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India | Equity Research | Initiating Coverage

Sumitomo Chemicals

Agriculture

Unique positioning, solid credentials and reasonable valuation provide material upside

Sumitomo Chemical India Ltd. (SCIL) stands out as a high-quality, high-growth entity within the Indian agrochemical (agri-chem) sector. SCIL's core strengths lie in its robust domestic manufacturing capabilities and capital-efficient operations (RoCE: >18%; D/E: 0.02). More importantly, the non-negotiable strategic relationship the company has with its Japanese parent, SCC, allows it to leverage proprietary technology and products of a global innovator, thus keeping it ahead of the curve vs. peers. SCIL's 9MFY26 results have been resilient despite a weak Q3 (9MFY26 saw 5% EBITDA growth; 9% PAT growth), which indicates that the company's strategy is successfully translating into material margin gains even while global industry peers face cyclical challenges. We initiate coverage with **BUY**; TP of INR 515.

Symbiotic dominance: Global innovator parent, local edge – an unparalleled moat

SCIL operates as a critical strategic subsidiary of the globally diversified giant, Sumitomo Chemical Co., Ltd. (SCC). This relationship allows SCIL to market proprietary products developed by its Japanese parent, SCC, as well as innovative bio-rational products sourced from SCC's US-based subsidiary, Valent Biosciences LLC. This differentiated product mix enables SCIL to capture significant market share in premium segments, moving it away from the competitive pressure faced by generic agri-chem players.

Demonstrable operational prowess

SCIL managed to navigate the vagaries – due to global destocking – of FY23–24 better than its peers; however, the company's absolute performance did suffer, with FY24 EBITDA/PAT dipping 29%/26%. FY25 saw a turnaround, with a strong 33%/37% uptick in EBITDA/PAT. An aggressive product launch schedule (~13 launches in last 3 years; 5–6 new launches planned in FY26) has seen H1FY26 performance retaining its momentum (H1FY26 EBITDA/PAT up 8%/11%), but erratic rainfall, and thus, a sub-optimal product application window has impacted Q2 and Q3 earnings. Also, SCIL has discontinued the low-margin animal nutrition segment, which had a INR 0.7bn revenue impact in Q3. With registration of new blockbuster molecules like Excalia Max, backward integration (new Chlorantraniliprole, or CTPR facility) and continued investment in capacities with 1.7x asset turnover, growth should pick up over FY27–28E, in our view.

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	31,485	32,557	35,829	40,215
EBITDA	6,321	6,674	7,488	8,526
EBITDA Margin (%)	20.1	20.5	20.9	21.2
Net Profit	5,062	5,365	5,963	6,878
EPS (INR)	10.1	10.7	11.9	13.8
EPS % Chg YoY	37.0	6.0	11.2	15.3
P/E (x)	41.3	38.9	35.0	30.4
EV/EBITDA (x)	32.3	29.9	26.1	22.3
RoCE (Pre-tax) (%)	21.2	18.9	18.2	17.9
RoE (%)	19.0	17.1	16.4	16.4

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Market Data

Market Cap (INR)	209bn
Market Cap (USD)	2,247mn
Bloomberg Code	SUMICHEM IN
Reuters Code	SUMH BO
52-week Range (INR)	665 /363
Free Float (%)	25.0
ADTV-3M (mn) (USD)	1.5

Price Performance (%)	3m	6m	12m
Absolute	(5.1)	(20.7)	(25.1)
Relative to Sensex	2.2	(14.7)	(30.1)

ESG Score	2024	2025	Change
ESG score	64.1	64.4	0.3
Environment	45.5	41.6	(3.9)
Social	71.6	74.7	3.1
Governance	75.9	78.3	2.4

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Aggressive capex plans to support growth aspirations

SCIL has plans in place for capex of up to INR 4bn over the next few years to support capacity expansions and fuel growth. Additionally, SCIL plans to add INR 1.5–2bn annually on-site at its Dahej facility every 2–3 years to keep augmenting capacity. Asset turnover of ~1.5x should help keep profitability and return ratios at reasonable levels. SCIL has acquired 50 acres of land in Dahej and 20 acres in Bhavnagar in FY25, which provides ample runway for growth and will likely help build revenue momentum over the long term.

Product launches to support momentum

The company has launched 13 products in the last three years and expects to launch five to six products in FY26. It launched innovative products such as **Meshi**, **Portion** and **Ormie** in FY25. The company has commenced commercial production of CTPR at its Tarapur facility, reinforcing SCIL's backward integration strategy. It has secured registration for Excalia Max (a fungicide effective for various crops) and Lentigo (a post-emergent rice herbicide) to be launched in the domestic market. Excalia Max is a blockbuster molecule in the global market for SCC. Management is thus targeting 12–13% revenue growth annually over the next few years, which we believe is a reasonable ask.

Conservative financial metrics

SCIL operates with a conservative and efficient capital structure, with a negligible (gross) debt to equity ratio of 0.02x, supporting flexibility for future internal or external funding needs. This conservative debt profile is coupled with high capital efficiency metrics – SCIL is expected to deliver RoE of ~17% on an average over FY24–28E and RoCE of ~19% over the period. The presence of high RoCE, particularly when financed primarily by internal accruals and equity (low debt), creates a 'high margin, low leverage' virtuous cycle. This structure implies high quality of earnings and cash conversion ratios (CCR), with average CCR of >100% over FY21–25, which should sustain at >90% over FY26–28E.

Indian agriculture demand to remain robust for next 12–18 months

Growth prospects for Indian agriculture remain robust, with the overall size of Indian agriculture market slated to grow from an estimated USD 8.2bn in CY25 to USD 11.8bn by CY28E ([link](#)). SCIL, with its parentage advantage, strong brand and distribution presence and the long tail of product launches, is set to leverage the favourable operational environment and grow strongly over the next few years.

Valuations and view

SCIL trades at a premium to peers, at 30.4x FY28E PER and 22.3x EV/EBITDA, with superior growth, strong balance sheet and return ratios over a sustained period of time, coupled with sustained growth visibility driving the same (exhibit 18). Revenue growth from FY18–23 (post the excel crop care acquisition) was a robust 12%, with an EBITDA CAGR of 25% in the top quartile of the sector. FY24–26E seems to be following suit, with 10%/21% expected (our estimate) CAGRs in revenue/EBITDA. We assume more conservative 12%/12/16% CAGRs in revenue/EBITDA/PAT over FY26–28E in our estimates.

We value the company using a mix of PER, EV/EBITDA and PEG ratios, with our target multiples of 36.5x FY28E PER, 29.3x EV/EBITDA and an implied PEG ratio of 2.7x; thus, deriving a target price of INR 515/share, which is a material 23% upside from CMP. We note that the stock's multiples currently are well below its 5-year average bands, with valuations even at target multiples only at the mid-end of 5-year averages.

