Sumitomo Chemicals India Ltd (SCIL)

2QFY26 Result Update | **Agro-chemicals**

Weather-led Blip, Strong H2 Setup Intact

DALAL & BROACHA
STOCK BROKING PVT. LTD.

Institutional Equity Research Desk

28 October 2025

SCIL reported a muted Q2 FY26 performance with revenue/EBITDA/PAT down 6%/11%/8% YoY to Rs. 9.3 bn/Rs. 2.2 bn/Rs. 1.8 bn respectively, as erratic rainfall and prolonged wet spells disrupted pesticide application across key Kharif crops. Despite softer domestic volumes, pricing remained stable across categories, reflecting strong channel discipline and portfolio positioning. Export performance was subdued due to shipment deferrals in Africa and LATAM, while business in the U.S. and Europe stayed steady. Gross margin contracted 137 bps YoY to 23.4%, though cost control and favorable mix limited the margin decline. For H1 FY26, revenue/EBITDA/PAT grew 9%/8%/11% YoY to Rs. 19.9 bn/Rs. 4.4 bn/Rs. 3.6 bn respectively, supported by steady realizations and controlled operating costs.

New product launches like Lentigo (rice herbicide) and Excalia Max (fungicide) gained traction, while CTPR formulations scaled well. In H1 FY26, Insecticides formed 39% of revenue, followed by Herbicides (26%), PGRs (9%), and Fungicides (9%). The company remains debt-free with cash and investments of Rs. 20.9 bn as of Sep'25. Working capital efficiency improved further with NWC days down to 55 (vs. 62 YoY) driven by robust receivable management and collections of Rs. 22.8 bn in H1. SCIL plans to deploy cash into announced projects, including Dahej and Bhavnagar, and explore potential opportunities beyond agrochemicals. Capex of Rs. 550 mn and Rs. 100 mn was approved for SCC-innovated molecules at Bhavnagar and Tarapur respectively, targeted for completion by Q4 FY27. The upcoming Dahej greenfield project, with a total potential capex of Rs. 5–6 bn, will be SCC's global manufacturing hub, with Phase 1 investment of Rs. 2.5–3 bn expected to begin post-feasibility approval and commercial revenue likely from FY28.

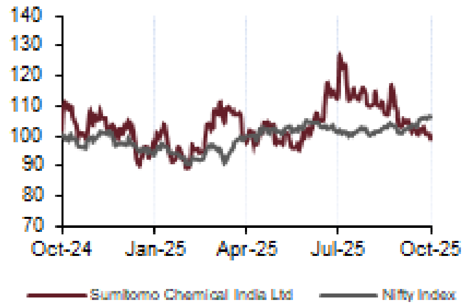
Management highlighted early signs of normalization in global agrochemical markets after two years of destocking, supported by improved ordering momentum and cost competitiveness against Chinese peers.

Rating	TP (Rs)	Up/Dn (%)
BUY	631	24

Market Data		
Current price	Rs	510
Market Cap (Rs.Bn)	(Rs Bn)	255
Market Cap (US$ Mn)	(US$ Mn)	2,885
Face Value	Rs	10
52 Weeks High/Low	Rs	665 / 446.2
Average Daily Volume	('000)	1,461
BSE Code		542920
Bloomberg		SUMICHEM.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Sep-25	Jun-25
Promoters	75	75
Public	25	25
Total	**100**	**100**

Source: Bloomberg

Financial Summary

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25	FY26e	FY27e	FY28e
Net sales	30,612	35,110	28,439	31,485	36,388	42,153	49,319
EBIDTA	5,999	6,666	4,746	6,321	7,724	9,025	10,426
Margins	19.6	19.0	16.7	20.1	21.2	21.4	21.1
PAT (adj)	4,236	5,022	3,695	5,138	6,225	7,524	8,947
Growth (%)	22.6	18.6	-26.4	39.2	20.9	20.9	18.9
EPS	8.49	10.06	7.40	10.29	12.47	15.07	17.92
P/E (x)	60	51	69	50	41	34	28
P/B (x)	13	11	10	9	7	6	5
EV/EBITDA (x)	42	37	53	39	32	27	23
RoE (%)	24	23	15	19	20	20	20
ROCE (%)	34	31	21	26	26	27	27
RoIC (%)	32	33	27	33	34	35	37

Source: Company, Dalal & Broacha Research

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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With healthy reservoir levels and a favorable Rabi outlook, SCIL expects volume recovery in H2. FY26 is positioned as a transition year under "SCI 2.0", focusing on profitability, disciplined execution, and innovation-driven growth. The company continues to leverage SCC Japan's R&D and global manufacturing integration to drive sustainable long-term leadership in the agrochemical sector.

