Sumitomo Chemical India Ltd (SCIL)

2QFY27 Result Update | **Agro-chemicals**

Weak Monsoon Hits Volumes; Recovery Post-Monsoon

DALAL & BROACHA STOCK BROKING PVT. LTD.

Institutional Equity Research Desk

28 October 2026

SCIL reported a weak Q2FY27 in what management called one of the most difficult first halves for the Indian agrochemical industry in over a decade. Revenue/EBITDA/Adj. PAT declined 2%/15%/12% YoY to Rs. 9.07 bn/Rs. 1.86 bn/Rs. 1.57 bn respectively. The southwest monsoon ended ~13% below normal, IMD declared a drought year, and long dry spells led farmers to skip herbicide and spray rounds. SCIL held selling prices largely stable, but volumes fell by a high single digit. Domestic revenue grew 2% YoY to Rs. 7.74 bn, while exports fell 23% YoY to Rs. 1.27 bn on the timing of shipments to Japan and South America. Gross margin contracted 240 bps YoY to 40.7% (up 149 bps QoQ) as higher-cost inventory bought in Apr–Jun flowed into cost of sales; management said inventory costs had largely normalised by end-Q2. EBITDA margin contracted 297 bps YoY to 20.5%, cushioned by employee and other expenses that were flat YoY.

For H1FY27, Revenue/EBITDA/Adj. PAT declined 1%/4%/1% YoY to Rs. 19.71 bn/Rs. 4.19 bn/Rs. 3.52 bn respectively. H1 EBITDA margin was 21.3% vs 22.0%, within management's objective of 20% or more. Including the Rs. 269 Mn insurance claim booked in Q1, reported H1 net profit rose 5% to Rs. 3.72 bn. In Q2, insecticides declined 9% and herbicides and fungicides 6% each, while Metal Phosphides grew 13%, PGRs 9% and Animal Nutrition & Environmental Health 18%.

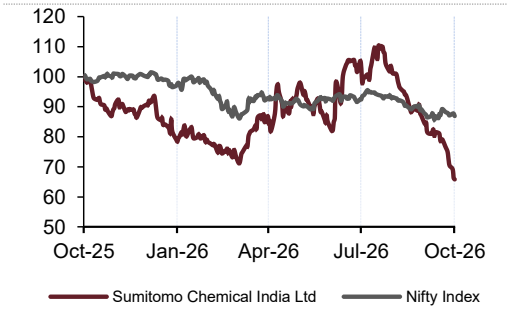
Specialty brands outperformed the weak market: Sumimax (flumioxazin), Excalia Max and other key brands grew about 22% in H1 and Excalia Max (INDIFLIN®) grew almost 50% in H1. SCIL launched TopGrain, a patented grain-filling biostimulant from Sumitomo Biorational Company, in India as the product's first commercial launch anywhere in the world, and Helibex, an insecticide, on a limited scale from August. India is now a first-tier market for testing and launching SCC's new molecules, alongside Brazil, the US, Europe and Japan, and management expects to introduce 1–2 new specialty products every year.

Rating	TP (Rs)	Up/Dn (%)
NEUTRAL	**392**	**15**

Market Data		
Current price	**Rs**	**340**
Market Cap (Rs.Bn)	(Rs Bn)	168
Market Cap (US$ Mn)	(US$ Mn)	1,769
Face Value	Rs	10
52 Weeks High/Low	Rs	72.55 / 334.05
Average Daily Volume	('000)	3,662
BSE Code		**542920**
Bloomberg		SUMICHEM.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Sep-26	Jun-26
Promoters	75	75
Public	25	25
Total	**100**	**100**

Source: Bloomberg

Financial Summay

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25	FY26	FY27e	FY28e
Net sales	30,612	35,110	28,439	31,485	32,383	33,316	37,242
EBIDTA	5,999	6,666	4,746	6,321	6,709	6,830	7,628
Margins	19.6	19.0	16.7	20.1	20.7	20.5	20.5
PAT (adj)	4,236	5,022	3,695	5,056	5,550	5,747	6,530
Growth (%)	22.6	18.6	-26.4	37.0	7.2	2.1	17.7
EPS	8.49	10.06	7.40	10.13	10.88	11.11	13.08
P/E (x)	40	34	46	34	31	31	26
P/B (x)	9	7	7	6	5	4	4
EV/EBITDA (x)	28	25	35	26	24	23	20
RoE (%)	24	23	15	19	18	16	16
ROCE (%)	34	31	21	26	24	21	21
RoIC (%)	32	33	27	32	27	27	29

