Sumitomo Chemicals India Ltd (SCIL)

Q1FY26 Result Update | **Agro-Chemicals**

DALAL & BROACHA STOCK BROKING PVT. LTD.

Institutional Equity Research Desk

29 July 2026

Resilient Start to FY27; Growth Pipeline Intact

SCIL reported a resilient Q1FY27 performance with Revenue/EBITDA/PAT up 1%/6%/20% YoY to ₹10.63 bn/₹2.33 bn/₹2.15 bn, respectively. Operating performance remained healthy despite an unfavourable start to the kharif season, with a ~40% rainfall deficit till June-end and ~20% lower acreage across key crops weighing on domestic demand. Revenue growth was modest; however, profitability improved as gross margin expanded 111 bps YoY to 39.2%, driven by calibrated pricing, favourable product mix and cost discipline. EBITDA margin improved 120 bps YoY to 21.9%, while reported PAT included a one-time insurance claim of ₹269 mn related to the FY23 Bhavnagar fire, resulting in a 20% YoY increase in reported PAT. Excluding the exceptional item, core profitability remained resilient.

July witnessed a meaningful improvement in demand, supported by normalising monsoon conditions and a recovery in sowing activity. The company continues to focus on sustainable profitability rather than chasing volume growth, while maintaining production utilisation at 92-100% for technical plants and ~65% for formulation facilities. Inventory was deliberately built ahead of the season and geopolitical uncertainties to ensure uninterrupted supplies. Export revenues increased 26% YoY, led by a recovery in Latin America, while Africa and Asia continued to deliver healthy growth. Japan exports remained stable, with exports accounting for 16% of total revenue.

SCIL continues to strengthen its long-term growth platform through new product introductions and deeper integration with the parent. Top Grain, a biostimulant sourced from Sumitomo Biorational Company, and Helibax are scheduled for commercial launch in Q2FY27. India has also been elevated to Tier-1 status for early-stage molecule trials within the Sumitomo Chemical group, improving visibility for future proprietary product launches.

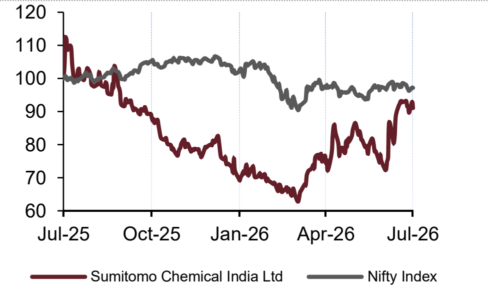
Beyond agrochemicals, SCIL is evaluating an entry into high-purity semiconductor chemicals in collaboration with Sumitomo Chemical Japan. Discussions with Indian customers and the Government are ongoing, while SCIL's role and investment structure remain under discussion. No timeline or commercial plan has been finalized. The company also remains on track with its announced capex pipeline, led by the ₹150 crore Dahej herbicide intermediate project and the ₹10 crore Tarapur fitment project, both aimed at strengthening SCIL's strategic manufacturing role within the parent group's global supply chain. Supported by a debt-free balance sheet and ₹25.5 bn of cash, SCIL continues to evaluate additional parent-linked manufacturing opportunities while maintaining a disciplined capital allocation approach.

Rating	TP (Rs)	Up/Dn (%)
BUY	**620**	**17**

Market Data		
Current price	**Rs**	**530**
Market Cap (Rs.Bn)	(Rs Bn)	269
Market Cap (US$ Mn)	(US$ Mn)	2,785
Face Value	Rs	10
52 Weeks High/Low	Rs	665 / 362.6
Average Daily Volume	('000)	305
BSE Code		**542920**
Bloomberg		SUMICHEM.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	**Jun-26**	**Mar-26**
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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Key Risks to Watch for FY27:

- **Monsoon & farm demand:** The weak start to the southwest monsoon impacted Q1 demand, with rainfall running well below normal until June-end, delaying kharif sowing and early-season pesticide consumption. While rainfall improved during July, the quality and distribution of rainfall during August will be critical for crop health, farm incomes and demand through the remainder of the kharif season.
- **Input cost inflation:** Raw material, packaging, solvent and freight costs remain elevated amid ongoing geopolitical uncertainty. SCIL continues to take calibrated, product-specific price increases to protect margins while remaining competitive.
- **Geopolitical & supply chain risks:** Despite continued disruptions in global logistics, SCIL has built adequate inventories ahead of the season and does not expect any meaningful supply constraints. Freight cost increases are being passed through wherever possible, while the company's natural export-import hedge limits foreign exchange risk.
- **Execution of growth initiatives::** Timely commercialisation of Top Grain and Helibax, execution of the Dahej and Tarapur capex projects, and progress on the semiconductor chemicals opportunity will be the key drivers to monitor over the medium term.