Key financial highlights

- Revenues at ₹9299Mn,-6%YoY/-12.1%QoQ
- EBITDA (Excl OI) at ₹2181Mn,-11.2%YoY/-0.6%QoQ
- PAT at ₹1778Mn,-7.6%YoY/-0.4%QoQ
- Gross Margin came in at 43.1% vs 42.6% YoY/38.1% QoQ
- Gross Margin saw improvement of 52 bps on YoY basis
- EBITDA Margin (Excl OI)came in at 23.5% vs 24.9% YoY/20.8% QoQ
- EBITDA Margin (Excl OI)saw decline of -137 bps on YoY basis

Capex Pipeline Underway; Dahej to Anchor Long-Term Growth

SCIL has approved Rs. 550 mn for a second plant at Bhavnagar to produce an SCC-innovated molecule for global supply, and Rs. 100 mn at Tarapur to manufacture a newly launched SCC molecule (Excalia max) for the domestic market. Both projects are slated for completion by Q4 FY27. The upcoming Dahej greenfield site, with total potential investment of Rs. 5–6 bn, will serve as SCC's global manufacturing hub for multiple molecules. Phase-1 deployment of Rs. 2.5–3 bn is expected post-feasibility approval, with revenue contribution likely from FY28.

Cash-Rich Balance Sheet; Efficient Working Capital Management

The company remains debt-free with cash and liquid investments of Rs. 20.9 bn as of Sep'25. Net working capital days improved to 55 (vs. 62 YoY) on the back of robust receivable management and collections of Rs. 22.8 bn in H1. SCIL continues to deploy capital prudently, focusing on announced capex and exploring new opportunities beyond agrochemicals. There are no plans for special dividend payouts, as management prioritizes reinvestment into growth and capability building.

Outlook: Rabi Recovery and Global Stabilization to Support H2

Management expects volume recovery in H2 FY26, driven by healthy reservoir levels, favorable soil moisture, and improving rural sentiment. The global agrochemical market is showing early signs of stabilization after two years of destocking, with ordering momentum gradually normalizing. SCIL remains focused on profitability, disciplined channel execution, and leveraging SCC Japan's R&D strength. FY26 is being positioned as a transition year under "SCI 2.0", aimed at restoring growth momentum through innovation-led, margin-accretive expansion.

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.
- Sumitomo Chemical is expanding its INDIFLIN®-based product portfolio worldwide, positioning it as a core growth engine in the crop protection business.
- **Lentigo** Herbicide offers broad-spectrum weed control in rice, with longer-lasting protection and easy application, enhancing field productivity.

Valuation & Outlook

Sumitomo Chemical India Ltd. (SCIL) reported a soft Q2 FY26 with revenue at Rs.9.3 bn (-6% YoY), impacted by erratic monsoons that disrupted pesticide application cycles and muted export demand in Africa and Latin America. Despite the volume setback, price realization across key molecules remained steady, reflecting management's disciplined pricing approach. Domestic weakness was partly offset by resilient exports to the US and Europe and improving traction in new launches like Lentigo and Excalia Max.

Operating EBITDA stood at Rs.2.2 bn (-11% YoY) with a margin of 23.4% (-137 bps YoY) due to lower capacity utilization and adverse product mix, though profitability remains strong on a multi-year view. PAT came in at Rs.1.8 bn (-8% YoY). For H1 FY26, revenue rose 9% YoY to Rs.19.9 bn and PAT grew 11% YoY to Rs.3.6 bn, led by a resilient domestic base and early signs of global agrochemical stabilization.

Management highlighted strong fundamentals into H2 with favorable reservoir levels, healthy soil moisture, and improving rural sentiment supporting a robust Rabi season. Channel discipline remained a key strength, with no material sales returns or delays, and collections improving sharply to Rs.22.8 bn in H1. Net working capital days reduced to 55 (vs 62 YoY), supported by better receivable management and inventory control.