Surce: 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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Management attributed the export decline to destocking of some parent-company products. Exports to Japan almost halved in H1 vs H1FY26, while third-party exports grew, with Africa, South America, Asia and Europe each up 15–19% in H1 and H1 exports stable at ~Rs. 3.0 bn. The branded share of exports rose to 41% from 34%, which management said reflects real growth (largely Africa) rather than a decline elsewhere. Exports to the parent are expected to stay soft in H2FY27, with Japan destocking seen as a one-year issue and a return to normal next year.

Working capital stretched: net working capital rose to 76 days from 55, as inventory days rose to 115 from 95 on higher inventory costs and softer Q2 liquidation. Management has begun corrective action and expects inventory to normalise through H2.

Management expects H2FY27 to remain challenging for three reasons:

- El Niño - expected to strengthen further, peak around December and last through February 2027, possibly one of the strongest since 1950, overlapping the Rabi season.
- Water availability - reservoir levels are at ~71% of capacity, at least 25% lower than a year ago, and Rabi area will depend on irrigation and soil moisture
- Southern soil moisture - the northeast monsoon began on 15 October and IMD expects reasonably normal rainfall over the South Peninsula, but the south starts with a large shortfall. On the positive side, lower harvests have lifted rice, cotton, pulse and oilseed prices, which improves farmer income; wheat, cumin and grapes look normal.

  Management's goal for H2 is to grow over last year's sales where the market allows while protecting profitability. It expects H2 margins to stay in the normal historical range and sees no adverse raw-material factors at present. It also sees a possible opportunity for glyphosate following the government's recent ban on a competing molecule.

Key monitorables for H2FY27

- Rabi demand under El Niño and lower reservoir storage; wheat herbicide and TopGrain season from February 2027.
- Inventory normalisation from 115 days and cash conversion.
- Exports to the parent, which management expects to stay soft in H2.
- Whether margins hold in the normal historical range as guided.
- The financial goal of the new Good to Great programme, which management expects to set in the next few weeks.
- Any decision on SCIL's role in the parent's semiconductor-chemicals plans in India.

Key financial highlights

- Revenues Q2 at ₹9,073 Mn, -2.4% YoY/-14.7% QoQ
- EBITDA (Excl OI) Q2 at ₹1,858 Mn, -14.8% YoY/-20.4% QoQ
- Adj PAT Q2 at ₹1,572 Mn, -11.6% YoY/-19.3% QoQ
- Gross Margin Q2 came in at 40.7% vs 43.1% YoY/39.2% QoQ
- Gross Margin Q2 saw a contraction of 240 bps on YoY basis
- EBITDA Margin Q2 (Excl OI) came in at 20.5% vs 23.4% YoY/21.9% QoQ
- EBITDA Margin Q2 (Excl OI) saw a contraction of 297 bps on YoY basis

Capex Pipeline Underway; Dahej to Anchor Long-Term Growth

Management said all announced capex projects are progressing as planned. The ₹1,500 Mn Dahej herbicide intermediate, a dedicated facility for one SCC blockbuster herbicide, remains on schedule for Q2FY29 (Jul–Oct 2028), as announced in January 2026, with a payback of under five years and margins in line with company levels. At Tarapur, two ₹100 Mn projects will add 3–4 products; the first is due within FY27 and the second by end-FY28, and these are aimed mainly at the domestic market. Management is evaluating more Dahej projects for the parent's global needs, as SCC has 4–5 blockbuster products launched or near launch, and expects to develop the site over 5–10 years. Maintenance and debottlenecking capex runs at ₹500–700 Mn a year.

Cash-Rich Balance Sheet; Efficient Working Capital Management

The company remains essentially debt-free with cash and liquid investments of ₹25.23 Bn as of 30 September 2026 (₹21.13 Bn in March 2026). H1 operating cash flow was ₹4.47 Bn and collections were ₹22.31 Bn (₹22.77 Bn in H1FY26). Net working capital rose to 76 days (55 days a year ago) on inventory of 115 days (95), while receivables were lower YoY. Acquisitions will be considered only if they are strategic and at an affordable valuation.

