



Strong beat on margins; Export drives growth

Sumitomo Chemicals India Ltd (SCIL) reported revenue/gross margin/ebitda/pat/eps growth of 18%/26%/61%/55%/59% YoY (on impacted base). Major contributor to 18% YoY revenue growth was driven by strong volume performance in both the domestic & exports markets. Export revenues grew 38% YoY, led by strong growth in Latin America and Europe. Domestic revenues saw a 10% YoY growth led by demand generation activities at the farmer level.

Gross margin improved to 42.1% from 39.8% in Q3FY24, supported by company's focus on high-margin products - offsetting the pricing pressure in traditional product categories. EBITDA margin came in at 16.5% (+439 bps YoY) largely driven by higher gross margin & curtailed other expenses. The Dahej capex of Rs. 3 bn, announced earlier, has not progressed further & SCIL will provide update once the necessary approvals are finalized.

Outlook for 4QFY25: The Rabi season is progressing steadily, though not as anticipated, with December and January showing moderate conditions; the shift from winter to warmer weather may provide some improvement. The export outlook for LATAM remains cautiously optimistic, with early signs showing positive trends, while the company expects to achieve the targeted revenue of Rs. 2.5 bn from SCC Japan by next year.

Key financial highlights

- Revenues at ₹6420Mn, 18.5%YoY/-35.1%QoQ
- EBITDA (Excl OI) at ₹1062Mn, 61.3%YoY/-56.8%QoQ
- PAT at ₹883Mn, 54.7%YoY/-54.4%QoQ
- Gross Margin came in at 42.2% vs 39.8% YoY/42.6% QoQ
- Gross Margin saw an improvement of 239 bps on YoY basis
- EBITDA Margin (Excl OI) came in at 16.6% vs 12.2% YoY/24.9% QoQ
- EBITDA Margin (Excl OI) saw an improvement of 439 bps on YoY basis

Financial Summary

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24	FY25e	FY26e	FY27e
Net sales	26,449	30,612	35,110	28,439	32,531	38,526	44,644
EBIDTA	4,869	5,999	6,666	4,746	6,040	7,418	9,036
Margins	18.4	19.6	19.0	16.7	18.6	19.3	20.2
PAT (adj)	3,453	4,236	5,022	3,695	4,846	6,330	7,374
Growth (%)	68.8	22.6	18.6	-26.4	31.1	30.6	16.5
EPS	6.92	8.49	10.06	7.40	9.71	12.68	14.77
P/E (x)	71	58	49	67	51	39	33
P/B (x)	16	13	10	10	9	7	6
EV/EBITDA (x)	49	40	36	51	39	32	26
RoE (%)	25	24	23	15	18	20	20
ROCE (%)	33	34	31	21	25	27	27
RoIC (%)	35	32	33	31	38	34	32

Source: Company, Dalal & Broacha Research

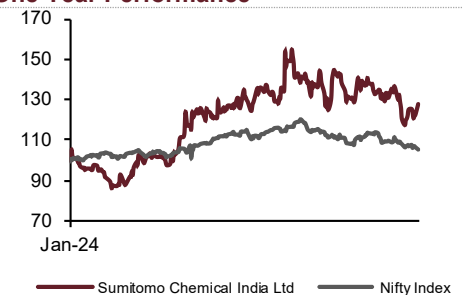
Rating	TP (Rs)	Up/Dn (%)
BUY	590	20

Market Data

Current price	Rs	493
Market Cap (Rs.Bn)	(Rs Bn)	252
Market Cap (US\$ Mn)	(US\$ Mn)	2,929
Face Value	Rs	10
52 Weeks High/Low	Rs	628.3 / 336.1
Average Daily Volume	('000)	525
BSE Code		542920
Bloomberg		SUMICHEM.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Dec-24	Sep-24
Promoters	75	75
Public	25	25
Total	100	100

Source: Bloomberg

Key Risks:

- Product Ban
- Effect of low or erratic rainfall
- Change in government policies
- Parent having delisted subsidiary companies in past

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Revenue growth largely led by volumes

Net revenue from operations increased by 18% YoY, driven mainly by strong volume growth in both domestic and export markets. Export revenues grew 38% YoY, led by strong growth in Latin America and Europe. Domestic revenues saw a 10% YoY growth led by demand generation activities at the farmer level.