SCIL remains debt-free with cash & equivalents of Rs.20.9 bn, offering ample room to fund its capex pipeline. Brownfield expansions at Bhavnagar (Rs.550 mn; SCC global molecule) and Tarapur (Rs.100 mn; new SCC molecule for domestic market) are targeted for commissioning by Q4 FY27. The upcoming greenfield project at Dahej, with a total outlay of Rs.5–6 bn, is designed as a multi-product SCC export hub, with the first phase (Rs.2.5–3.0 bn) likely to start contributing revenue from FY28.

The company continues to benefit from strong parentage under SCC Japan, with India now a priority market for early testing of new discovery molecules. Portfolio de-risking remains evident — top 10 products form <45% of revenue, no single product >15%. New launches contribute ~8–10% of revenue annually, led by structural growth in the specialty segment.

Backed by disciplined execution, a healthy Rabi setup, and strong cash reserves to fund multi-year capex, SCIL remains well-positioned for a volume-led rebound in H2FY26. We change our rating from **HOLD to BUY** after the recent correction in the stock price & we roll over to FY28 earnings.**Stock currently trades at 34x/28x FY27/FY28e earnings of Rs.15/18.We roll over our earnings estimate to Sept'28 with expected EPS of Rs.15.8 & assign a PE multiple of 40x valuing the company at Rs.631** (earlier Rs.593). The premium multiple continues to reflect superior execution, strong SCC parentage, brand strength, and the optionality from diversification into semiconductor, IT chemicals, farm equipment, and seeds.

Conference Concall KTAs

Macro

- Agrochemical industry showing early signs of stabilization after two years of price pressure and inventory correction.
- Rabi season outlook remains favorable with high reservoir levels, good soil moisture, and improved rural sentiment.
- Domestic demand expected to rebound in H2FY26, aided by better crop acreage and normalizing rainfall.
- Global demand gradually stabilizing as channel inventories ease across major markets.
- Competitive intensity from Chinese producers easing, while SCIL's process and R&D support from SCC Japan provide cost advantage.
- Biologicals and bio-stimulant regulations remain under review; normalization expected in H2FY26.

Operational Challenges & Resilience

- Severe weather disruption: 18-day dry spell in July followed by continuous rainfall till mid-September disrupted spraying cycles.
- No significant sales returns or channel dumping; SCIL upheld inventory discipline despite industry-wide distress.
- Subsidiary Barrix Agro Sciences impacted by regulatory halt on bio-stimulants from mid-June to September, affecting PGR segment (revenue share fell from 11% to 9%).
- Despite adverse weather and regulatory constraints, operations were stable with no receivable stress.
- Volume contraction in Q2 purely weather-led; no structural demand loss observed.

Working Capital, Liquidity & Cash Deployment

- Net working capital days improved to 55 (from 62 YoY) on stronger collections and inventory management.
- Cash & liquid investments stood at ~Rs.20.9 bn as of Sept 2025.
- Debt-free balance sheet with healthy liquidity buffer.
- Cash to be deployed in high-ROI projects (Bhavnagar, Tarapur, Dahej) and possible diversification opportunities.
- No special dividend planned; focus remains on reinvestment for growth.
- Exploring diversification beyond agrochemicals, including potential participation in semiconductor, display, and pharma chemical opportunities via SCC Japan.

New Products

- New launches like 'Lentigo' (rice herbicide) and 'Excalia Max' (fungicide) gaining strong traction across Kharif and Rabi seasons.
- New products contribute ~8–10% of annual revenue; both patented and off-patent segments seeing growth.
- Continued focus on higher-value specialty products to structurally lift margins.

Manufacturing & Capex

- Five facilities in Gujarat and Maharashtra; current utilization at **85–90%.**
- SCC Japan designated SCIL as its **global manufacturing hub**; India is now the **4th country** for testing new discovery molecules (after U.S., Japan, Brazil).
- **Bhavnagar:** Doubling capacity for SCC product; Rs.550 mn capex; completion by **CY26-end.**
- **Tarapur:** Rs.100 mn investment for Excalia Max TG plant; completion by **March 27**
- **Dahej Greenfield Project:** Multi-product facility under evaluation for seven SCC products;

  Total potential outlay Rs.5–6 bn over 5 years; initial phase Rs.2.5–3.0 bn.