DID YOU KNOW?

- **EXCALIA MAX®**, powered by INDIFLIN®, grew almost 50% in H1FY27 in India. SCC sees INDIFLIN® as one of its big molecules, and SCIL will start manufacturing it at Tarapur for India by end-FY27.
- **INDIFLIN®** is a cutting-edge SDHI fungicide rapidly gaining global recognition for its high-performance disease control.
- **TopGrain**, a patented grain-filling biostimulant from Sumitomo Biorational Company, had its first commercial launch anywhere in the world in India in Q2FY27.
- **Lentigo** Herbicide offers broad-spectrum weed control in rice, with longer-lasting protection and easy application, enhancing field productivity.
- **India** is now a first-tier country for testing and launching SCC's new molecules, alongside Brazil, the US, Europe and Japan.

Concall & Presentation Highlights

➢ Demand & Industry Commentary

- H1FY27 was one of the most difficult first halves for the Indian agrochemical industry in over a decade. June rainfall was ~35% below normal and August ~16% below; the season ended with a ~13% deficit and IMD declared a drought year.
- Kharif acreage ended ~1.5% below normal (rice ~4% lower). Delayed sowing reduced herbicide use, and farmers skipped spray rounds in Aug–Sep, which hurt insecticides and fungicides.
- Input costs rose from March to May on the Middle East conflict, rupee weakness and higher packaging, solvent and freight costs. Prices began falling from June, so the industry carried high-cost inventory into a low-volume Q2.
- SCIL kept Q2 selling prices largely stable while volumes fell by a high single digit
- SCIL has no sales-return policy, and management expects returns to be minuscule with no impact on H2.

➢ Margin & Profitability

- Q1 benefited from lower-cost opening inventory, while higher-cost stock bought in Apr–Jun flowed into Q2 cost of sales; inventory costs largely normalised by end-Q2.
- H1 gross margin was 39.9% (40.4%) and EBITDA margin 21.3% (22.0%), in line with the objective of keeping EBITDA margin at 20% or more.
- H2 margins are expected in the normal historical range; management sees nothing negative on raw-material costs now and expects operating leverage when revenue growth returns.

➢ Export Business

- Q2 exports fell 23% to ₹1,270 Mn on the timing of shipments to Japan and South America; H1 exports were stable at ~₹3.0 Bn.
- Exports to Japan almost halved vs H1FY26 as parent-company inventory is liquidated; third-party exports grew, with Africa, South America, Asia and Europe each up 15–19%.
- The branded share of exports rose to 41% from 34%, which management called real growth, led mainly by Africa.
- Exports to the parent are expected to stay soft in H2. Management sees the destocking as a one-year issue and expects normal levels next year.

➢ Product Performance

- In Q2, insecticides declined 9%, herbicides 6% and fungicides 6%, while Metal Phosphides grew 13%, PGRs 9% and Animal Nutrition & Environmental Health 18%.
- Key specialty brands, including Sumimax (flumioxazin) and Excalia Max, grew about 22% in H1 in volume and value; Excalia Max grew almost 50%.
- The specialty share of H1 revenue fell to 28% from 30% because generics saw higher price increases, in line with the market.

➢ New Products & Biorationals

- TopGrain was launched 6–8 weeks ago with limited supplies to a limited number of farmers; yield results are being measured at harvest and look encouraging. A full national launch is planned for next year, including wheat in Feb–Mar 2027.
- Helibex, an insecticide, was launched on a limited scale from August.

- India is now a first-tier market for SCC's early-stage molecules. Management expects 1–2 new specialty products a year, with more generics and combinations, although new molecules take 4–5 years to commercialise.
- The parent's biorational business is about USD 500 Mn and is expected to grow faster than traditional chemistry.

➢ H2 Outlook

- H2 is expected to remain challenging because of El Niño (expected to peak around December and last through Feb-2027), reservoirs at ~71% of capacity (at least 25% lower YoY) and a large soil-moisture shortfall in the south.
- Offsets: higher commodity prices support farmer income, and wheat, cumin and grapes look normal, as do UP, Chhattisgarh and parts of Maharashtra, Karnataka and Tamil Nadu. Rice area is expected to decline in the south.
- SCIL will push Excalia Max, gibberellic acid and TopGrain, supply the channel based on demand on the ground, and price product by product. The goal is to grow over last year's sales where the market allows while protecting profitability.
- Opportunity for glyphosate following the government's recent ban on a competing molecule.