Transition Effective 1 September 2026

- Dr. Suresh Ramachandran (current Deputy MD) → Managing Director.
- Mr. Chetan Shah (current MD) → Non-Executive Chairman; will continue in advisory role.
- Mr. Sushil Marfatia retires as Executive Director.
- Mr. Mukul Govindji retires as Independent Director and Chairman.
- New independent director Mr. Anand Mohan Tiwari.
- N. Sivaraman re-appointment as Independent Director.

Financial Summary

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25	FY26	FY27e	FY28e
Net sales	30,612	35,110	28,439	31,485	32,383	36,751	43,385
EBIDTA	5,999	6,666	4,746	6,321	6,709	7,476	9,013
Margins	19.6	19.0	16.7	20.1	20.7	20.3	20.8
PAT (adj)	4,236	5,022	3,695	5,056	5,550	6,125	7,405
Growth (%)	22.6	18.6	-26.4	37.0	7.2	10.6	21.3
EPS	8.49	10.06	7.40	10.13	10.88	12.03	14.59
P/E (x)	48	41	55	41	45	41	34
P/B (x)	11	9	8	7	7	6	5
EV/EBITDA (x)	33	30	42	32	35	31	25
RoE (%)	24	23	15	19	18	17	18
ROCE (%)	34	31	21	26	24	23	24
RoIC (%)	32	33	27	32	27	27	30

Key financial highlights

- Revenue at ₹10633 mn, +1.0% YoY
- EBITDA at ₹2,330 mn, +6.0% YoY
- Reported PAT at ₹2,150 mn, +20.0% YoY (supported by a one time insurance claim of ₹269 mn)
- Gross margin expanded 111 bps YoY to 39.2%
- EBITDA margin expanded 120 bps YoY to 21.9%
- PAT margin improved 332 bps YoY to 20.2%, aided by the insurance claim.

Capex Pipeline Underway; Dahej to Anchor Long-Term Growth

The company continues to execute its announced capex pipeline. The ₹150 crore Dahej herbicide intermediate project remains on track for Q2FY29 commercialization and represents SCIL's first strategic investment to develop Dahej as a global manufacturing hub for the parent company's patented molecules. Initial operations will leverage the parent's process technology, with further process optimization to be undertaken by SCIL. The ₹10 crore Tarapur fitment project, targeted for Q4FY28 commercialization, will manufacture one fungicide and one herbicide molecule for the parent company, improving asset utilisation and strengthening SCIL's role within the group's global supply chain.

Cash-Rich Balance Sheet; Efficient Working Capital Management

SCIL remains debt free with cash & cash equivalents of ₹25.49 bn as of 30 June 2026, providing ample financial flexibility to fund ongoing capex and future parent-linked manufacturing projects. Net working capital days stood at 56 days in Q1FY27 (vs. 43 days in Q1FY26), primarily due to seasonal inventory build-up ahead of the kharif season and higher inventory carrying value. This was partially offset by disciplined receivable management, with trade receivable days improving to 68 days from 76 days. The company collected ~₹11.78 bn during the quarter, underscoring its strong cash generation and prudent working capital management.

DID YOU KNOW?

- **EXCALIA MAX®,** powered by the novel active INDIFLIN®, delivers next-gen protection for soybeans against key diseases like Asian rust and target spot.
- **INDIFLIN®** is a cutting-edge SDHI fungicide rapidly gaining global recognition for its high-performance disease control.
- **Top Grain®** is the world's first **ABA-based biostimulant**, developed after **20 years of R&D**. India is the first launch market, with management viewing it as a **blockbuster long-term growth driver** for the biologicals portfolio.
- **Lentigo** Herbicide offers broad-spectrum weed control in rice, with longer-lasting protection and easy application, enhancing field productivity.