  Approvals expected in FY26; commercial operations targeted for FY28.
- Started CTPR production at Tarapur (no major capex).
- Two brownfield expansions: Bhavnagar (doubling capacity for a key insecticide, Rs.550 mn capex, completion by Q4FY27) and Tarapur (Excalia Max, ~Rs.10 mn capex).
- Greenfield facility at Dahej planned for multiple SEC products, with phased commissioning between FY27-28 and FY30. (~Rs.3 bn in phased manner)
- Exploring IT/semiconductor chemicals expansion with parent company

H2FY26 Outlook

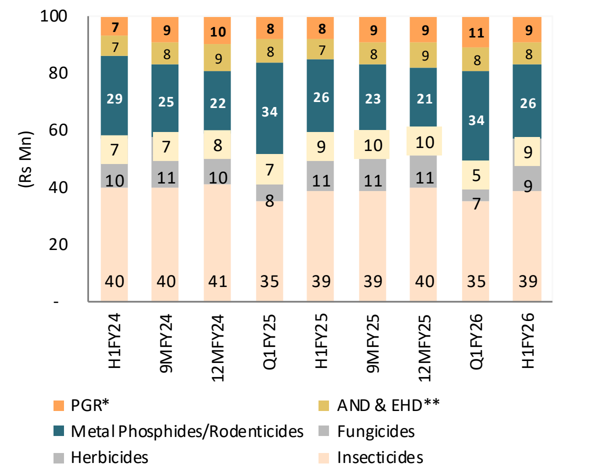
- Rabi season expected to be strong due to healthy soil moisture and reservoir levels.
- Domestic demand recovery likely from November onwards; rural liquidity improving.
- Export recovery expected in Africa and Latin America as deferred shipments resume in Dec–Jan.
- Global pricing pressures have likely bottomed out; international markets showing signs of normalization.
- Focus for H2: volume-led recovery, scaling new products, maintaining cost discipline, and improving mix.
- Strong emphasis on receivables, channel hygiene, and working capital efficiency.

Quarterly Financials

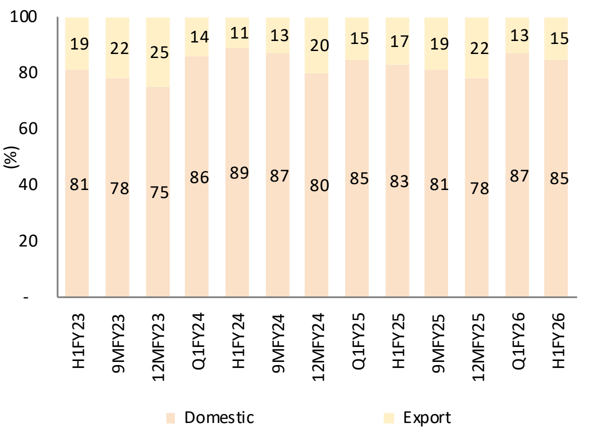
(Rs.Mn)	Q2FY26	Q2FY25	YoY Growth (%)	Q1FY26	QoQ Growth (%)
Revenue	**9,298**	**9,883**	**-6%**	**10,568**	**-12%**
Other Income	388	312	24%	388	0%
Total RM Cost	5,292	5,676	-7%	6,544	-19%
Gross Profit	**4,006**	**4,207**	**-5%**	**4,024**	**0%**
Employee Expense	695	661	5%	708	-2%
Other Expenses	1,130	1,093	3%	1,123	1%
Total Expenses	7,118	7,430	-4%	8,376	-15%
EBITDA (Excluding OI)	**2,180**	**2,453**	**-11%**	**2,192**	**-1%**
Depreciation	168	157	7%	157	7%
EBIT / PBIT	**2,401**	**2,608**	**-8%**	**2,423**	**-1%**
Finance Costs	22	12	83%	17	35%
EBT/ PBT	**2,378**	**2,596**	**-8%**	**2,406**	**-1%**
Tax Expense	601	670	-10%	625	-4%
Adj PAT	**1,778**	**1,923**	**-8%**	**1,783**	**0%**
Adj Earning Per Share	3.56	3.85	-8%	3.57	0%
Margins (%)			**(In bps)**		**(In bps)**
Gross Margins	43.1%	42.6%	52	38.1%	501
EBITDA Margins (Excl OI)	23.4%	24.8%	-137	20.7%	271
PAT Margins	18.4%	18.9%	-51	16.3%	207
As a % to sales					
RM as a % to sales	56.9%	57.4%		61.9%	
EE Cost as a % to sales	7.5%	6.7%		6.7%	
Other exps as a % to sales	12.2%	11.1%		10.6%	