➢ Semiconductor Chemicals & Diversification

- SCC Japan has signed an MOU with an Indian company building India's first semiconductor fabrication plant, which is expected to start in 1–2 years. SCIL itself has not signed an MOU.
- SCIL is part of the discussions, but no structure or role has been defined for it, and its products are not candidates to start immediately. An announcement will follow once discussions mature.
- The focus remains agrochemicals, Environmental Health and Animal Nutrition; discussions with the parent about other businesses are at an early stage.

➢ Management Transition & Good to Great

- Dr. Suresh Ramachandran took charge as Managing Director on 1 September 2026 and Mr. Chetan Shah became Chairman. The new team includes Mr. Kunal Mittal as EVP and Senior Vice Presidents Mr. Hajime Shinomiya and Mr. Fumio Suzuki.
- Strategy, financial discipline and the farmer-first approach are unchanged; the new Good to Great programme adds focus on execution across people, operational excellence, technology, data and automation, and cross-functional working.
- A financial goal for the programme is expected in the next few weeks.

Valuation & Outlook

In a drought year, SCIL held H1 revenue broadly flat and kept EBITDA margin above 20%, helped by stable pricing, growth in specialty brands and in the non-weather segments (Metal Phosphides, PGRs, AND & EHD), and tight cost control. Management expects H2 to remain challenging, with El Niño, low reservoirs and soft parent exports, and is guiding only to growth where the market allows and margins in the historical range. We therefore expect FY27 to be a year of consolidation. Growth should rest on FY28: recovery in parent exports, the national launch of Top Grain, the Tarapur additions, and the Dahej herbicide intermediate from Q2FY29.

We lower our target valuation multiple to 30x P/E (from 40x) on FY28e EPS of ₹13.08, factoring in a more conservative outlook amid external headwinds, particularly the weak monsoon and its impact on demand. We expect these conditions to ease by February 2027, with demand recovery materialising post the monsoon season. Our revised target price of ₹392 implies ~15% upside from the CMP of ₹340, and we maintain a **NEUTRAL** view. At the CMP, the stock trades at 30.6x FY27e EPS of ₹11.11 and 26.0x FY28e EPS of ₹13.08.