Key downside risks: Adverse weather situation in domestic and export market curbing growth; steep increase in competitive pressures; increase in raw material prices; inability to pass on to customers; lower-than-expected offtake of new products; and any changes in the relationship with parent SCC.

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Investment thesis: Access to a global franchise, superior domestic platform – a solid combo

SCIL has demonstrated resilient growth over the last decade and is set to leverage its strong parental advantage, strong product portfolio, growing capacities and the potentially robust demand environment in the Indian agri market over the next 3–5 years. The global inventory-led pricing pressures have eased somewhat, and we see realisations and margins improving globally for agri-chem companies over the next 12–18 months. We see sustained visibility of revenue growth and margin improvement over the next 3–5 years, underpinning our **BUY** rating and TP of INR 515/share with an upside of 23%.

New product launches to underpin growth

SCIL has launched 13 key products in the last three years and expects to launch 5–6 more products in FY26. It launched innovative products such as **Meshi (Profenofos 50% + Fenpropathrin 5%)**, **Portion (Etoxazole 6% + Abamectin 1.5% SC)**, and **Ormie (Validamycion 5% + Tebuconazole 15% SC)** in FY25. The company has also commenced commercial production of CTPR at its Tarapur facility, reinforcing SCIL's backward integration strategy.

Chlorantraniliprole is a high-efficiency, reduced-risk insecticide, primarily used for targeted control of pests (moths and caterpillars) in a wide variety of crops. Chlorantraniliprole works by activating ryanodine receptors in insect muscle cells, leading to uncontrolled calcium release, paralysis, and death. Its high selectivity makes it safe for humans and beneficial insects like pollinators. It has multiple crop applications with dosages ranging from 20-80ml.

Exhibit 1: CTPR applications and dosage

Crop	Target Pests	Recommended Dosage (per acre)
Cotton	Bollworms, Whitefly, Thrips, Jassids	60 ml
Brinjal	Fruit & Shoot Borers, Whitefly, Aphids	80 ml
Okra	Fruit Borers, Thrips, Jassids	50 ml
Maize	Fall Armyworm, Aphids	80 ml
Cabbage	Diamondback Moth (DBM), Thrips	20 ml
Green Gram	Whiteflies, Thrips, Aphids	50 ml

Source: I-Sec research, Company data

SCIL commenced the manufacture of CTPR at its Tarapur facility in FY25, where it formulates technical grade CTPR into branded products like Yunico Flow, which is then pushes to market using its 15000 strong distributor network and 60+ depots.

SCIL has secured registration for **Excalia Max (a fungicide effective for various crops)** and **Lentigo (a post-emergent rice herbicide)** to be launched in the domestic market. Excalia Max is a blockbuster molecule in the global market for SCC. Underpinned by the product launches and expansion of capacity; management guides for a revenue CAGR of 13–14% annually over the next 3–4 years.

Exhibit 2: Key products of the company

Product	Category	Indicative uses
Fenpropathrin	Insecticide	Paddy, Cotton, F&V
Glyphosate	Herbicide	Tea Gardens, non-cropped
Profenophos	Insecticide	Cotton, Soya bean
Pyriproxyfen	Insecticide	Cotton
Clothianidin	Insecticides	Vegetables
Tebuconazole	Fungicides	Wheat, Soya bean, Chilli
Gibberallic Acid	Plant Growth Regulator	Citrus Fruits
Aluminum Phosphide	Fumigant	Warehousing of Food Grains
Chlorpyrifos	Insecticide	Paddy, Beans, Gram
DL-Methionine	Animal Nutrition	Poultry

Source: Company data, I-Sec research

Inventory liquidation in global markets has eased somewhat, but pricing strength still elusive

Post the extended pricing pressure seen over FY22–24, exerted by inventory build-up across the global petro-chemical system after Covid-19, pricing pressure seems to have eased marginally coming into FY26E, with pricing and financial metrics improving over the last 6 months. However, working capital and inventory days expanded to lofty levels over CY23–24, which has eased out in 9MFY26.

Over CY22–24, global innovators saw a massive build-up of inventory as the demand panic post Covid-19 started to subside and prices for most commodities, including agri commodities, saw a sharp fall as food security concerns ebbed. This meant that the companies were all saddled with high-cost inventory, with working capital days for most companies also expanding steadily over the period.

Exhibit 3: Global agri-chem companies' inventories and working capital days

	Inventory Days					Working Capital Days				
	Avg. 2017-19	2020	2021	2023	2024	Avg. 2017-19	2020	2021	2023	2024
BASF SE	95	88	74	105	105	116	101	86	109	111
Bayer AG	226	208	242	255	236	174	187	190	194	176
Corteva Inc	208	213	199	252	237	131	175	138	176	145
FMC Corp	160	149	166	232	206	259	202	229	335	327
Kumiai Chemical Industry Co Ltd	159	183	184	190	253	178	214	217	235	291
Nufarm Ltd	167	187	171	228	192	151	105	117	134	129
Sumitomo Chemical Co Ltd	109	118	121	123	137	121	134	135	142	158
Syngenta AG	223	235	214	249	240	169	158	129	140	120

Source: I-Sec research, Bloomberg

Similar to global players, inventory days in China (the largest agri-chem producer and exporter of pesticides, accounting for >40% of global chemical production) also saw a material impact over CY22–24, with working capital days and inventory days rising sharply in the last few years.

Exhibit 4: China agri-chem companies' inventory and working capital days

	Inventory Days					Working Capital Days				
	Avg. 2017-19	2020	2021	2023	2024	Avg. 2017-19	2020	2021	2023	2024
ADAMA Ltd	182	185	172	211	195	187	216	196	208	214
Anhui Guangxin Agrochemical Co Ltd	118	114	125	125	125	13	8	52	2	-7
Hubei Xingfa Chemicals Group Co Ltd	40	42	45	37	46	14	5	-6	-13	-5
Hunan Haili Chemical Industry Co Ltd	82	69	48	85	85	82	66	54	121	98
Jiangsu Changqing Agrochemical Co Ltd	134	150	133	180	171	165	190	147	192	176
Jiangsu Yangnong Chemical Co Ltd	64	82	70	79	61	50	77	84	104	72
Lianhe Chemical Technology Co Ltd	149	209	156	195	221	170	200	148	191	213
Lier Chemical Co Ltd	91	105	106	101	99	107	118	124	115	126
Limin Group Co Ltd	79	77	86	91	82	86	70	80	66	70
Nanjing Redsun Co Ltd	139	113	81	112	82	117	55	39	125	69
Nantong Jiangshan Agrochemical & Chemical LLC	53	51	58	76	69	67	65	65	76	38
Nutrichem Co Ltd	113	103	90	147	127	172	126	119	169	145
Shandong Weifang Rainbow Chemical Co Ltd	51	49	64	101	99	135	120	118	197	198
Shandong Cynda Chemical Co Ltd	132	111	97	107	123	168	109	106	131	138
Shenzhen Noposin Crop Science Co Ltd	141	136	135	140	131	164	168	164	159	126
Sichuan Guoguang Agrochemical Co Ltd	115	129	122	124	120	125	133	120	119	112