Source: Dalal & Broacha Research

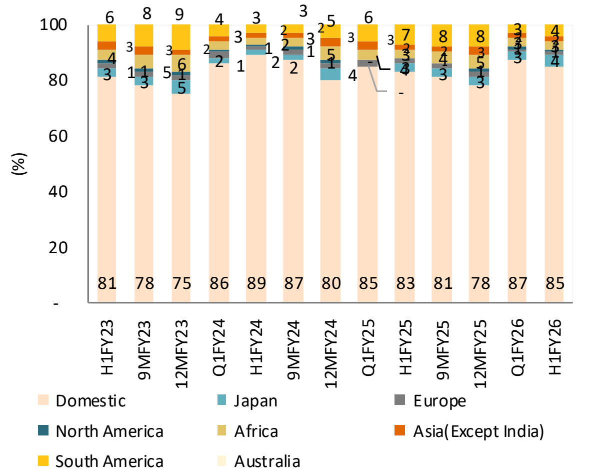
Revenue Mix (%)



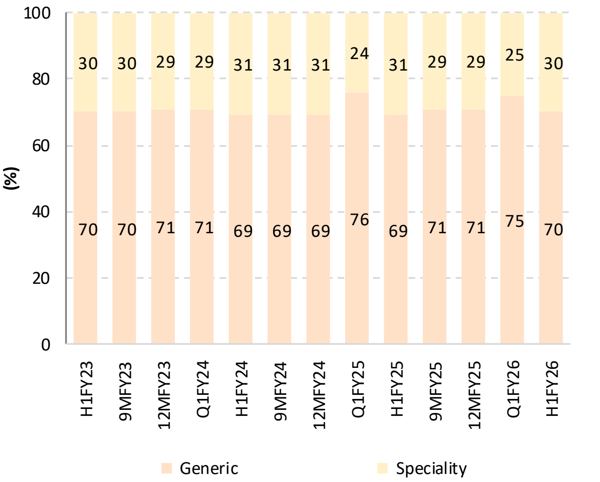
Geographic Breakup (%)



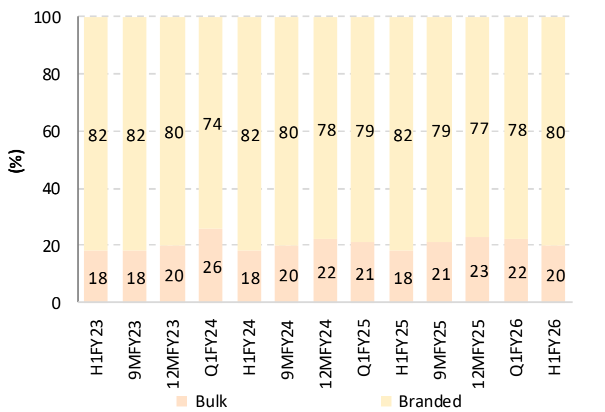
International Rev Mix (%)



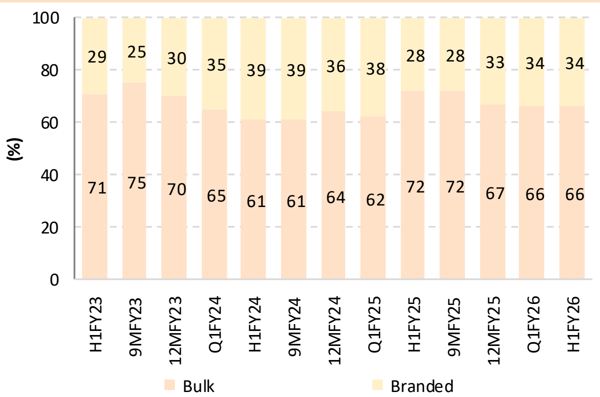
Segment Breakup (%)



Domestic (Bulk vs Branded %)

