



Strong beat on margins; Export drives growth

Sumitomo Chemicals India Ltd (SCIL) reported revenue/gross margin/ebitda/pat/eps growth of 9%/21%/31%/32%/34% YoY. Major contributor to single digit revenue growth was exports which nearly doubled to Rs.1.8bn (+138% YoY) on impacted base whereas overall domestic sales declined by 3% to Rs.8bn led by +12% volume YoY & approx 15% decline in prices. The main challenges in domestic market were uneven and excessive rainfall, which hindered spraying activities by farmers, and a notable decline in cotton acreage in northern India—down nearly 40%. This shift away from cotton was further driven by a pink bollworm pest infestation, prompting farmers to switch to other crops.

SCIL reported its highest-ever gross margin at 42.6% (+421 bps YoY) on 9% YoY revenue growth, driven by a focus on high-margin products, export market normalization, and cost-efficient procurement. Despite low volume growth, SCIL prioritized profitability, optimizing purchase and sales prices to maintain stable performance. SCIL's higher gross margin, combined with stable employee and operating expenses, led to its highest-ever EBITDA margin of 24.8%, up 402 bps YoY.

Outlook for 2HFY25 : With improved soil moisture and higher reservoir levels at 87% capacity, SCIL anticipates increased agrochemical demand in 2HFY25 as favorable conditions encourage expanded Rabi season acreage. Average price decline was 15% in 2Q; a negative price delta is expected in 2HFY25 compared to last year, though it will be smaller than in 1HFY25.

Key financial highlights

- Revenues at ₹9883Mn, 9.4%YoY/17.9%QoQ
- EBITDA (Excl OI) at ₹2453Mn, 30.6%YoY/52.3%QoQ
- PAT at ₹1935Mn, 31.8%YoY/51.8%QoQ
- Gross Margin came in at 42.6% vs 38.4% YoY/39% QoQ
- Gross Margin saw improvement of 421 bps on YoY basis
- EBITDA Margin (Excl OI) came in at 24.9% vs 20.9% YoY/19.3% QoQ
- EBITDA Margin (Excl OI) saw improvement of 402 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	34,406	40,666	47,414
EBIDTA	4,869	5,999	6,666	4,760	7,215	8,605	10,249
Margins	18.4	19.6	19.0	16.7	21.0	21.2	21.6
PAT (adj)	3,453	4,236	5,022	3,709	5,273	6,274	7,571
Growth (%)	68.8	22.6	18.6	-26.1	42.1	19.0	20.7
EPS	6.92	8.49	10.06	7.43	10.56	12.57	15.17
P/E (x)	80	65	55	74	52	44	36
P/B (x)	18	14	12	11	10	8	7
EV/EBITDA (x)	56	45	41	57	38	31	26
RoE (%)	25	24	23	15	20	20	20
ROCE (%)	33	34	31	21	27	27	27
RoIC (%)	35	32	33	31	32	32	31

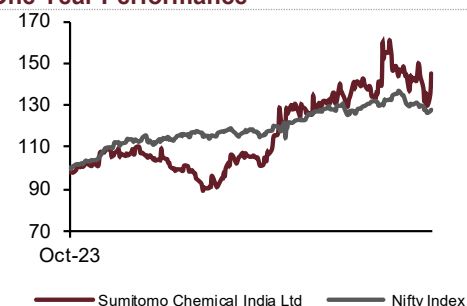
Source: Dalal and Broacha

Rating	TP (Rs)	Up/Dn (%)
ACCUMULATE	600	8

Market Data

Current price	Rs	553
Market Cap (Rs.Bn)	(Rs Bn)	276
Market Cap (US\$ Mn)	(US\$ Mn)	3,284
Face Value	Rs	10
52 Weeks High/Low	Rs	628.3 / 336.1
Average Daily Volume	('000)	1,028
BSE Code		542920
Bloomberg		SUMICHEM.IN
Source: Bloomberg		

One Year Performance



Source: Bloomberg

% Shareholding	Sep-24	Jun-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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Strong growth in new product offerings (+65% YoY) leading to better margins

SCIL saw strong traction in new products like **Meshi**, an insecticide containing 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. Growth was driven by increased farmer engagement activities compared to the base year. The new product basket contributed ~8-10% of overall revenue.