Q1 FY27 Outlook

Demand & Industry

- Q1 revenue remained largely flat as **7-8% price hikes were offset by a similar decline in volumes**, impacted by weak June rainfall and delayed spraying activity.
- SCIL maintained strict channel discipline and avoided pushing inventory into the trade.
- Demand improved during July with better rainfall and sowing in North and West India, while South India remained weak.
- Outlook for the Kharif season depends on August rainfall, with a stronger El Niño remaining the key risk.

Margin & Profitability

- Raw material costs and product prices have largely stabilised after June.
- SCIL continues to pass on cost changes through calibrated pricing while protecting historical margin levels.
- Q1 margin expansion benefited from low-cost inventory and is not expected to sustain at similar levels going forward.

Top Grain

- **Top Grain** is the world's first commercially launched ABA-based biostimulant, developed by SCC after over 20 years of R&D.
- India is the first launch market, with global commercialisation planned over the coming months.
- Currently approved for wheat and rice, with additional crop registrations expected over the next 1–2 years.
- The product improves grain filling and crop yield, with wider commercial adoption expected after FY27 demonstration trials covering **1,500-2,000 farmers**.
- Top Grain has blockbuster potential and can become a meaningful long-term growth driver.

Product Portfolio

- **Helibax** offers improved efficacy and farmer convenience by combining two applications into one product.
- **Indiflin** has already been commercialised, **1-2 additional proprietary molecules** from the parent company are currently under registration.
- **Lentigo** continues to witness healthy demand growth.
- Growth in **Metal Phosphide** remains supported by underlying market demand

Exports

- Latin America continues to recover *(from 3% in Q1FY26 to 6% in Q1FY27 as per Q1FY27 PPT)*, supported by price increases and improving volumes and demand recovery after destocking.
- Export growth during FY27 should remain healthy.
- Japan exports are expected to remain stable in FY27, with stronger growth likely from FY28 as new capacities become operational.

Cost Passing & Pricing Actions

- Three price hikes already implemented: March 15, April 1, May 1 – and a fourth one was under evaluation for June (as per Q4FY26 conference call) .
- Increases are applied product-by-product and brand-by-brand, not as a single blanket hike - protecting volume on price-sensitive generics while capturing margin on specialty products.
- All increases have been absorbed so far without resistance; competitors face similar cost pressures.
- SCIL will continue passing on costs as needed, while monitoring competitive intensity and farmer affordability.

Capex & New Businesses

- On track: Dahej (Q2FY29), Bhavnagar & Tarapur fungicide line (Q4FY27), Tarapur fitment project (Q4FY28) - supports parent-linked fungicide/herbicide molecules.
- Discussions on semiconductor chemicals with customers and the Government are progressing; however, no investment structure involving SCIL has been finalised. (as per Q4FY26 conference call)
- Existing capex projects are expected to support export growth from FY28, particularly for Japan.

Other Highlights

- **Insurance claim has been fully settled**, with no further receipts expected.
- Channel health, pricing discipline and profitability remain key operational priorities.

Valuation & Outlook

Despite a muted start to FY27 due to delayed monsoon and weak early-season demand, SCIL protected profitability through disciplined pricing, prudent channel management and a differentiated product portfolio. The launch of **Top Grain**, alongside **Helibax**, **Indiflin** and other proprietary SCC Japan products, strengthens its long-term growth pipeline. Meanwhile, ongoing investments at **Dahej, Bhavnagar and Tarapur** are expected to drive backward integration, custom synthesis and export growth from FY28 onwards. Backed by a debt-free balance sheet, strong parent support and a robust product pipeline, SCIL remains well positioned for sustainable long-term earnings growth. However, the progression of rainfall during August and its impact on kharif acreage and farm demand will remain the key near-term monitorable for the FY27 outlook.