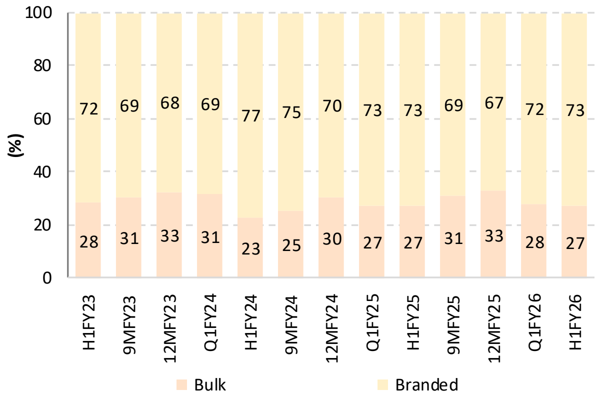


Exports (Bulk vs Branded %)

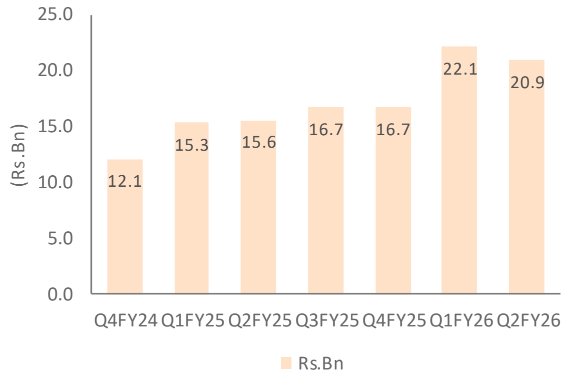


Source: Dalal & Broacha Research, Company

Overall Split (Bulk vs Branded %)



Cash balance at quarter end (Rs.Bn)



Source: Dalal & Broacha Research, Company

Financials

P&L (Rs mn)	FY22	FY23	FY24	FY25	FY26e	FY27e	FY28e
Net Sales	30,612	35,110	28,439	31,485	36,388	42,153	49,319
Operating Expenses	-19,080	-22,706	-17,751	-18,589	-21,833	-25,292	-29,591
Employee Cost	-2,020	-2,184	-2,320	-2,647	-2,903	-3,292	-4,089
Other Expenses	-3,513	-3,554	-3,623	-3,928	-3,928	-4,544	-5,213
Operating Profit	**5,999**	**6,666**	**4,746**	**6,321**	**7,724**	**9,025**	**10,426**
Depreciation	-448	-519	-622	-578	-616	-723	-912
PBIT	5,551	6,147	4,124	5,743	7,108	8,302	9,514
Other income	268	449	957	1,201	1,278	1,828	2,525
Interest	-62	-54	-51	-59	-64	-71	-78
PBT	5,757	6,542	5,029	6,886	8,322	10,059	11,961
Profit before tax	5,757	6,542	5,029	6,886	8,322	10,059	11,961
Provision for tax	-1,522	-1,520	-1,332	-1,738	-2,097	-2,535	-3,014
Profit & Loss from	-	-	-	-	-	-	-
Reported PAT	4,235	5,022	3,697	5,148	6,225	7,524	8,947
MI	0	-	-2	-9	-	-	-
Owners PAT	4,236	5,022	3,695	5,138	6,225	7,524	8,947
Adjusted Profit	**4,236**	**5,022**	**3,695**	**5,138**	**6,225**	**7,524**	**8,947**

Balance Sheet (Rs mn)	FY22	FY23	FY24	FY25	FY26e	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	29,311	35,707	43,311
Net worth	**19,272**	**23,818**	**24,416**	**29,011**	**34,302**	**40,698**	**48,303**
MI	0	0	30	39	49	49	49
Non Current Liabilites	738	702	793	1,133	1,146	1,314	1,528
Current Liabilites	10,086	9,172	7,895	9,461	10,837	12,428	14,406
TOTAL LIABILITIES	**30,096**	**33,691**	**33,133**	**39,644**	**46,334**	**54,489**	**64,286**
Non Current Assets	4,876	5,812	6,404	9,441	9,822	11,599	12,777
Fixed Assets	3,892	4,678	5,427	5,213	5,596	7,107	7,954
Right of Use Assets	364	332	425	635	630	780	975
Financial Assets	301	359	71	1,397	1,397	1,510	1,644
Deferred Tax Asset	216	349	384	387	387	387	387
Advances	8	6	68	1,752	1,752	1,752	1,752
Assets	95	87	28	57	60	63	66
Current Assets	**25,220**	**27,879**	**26,729**	**30,203**	**36,512**	**42,890**	**51,509**
Current investments	3,560	2,388	3,457	4,572	5,236	5,997	6,868
Inventories	9,378	8,887	6,104	7,037	8,374	9,701	11,350
Trade Receivables	8,431	9,461	7,159	7,834	9,969	11,549	13,512
Cash and Bank Balances	791	3,028	1,833	428	2,418	4,915	8,784
Advances	5	5	1,812	1,019	1,019	1,019	1,019
Other Financial Assets	1,745	2,849	5,365	8,145	8,145	8,145	8,145
Other Current Assets	1,310	1,261	998	1,169	1,351	1,565	1,831
TOTAL ASSETS	**30,096**	**33,691**	**33,133**	**39,644**	**46,334**	**54,489**	**64,286**