Despite a ~10% price decline on a 9MFY25 basis, overall revenue growth was primarily driven by higher volumes.

Herbicides recorded robust volume growth - though it showcased slightly lower growth in monetary terms due to pricing pressures as compared to last year. Fungicides growth rebounded on account of lower base, due to temporary shutdown of fungicide plant last year

Gross Margin Expansion of 239 bps on YoY basis - driven by focus on high-value Products

This marks the second consecutive quarter of gross margins exceeding 42%, driven by a strong emphasis on high-margin products. Our channel checks indicate strong traction for SCIL's new products, including **Meshi, an insecticide** with Profenophos and Fenprothrin effective against pink bollworm and lepidopteran pests in cotton; **Ormie, a fungicide** for paddy; and **Portion**, an insecticide targeting mites in tea and brinjal.

Export revenue growth driven by strong performance in key markets

Export revenues grew by 38% YoY, with Latin America (LATAM) being a standout performer. Europe also posted strong growth. Product prices remained flattish sequentially but were lower YoY, reflecting ongoing price adjustments in the industry.

▪ LATAM Performance

LATAM continues to show positive trends. The company remains cautiously optimistic, intending to monitor the situation over the next 1-2 quarters.

▪ Japanese Exports to “Parent”

SCIL expects to generate ~Rs.1.25bn in export revenue from its parent company in FY25, with FY26 anticipated to be the first full year to achieve the entire ~Rs.2.5bn.

Challenging Kharif Season Dampens Sentiment; Mixed Trends in Rabi Season

The Kharif season was marked by good rains; however, erratic and excessive rainfall in several regions impacted crop quality and farmer profitability. Cyclones in Tamil Nadu and Andhra Pradesh further disrupted agricultural activities during November and December. Poor commodity prices added to the challenges, leading to a significant decline in farmer sentiment. A shortage of critical fertilizers, particularly DAP, diverted distributors' focus on fertilizer availability, impacting sales of other crop inputs. The Rabi season is progressing steadily but remains below expectations. While December and January showed moderate trends, a shift towards less winter and more summer may provide incremental support in the coming months.

Valuation & Outlook

The company aims to achieve steady growth in FY25-26, contingent on a normal monsoon. This growth will be driven by innovative product launches, farmer-centric initiatives, and efforts to enhance operational efficiency. As part of its strategic preparations, SCIL has intensified its focus on channel-specific strategies to optimize market penetration. The company continues to make targeted investments in demand generation activities to enhance farmer engagement, while prioritizing the development of high-margin products to drive profitability.

SCIL sees positive signs of export recovery, including in the LATAM region, supported by a robust demand generation campaign, creating a favorable outlook for domestic markets. The Rabi season is progressing steadily but remains below expectations. December and January showed moderate trends, but the shift towards warmer weather could offer incremental support in the coming months. The Rs. 3 bn Dahej capex announced earlier has yet to progress further, and SCIL will provide updates once the necessary approvals are secured.

We upgrade our rating from **ACCUMULATE** to **BUY** following the recent market correction, as we believe this presents an attractive opportunity for investors to allocate funds. We value the company at **40x FY27e earnings of Rs14.8 arriving at a target price of Rs.590 (earlier Rs.600)**. **At CMP of Rs.493 stock trades at 39x/33x FY26/27e EPS of Rs.12.6/14.8**. Higher multiple is commanded by superior execution, strong parentage, branding efforts & optional value of semiconductor/IT chemicals/farm equipment/seeds business.

