



Sharp domestic recovery; Cautious outlook on exports

Positive domestic sentiment coupled with above normal monsoon prediction by IMD led to strong revenue growth along with EBITDA margins seeing sharp improvement on YoY basis (+807 bps) on low base of last year. Gross margin saw a slight decline on a sequential basis at 38.9% vs 41.7% last quarter, mainly due to the robust growth in sales of generic products (+24% YoY) and a marginal decline (-4% YoY) in sales of specialty products. We expect gross margins to hover around in this range of ~38-39%. Mostly importantly demand has picked up at farmer level & positive sentiment doesn't relate to channel restocking.

Positive outlook for domestic markets but weak sentiment for exports

Outlook remains cautiously optimistic (contingent on rainfall patterns in month of Aug & Sept) for domestic growth in 2HFY25 citing strong domestic recovery in 1QFY25 (Dom grwth +14% YoY). SCIL witnessed robust growth across all product segments in domestic market, particularly in herbicides, fungicides, and plant growth regulators (PGR).

Whereas export showed +24% YoY growth driven by LATAM & other countries but outlook remains weak owing to climatic conditions of El Nino in LATAM region. Exports to Japan was hit badly with no YoY sales seen owing to delays in shipments caused by logistical issues. Expecting only Rs.1.25 bn revenue from supply to Japan this year which was expected to be Rs.2.5 bn which is expected to achieve in FY26.

Total Kharif acreage up 2.3% YoY crossing 811 lakh hectare as on 26th July 2024

Favourable market sentiment (above normal monsoon & La Nina prediction by IMD) & stable input costs in domestic market has been the primary growth driver for 1QFY25. Mostly importantly demand has picked up at farmer level & positive sentiment doesn't relate to channel restocking. Price volatility observed last year has stabilised to a great extent.

Financial Summary

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24	FY25e	FY26e	FY27e
Net sales	26,449	30,612	35,110	28,439	34,096	41,516	48,271
EBIDTA	4,869	5,999	6,666	4,760	6,513	8,220	9,763
Margins	18.4	19.6	19.0	16.7	19.1	19.8	20.2
PAT (adj)	3,453	4,236	5,022	3,709	4,748	5,957	7,139
Growth (%)	68.8	22.6	18.6	-26.1	27.9	25.5	19.8
EPS	6.92	8.49	10.06	7.43	9.51	11.93	14.30
P/E (x)	77	63	53	72	56	45	37
P/B (x)	17	14	11	11	9	8	7
EV/EBITDA (x)	54	44	39	55	40	32	27
RoE (%)	25	24	23	15	18	19	20
ROCE (%)	33	34	31	21	24	26	26
RoIC (%)	35	32	33	31	29	29	29

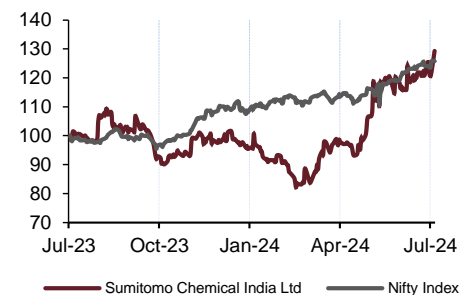
Source: Company, Dalal & Broacha Research

Rating	TP (Rs)	Up/Dn (%)
ACCUMULATE	525	-2

Market data

Current price	Rs	534
Market Cap (Rs.Bn)	(Rs Bn)	266
Market Cap (US\$ Mn)	(US\$ Mn)	3,182
Face Value	Rs	10
52 Weeks High/Low	Rs	540.8 / 336.1
Average Daily Volume	('000)	516
BSE Code		542920
Bloomberg		SUMICHEM.IN
Source: Bloomberg		

One Year Performance



Source: Bloomberg

% Shareholding	Jun-24	Mar-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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Strategy ahead [Rs.3bn capex + 9(3) launches]

SCIL may announce name of molecules for further capex of Rs.3 bn which they have iterated in previous concalls once the environmental clearance is received in CY24.We expect revenues to flow in from FY26-27.SCIL is gearing up to launch several unique first time registered molecules in India after years of efforts which is expected to ramp up over next years.(We bake in >15% domestic sales growth over FY24-27e)

Capacity utilisation @80% across plants

SCIL's capacity utilisation stands at 80% across plants which can go upto 100% levels if there is surge in demand.However,SCIL can even outsource certain manufacturing in case of peak demand & capacity does not remain as a constraint.