Source: I-Sec research, Bloomberg

Global inventory situation easing out; should ease pricing pressures

The inventory situation is easing out in markets. Most of agri-chem companies have seen strong volume growth in FY25. SCIL has registered volume growth of 20% in FY25 (30% volume growth in export and 20% in domestic market). Management expects volume growth to continue with liquidation of high-cost inventory from the system. The following factors have helped in improving the global inventory overhang:

- **Global inventories have normalised** as demand from large-grain economies (India, Brazil, US) have caught up with production.
- Biopesticides are growing at a 14.8% CAGR through 2025, driven by sustainability regulations and consumer preference for organic produce. This shift has reduced reliance on synthetic pesticide inventories, easing stock pressures.
- Fertilizer demand remains strong, especially nitrogen-based inputs. The global agri-chem market is estimated to stabilise in 2025 ([link](#)) after steep decline in 2024 -reflecting tighter inventory cycles and reduced surplus.
- Major exporters (US, China, India) and importers (Brazil, Germany, France) have streamlined logistics, cutting down bottlenecks that previously led to inventory pile-ups. However, we note that the flare up in the Gulf region once again thrown up fresh uncertainties around logistical challenges to be faced over the next 12 months.
- Wider deployment of precision-agriculture tools has lifted input-use efficiency, meaning farmers apply fertilizers and pesticides more accurately. This reduces waste and prevents inventory build-up.

However, despite the improvement in global inventory levels and volume improvements being seen by the global innovator companies over the last 2 quarters, margins improvement has as yet proved elusive – EBITDA margins, post a sharp recovery YoY in Q3CY24, have again moderated in Q4, even as seasonal trends (Q4 is sharply higher than Q3 most years) have remained intact.

Summarising the commentary of key players (**Exhibit 6**) the messaging points to:

- CY23–24 downcycle has not dissipated completely, albeit effects are moderating
- CY25 has seen stabilisation of trends, but recovery has been pushed to CY26
- Weakness more pronounced in generic crop protection and commodity herbicides

- In terms of geographies, Brazil remains volatile, US is steady, Asia including India is showing resilience, but Europe is seeing weakness
- Glyphosate prices remain 70% below its peak; Chinese supply is still an overhang

Exhibit 5: EBITDA trend for Q3CY25 on YoY-basis shows positive trend; however, moderating in Q4CY25

	Q1CY24	Q2CY24	Q3CY24	Q4CY24	Q1CY25	Q2CY25	Q3CY25	Q4CY25	YoY%/bps
Syngenta Group (USD mn)									
Revenue	7400	7200	6800	7500	7300	7200	6400		
EBITDA	1200	800	700	1100	1400	1100	900		
EBITDA margins	16%	11%	10%	15%	19%	15%	14%		
Syngenta Crop protection segment									
Revenue	3,200	3,000	3,300	3,700	3,400	3,000	3,400		
Bayer crop protection segment (€ mn)									
Revenue	7,907	4,981	3,986	5,426	7,580	4,788	3,858	5,396	-1%
EBITDA before special items	2,849	524	35	892	2,557	693	172	766	-14%
EBITDA margins	36%	11%	1%	16%	34%	14%	4%	14%	-224
BASF - agro solution segment (€ mn)									
Revenue	3478	1937	1849	2,534	3203	2198	1748	2,437	-4%
EBITDA	1359	135	49	394	1204	417	80	381	-3%
EBITDA margins	39%	7%	3%	16%	38%	19%	5%	16%	9
Corteva									
Crop Protection segment (USD mn)									
Revenue	1741	1781	1635	2206	1710	1919	1701	2173	-1%
EBITDA	310	255	246	461	377	334	279	360	-22%
EBITDA margins	18%	14%	15%	21%	22%	17%	16%	17%	-433

Source: I-Sec research, Company data

The latest Gulf crisis throws a spanner in the works, however

The Gulf crisis tightens global ammonia, LNG, and agrochemical intermediate supply chains, raising input costs and squeezing margins for Indian agri-chem companies. **SCIL** is relatively better positioned than peers due to its formulation-heavy portfolio and lower gas-linked exposure, but it still faces pressure through higher raw-material costs, freight inflation, and potential demand volatility.

The conflict has created a systemic shock across fertiliser, petrochemical, and energy supply chains

- Hormuz handles **25–35% of global ammonia & urea trade**. Ammonia, Methanol & Gas based intermediaries are facing material production disruption (see [link](#))
- A key impact is also in terms of the most widely produced chemical in the world i.e. **Sulphuric Acid – global production exceeds 250mtpa**. Sulphuric Acid is consumed across a multitude of critical manufacturing processes, spanning fertiliser production, copper and nickel mining, battery manufacturing, oil refining, pharmaceutical synthesis, titanium dioxide pigment, and dozens of other chemical processes
- Sulphuric Acid is manufactured using two methods i) The Contact process (usage of elemental sulphur produced from Oil refining/Natural gas processing and ii) as a byproduct of the copper/zinc smelting operations
- The Middle East accounts for **24% of global sulphur production, hence the disruption to global supply chains is massive**.
- **More importantly, due to highly corrosive nature of the product, handling and storage are extremely specialised and difficult, which makes responding to supply shocks like the current one extremely challenging vs other impacted products.**

India impact

- LNG/LPG flows to India have been disrupted, raising energy and feedstock costs for chemical producers.
- Freight rates and war-risk insurance premiums have surged.
- For India—heavily dependent on Gulf fertiliser and chemical imports—this is a direct cost and supply shock. India imports **20–25% of its fertilisers** from Gulf countries; disruptions raise prices of urea, sulphur, phosphoric acid, and ammonia
- **Indian import of Sulphuric acid at 1.9mt (DGCI&S data) is significant and creates material vulnerability to external supply/pricing shocks.**
- However, actual supplies from India are imported from South Korea (0.86mt), Japan (0.55mt), Philippines (0.2mt) and China (0.23mt).
- Of this the newly imposed curbs on Chinese Import (Bloomberg) are an additional pain for India more than the ME disruptions, creating inventory shortages and pricing spikes for the domestic market

SCIL impact

- SCIL is primarily a formulation led company, with relatively lesser dependence on Gas based intermediates and Ammonia.
- The linkage to SCC (the global parent) will likely help insulate the supply shock to a certain extent, with the high share of branded formulations helping pricing power as well.
- However price spikes across the value chain (Naphtha/ethylene/benzene and Sulphuric acid) create material pressure on margins in the near term.
- Sulphuric acid is used across product portfolio of SCIL, with its use as a catalysts and acidifying agent for **Glyphosate (~11-12% of revenue) as well as key insecticides and fungicides and Plant growth regulators as well.**
- The gulf conflict and the Chinese supply removal from the market create twin supply shocks and pricing spikes – As per some estimates Agrochem input costs may rise 20-25% across products, while removal of Chinese exports and Russian supply constraints due to sanctions can elongate delivery times from alternate sources and increase working capital exposure.
- Rising prices may create a shift towards cheaper generics on the customer part – this will likely impact SCIL, which has been scaling up branded share of portfolio

Another potential outcome could be that demand destruction takes place due to unsustainable prices – this could again push the industry into bearish territory. Overall therefore, we do see input availability and costs to stay elevated, but if it is followed by renewed restocking similar to what was seen during the Covid years, end user priced may compensate for the same.