Quarterly Financials

(Rs.Mn)	Q3FY25	Q3FY24	YoY Growth (%)	Q2FY25	QoQ Growth (%)
Revenue	6,419	5,420	18%	9,883	-35%
Other Income	312	269	16%	312	0%
Total RM Cost	3,714	3,265	14%	5,676	-35%
Gross Margin	2,705	2,155	26%	4,207	-36%
Employee Expense	683	539	27%	661	3%
Other Expenses	961	958	0%	1,093	-12%
Total Expenses	5,358	4,762	13%	7,430	-28%
EBITDA (Excluding OI)	1,061	658	61%	2,453	-57%
Depreciation	191	161	18%	157	21%
EBIT / PBIT	1,183	766	54%	2,608	-55%
Finance Costs	18	12	47%	12	46%
EBT/ PBT	1,165	754	55%	2,596	-55%
Tax Expense	282	183	54%	661	-57%
Net Profit after Tax	883	571	55%	1,935	-54%
Adj Earning Per Share	1.74	1.10	59%	3.85	-55%
Margins (%)			(In bps)		(In bps)
Gross Margins	42.1%	39.8%	239	42.6%	-42
EBITDA Margins (Excl OI)	16.5%	12.1%	439	24.8%	-829
PAT Margins	12.9%	9.6%	330	18.9%	-594
As a % to sales					
RM as a % to sales	57.9%	60.2%		57.4%	
EE Cost as a % to sales	10.6%	9.9%		6.7%	
Other exps as a % to sales	15.0%	17.7%		11.1%	

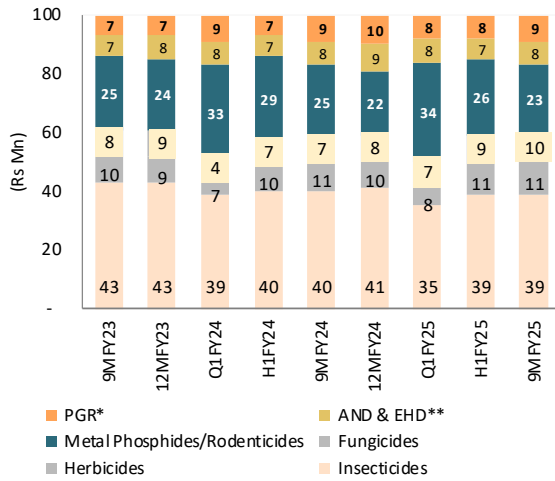
Source: Dalal & Broacha Research

12 Month Forward PE Chart

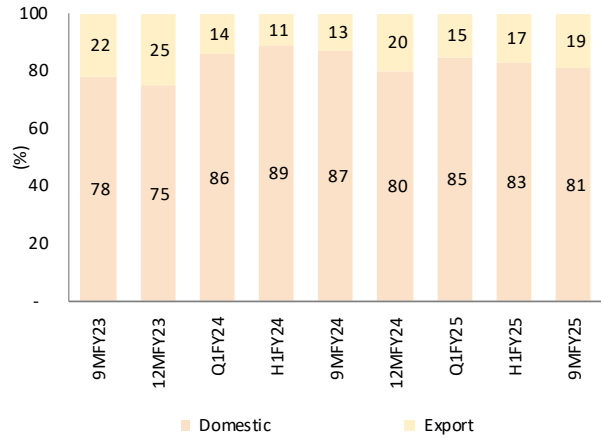


Source: Dalal & Broacha Research

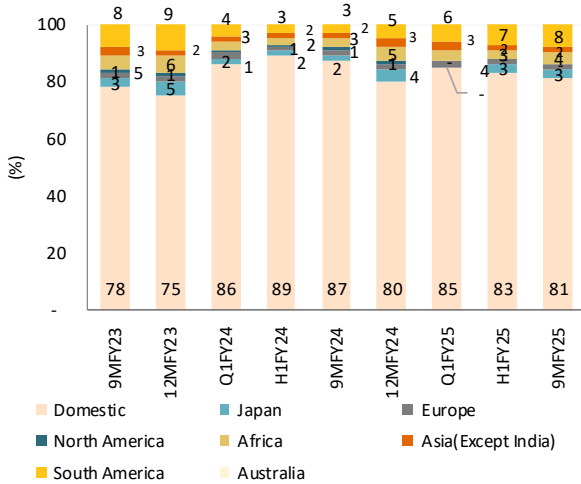
Revenue Mix (%)