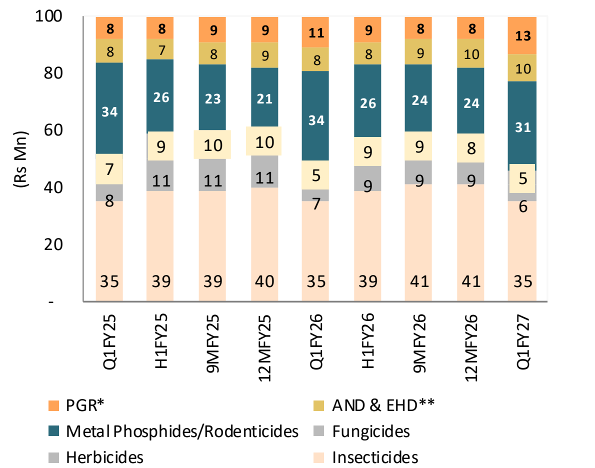
At the current market price of ~Rs 530, SCIL trades at ~42x FY27E ₹12.41 EPS and ~35x FY28E ₹15.12 EPS. The company continues to strengthen its earnings profile through improving specialty mix, disciplined pricing and deeper integration with SCC Japan, supporting structurally stronger margins, healthy cash generation. **With rising opportunities and increasing strategic relevance within SCC's global ecosystem, we remain constructive on the company outlook. We value the stock at 41x FY28E EPS, arriving at a target price of ~Rs 620; maintain Buy.**

Q1 Financials

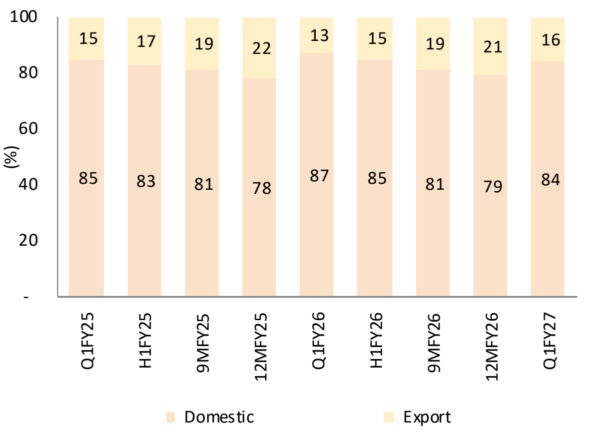
(Rs.Mn)	Q1FY27	Q1FY26	YoY Growth (%)	Q4FY26	QoQ Growth (%)
Revenue	**10,633**	**10,568**	**1%**	**6,837**	**56%**
Other Income	473	388	22%	322	47%
Total RM Cost	6,466	6,544	-1%	3,948	64%
Gross Profit	**4,167**	**4,024**	**4%**	**2,889**	**44%**
Employee Expense	732	708	3%	680	8%
Other Expenses	1,102	1,123	-2%	867	27%
Total Expenses	8,301	8,376	-1%	5,496	51%
EBITDA (Excluding OI)	**2,333**	**2,192**	**6%**	**1,342**	**74%**
Depreciation	172	157	10%	169	2%
EBIT / PBIT	**2,633**	**2,423**	**9%**	**1,494**	**76%**
Finance Costs	20	17	20%	19	5%
EBT/ PBT	**2,882**	**2,406**	**20%**	**1,476**	**95%**
Tax Expense	737	625	18%	362	103%
Adj PAT	**1,948**	**1,783**	**9%**	**1,112**	**75%**
Adj Earning Per Share	3.90	3.57	9%	2.23	75%
Margins (%)			**(In bps)**		**(In bps)**
Gross Margins	39.2%	38.1%	111	42.3%	-307
EBITDA Margins (Excl OI)	21.9%	20.7%	120	19.6%	232
PAT Margins	17.5%	16.3%	126	15.5%	201
As a % to sales					
RM as a % to sales	60.8%	61.9%		57.7%	
EE Cost as a % to sales	6.9%	6.7%		10.0%	
Other exps as a % to sales	10.4%	10.6%		12.7%	