From an earnings sensitivity perspective – every 100bps drop in gross margins can reduce annual EBITDA/PAT by 4.8% and 4.6% respectively, implying an impact of INR 0.55/sh in EPS (on FY27E).

Exhibit 6: CY26 commentary (as of CY25-end) remains positive on volume front; but pricing pressure likely to continue with FX impact

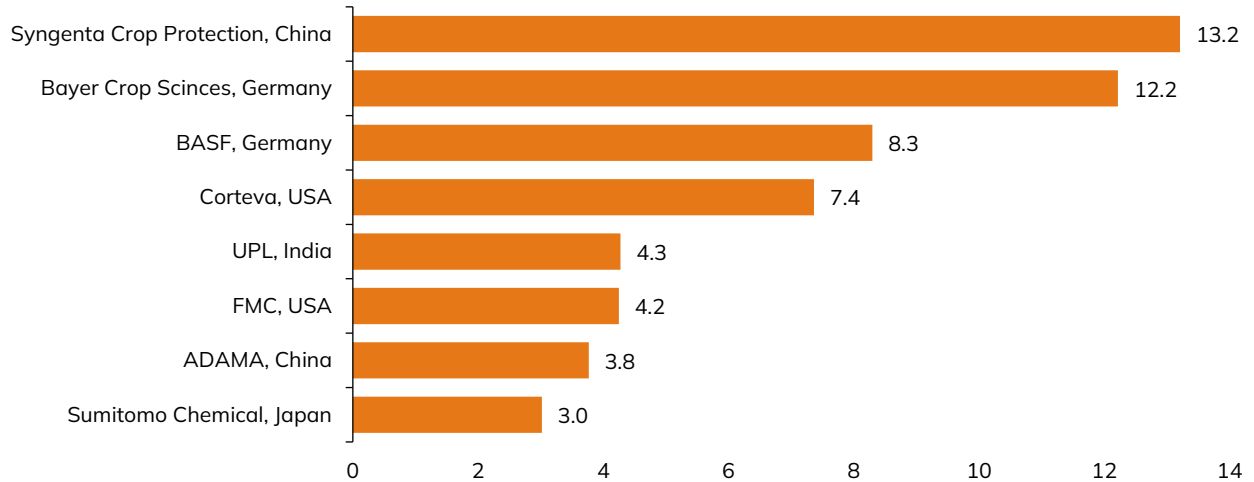
Company	Commentary
Bayer	<p>"On our core Crop Protection, excluding glyphosate, we are planning to grow in 2026. The growth will come from the launches that we have, the expansion of Plenexos to Brazil or Verango Prime and the Fox family that we have there, also the new launches like Stryax in U.S., offsetting some of the regulatory losses that we're going to continue to have in EU as we planned and also, of course, the pricing that you mentioned of the generics in the market. With that, we still plan to grow our core business here".</p> <p>"Glyphosate is a different element here as we guided for minus 2% to minus 6%, and this is really a high commodity business here"</p> <p>"So let's talk about 2026. '26 represents yet another step forward in delivering our five-year framework. We expect ag market fundamentals to remain challenging and project below average market growth. However, our resilient base and focused execution give us confidence while we benefit from the license income, we will continue pushing hard on our five-year framework measures. Overall, 2026 is another year of diligent execution of our strategic plan, setting us for the future."</p> <p>"Our core business growth is expected at 1% to 4% currency and portfolio adjusted. "</p>
BASF	<p>"Agricultural Solutions. Crop commodity prices remained below historical averages, and financing costs for farmers were still elevated. Under these market conditions, the agricultural Solutions segment managed to increase volumes and keep prices almost at the level of Q4 2024. As a result, the segment's specific margins remained virtually stable" The Ag business will fundamentally deliver another strong year. Agronomic conditions remain or are very positive in 2026. Also the channel inventories from the customers that we see right now are in the normal range. So, fundamentally, the business is good"</p> <p>"Two things are dragging the business. First and foremost is the FX effect. We already mentioned it now a couple of times. The rollover from 2025 to 2026 was all smooth apart from the FX effect. So this is dragging us. Then, of course, on top of that, commodity prices are soft and remain under pressure. Farmers still are not back to the normal level of earning and buying power".</p> <p>"Agricultural production in 2026 is expected to grow slightly less than in 2025, when yields grew at an above-average rate due to favorable weather conditions. In Europe and North America, growth is expected to remain stable but at a low level. In South America, on the other hand, growth is likely to slow significantly following the strong catch-up effects in Brazil in 2025. In Asia, agricultural production is likely to continue to grow solidly overall. However, growth is expected to be slightly subdued in China after the above-average rate in 2025. The other countries in the region are expected to maintain their growth momentum."</p>
Corteva	<p>"The global outlook for agriculture remains mixed with strong crop demand and production, but pressured commodity prices and farmer margins. Global corn area was up in 2025, most notably in North America, driven by favorable corn economics relative to soybeans, with a mid-single digit planted area increase in Latin America. However, the large crop production year in 2025 kept pace with record demand. As a result, any shift from corn to soybean planted acres in the US in 2026 is expected to be manageable. The global crop protection industry is expected to improve modestly with volume gains more than offsetting ongoing pricing pressure in certain key regions including Latin America and Asia Pacific."</p> <p>"CP markets for 2026, we expect to see modest growth in the overall. CP market around the world this year. It'll be – volume will continue to grow. There's going to be some pricing pressures against that, but by and large, we're seeing positive signs around the world and earlier question this morning about how things looking in Northern Hemisphere on the order books and like I said, they're strong. So the year started really well from that standpoint."</p> <p>"Specific to Brazil, when you think about pricing there and when do they stabilize, et cetera, a couple things happening in Brazil. When you look at the overall market, there is ample supply of product coming in and so that is a lot of more generics and formulated ssgenerics, but nevertheless, a lot of supply. But when you think about the differentiated products, we're still seeing need for that technology and farmers are demanding that. And keep in mind for us, again, two-thirds differentiated around the world, for us those products command about a 10% to 15% higher margin than the rest of the portfolio. So, yeah, we think there continues to be some pricing pressures there from some of the big molecules, but we have a good portfolio to combat that, and we think we're in a pretty good place from a business standpoint as we head into 2026."</p>