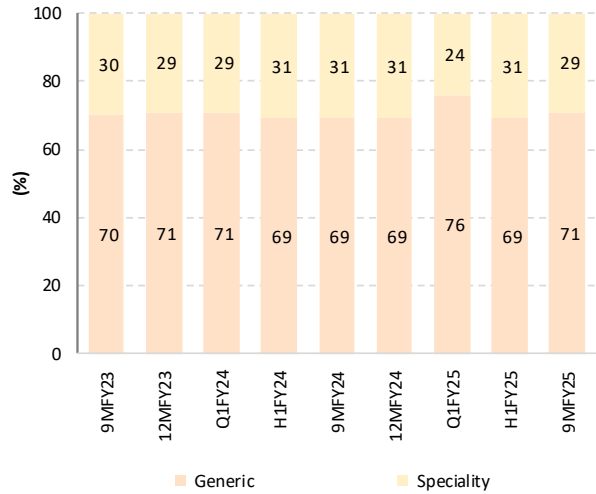
Geographic Breakup (%)



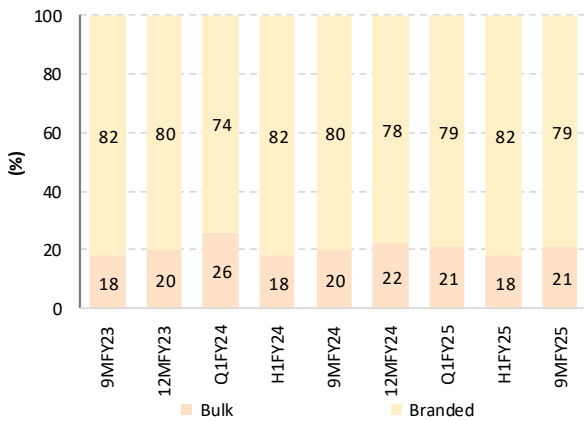
International Rev Mix (%)



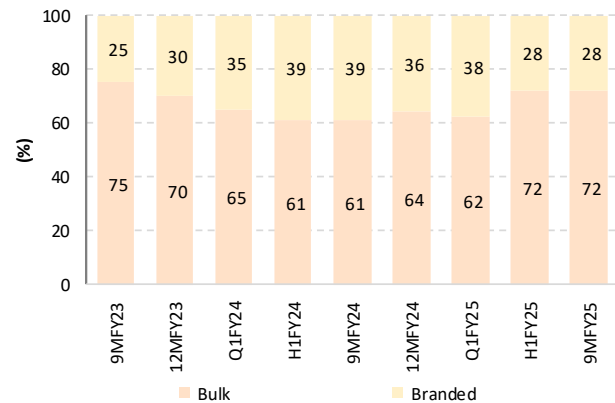
Segment Breakup (%)



