products. These include belts, general chemicals, dyes and dye intermediates. It procures these non-agrochemical products from manufacturers predominantly in China and supplies them to over 35 countries in Australia, Asia, Europe, North America and Latin America.

Management Discussion and Analysis

Our Business Model

Within the framework of a typical agrochemical value chain, Sharda Cropchem has adopted an asset-light business model that enables the Company to offer a diversified range of formulations, without incremental manufacturing capex. This includes catering to the fungicide, herbicide and insecticide segments, which protect different kinds of crops; the turf and specialty markets; as well as disinfectants in the biocide segment.



The Company prioritises the identification of generic molecules and registration opportunities; the preparation of dossiers; and the obtaining registrations for formulations and other active ingredients.

To provide this wide range of chemicals, the Company procures formulations in their finished form, as well as engaging with third party formulations. This lends to the versatility and agility of the Company's supply chain, while simultaneously widening its customer base.

Our Competitive Strengths

Unique Asset Light Business Model

Unlike global giants, Sharda Cropchem follows an asset light business model, which allows it to competitively identify generic molecules, prepare dossiers, seek registrations, and market & distribute formulations through third party distributors, or the Company's own sales force.

With a low level of capital investment to look after, the Company has the ability to pay close attention to business operations, thereby driving its portfolio of registrations and generic active ingredients.

The asset light business model is consistent with its non-agrochemical operations and supply belts. General chemicals, dyes, and dye intermediates are sourced only on the basis of specific orders received from distributors.

Proficiency in Registration

Sharda Cropchem's core competency lies in identifying opportunities in generic molecules, and their corresponding formulations and generic active ingredients; preparing dossiers; and seeking registrations in the relevant jurisdictions.

The Company's library of dossiers and the number of registrations owned have increased progressively. This is a result of a focused effort to seek registrations in different countries, in addition to the investment of time and capital towards this objective.

The legal and procedural requirements for seeking registrations differ in each jurisdiction. Over the years, Sharda Cropchem has navigated through the regulatory requirements in these jurisdictions, equipping the Company to anticipate potential issues and prepare it for complying with regulatory requirements in an efficient manner.

Enduring Relationship with Multiple Suppliers

Sharda Cropchem maintained relationships with multiple manufacturers and formulators in the agrochemical industry (mainly in China and India) to mitigate the risks arising from being dependent on single or limited supplier.



Sourcing from multiple manufacturers also helps the Company to get optimal pricing from the market. Strong sourcing capabilities enable the Company to seek the supply of formulations or generic active ingredients at competitive market prices.

Our relationships with third party manufacturers and third party formulators provide the Company with the flexibility to adjust our orders in accordance with fluctuating demand cycles.

Robust Global distribution network

With an objective to increase the Company's presence in the agrochemical value chain, Sharda Cropchem has set up its own sales force in Europe, Mexico, Colombia, South Africa, India, and other jurisdictions. This is in addition to third party distributors.

The Company has increased its penetration of formulations and generic active ingredients in various countries to leverage the presence of the third party distributors and the availability of its own sales force.

Strong Global Presence and Diversified Portfolio

Sharda Cropchem has grown by diversifying its business operations across more than 80 countries in Europe, NAFTA, Latin America, and Rest of the World; offering a diversified range of formulations and generic active ingredients in the fungicide, herbicide, insecticide, and biocide segments.

The Company's presence in multiple geographies has helped it diversify its revenue sources. Over the years, it has developed a knowledge base of local weather and soil conditions, which enables it to foresee and satisfy local demand patterns.

Sharda Cropchem's library of dossiers provides it with the opportunity to venture into regulated markets.

Experienced and Professional Management

The Promoters and the Management of Sharda Cropchem have a combined experience of over 60 years in the agrochemical business, and have played a key role in developing its business. The Company's domain knowledge and experience provides it with a significant competitive advantage as it seeks to grow in existing markets, as well as enter into new geographies.

The Company also has a qualified, experienced, and capable management team to lead all business operations. Sharda Cropchem's ability to attract and retain key management personnel and in-house team has enabled the Company to streamline the registration process, thereby economising

Key Risks and concerns

The Company follows a structured and continuous process while identifying, assessing and deciding on responses to mitigate key risks across all levels of operations.