Source: I-Sec research, Company data

Strong parental advantage

SCC reported Agri division revenues of USD 3.02bn (YEN 540bn) in FY24, out of estimated global agri market size of ~USD 75bn. SCC is estimated to hold ~4% of the global pesticides market, with Syngenta, Bayer, BASF and Corteva (the top 4 players globally) holding 55-60% of global share. SCC holds 75% in SCIL

Exhibit 7: Top 8 global agri-chem companies in CY24 (sales USD bn)



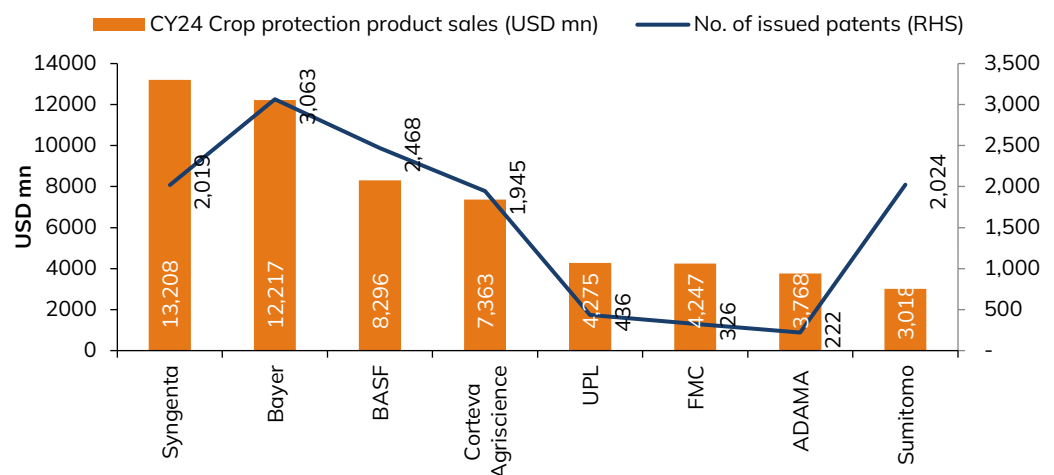
Source: I-Sec research, <https://indianagriculturalfacts.com/top-20-global-agrochemical-companies-in-2024/>, Company data

As an innovator, SCIL benefits significantly from its subsidiary status, gaining access to valuable product development rights. The business philosophy of the parent company, SCC, is firmly anchored in a commitment to creating new value through ongoing innovation. This approach ensures that the latest advancements and product innovations are channelled to its subsidiary.

It is noteworthy that SCC is not expected to prioritise capacity expansion within its own operations. Instead, there is a strong likelihood that production orders, particularly for new and innovative products, would be allocated to the Indian subsidiary, SCIL. Over the next three to four years, the anticipated order size for these products stands at ~USD 1.5bn as per management.

Additionally, SCC in Japan, currently has four to five blockbuster products in the development pipeline. This positions the Indian subsidiary to potentially benefit from the commercialisation and production of these high-impact products, bolstering its growth prospects and strategic importance within the global organisation.

Exhibit 8: SSC is among top 3, in terms of patent issued, despite being 8th in revenue terms



Source: I-Sec research, Company data, Number of Issued Patents by Company (2007-2024)

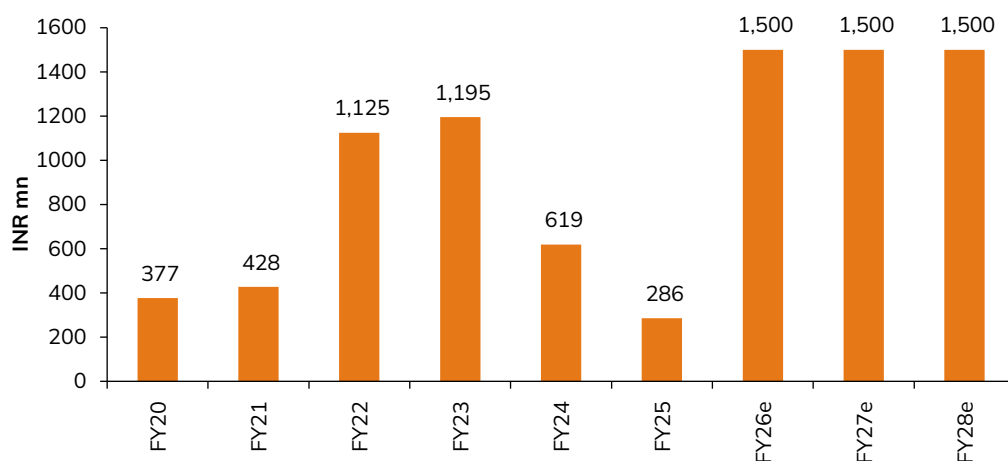
Raising capacity at Bhavnagar and Tarapur; new capex in pipeline

SCIL's old plant at Tarapur is running at full capacity while the new plant is generating some revenue and has the potential to achieve revenues of INR 1.25bn. Its Bhavnagar plant is fully commercialised and could generate revenue of INR 1–1.25bn. Both new plants, at Tarapur and Bhavnagar, together could generate annual revenue of INR 2–2.5bn in FY27E.

The company has received board approval to set up a second plant for an important SCC-innovated product for global requirements (for the same product within two years of first plan) at its existing Bhavnagar site. The estimated capex is INR 550mn and the plant is expected to come online by Q4FY27. It has also announced a brownfield capacity expansion at the Tarapur facility at a capex of INR 100mn. The company is aiming to modernise its current facility to manufacture Excalia Max (technical). The capacity is expected to commercialise in Q4FY28, as per management.

Dahej capacity expansion plan is on track and construction work is expected to start soon. The initial capex would be INR 1.5bn and the plant will likely be commercialized in FY29. SCIL shall continue capex at Dahej, at INR 2.5–3bn every two years, with asset turnover of 1–1.5 times. The company has acquired 50 acres of land in Dahej and 20 acres in Bhavnagar in FY25, which should generate revenue over the longer period.

Exhibit 9: Capex trends and forecasts FY20–28E



Source: I-Sec research, Company data

Well-diversified product portfolio

New products contributed ~8–9% of total revenue in FY25 year vs. 3–4% FY23. Top 10 products contribute less than 45% of total revenue. No product/molecule contributes more than ~15% of total revenue. It also has Excel Crop Care (Excel) portfolio for export of off-patent products. With limited addition of new launches in the Excel portfolio, SCIL continues to grow its revenue basis its existing products and by leveraging network/dealer chain. Excel's portfolio contributes ~20% of total revenue.