Source: Dalal & Broacha Research

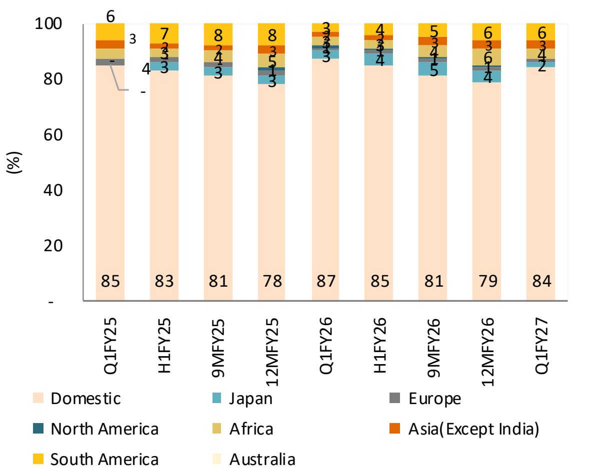
Revenue Mix (%)



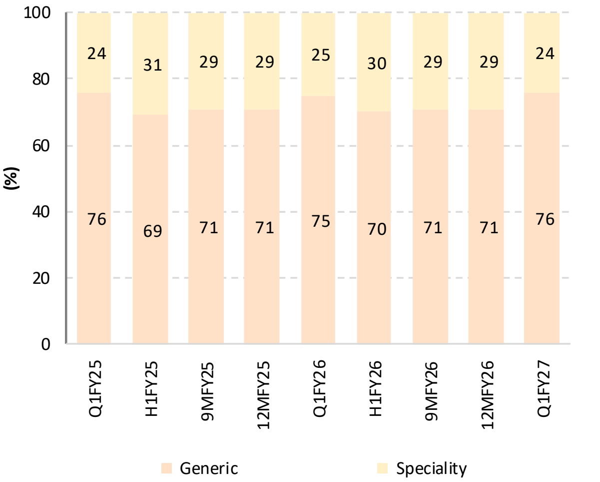
Geographic Breakup (%)



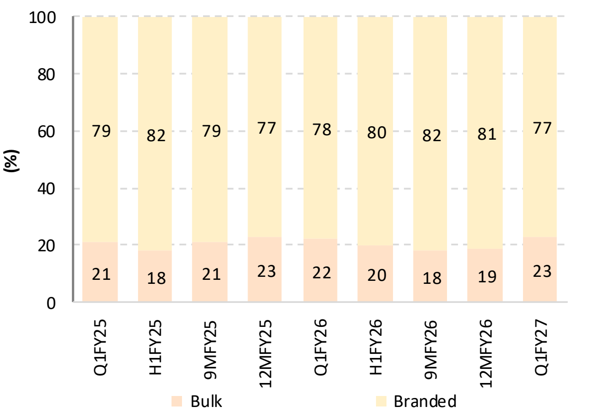
International Rev Mix (%)



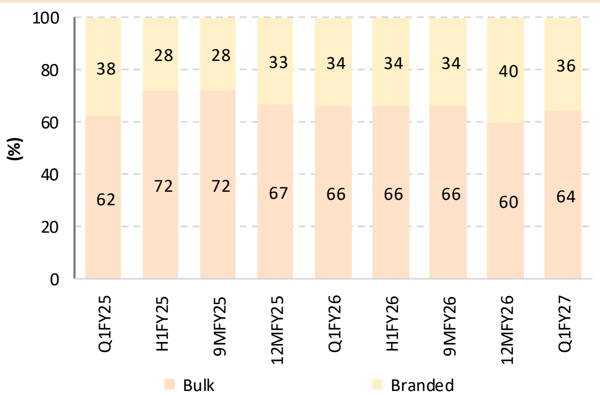
Segment Breakup (%)



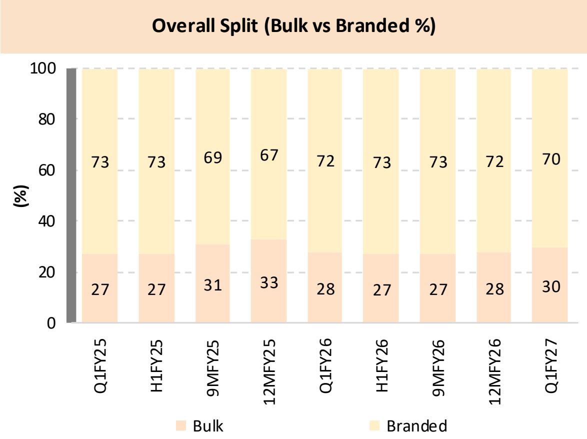
Domestic (Bulk vs Branded %)