Normalisation of export demand driving revenue growth

SCIL saw a strong surge in exports which nearly doubled to Rs.1.8bn (+138% YoY) on impacted base. SCIL witnessed a normalization of export demand compared to last year, when excess inventories had constrained sales, with strong sales rebounds in key markets like Japan and LATAM. Demand remains strong, particularly in Brazil (80% contributor from LATAM), with growth driven by volume rather than a product shift from China to India.

Encouraging 2HFY25 signs increases visibility

With improved soil moisture and higher water levels in 155 major reservoirs at 87% capacity (above last year's level), SCIL anticipates increased agrochemical demand in 2HFY25, as favorable conditions are expected to encourage expanded Rabi season acreage. Input costs are expected to stay stable through Q3 and Q4, with no major cost increases anticipated for the Rabi season. Selling prices are not expected to decline in the Rabi season, supporting better margins than historical levels.

Valuation & Outlook

Positive indicators for 2HFY25, coupled with new product launches and a robust demand generation campaign, create a favorable outlook for SCIL. Management's guidance on overall margin expansion, particularly in the challenging agrochemical landscape, highlights SCIL's strong brand and extensive distribution capabilities. The recovery in exports from a low base is also expected to drive growth further. With environmental clearance secured for the Dahej facility, SCIL is poised to announce new molecules soon, setting the stage for the next phase of growth. We believe these factors collectively support a trajectory of consistent performance for SCIL. We maintain our **ACCUMULATE** rating following the recent price increase but are raising our target price from "Rs.525 to Rs.600" valuing the company at 40x Sept'26 earnings as we roll over to FY27e earnings. **At CMP of Rs.550 stock trades at 44x/36x FY26/27e EPS of Rs.12.6/15.2.** Higher multiple is commanded by superior execution, strong parentage, branding efforts & optional value of semiconductor/IT chemicals/farm equipment/seeds business.

Conference Call KTAs

Growth Outlook:

- The company expects export growth to be higher than domestic growth due to the low base last year.
- Export margins are not anticipated to exceed domestic margins, aiming instead for comprehensive growth across the business.
- Export revenue jumped from 11% in H1FY24 to 17% in H1FY25 due to normalization of demand; revenue from exports to Japan is expected to be close to INR 1.25 billion, with full ramp-up to INR 2.5 billion projected next year.

Pricing & Margin Outlook:

- The company aims to maintain an EBITDA margin of 18-20% on a full-year basis despite a higher 22% EBITDA in 1HFY25.
- Input costs are expected to stay stable through 3Q and 4Q, with no major cost increases anticipated for the Rabi season. Selling prices are not expected to decline in the Rabi season, supporting better margins than historical levels. Margins are expected to remain stable, with superior Rabi season margins compared to historical levels. No significant impact on margins due to exports, as domestic and export margins differ only by basis points.

Production, Expansion, and Capex Plans:

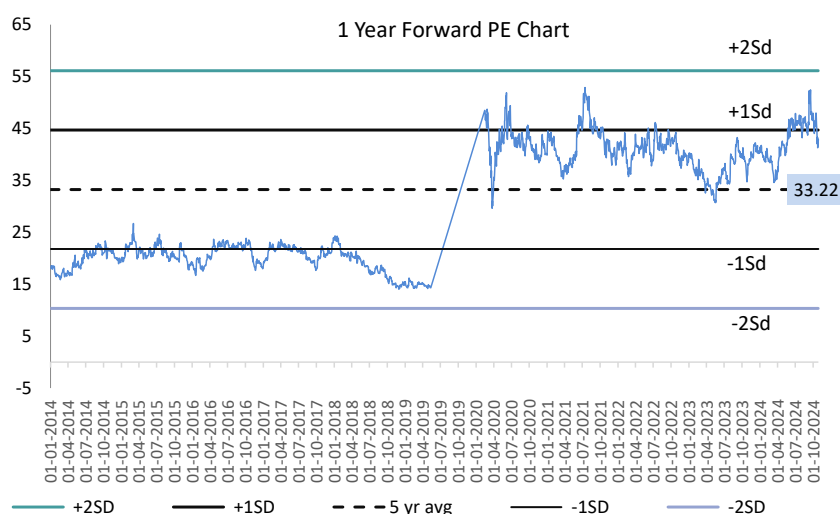
- The Bhavnagar plant is expected to reach full production and commercialization within this year.
- SCIL received environmental clearance for the upcoming Dahej plant, with construction set to begin in FY26. The plant will produce a cluster of products, including exclusive offerings for SCC Japan, specialty products, and generics. Company is still in the process of evaluating which products to manufacture at Dahej.
- Planned capex stands at Rs.3bn for Dahej, with the potential to increase to Rs.6-7 bn for next phase of growth. This year, however, only Rs.0.2-0.3bn was allocated for maintenance capex, as the focus is on ramping up volumes from existing capacity rather than incurring significant new capex.

Quarterly Financials

(Rs.Mn)	2QFY25	2QFY24	YoY Growth (%)	1QFY25	QoQ Growth (%)
Revenue	9,883	9,035	9%	8,389	18%
Other Income	312	246	27%	260	20%
Total RM Cost	5,676	5,569	2%	5,125	11%
Gross Margin	4,207	3,465	21%	3,264	29%
Employee Expense	661	589	12%	655	1%
Other Expenses	1,093	997	10%	998	10%
Total Expenses	7,430	7,155	4%	6,778	10%
EBITDA (Excluding OI)	2,453	1,879	31%	1,611	52%
Depreciation	157	158	0%	149	6%
EBIT / PBIT	2,608	1,967	33%	1,722	51%
Finance Costs	12	12	-2%	12	3%
EBT/ PBT	2,596	1,955	33%	1,711	52%
Tax Expense	661	487	36%	436	52%
Net Profit after Tax	1,935	1,468	32%	1,275	52%
Adj Earning Per Share	3.85	2.87	34%	2.54	52%
Margins (%)			(In bps)		(In bps)
Gross Margins	42.6%	38.4%	421	38.9%	365
EBITDA Margins (Excl OI)	24.8%	20.8%	402	19.2%	561
PAT Margins	18.9%	15.5%	340	14.6%	421
As a % to sales					
RM as a % to sales	57.4%	61.6%		61.1%	
EE Cost as a % to sales	6.7%	6.5%		7.8%	
Other exps as a % to sales	11.1%	11.0%		11.9%	