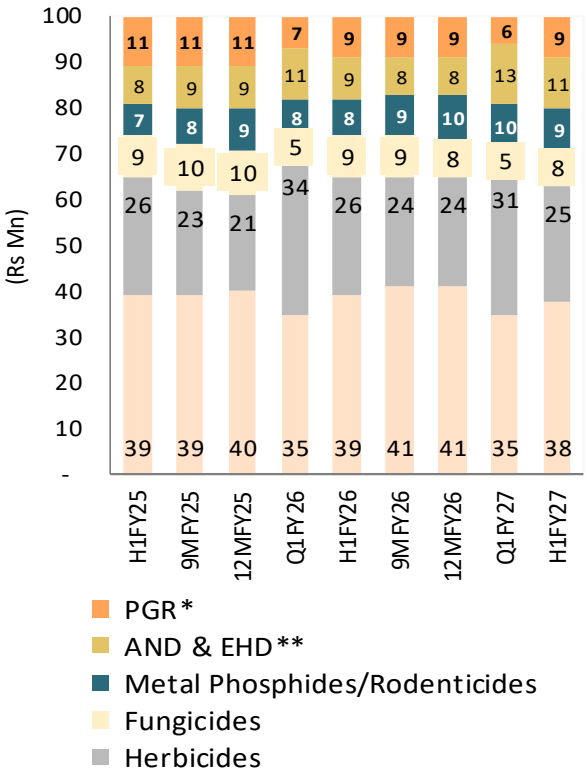
Quarterly Financials

(Rs.Mn)	Q2FY27	Q2FY26	YoY Growth (%)	Q1FY27	QoQ Growth (%)
Revenue	**9,073**	**9,298**	**-2%**	**10,633**	**-15%**
Other Income	436	388	12%	473	-8%
Total RM Cost	5,382	5,292	2%	6,466	-17%
Gross Profit	**3,691**	**4,006**	**-8%**	**4,167**	**-11%**
Employee Expense	702	695	1%	732	-4%
Other Expenses	1,131	1,130	0%	1,102	3%
Total Expenses	7,215	7,118	1%	8,301	-13%
EBITDA (Excluding OI)	**1,858**	**2,180**	**-15%**	**2,333**	**-20%**
Depreciation	173	168	3%	172	0%
EBIT / PBIT	**2,121**	**2,401**	**-12%**	**2,633**	**-19%**
Finance Costs	19	22	-14%	20	-4%
EBT/ PBT	**2,102**	**2,378**	**-12%**	**2,882**	**-27%**
Tax Expense	528	601	-12%	737	-28%
Adj PAT	**1,572**	**1,778**	**-12%**	**1,948**	**-19%**
Adj Earning Per Share	3.15	3.56	-12%	3.90	-19%
Margins (%)			**(In bps)**		**(In bps)**
Gross Margins	40.7%	43.1%	-240	39.2%	149
EBITDA Margins (Excl OI)	20.5%	23.4%	-297	21.9%	-146
PAT Margins	16.5%	18.4%	-182	17.5%	-100
As a % to sales					
RM as a % to sales	59.3%	56.9%		60.8%	
EE Cost as a % to sales	7.7%	7.5%		6.9%	
Other exps as a % to sales	12.5%	12.2%		10.4%	

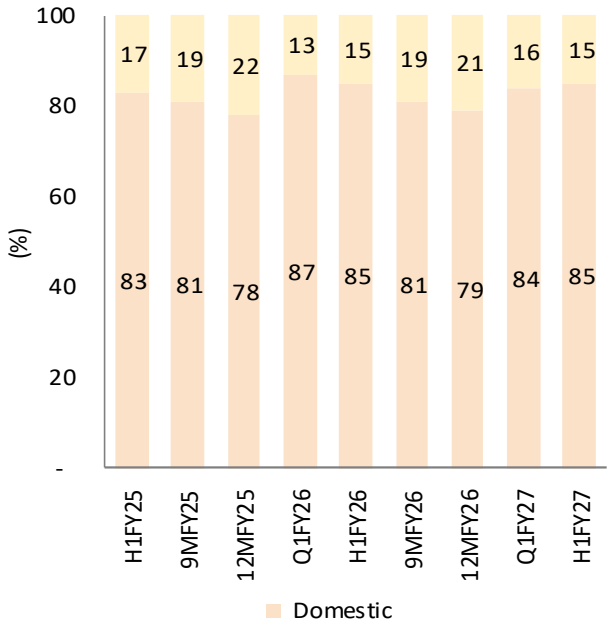
Source: Dalal & Broacha Research

Quarterly Overview

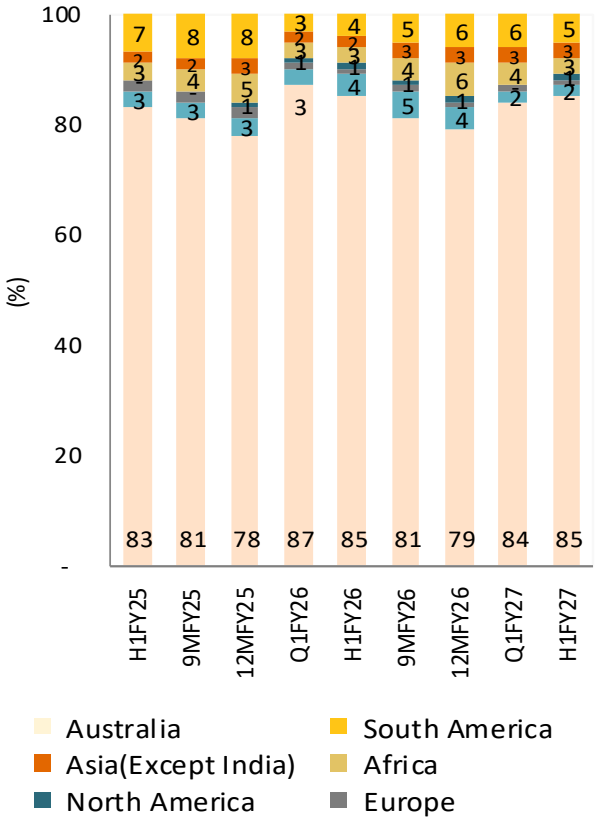
Revenue Mix (%)