Exhibit 10: New product launches in FY26



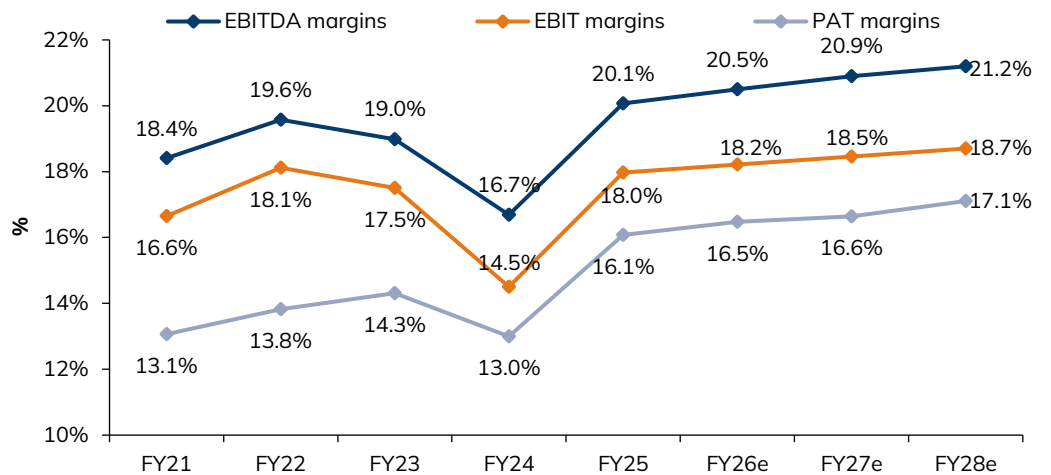
Source: Company data, I-Sec research

Healthy margin guidance for the next few years

Margin and profitability performance for SCIL tends to see distinct differences between the two halves of the financial year. On an average, over each of the last 3–4 years, H1’s EPS has tended to be 35–50% higher than H2’s margins, given the sowing patters and product portfolio of SCIL. Given that 9MFY26 has already seen EPS of INR 8.9 (up 9% YoY), we expect profitability to remain robust for FY26E.

Growth in operating profits is being driven by expectations of a steady improvement in margins over the next 2–3 years. Management has guided for EBITDA margin of ~20% over 3–4 years. Normally, margins for Rabi seasons are lower than kharif seasons, but even with that decline as implied by the EPS trends over H1 and H2 over the past years, overall blended margins should exceed 20% over FY27E and FY28E.

Exhibit 11: Margins likely to improve over FY25–28E, post sharp dip in FY24



Source: I-Sec research, Company data

Margin improvement should flow from better product mix and new product launches. Also, formulation business enjoys higher margins vs. technical (B2B sales), whose share is expected to grow steadily over the next few years. With specialty chemicals’ growth in the overall portfolio (expected to increase by 2–3% p.a.), we do expect a steady build-up in the margin profile over the FY26–28E.

Exhibit 12: Key exports – price movement in last 5 years; FY26–TD saw some improvement in key products

USD/t	FY20	FY21	FY22	FY23	FY24	FY25	FY26–TD (till Feb)	Value % FY25	Export Value in (USD mn) (FY25)
Aluminium Phosphide	6.2	6.4	7.3	9.0	8.1	7.9	8.2	16%	11.6
Chloropyriphos	6.1	5.7	7.4	7.6	5.5	5.2	5.4	15%	10.6
Fenpropathrin	20.0	20.0	19.9	19.9	20.0	20.0	17.0	7%	5.1
Glyphosate	2.4	3.2	4.7	6.0	3.1	3.3	3.4	10%	7.1
Others	6.7	5.4	7.2	13.3	7.6	6.9	5.9	7%	5.0
Profenofos	6.7	6.6	6.9	7.6	5.6	5.3	5.9	10%	7.4
Quinalphos	7.3	7.6	10.2	9.7	7.2	7.2	6.5	2%	1.5
Sulphur	17.4	7.5	1.0	1.2	0.9	1.0	1.3	2%	1.2
Tebuconazole	22.3	14.4	15.9	15.7	9.7	8.5	7.4	11%	8.1
Zinc phosphide	6.7	6.2	7.2	8.2	7.3	7.2	7.5	4%	3.0
Clothianidin				34.0	35.0	28.0	24.0	6%	4.5
Fluroxypyr		23.5	33.2	28.0	22.6	16.6	10.8	9%	6.5
Pyriproxyfen			27.1		31.0	28.1		1%	0.8
Average	6.0	6.7	9.0	8.4	6.8	6.4	6.3	100%	

Source: I-Sec research, Volzo

Valuations remain at lower end of long-term averages; initiating coverage with BUY

SCIL trades at a premium to most of its peers in the Indian agri-chem segment, with demonstrated superior and more consistent performance, a strong parent company profile, and visibility on growth fuelling the premium. However, the recent downturn in the Indian agri segment has impacted SCIL as well, with valuations in the last 12 months seeing muted trends (stock price down ~25%).

We envisage the healthier operational and financial prospects over the next 12–18 months, with valuations likely to reflect the same over the period – we value the name using a combination of PER, EV/EBITDA, using historical valuation bands as a guide to look at a fair value. We also use historical PEG bands to cross-check our targets; and, looking at the last 2–3 year averages, we believe our target prices offer enough leeway for negative surprises.

Exhibit 13: Material upside on FY27–28E EPS/EBITDA based multiples

	FY25	FY26E	FY27E	FY28E
EPS (INR)	10.1	10.7	11.9	13.8
Growth		6%	11%	15%
P/E multiple	37.9	45	40	36.5
TP	384	484	478	503
Implied PE (at CMP)	41.3	39.0	35.1	30.4
INR mn				
EBITDA	6,321	6,674	7,488	8,526
EV/EBITDA multiple	29.2	32.0	30.0	29.3
EV	1,84,251	2,13,572	2,24,645	2,49,375
Net Debt	(5,286)	(5,000)	(9,406)	(13,671)
Equity Value	1,89,536	2,18,572	2,34,051	2,63,046
TP	380	438	469	527
Implied EV/EBITDA (at CMP)	32.3	29.9	26.1	22.3
Average TP				
	382	461	473	515
CMP			419	419
Upside / (downside) %			13%	23%

Source: I-Sec research, Company data

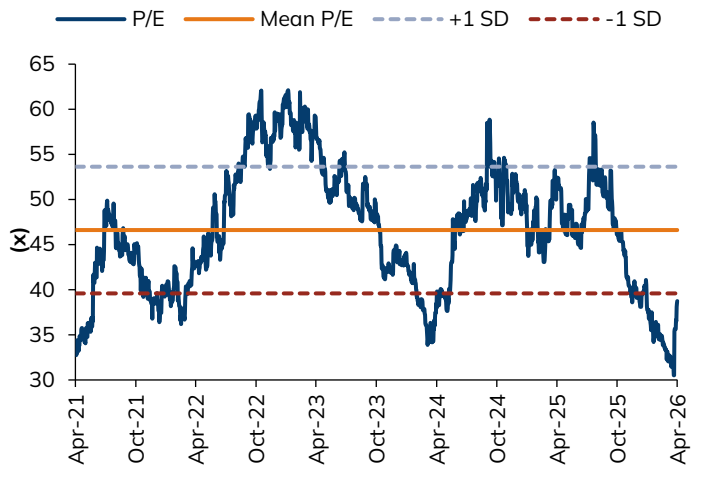
Exhibit 14: PEG offers valuation comfort