Exchange rate fluctuations

Being a global player, the Company's source of revenue is involved in foreign currencies, primarily, in U.S. Dollars and Euros. British Pound Due to the difference in the time between the sales being recorded and payment being realised, the foreign exchange rate at which a sale is recorded in the books of account may not be the same with the foreign exchange rate at which the cash is realised by us. This can result in either benefiting or adversely affecting the Company, depending on the depreciation or appreciation of the Rupee. Although the company's huge exports acts as natural hedge against imports, the company also takes plain vanilla hedge against their orders. In case, of adverse movement in the foreign exchange rates, contrary to our expectations or inadequate risk management procedures, it could affect Sharda Cropchem's results of operation, cash flows, liquidity, and financial condition adversely.

Extension of Patents

Sharda Cropchem is a global generic agrochemical player and can face high risks from patents laws, which allow the innovator company to extend their patents. This may lead to unnecessary delays in formulations and generic active ingredients, and adversely affect the business. The extension of patent terms, or the extension of exclusivity in the marketplace by the respective regulatory authorities, may delay our introduction of formulations and generic active ingredients, adversely affecting business.

Changes in government policies

Because of Sharda Cropchem's global presence, the laws, rules and regulations of many countries impact the Company's decisions. As the Company is involved in agrochemical industry, it will be affected by any changes in governmental policies related to agriculture. Any adverse alterations in policies relating to agro sector — like a reduction in government expenditure in agriculture, a reduction in incentives and subsidy systems, a change in the export policy for crops, a change in the price of commodities — will affect the Company's business. It may also affect the ability of farmers to realise minimum support prices for their process, which will lead to inability of the farmers to spend on agrochemical input products. This could thereby affect the Company's market demand and sales.

Weather conditions like Droughts and reduced pest attacks can lower demand for agrochemicals

A smoothly functioning agrochemical business is primarily dependent on weather patterns and pest attacks. The demand for agrochemicals is adversely impacted by droughts and fewer pest attacks, resulting in inventory build-up. Although weather conditions are cyclical in nature, they are dependent a wide range of factors

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THE COMPANY FOLLOWS A STRUCTURED AND CONTINUOUS PROCESS BY IDENTIFYING, ASSESSING AND TAKING THE APPROPRIATE ACTIONS TO MITIGATE KEY RISKS ACROSS ALL LEVELS OF OPERATIONS.

— such as the amount of rainfall, varying soil conditions, climatic conditions, varying seasons and temperature changes. These factors make the overall performance of the agricultural sector unpredictable. Additionally, it is difficult to forecast the exact levels of production of a crop relative to past production. The occurrence of disease and the corresponding use of agrochemicals would depend primarily on these factors, and would differ on a regional basis. Accordingly, the overall effect of weather conditions makes the Company's operations relatively unpredictable and seasonal.

Resistance development reduces life of product

As targeted pests develop resistance, the effective life of agrochemicals reduces over a period of time. The constant introduction of new agrochemicals is essential for effectively eliminating pest attacks. To mitigate this risk, Sharda Cropchem keeps obtaining registrations for new products, enhancing the portfolio in different geographies.

Pollution Control Measures in China

The Chinese government is launching a new action plan for air pollution prevention and control. Its target is to lower PM 2.5 and other pollutants even more. This is putting pressure on chemical manufacturing industries as they are forced to either comply with the pollution control measures (which involves extra costs) or to shut down the appropriate plants. This in turn is putting pressure on the cost of chemicals produced. The situation in China has started to show some signs of revival, with many factories installing the pollution control measures. Some closed factories have resumed manufacturing in alternate factories where the production of this chemical was restricted. As restrictions are alleviated, production will increase, and the availability of raw materials will also increase while prices decrease, improving the situation. This will help with price stability in the coming quarters. However, it is believed that the pressure on margins is likely to persist for the next few quarters as innovators lack the ability to hike their prices due to high levels of inventory in the system, particularly in Europe & LATAM.



Internal Controls

The internal controls of the Company are being reviewed from of the leading and reputed external agency. This results in unbiased and independent examination of the adequacy and effectiveness of the internal control systems to achieve the objective of optimal functioning of the Company. The scope of activities include safeguarding and protecting the Company's assets against unauthorised use or disposition, maintenance of proper accounting records and verification of authenticity of all transactions.

The Company has an effective compliance management system, which gives preventative warnings in case of any violations. To ensure that it is in conformance with the overall corporate policy and in line with predetermined objectives, the independent Audit Committee and/or the Board of Directors regularly review the performance of the Company. The Company's Internal auditors are renowned M/s. S. H. Bathiya & Co. LLP during FY2018, to provide guidance in smooth functioning of risk management policies, building a organisation wide awareness of risks, across businesses and corporate functions; developing formal reporting and monitoring processes; building risk management maintenance plans that would keep the information updated and refreshed; deploying an ERM framework in key business areas and corporate functions; aligning risk management with the business planning exercise and aligning the role of assurance functions.