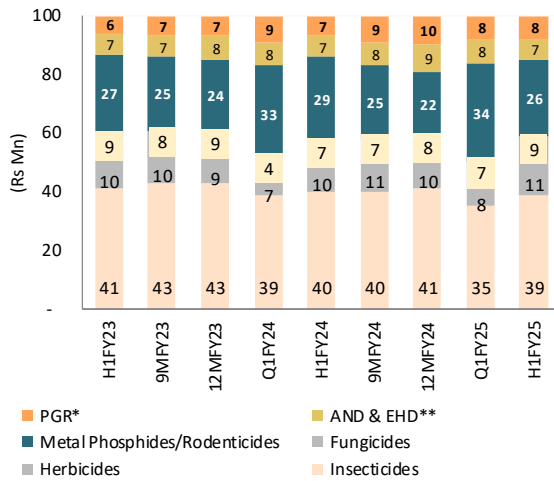
Source: Dalal & Broacha Research

12 Month Forward PE Chart

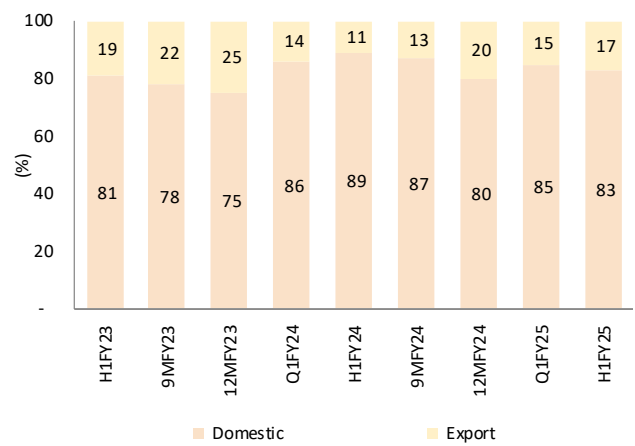


Source: Dalal & Broacha Research

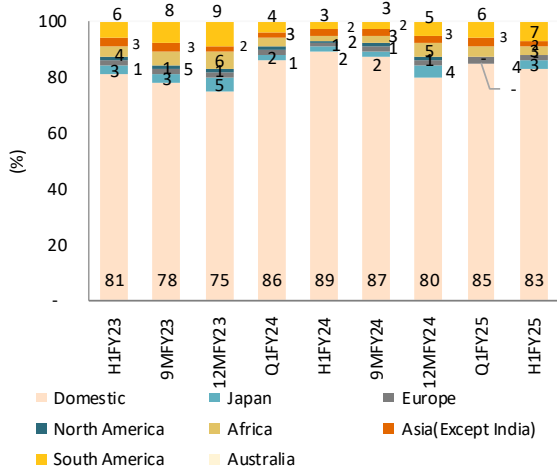
Revenue Mix (%)



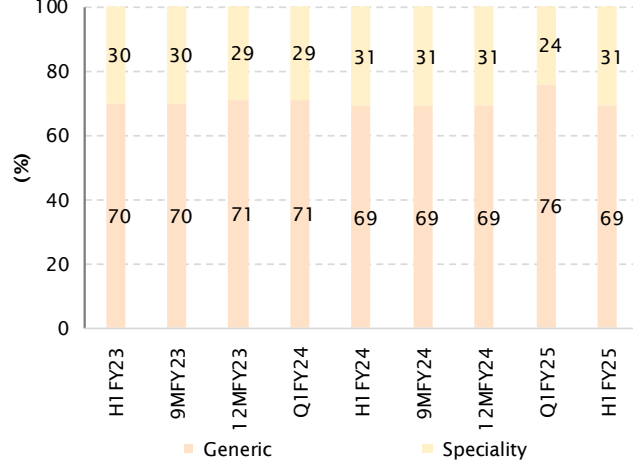
Geographic Breakup (%)



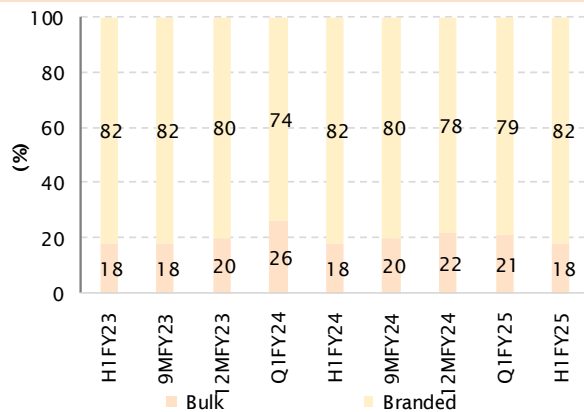
International Rev Mix (%)



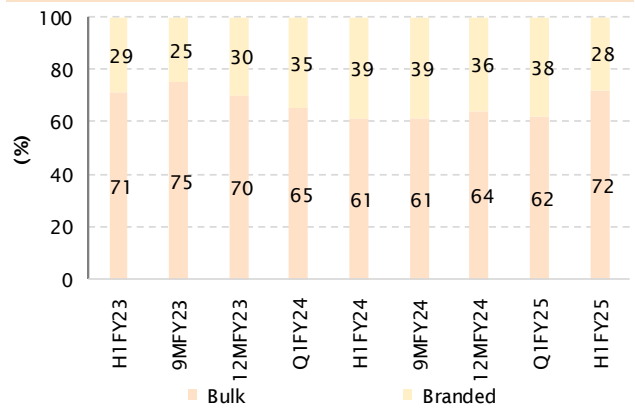
Segment Breakup (%)