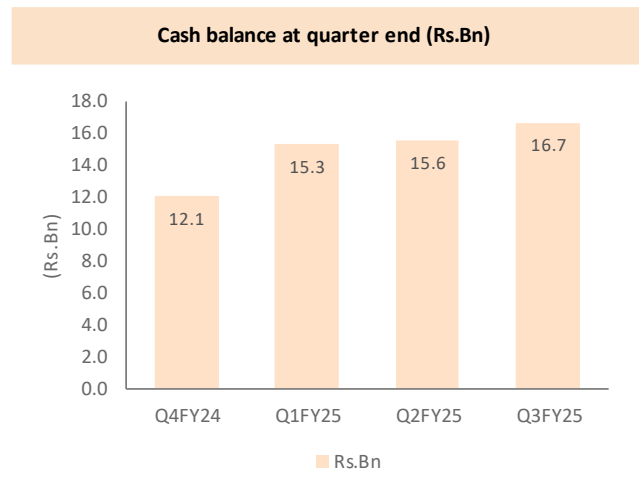
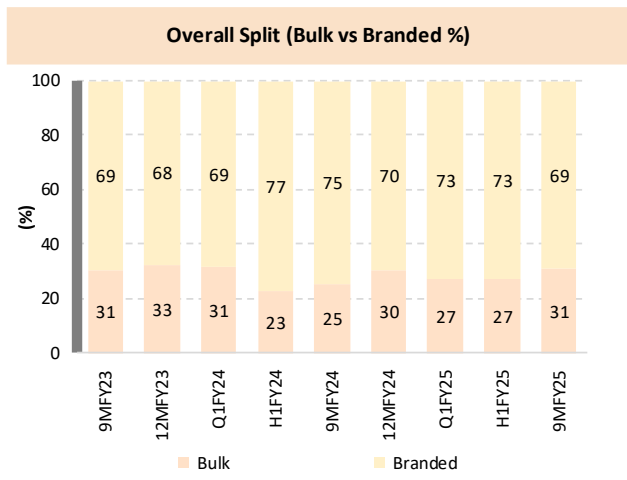
Domestic (Bulk vs Branded %)



Exports (Bulk vs Branded %)



Source: Dalal & Broacha Research, Company



Source: Dalal & Broacha Research, Company

Financials

P&L (Rs mn)	FY21	FY22	FY23	FY24	FY25e	FY26e	FY27e
Net Sales	26,449	30,612	35,110	28,439	32,531	38,526	44,644
Operating Expenses	-16,554	-19,080	-22,706	-17,751	-19,812	-23,693	-27,367
Employee Cost	-1,943	-2,020	-2,184	-2,320	-2,711	-2,946	-3,152
Other Expenses	-3,084	-3,513	-3,554	-3,623	-3,969	-4,469	-5,089
Operating Profit	4,869	5,999	6,666	4,746	6,040	7,418	9,036
Depreciation	-466	-448	-519	-622	-682	-719	-811
PBIT	4,403	5,551	6,147	4,124	5,359	6,699	8,225
Other income	186	268	449	957	1,176	1,825	1,701
Interest	-56	-62	-54	-51	-56	-62	-68
PBT	4,533	5,757	6,542	5,029	6,478	8,462	9,858
Profit before tax	4,533	5,757	6,542	5,029	6,478	8,462	9,858
Provision for tax	-1,079	-1,522	-1,520	-1,332	-1,633	-2,132	-2,484
Profit & Loss from	-	-	-	-	-	-	-
Reported PAT	3,454	4,235	5,022	3,697	4,846	6,330	7,374
MI	-1	0	-	-2	-	-	-
Owners PAT	3,453	4,236	5,022	3,695	4,846	6,330	7,374
Adjusted Profit	3,453	4,236	5,022	3,695	4,846	6,330	7,374

Balance Sheet (Rs mn)	FY21	FY22	FY23	FY24	FY25e	FY26e	FY27e
Equity capital	4,991	4,991	4,991	4,991	4,991	4,991	4,991
Reserves	10,421	14,281	18,826	19,424	23,543	28,923	35,191
Net worth	15,412	19,272	23,818	24,416	28,535	33,915	40,182
MI	1	0	0	30	32	32	32
Non Current Liabilities	669	738	702	793	755	718	662
Current Liabilities	10,637	10,086	9,172	7,895	9,097	10,711	12,287
TOTAL LIABILITIES	26,719	30,096	33,691	33,133	38,418	45,376	53,164
Non Current Assets	3,676	4,876	5,812	6,404	6,216	7,193	9,285
Fixed Assets	2,925	3,892	4,678	5,570	5,432	6,447	8,593
Right of Use Assets	311	364	332	282	231	181	111
Financial Assets	53	301	359	71	71	81	96
Deferred Tax Asset	204	216	349	384	384	384	384
Advances	8	8	6	68	68	68	68
Assets	176	95	87	28	30	31	33
Current Assets	23,044	25,220	27,879	26,729	32,202	38,182	43,878
Current investments	2,902	3,560	2,388	3,457	3,976	4,572	5,258
Inventories	7,544	9,378	8,887	6,104	6,513	11,360	13,121
Trade Receivables	8,482	8,431	9,461	7,159	8,913	10,555	12,231
Cash and Bank Balances	2,421	791	3,028	1,833	4,481	3,166	4,524
Advances	23	5	5	-	-	-	-
Other Financial Assets	169	1,745	2,849	7,177	7,177	7,177	7,177
Other Current Assets	1,503	1,310	1,261	998	1,142	1,352	1,567
TOTAL ASSETS	26,719	30,096	33,691	33,133	38,418	45,376	53,164