Human Resources

The domain knowledge and experience of the Company's Promoters and management team provides Sharda Cropchem with a significant competitive advantage as it seeks to grow in our existing markets and enter new geographies. The Company has hired qualified professional management and key personnel, which will enable the Company to run independently. The overall



employee engagement has allowed the Company to retain the top talent within it, thereby economising registration costs and time involved.

Finance Review

The total revenue of Sharda Cropchem for FY18 increased by 22.5% from ₹13,992 mn in FY17 to ₹17,134 mn in FY18. The agrochemicals division of the Company grew by 24.1% from ₹11,988 mn in FY17 to ₹14,881 mn in FY18. The revenues from non-agro division grew by 12.4% from ₹2,004 mn in FY17 to ₹2,253 mn in FY18.

The revenue contribution in agro business is driven primarily by the contribution of the European Union region, which constitutes 47.0% of the agro revenues; followed by the NAFTA region with 33.6%; LATAM with 10.8%; and Rest of the world, with a 8.6% contribution. The revenue in the agro business in these regions has grown by 15.7%, 57.6%, 5.7% and 2.6% respectively. The agrochemicals business and non-agrochemicals business contributed 86.9% and 13.1% to respectively revenues in FY18.

EBITDA excluding unrealised MTM gain / loss on account of foreign exchange fluctuations grew by 10.6% from ₹3,124 mn in FY17 to ₹ 3,454 mn in FY18,. The EBITDA margin decreased by 217 bps, from 22.3% in FY17 to 20.2% in FY18 on account of higher raw material prices. The net profit after tax grew by 0.2% YoY, from ₹1,903.6 mn in FY17 to ₹1,907.7 mn in FY18. PAT margin stands at 11.1% in FY18.

The total number of registrations decreased from 2,174 as of March 31, 2017 to 2,157 as of March 31, 2018. Although the registrations of products not performing adequately were discontinued, the Company has another 978 registrations in pipeline across different geographies.

As of March 31, 2018 the Company has a net debt position of ₹ 467 million.

Strategy and Outlook

With certain strategies in play, we hope to sustain, the pace of growth that we have demonstrated over the last few years.

Some of these key Strategies are:

(a) To increase our portfolio of products and market through smart IP management

We will continue to identify generic molecules going off patent and focus on seeking registrations to increase our portfolio of formulations and generic active ingredients across Europe, NAFTA, LATAM and Rest of the World. Our practice of engaging experienced consultants in different countries across regions to benefit from their knowledge about the registration processes in the local jurisdiction as well as the market conditions will continue. We will continue to pursue opportunities for expanding our portfolio

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WE MAINTAIN A POSITIVE OUTLOOK FOR OUR BUSINESS. OUR OBJECTIVE IS TO CONTINUE TO OFFER QUALITY FORMULATIONS AND GENERIC ACTIVE INGREDIENTS WHILE EXPANDING OUR REACH IN VARIOUS JURISDICTIONS

of formulations and generic active ingredients in the future. We intend to leverage our existing dossiers and portfolio of formulations and generic active ingredients to develop new composition of formulations.

(b) Grow our Biocides business

We have also started marketing and distributing biocides in various countries such as Spain, France, Italy, Hungary, Croatia, United Kingdom, Slovakia, Slovenia, Belgium, Bulgaria, Greece, Poland, and Czech Republic. We plan to increase our marketing and distribution activities for biocide products in other European countries also. As of 31st March 2018, we own over 299 registrations for biocides. We intend to increase our registrations for biocide products going forward.

(c) Strengthen our distribution presence

We plan to continue the expansion of our distribution presence geographically by marketing and distributing our existing portfolio of formulations and generic active ingredients. We also intend to explore opportunities in new markets such as Africa, Central America, and Japan. The sign of early progress is visible in establishing our presence in countries such as Canada. We believe that we will be able by using this strategy, we will be able to grow our presence in the agrochemical markets in these jurisdictions.

(d) Possibility of growing inorganically through strategic acquisitions and partnerships

We have primarily grown and expanded our agrochemical business organically. We keep the option open to evaluate and examine the possibility of strategic partnerships with other companies across different jurisdictions which would provide us synergy to increase our portfolio of registrations, grow in such market or increase the presence of our generic agrochemicals. We will continue to evaluate additional markets and product opportunities, including potential acquisitions and relationships, which we believe will be beneficial to increase our presence in the generic agrochemical markets.

Cautionary Statement

Statements made in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be "Forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the government regulations, tax laws and other statutes & other incidental factors.