PEG	FY24	FY25	FY26E	FY27E	FY28E
EPS (INR)	7.4	10.1	10.7	11.9	13.8
CMP (end of year) (INR)	347.8	559.4	450.0	360.8	571.8
implied PER	47.0	55.2	41.9	30.2	41.5
EPS growth (%)	(26.4)	37.0	6.0	11.2	15.3
PEG 12mth fwd	1.3	9.2	3.8	2.7	2.7

Source: I-Sec research, Company data

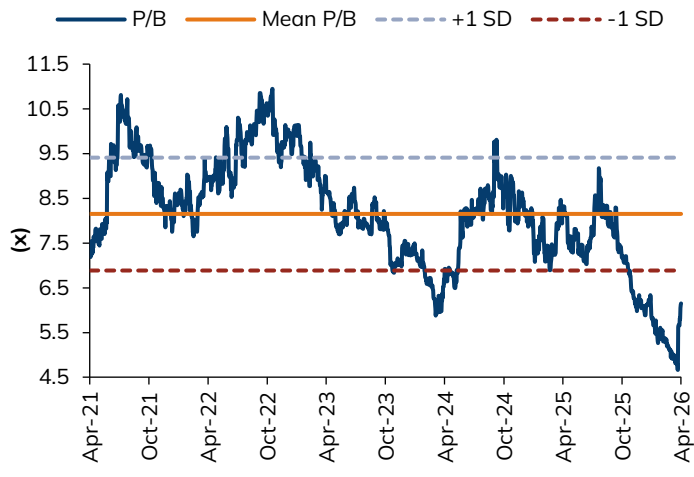
SCIL has always traded at premium multiples to domestic peers over the past several years and while the absolute multiples have dipped for the company in the last few years, we believe the overall recovery in the sector should spur similar rerating for SCIL as well. Looking at valuation bands for SCIL, we see material leeway for upsides as current prices imply the stock is at the lower end of its long-term bands.

Exhibit 15: PER band trading below 5-year average



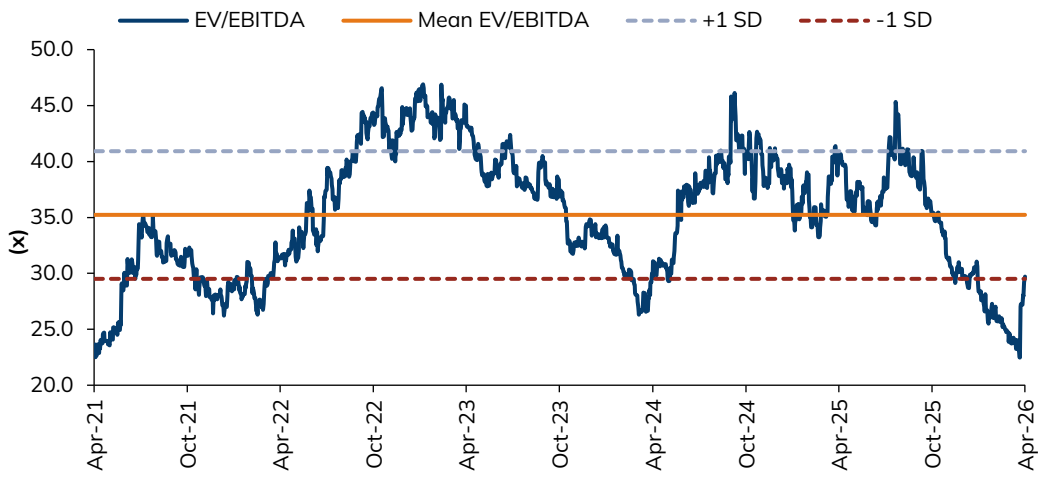
Source: I-Sec research, Company data

Exhibit 16: P/BV band trading below 5-year average



Source: I-Sec research, Company data

Exhibit 17: Ev/EBITDA trading below 5-year average band



Source: I-Sec research, Company data

Exhibit 18: SCIL vs. Indian agri – relative valuation table

Consolidated INR mn	Mkt Cap (Mn)	EPS			P/B			EV/EBITDA			P/E		
		FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Sumitomo Chemical India Ltd	2,09,217	11.1	12.9	15.1	6.2	5.4	4.6	30.8	25.9	22.5	37.7	37.7	32.5
Sumitomo Chemical India Ltd (I-Sec est)	2,09,217	10.7	11.9	13.8	6.2	5.4	4.6	29.9	26.1	22.3	39.0	35.1	30.4
Godrej Agrovet Ltd (I-Sec est)	1,14,224	28.8	30.6	35.1	4.4	4.0	3.7	13.2	12.2	10.5	20.6	19.4	16.9
UPL Ltd	5,44,320	28.9	44.2	53.2	1.5	1.4	1.3	9.3	8.0	7.2	22.3	22.3	14.6
PI Industries Ltd	4,46,962	93.2	100.1	114.3	3.9	3.5	3.2	21.9	19.8	17.4	31.6	31.6	29.4
Rallis India Ltd	50,319	9.9	12.2	14.9	2.5	2.3	2.1	13.2	11.2	9.5	26.3	26.3	21.3
Paradeep Phosphates Ltd	1,26,024	10.2	10.7	12.3	1.9	1.6	1.4	7.7	7.4	6.7	11.9	11.9	11.3
Kaveri Seed Co Ltd	47,581	58.0	68.2	79.3	2.7	2.3	1.9	14.3	12.1	10.5	15.9	15.9	13.6
Dhanuka Agritech Ltd	46,300	59.5	67.3	77.0	3.2	2.8	2.2	11.7	10.3	9.1	17.3	17.3	15.3
Basf India Ltd	1,56,287	85.1	146.7	199.4	3.9	3.5	3.0	25.7	16.7	12.9	42.4	42.4	24.6
Bayer Cropscience Ltd	2,15,960	147.3	168.7	193.6	7.2	6.8	6.4	24.7	21.2	18.5	32.6	32.6	28.5
Insecticides India Ltd	18,826	52.1	64.1	68.0	1.5	1.4	1.2	8.6	7.0	6.5	12.4	12.4	10.1
Average					3.6	3.3	2.9	16.3	13.8	11.9	24.7	24.3	19.6

Source: I-Sec research, Company data, Bloomberg, closing price as of 10th April'26
Exhibit 19: I-Sec estimates vs Consensus

INR mn	Consensus			I-Sec est			Difference		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Sales	32,851	36,333	40,534	32,557	35,829	40,215	-1%	-1%	-1%
EBITDA	6,452	7,652	8,816	6,674	7,488	8,526	3%	-2%	-3%
PAT	5,529	6,456	7,539	5,365	5,963	6,878	-3%	-8%	-9%