Cashflow (Rs mn)	FY22	FY23	FY24	FY25	FY26e	FY27e	FY28e
Net Profit	4,236	5,022	3,695	5,138	6,225	7,524	8,947
Add: Dep. & Amort.	448	519	622	578	616	723	912
Cash profits	**4,684**	**5,541**	**4,317**	**5,716**	**6,841**	**8,247**	**9,859**
(Inc)/Dec in							
-Sundry debtors	51	-1,029	2,301	-675	-2,136	-1,580	-1,963
-Inventories	-1,834	491	2,783	-932	-1,338	-1,327	-1,649
-Loans/advances	-1,209	-1,182	-3,997	-3,843	-185	-217	-269
-Current Liab and Provisions	-620	-912	-1,249	1,660	1,394	1,610	1,997
Change in working capital	-3,612	-2,633	-162	-3,790	-2,264	-1,514	-1,885
CF from Oper. activities	**1,072**	**2,908**	**4,155**	**1,927**	**4,576**	**6,733**	**7,974**
CF from Inv. activities	**-2,374**	**-159**	**-2,246**	**-3,015**	**-1,658**	**-3,257**	**-2,958**
CF from Fin. activities	**-327**	**-513**	**-3,105**	**-317**	**-929**	**-979**	**-1,147**
Cash generated/(utilised)	-1,629	2,237	-1,195	-1,405	1,990	2,498	3,869
Cash at start of the year	2,421	791	3,028	1,833	428	2,418	4,915
Cash at end of the year	791	3,028	1,833	428	2,418	4,915	8,784

Ratios	FY22	FY23	FY24	FY25	FY26e	FY27e	FY28e
GM	37.7	35.3	37.6	41.0	40.0	40.0	40.0
OPM	19.6	19.0	16.7	20.1	21.2	21.4	21.1
NPM	13.7	14.1	12.6	15.7	16.5	17.1	17.3
Tax rate	-26.4	-23.2	-26.5	-25.2	-25.2	-25.2	-25.2
Growth Ratios (%)							
Net Sales	15.7	14.7	-19.0	10.7	15.6	15.8	17.0
Operating Profit	23.2	11.1	-28.8	33.2	22.2	16.8	15.5
PBIT	26.1	10.7	-32.9	39.3	23.8	16.8	14.6
PAT	22.6	18.6	-26.4	39.2	20.9	20.9	18.9
Per Share (Rs.)							
Net Earnings (EPS)	8.49	10.06	7.40	10.29	12.47	15.07	17.92
Cash Earnings (CPS)	9.38	11.10	8.65	11.45	13.70	16.52	19.75
Dividend	1.00	1.20	5.90	1.54	1.87	2.26	2.69
Book Value	38.61	47.72	48.91	58.12	68.72	81.54	96.77
Free Cash Flow	-0.46	2.71	4.97	1.66	5.69	6.79	8.30
Valuation Ratios							
P/E(x)	60	51	69	50	41	34	28
P/B(x)	13	11	10	9	7	6	5
EV/EBIDTA(x)	42	37	53	39	32	27	23
Div. Yield(%)	0.20	0.24	1.16	0.30	0.37	0.44	0.53
FCF Yield(%)	-0.09	0.53	0.98	0.32	1.12	1.33	1.63
Return Ratios (%)							
ROE	24%	23%	15%	19%	20%	20%	20%
ROCE	34%	31%	21%	26%	26%	27%	27%
RoIC	32%	33%	27%	33%	34%	35%	37%

Source: Dalal & Broacha Research

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