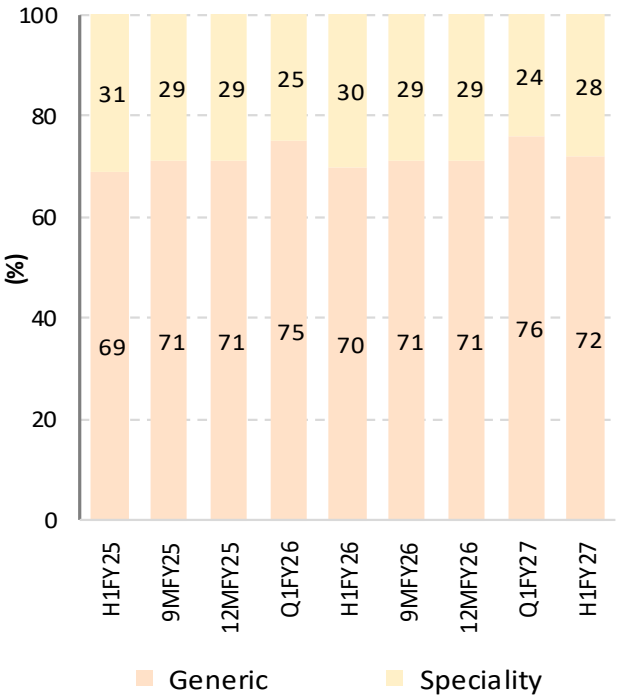
Geographic Breakup (%)



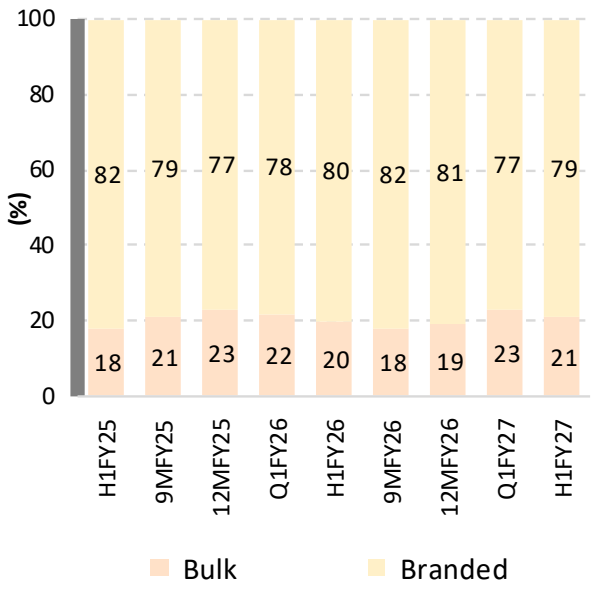
International Rev Mix (%)



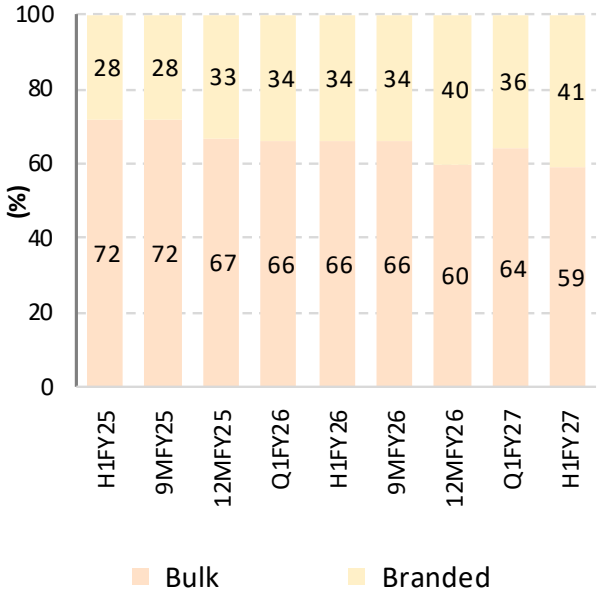
Segment Breakup (%)