Key financial highlights

- Revenues at ₹8389Mn,15.9%YoY/24.5%QoQ
- EBITDA (Excl OI) at ₹1611Mn,99.8%YoY/15%QoQ
- PAT at ₹1275Mn,104.1%YoY/12.4%QoQ
- Gross Margin came in at 39% vs 31.2% YoY/41.8% QoQ
- Gross Margin saw improvement of 780 bps on YoY basis
- EBITDA Margin (Excl OI) came in at 19.3% vs 11.2% YoY/20.8% QoQ
- EBITDA Margin (Excl OI) saw an improvement of 808 bps on YoY basis

Quarterly Financials

(Rs.Mn)	1QFY25A	1QFY24	YoY Growth (%)	4QFY24	QoQ Growth (%)
Revenue from Operations	8,389	7,242	16%	6,742	24%
Other Income	260	175	48%	267	-3%
Total RM Cost	5,125	4,989	3%	3,927	30%
Gross Margin	3,264	2,254	45%	2,815	16%
Employee Benefits Expense	655	601	9%	592	11%
Other Expenses	998	847	18%	821	22%
Total Expenses	6,778	6,436	5%	5,340	27%
EBITDA (Excluding Other Income)	1,611	806	100%	1,402	15%
Depreciation and Amortisation Expenses	149	135	10%	168	-11%
EBIT / PBIT	1,722	846	104%	1,501	15%
Finance Costs	12	13	-11%	13	-9%
EBT/ PBT	1,711	833	105%	1,488	15%
Tax Expense	436	209	109%	353	23%
Net Profit after Tax	1,275	625	104%	1,135	12%
Adj Earning Per Share	2.54	1.24	105%	2.20	15%
Margins (%)			(In bps)		(In bps)
Gross Margins	38.9%	31.1%	780	41.7%	-284
EBITDA Margins (Excl Other Income)	19.2%	11.1%	807	20.8%	-159
PAT Margins	14.6%	8.3%	633	15.7%	-103
As a % to sales					
RM as a % to sales	61.1%	68.9%		58.3%	
EE Cost as a % to sales	7.8%	8.3%		8.8%	
Other exps as a % to sales	11.9%	11.7%		12.2%	

Source: Dalal & Broacha Research

Valuation & Outlook

Positive domestic sentiment, coupled with the IMD's above-normal monsoon prediction, led to strong revenue growth and an 807 bps YoY improvement in EBITDA margins. Despite a slight sequential decline in gross margin to 38.9%, driven by robust generic product sales (+24% YoY) and a marginal decline in specialty products (-4% YoY), demand at the farmer level remains strong. Domestic growth was 14% YoY, with significant gains in herbicides, fungicides, and PGRs, while exports showed 24% YoY growth, while LATAM, Africa, Southeast Asia outperforming and logistical issues in Japan lead to no sales for the current quarter. The Kharif acreage increased by 2.3% YoY to 811 lh as of July 26, 2024. Favorable market sentiment and stable input costs were key drivers for Q1FY25. SCIL plans a Rs. 3 bn capex and several unique product launches, with capacity utilization at 80% level across plants. The outlook for domestic markets is positive, contingent on August and September rainfall, while export sentiment remains weak.

Valuation : We continue to maintain **ACCUMULATE** rating while increasing our EPS estimates as we roll over to Sept'26 & **increase our target price from "Rs.470 to Rs.525"** valuing the company at 40x Sept'26 earnings. At CMP of Rs.534 stock trades at 45x/37x FY26/27e EPS of Rs.11.9/14.3. Higher multiple is commanded by superior execution, strong parentage, branding efforts & optional value of semiconductor/IT chemicals business.

Financials

P&L (Rs mn)	FY21	FY22	FY23	FY24	FY25e	FY26e	FY27e
Net Sales	26,449	30,612	35,110	28,439	34,096	41,516	48,271
Operating Expenses	-16,554	-19,080	-22,706	-17,751	-21,139	-25,740	-29,928
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	-3,921	-4,816	-5,648
Operating Profit	4,869	5,999	6,666	4,760	6,513	8,220	9,763
Depreciation	-466	-448	-519	-622	-682	-719	-811
PBIT	4,403	5,551	6,147	4,138	5,832	7,501	8,952
Other income	186	268	449	957	573	525	660
Interest	-56	-62	-54	-51	-56	-62	-68
PBT	4,533	5,757	6,542	5,043	6,348	7,964	9,544
Profit before tax	4,533	5,757	6,542	5,043	6,348	7,964	9,544
Provision for tax	-1,079	-1,522	-1,520	-1,332	-1,600	-2,007	-2,405
Profit & Loss from	-	-	-	-	-	-	-
Reported PAT	3,454	4,235	5,022	3,711	4,748	5,957	7,139
MI	-1	0	-	-2	-	-	-
Owners PAT	3,453	4,236	5,022	3,709	4,748	5,957	7,139
Adjusted Profit	3,453	4,236	5,022	3,709	4,748	5,957	7,139