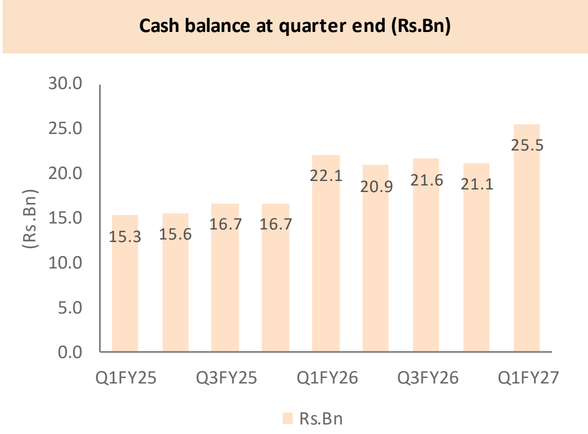


Exports (Bulk vs Branded %)



Source: Dalal & Broacha Research, Company





Source: Dalal & Broacha Research, Company

Financials

P&L (Rs mn)	FY22	FY23	FY24	FY25	FY26	FY27e	FY28e
Net Sales	30,612	35,110	28,439	31,485	32,383	36,751	43,385
Operating Expenses	-19,080	-22,706	-17,751	-18,589	-18,774	-21,316	-25,164
Employee Cost	-2,020	-2,184	-2,320	-2,647	-2,738	-3,111	-3,829
Other Expenses	-3,513	-3,554	-3,623	-3,928	-4,163	-4,827	-5,272
Operating Profit	**5,999**	**6,666**	**4,746**	**6,321**	**6,709**	**7,497**	**9,121**
Depreciation	-448	-519	-622	-661	-661	-764	-933
PBIT	5,551	6,147	4,124	5,661	6,047	6,733	8,189
Other income	268	449	957	1,201	1,467	1,632	1,992
Interest	-62	-54	-51	-59	-78	-86	-95
PBT	5,757	6,542	5,029	6,803	7,436	8,280	10,086
Profit before tax	5,757	6,542	5,029	6,803	7,276	8,119	9,926
Provision for tax	-1,522	-1,520	-1,332	-1,738	-1,846	-2,046	-2,501
Profit & Loss from	-	-	-	-	-	-	-
Reported PAT	4,235	5,022	3,697	5,065	5,430	6,073	7,424
MI	0	-	-2	-9	-0	-	-
Owners PAT	4,236	5,022	3,695	5,056	5,430	6,073	7,424
Adjusted Profit	**4,236**	**5,022**	**3,695**	**5,056**	**5,550**	**6,193**	**7,545**

Balance Sheet (Rs mn)	FY22	FY23	FY24	FY25	FY26	FY27e	FY28e
Equity capital	4,991	4,991	4,991	4,991	4,991	4,991	4,991
Reserves	14,281	18,826	19,424	24,020	28,905	34,252	40,790
Net worth	**19,272**	**23,818**	**24,416**	**29,011**	**33,897**	**39,244**	**45,781**
MI	0	0	30	39	41	41	41
Non Current Liabilites	738	702	793	942	1,106	1,219	1,362
Current Liabilites	10,086	9,172	7,895	9,652	9,698	11,899	13,912
TOTAL LIABILITIES	**30,096**	**33,691**	**33,133**	**39,644**	**44,742**	**52,404**	**61,096**
Non Current Assets	4,876	5,812	6,404	9,441	11,340	12,949	14,156
Fixed Assets	3,892	4,678	5,427	5,213	5,251	6,762	7,717
Right of Use Assets	364	332	425	635	714	807	928
Financial Assets	301	359	71	1,397	3,519	3,519	3,644
Deferred Tax Asset	216	349	384	387	262	262	262
Advances	8	6	68	1,752	1,504	1,504	1,504
Assets	95	87	28	57	91	96	101
Current Assets	**25,220**	**27,879**	**26,729**	**30,203**	**33,402**	**39,455**	**46,941**
Current investments	3,560	2,388	3,457	4,572	8,872	11,324	14,455
Inventories	9,378	8,887	6,104	7,037	7,661	8,176	9,583
Trade Receivables	8,431	9,461	7,159	7,834	7,356	9,565	11,173
Cash and Bank Balances	791	3,028	1,833	428	1,207	1,871	2,909
Advances	5	5	1,812	1,019	3,409	3,409	3,409
Other Financial Assets	1,745	2,849	5,365	8,145	3,434	3,434	3,434
Other Current Assets	1,310	1,261	998	1,169	1,463	1,676	1,978
TOTAL ASSETS	**30,096**	**33,691**	**33,133**	**39,644**	**44,742**	**52,404**	**61,096**