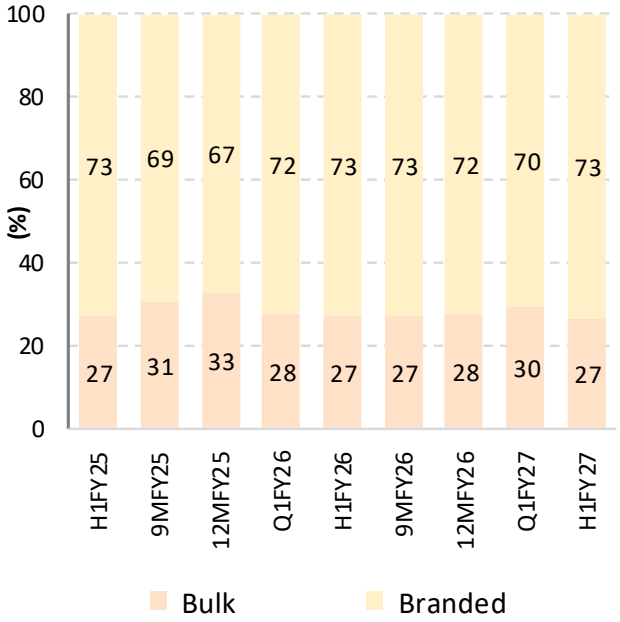
Domestic (Bulk vs Branded %)



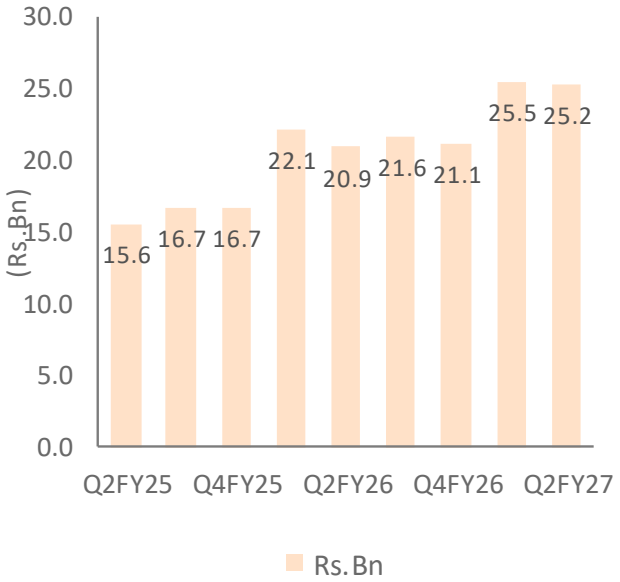
Exports (Bulk vs Branded %)



Overall Split (Bulk vs Branded %)



Cash balance at quarter end (Rs.Bn)



Source: Dalal & Broacha Research

Financials

P&L (Rs mn)	FY22	FY23	FY24	FY25	FY26	FY27e	FY28e
Net Sales	30,612	35,110	28,439	31,485	32,383	33,316	37,242
Operating Expenses	-19,080	-22,706	-17,751	-18,589	-18,774	-19,490	-21,787
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	-3,885	-3,999
Operating Profit	**5,999**	**6,666**	**4,746**	**6,321**	**6,709**	**6,830**	**7,628**
Depreciation	-448	-519	-622	-661	-661	-700	-901
PBIT	5,551	6,147	4,124	5,661	6,047	6,130	6,727
Other income	268	449	957	1,201	1,467	1,632	2,082
Interest	-62	-54	-51	-59	-78	-79	-80
PBT	5,757	6,542	5,029	6,803	7,436	7,683	8,729
Profit before tax	5,757	6,542	5,029	6,803	7,276	7,414	8,729
Provision for tax	-1,522	-1,520	-1,332	-1,738	-1,846	-1,868	-2,200
Profit & Loss from	-	-	-	-	-	-	-
Reported PAT	4,235	5,022	3,697	5,065	5,430	5,546	6,530
MI	0	-	-2	-9	-0	-	-
Owners PAT	4,236	5,022	3,695	5,056	5,430	5,546	6,530
Adjusted Profit	**4,236**	**5,022**	**3,695**	**5,056**	**5,550**	**5,747**	**6,530**

