Techno Funda

SHARDA CROPCHEM LTD.

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INVESTOR FIRST
BY ASIT C. MEHTA INVESTMENT INTERRMEDIATES LTD

Date: 12/08/2021	Recommended Price: 310-318 • Target: 380-390 • Stoploss: 284	Time Frame: 6 months

Sharda Cropchem Ltd.

Technical Outlook

- On daily basis, the stock has taken trend line support and experienced a strong reversal. Furthermore, as shown in the above chart, the stock was able to maintain its 200 DSMA, which was acting as a strong support for the stock.
- Moreover, the stock on a daily scale has formed a bullish hammer candlestick pattern, indicating strength.
- The 200 DSMA is currently near 309 levels, and trend line support is near 300 levels, both of which were acting as strong supports for the stock.
- On a daily scale, the RSI is close to the oversold zone, and the stochastic oscillator has seen a bullish crossover from an oversold zone. As a result, a bounce from the oversold zone is possible.
- Based on the above technical setup, we recommend buying SHARDACROP in the range of 310-318 with a stop loss of 284 on a closing basis for a medium-term target of 380-390.

Fundamental Rationale

- Sharda Cropchem is principally engaged in export of agrochemicals (such as technical grade and formulations) and non-agro products such as conveyor belts, rubber belts/sheets, dyes and dye intermediates to various countries across the world.
- It follows a unique asset-light business model in which it totally outsources agrochemical manufacturing to China and concentrates on product registrations. Once these opportunities are identified, it immediately begins the process of seeking registration from regional authorities.
- The company derived 86% of revenue from agrochemicals segment and 14% from the non-agrochem business in FY21. The company has a portfolio of 2,543 product registrations and a pipeline of 1,128 registrations across the regions as of Mar-2021. It procures 100 – 150 registrations every year and the company has its presence with a marketing network across 80 countries.
- The Non Agro Business witnessed the real impact of COVID-19. All the material handling at ports, mines, etc. has been impacted adversely. Now, as these activities are normalising and demand is improving, the non-agrochem business should grow, in our view.
- In FY22, the company anticipates revenue growth of 10-15% and a margin of 18-19%. In the next three to four years, it wants to surpass Rs 3,000 crore in revenue (FY21: Rs.2,396Crore). We believe the company is likely to maintain growth momentum due to rising wallet share in existing products, new launches, and the expansion of the in-house sales team.

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