Cashflow (Rs mn)	FY21	FY22	FY23	FY24	FY25e	FY26e	FY27e
Net Profit	3,453	4,236	5,022	3,695	4,846	6,330	7,374
Add: Dep. & Amort.	466	448	519	622	682	719	811
Cash profits	3,919	4,684	5,541	4,317	5,528	7,048	8,185
(Inc)/Dec in							
-Sundry debtors	15	51	-1,029	2,301	-1,754	-1,642	-1,676
-Inventories	-1,664	-1,834	491	2,783	-409	-4,846	-1,761
-Loans/advances	-441	-1,209	-1,182	-3,997	-145	-212	-216
-Current Liab and Provisions	2,441	-620	-912	-1,249	1,215	1,628	1,591
Change in working capital	352	-3,612	-2,633	-162	-1,093	-5,073	-2,063
CF from Oper. activities	4,271	1,072	2,908	4,155	4,434	1,975	6,122
CF from Inv. activities	-2,498	-2,374	-159	-2,246	-1,011	-2,291	-3,588
CF from Fin. activities	-287	-327	-513	-3,105	-775	-1,000	-1,176
Cash generated/(utilised)	1,485	-1,629	2,237	-1,195	2,648	-1,315	1,358
Cash at start of the year	935	2,421	791	3,028	1,833	4,481	3,166
Cash at end of the year	2,421	791	3,028	1,833	4,481	3,166	4,524

Ratios	FY21	FY22	FY23	FY24	FY25e	FY26e	FY27e
OPM	18.4	19.6	19.0	16.7	18.6	19.3	20.2
NPM	13.0	13.7	14.1	12.6	14.4	15.7	15.9
Tax rate	-23.8	-26.4	-23.2	-26.5	-25.2	-25.2	-25.2
Growth Ratios (%)							
Net Sales	9.1	15.7	14.7	-19.0	14.4	18.4	15.9
Operating Profit	46.1	23.2	11.1	-28.8	27.3	22.8	21.8
PBIT	50.7	26.1	10.7	-32.9	29.9	25.0	22.8
PAT	68.8	22.6	18.6	-26.4	31.1	30.6	16.5
Per Share (Rs.)							
Net Earnings (EPS)	6.92	8.49	10.06	7.40	9.71	12.68	14.77
Cash Earnings (CPS)	7.85	9.38	11.10	8.65	11.07	14.12	16.40
Dividend	0.80	1.00	1.20	5.90	1.46	1.90	2.22
Book Value	30.88	38.61	47.72	48.91	57.17	67.95	80.50
Free Cash Flow	7.78	-0.46	2.71	4.64	6.20	-1.69	4.41
Valuation Ratios							
P/E(x)	71	58	49	67	51	39	33
P/B(x)	16	13	10	10	9	7	6
EV/EBIDTA(x)	49	40	36	51	39	32	26
Div. Yield(%)	0.16	0.20	0.24	1.20	0.30	0.39	0.45
FCF Yield(%)	1.58	-0.09	0.55	0.94	1.26	-0.34	0.89
Return Ratios (%)							
ROE	25%	24%	23%	15%	18%	20%	20%
ROCE	33%	34%	31%	21%	25%	27%	27%
RoIC	35%	32%	33%	31%	38%	34%	32%

Source: Dalal & Broacha Research

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