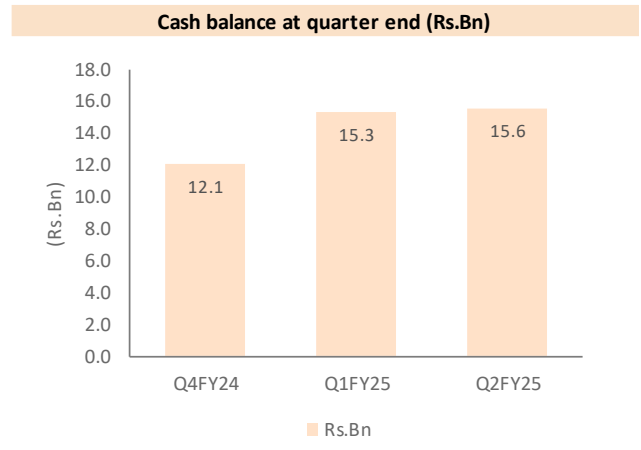
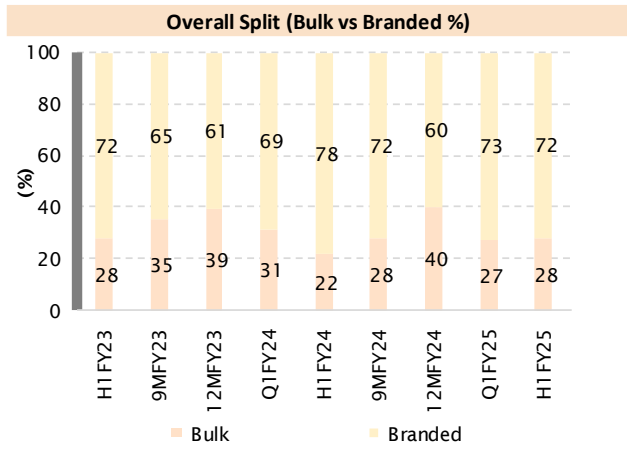
Domestic (Bulk vs Branded %)



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	34,406	40,666	47,414
Operating Expenses	-16,554	-19,080	-22,706	-17,751	-20,712	-24,603	-28,685
Employee Cost	-1,943	-2,020	-2,184	-2,320	-2,522	-2,741	-2,933
Other Expenses	-3,084	-3,513	-3,554	-3,609	-3,957	-4,717	-5,547
Operating Profit	4,869	5,999	6,666	4,760	7,215	8,605	10,249
Depreciation	-466	-448	-519	-622	-682	-719	-811
PBIT	4,403	5,551	6,147	4,138	6,533	7,886	9,437
Other income	186	268	449	957	573	563	753
Interest	-56	-62	-54	-51	-56	-62	-68
PBT	4,533	5,757	6,542	5,043	7,050	8,388	10,122
Profit before tax	4,533	5,757	6,542	5,043	7,050	8,388	10,122
Provision for tax	-1,079	-1,522	-1,520	-1,332	-1,777	-2,114	-2,551
Profit & Loss from	-	-	-	-	-	-	-
Reported PAT	3,454	4,235	5,022	3,711	5,273	6,274	7,571
MI	-1	0	-	-2	-	-	-
Owners PAT	3,453	4,236	5,022	3,709	5,273	6,274	7,571
Adjusted Profit	3,453	4,236	5,022	3,709	5,273	6,274	7,571