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	23,460	28,524	34,592
Net worth	15,412	19,272	23,818	24,416	28,452	33,515	39,583
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	9,302	11,186	12,901
TOTAL LIABILITIES	26,719	30,096	33,691	33,133	38,540	45,451	53,178
Non Current Assets	3,676	4,876	5,812	6,404	6,216	7,197	9,293
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	85	103
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	32,324	38,254	43,885
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	10,135	12,341	14,349
Trade Receivables	8,482	8,431	9,461	7,159	9,341	11,374	13,225
Cash and Bank Balances	2,421	791	3,028	1,833	597	1,556	2,562
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	1,196	1,457	1,694
TOTAL ASSETS	26,719	30,096	33,691	33,133	38,540	45,451	53,178

Cashflow (Rs mn)	FY21	FY22	FY23	FY24	FY25e	FY26e	FY27e
Net Profit	3,453	4,236	5,022	3,709	4,748	5,957	7,139
Add: Dep. & Amort.	466	448	519	622	682	719	811
Cash profits	3,919	4,684	5,541	4,331	5,430	6,676	7,950
(Inc)/Dec in							
-Sundry debtors	15	51	-1,029	2,301	-2,182	-2,033	-1,851
-Inventories	-1,664	-1,834	491	2,783	-4,031	-2,206	-2,008
-Loans/advances	-441	-1,209	-1,182	-3,997	-200	-262	-239
-Current Liab and Provisions	2,441	-620	-912	-1,249	1,420	1,897	1,729
Change in working capital	352	-3,612	-2,633	-162	-4,993	-2,603	-2,368
CF from Oper. activities	4,271	1,072	2,908	4,169	437	4,072	5,582
CF from Inv. activities	-2,498	-2,374	-159	-2,246	-913	-2,169	-3,434
CF from Fin. activities	-287	-327	-513	-3,119	-761	-944	-1,141
Cash generated/(utilised)	1,485	-1,629	2,237	-1,195	-1,237	959	1,007
Cash at start of the year	935	2,421	791	3,028	1,833	597	1,556
Cash at end of the year	2,421	791	3,028	1,833	597	1,556	2,562

Ratios	FY21	FY22	FY23	FY24	FY25e	FY26e	FY27e
OPM	18.4	19.6	19.0	16.7	19.1	19.8	20.2
NPM	13.0	13.7	14.1	12.6	13.7	14.2	14.6
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	19.9	21.8	16.3
Operating Profit	46.1	23.2	11.1	-28.6	36.8	26.2	18.8
PBIT	50.7	26.1	10.7	-32.7	40.9	28.6	19.3
PAT	68.8	22.6	18.6	-26.1	27.9	25.5	19.8
Per Share (Rs.)							
Net Earnings (EPS)	6.92	8.49	10.06	7.43	9.51	11.93	14.30
Cash Earnings (CPS)	7.85	9.38	11.10	8.68	10.88	13.37	15.93
Dividend	0.55	0.80	1.20	0.89	1.43	1.79	2.15
Book Value	30.88	38.61	47.72	48.91	57.00	67.15	79.30
Free Cash Flow	7.78	-0.46	2.71	4.66	-0.90	4.46	4.89
Valuation Ratios							
P/E(x)	77	63	53	72	56	45	37
P/B(x)	17	14	11	11	9	8	7
EV/EBIDTA(x)	54	44	39	55	40	32	27
Div. Yield(%)	0.10	0.15	0.22	0.17	0.27	0.34	0.40
FCF Yield(%)	1.46	-0.09	0.51	0.87	-0.17	0.84	0.92
Return Ratios (%)							
ROE	25%	24%	23%	15%	18%	19%	20%
ROCE	33%	34%	31%	21%	24%	26%	26%
RoIC	35%	32%	33%	31%	29%	29%	29%

Source: Dalal & Broacha Research

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