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	33,788	39,538
Net worth	**19,272**	**23,818**	**24,416**	**29,011**	**33,897**	**38,780**	**44,529**
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	10,942	12,162
TOTAL LIABILITIES	**30,096**	**33,691**	**33,133**	**39,644**	**44,742**	**50,982**	**58,094**
Non Current Assets	4,876	5,812	6,404	9,441	11,340	12,829	13,175
Fixed Assets	3,892	4,678	5,427	5,213	5,251	6,642	6,829
Right of Use Assets	364	332	425	635	714	807	928
Financial Assets	301	359	71	1,397	3,519	3,519	3,552
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**	**38,153**	**44,919**
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	7,476	8,297
Trade Receivables	8,431	9,461	7,159	7,834	7,356	8,671	9,591
Cash and Bank Balances	791	3,028	1,833	428	1,207	2,320	4,035
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	1,519	1,698
TOTAL ASSETS	**30,096**	**33,691**	**33,133**	**39,644**	**44,742**	**50,982**	**58,094**

Cashflow (Rs mn)	FY22	FY23	FY24	FY25	FY26	FY27e	FY28e
Profit before tax	5,757	6,542	5,029	6,803	7,436	7,414	8,729
Other Income	-268	-449	-957	-1,201	-1,467	-1,632	-2,082
Depreciation & Amortization	448	519	622	661	661	700	901
Interest expenses	62	54	51	59	78	79	80
Operating profit before WC adjustment	**5,999**	**6,666**	**4,746**	**6,321**	**6,709**	**6,561**	**7,628**
Working capital adjustment	-2,576	-1,352	3,900	-180	-669	47	-711
Gross cash generated from operations	**3,423**	**5,314**	**8,645**	**6,141**	**6,040**	**6,608**	**6,917**
Direct taxes paid	-1,426	-1,681	-1,290	-1,639	-1,638	-1,868	-2,200
Others	221	261	217	13	54	120	28
CF from Opp. activities	**2,218**	**3,894**	**7,572**	**4,515**	**4,455**	**4,859**	**4,745**
CF from Inv. activities	**-2,902**	**-3,272**	**-4,204**	**-3,920**	**-3,320**	**-3,004**	**-2,291**
CF from Fin. activities	**-626**	**-725**	**-3,370**	**-679**	**-829**	**-638**	**-728**
Cash generated/(utilised)	-1,311	-104	-3	-84	307	1,217	1,726
Cash at start of the year	1,883	572	469	466	382	689	1,906
Cash at end of the year	572	469	466	382	689	1,906	3,632
Add Other Bank Balance	219	2,560	1,367	46	518	414	403
Closing Bank & Balance	791	3,028	1,833	428	1,207	2,320	4,035

Ratios	FY22	FY23	FY24	FY25	FY26	FY27e	FY28e
GM	37.7	35.3	37.6	41.0	42.0	41.5	41.5
OPM	19.6	19.0	16.7	20.1	20.7	20.5	20.5
NPM	13.7	14.1	12.6	15.5	16.4	16.4	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	2.9	11.8
Operating Profit	23.2	11.1	-28.8	33.2	6.1	1.8	11.7
PBIT	26.1	10.7	-32.9	37.3	6.8	1.4	9.7
PAT	22.6	18.6	-26.4	37.0	7.2	2.1	17.7
Per Share (Rs.)							
Net Earnings (EPS)	8.49	10.06	7.40	10.13	10.88	11.11	13.08
Cash Earnings (CPS)	9.38	11.10	8.65	11.45	12.20	12.51	14.89
Dividend	1.00	1.20	5.90	1.20	1.30	1.33	1.56
Book Value	38.61	47.72	48.91	58.12	67.91	77.69	89.21
Free Cash Flow	-0.46	2.71	4.97	1.66	14.12	7.41	7.99
Valuation Ratios							
P/E(x)	40	34	46	34	31	31	26
P/B(x)	9	7	7	6	5	4	4
EV/EBIDTA(x)	28	25	35	26	24	23	20
Div. Yield(%)	0.29	0.35	1.74	0.35	0.38	0.39	0.46
FCF Yield(%)	-0.14	0.80	1.46	0.49	4.15	2.18	2.35
Return Ratios (%)							
ROE	24%	23%	15%	19%	18%	16%	16%
ROCE	34%	31%	21%	26%	24%	21%	21%
RoIC	32%	33%	27%	32%	27%	27%	29%

Source: Dalal & Broacha Research

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