Cashflow (Rs mn)	FY22	FY23	FY24	FY25	FY26	FY27e	FY28e
Profit before tax	5,757	6,542	5,029	6,803	7,436	8,280	10,086
Other Income	-268	-449	-957	-1,201	-1,467	-1,632	-1,992
Depreciation & Amortization	448	519	622	661	661	764	933
Interest expenses	62	54	51	59	78	86	95
Operating profit before WC adjustment	**5,999**	**6,666**	**4,746**	**6,321**	**6,709**	**7,497**	**9,121**
Working capital adjustment	-2,576	-1,352	3,900	-180	-669	-746	-1,315
Gross cash generated from operations	**3,423**	**5,314**	**8,645**	**6,141**	**6,040**	**6,751**	**7,806**
Direct taxes paid	-1,426	-1,681	-1,290	-1,639	-1,638	-2,046	-2,501
Others	221	261	217	13	54	27	28
Cash generated from operations	**2,218**	**3,894**	**7,572**	**4,515**	**4,455**	**4,732**	**5,333**
CF from Inv. activities	**-2,902**	**-3,272**	**-4,204**	**-3,920**	**-3,320**	**-3,188**	**-3,273**
CF from Fin. activities	**-626**	**-725**	**-3,370**	**-679**	**-829**	**-708**	**-850**
Cash generated/(utilised)	-1,311	-104	-3	-84	307	835	1,210
Cash at start of the year	1,883	572	469	466	382	689	1,524
Cash at end of the year	572	469	466	382	689	1,524	2,734
Add Other Bank Balance	219	2,560	1,367	46	518	346	174
Closing Bank & Balance	791	3,028	1,833	428	1,207	1,871	2,909

Ratios	FY22	FY23	FY24	FY25	FY26	FY27e	FY28e
GM	37.7	35.3	37.6	41.0	42.0	42.0	42.0
OPM	19.6	19.0	16.7	20.1	20.7	20.4	21.0
NPM	13.7	14.1	12.6	15.5	16.4	16.1	16.6
Tax rate	-26.4	-23.2	-26.5	-25.5	-25.4	-25.2	-25.2
Growth Ratios (%)							
Net Sales	15.7	14.7	-19.0	10.7	2.9	13.5	18.1
Operating Profit	23.2	11.1	-28.8	33.2	6.1	11.8	21.7
PBIT	26.1	10.7	-32.9	37.3	6.8	11.3	21.6
PAT	22.6	18.6	-26.4	37.0	7.2	11.8	22.3
Per Share (Rs.)							
Net Earnings (EPS)	8.49	10.06	7.40	10.13	10.88	12.17	14.87
Cash Earnings (CPS)	9.38	11.10	8.65	11.45	12.20	13.70	16.74
Dividend	1.00	1.20	5.90	1.20	1.30	1.45	1.78
Book Value	38.61	47.72	48.91	58.12	67.91	78.62	91.72
Free Cash Flow	-0.46	2.71	4.97	1.66	14.12	6.59	7.43
Valuation Ratios							
P/E(x)	48	41	55	41	45	41	33
P/B(x)	11	9	8	7	7	6	5
EV/EBIDTA(x)	33	30	42	32	35	31	25
Div. Yield(%)	0.24	0.29	1.44	0.29	0.26	0.29	0.36
FCF Yield(%)	-0.11	0.66	1.21	0.41	2.86	1.33	1.50
Return Ratios (%)							
ROE	24%	23%	15%	19%	18%	17%	18%
ROCE	34%	31%	21%	26%	24%	23%	24%
RoIC	32%	33%	27%	32%	27%	28%	30%

Source: Dalal & Broacha Research

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