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	23,906	29,240	35,675
Net worth	15,412	19,272	23,818	24,416	28,898	34,231	40,667
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	9,231	10,822	12,511
TOTAL LIABILITIES	26,719	30,096	33,691	33,133	38,915	45,803	53,871
Non Current Assets	3,676	4,876	5,812	6,404	6,216	7,198	9,291
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	86	101
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	32,699	38,605	44,581
Current investments	2,902	3,560	2,388	3,457	3,878	4,349	4,878
Inventories	7,544	9,378	8,887	6,104	9,931	11,796	13,753
Trade Receivables	8,482	8,431	9,461	7,159	9,426	11,141	12,990
Cash and Bank Balances	2,421	791	3,028	1,833	1,080	2,715	4,119
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	1,207	1,427	1,664
TOTAL ASSETS	26,719	30,096	33,691	33,133	38,915	45,803	53,871

Cashflow (Rs mn)	FY21	FY22	FY23	FY24	FY25e	FY26e	FY27e
Net Profit	3,453	4,236	5,022	3,709	5,273	6,274	7,571
Add: Dep. & Amort.	466	448	519	622	682	719	811
Cash profits	3,919	4,684	5,541	4,331	5,955	6,993	8,382
(Inc)/Dec in							
-Sundry debtors	15	51	-1,029	2,301	-2,267	-1,715	-1,849
-Inventories	-1,664	-1,834	491	2,783	-3,826	-1,865	-1,957
-Loans/advances	-441	-1,209	-1,182	-3,997	-211	-221	-238
-Current Liab and Provisions	2,441	-620	-912	-1,249	1,349	1,605	1,703
Change in working capital	352	-3,612	-2,633	-162	-4,955	-2,197	-2,342
CF from Oper. activities	4,271	1,072	2,908	4,169	999	4,796	6,041
CF from Inv. activities	-2,498	-2,374	-159	-2,246	-913	-2,170	-3,431
CF from Fin. activities	-287	-327	-513	-3,119	-839	-991	-1,206
Cash generated/(utilised)	1,485	-1,629	2,237	-1,195	-753	1,635	1,404
Cash at start of the year	935	2,421	791	3,028	1,833	1,080	2,715
Cash at end of the year	2,421	791	3,028	1,833	1,080	2,715	4,119

Ratios	FY21	FY22	FY23	FY24	FY25e	FY26e	FY27e
OPM	18.4	19.6	19.0	16.7	21.0	21.2	21.6
NPM	13.0	13.7	14.1	12.6	15.1	15.2	15.7
Tax rate	-23.8	-26.4	-23.2	-26.4	-25.2	-25.2	-25.2
Growth Ratios (%)							
Net Sales	9.1	15.7	14.7	-19.0	21.0	18.2	16.6
Operating Profit	46.1	23.2	11.1	-28.6	51.6	19.3	19.1
PBIT	50.7	26.1	10.7	-32.7	57.9	20.7	19.7
PAT	68.8	22.6	18.6	-26.1	42.1	19.0	20.7
Per Share (Rs.)							
Net Earnings (EPS)	6.92	8.49	10.06	7.43	10.56	12.57	15.17
Cash Earnings (CPS)	7.85	9.38	11.10	8.68	11.93	14.01	16.79
Dividend	0.55	0.80	1.20	0.89	1.58	1.89	2.28
Book Value	30.88	38.61	47.72	48.91	57.89	68.58	81.47
Free Cash Flow	7.78	-0.46	2.71	4.66	0.23	5.85	5.67
Valuation Ratios							
P/E(x)	80	65	55	74	52	44	36
P/B(x)	18	14	12	11	10	8	7
EV/EBIDTA(x)	56	45	41	57	38	31	26
Div. Yield(%)	0.10	0.14	0.22	0.16	0.29	0.34	0.41
FCF Yield(%)	1.41	-0.08	0.49	0.84	0.04	1.06	1.02
Return Ratios (%)							
ROE	25%	24%	23%	15%	20%	20%	20%
ROCE	33%	34%	31%	21%	27%	27%	27%
RoIC	35%	32%	33%	31%	32%	32%	31%

Source: Dalal & Broacha Research

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