Source: I-Sec research, Company data, Bloomberg

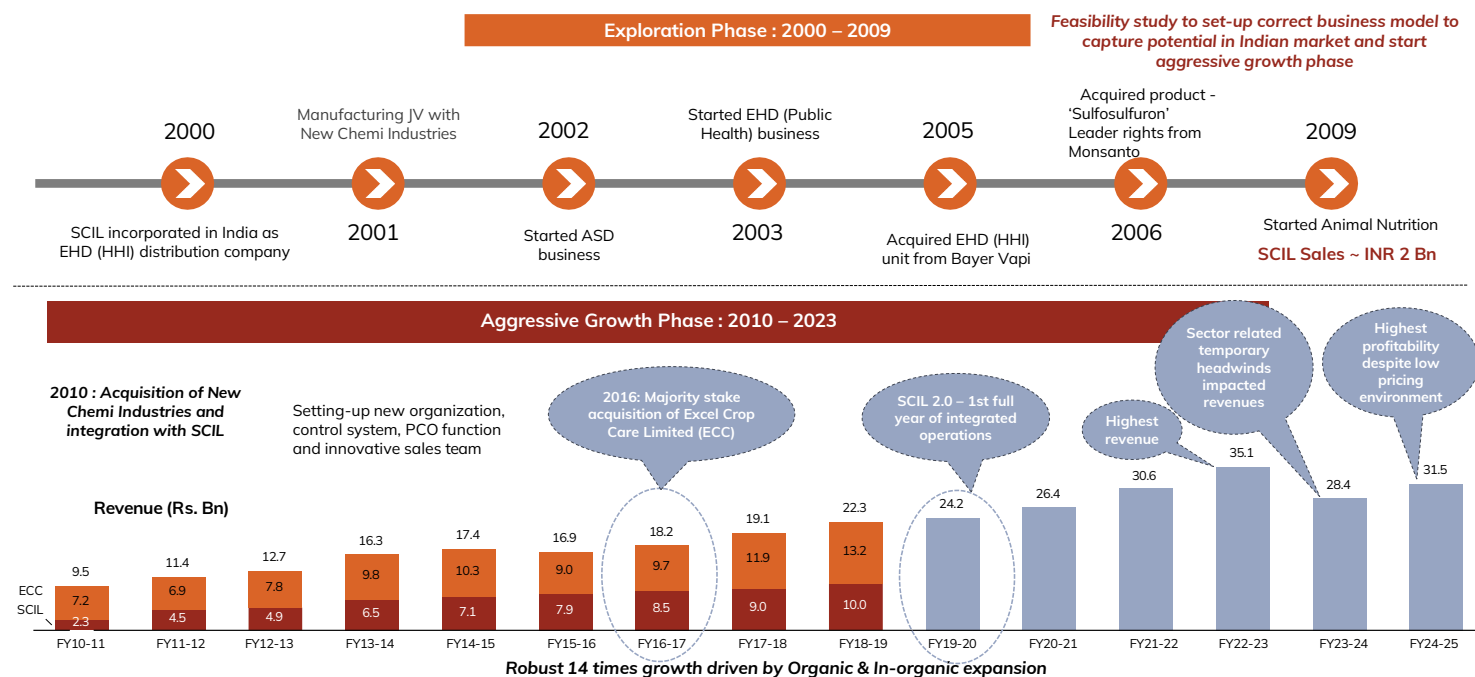
Company background

SCIL is one of the leading players that has a balanced portfolio of technical as well as formulation products, along with backward integration for some molecules. The company has a strong portfolio of generics as well as specialty products and a robust marketing network; it also counts as a leading Indian crop protection company. SCIL is one of the few entities that has both chemical and biological products in its portfolio. It also has plant and crop growth regulators and nutrients in its product basket

SCIL has a presence in all the product segments – insecticides, weedicides, fungicides, fumigants and rodenticides, plant growth nutrition products, bio-rationals and plant growth regulators.

The company is engaged in domestic marketing of proprietary products of its Japanese parent – SCC – in agri-chem, animal nutrition and environment health business segments. SCIL also distributes products manufactured by Valent Bio-Sciences, a US based affiliate, in the domestic market.

Exhibit 20: Journey to 14x growth in India in last 15 years



Source: Company data, I-Sec research

Strong parental backing

SCC, the parent company of SCIL, was established in 1913 to manufacture fertilizers from sulphur dioxide emitted from smelting operations. SCC, globally, is the eighth-largest player in the agri-chem space with CY24 revenue of USD 3.02bn (YEN 546bn).

During its last 100-year journey, SCC has expanded into several chemical-related sectors and is among one of the leading global chemical companies recognized for its R&D innovation capabilities and specialty product focus. SCC has 4–5 blockbuster products in pipeline.

SCC is a professionally run company with high standards of corporate governance and contributing to society at large. It holds 75% in SCIL.

Exhibit 21: Management profile

Name	Position	About
Mr. Chetan Shantilal Shah	Managing Director	He was a promoter of New Chemi Industries Limited which was acquired by Sumitomo Chemical Company, Limited, Japan (SCCL) in 2010 and integrated with Sumitomo Chemical India Pvt. Ltd. (SCIPL). He served as Joint Managing Director of SCIPL from 2010 till Oct'16 and as Managing Director of Excel Crop Care Limited 2016 -2019. Mr. Shah is a commerce graduate from Mumbai University and holds a Master's degree in Business Administration from North Rope University in the United States of America. Mr. Shah is an agri-chem industry veteran. He has been associated with the Industry for over 43 years in various leadership and Senior Management roles.
Mr. Sushil Champaklal Marfatia	Executive Director	Mr. Sushil Marfatia is presently an Executive Director and has been a member of the board of the Company since October 7, 2016. He has over 42 years of work experience. Prior to joining the Company, he was working with New Chemi Industries Limited for 33 years which was later merged with the Company. He holds a bachelor's degree in Commerce from the University of Mumbai. He is also a qualified Chartered Accountant.
Mr. Suresh Ramachandran	Whole-time Director & Chief Commercial Officer	He has been working with the Company as Chief Commercial Officer since March, 2021. He has done his B. Sc. (Agriculture) and M. Sc. (Agriculture) from Tamil Nadu Agricultural University, Coimbatore. He holds degree of Ph. D in entomology from University of Georgia, USA. Dr. He is a versatile, qualified techno-commercial and business professional with experience in leading business teams.
Mr. Anil Nawal	CFO	He is currently the Chief Financial Officer at Excel Crop Care Ltd. and Sumitomo Chemical India Ltd. He previously worked as the Chief Financial Officer at National Steel & Agro Industries Ltd. and Gharda Chemicals Ltd.

Source: Company data, I-Sec research

Exhibit 22: Manufacturing Units

Location	Acre	Key operations
Bhavnagar	~58	Manufacturing of technical grade pesticides and formulations
Gajod	~120	Manufacturing of metal phosphide, Sulphur WDG and other WDG and formulation
Tarapur	~5	Production and manufacturing of Active Ingredients
Vapi	~6	Formulation and packaging
Silvassa	~3	Formulation of Glyphosate and other speciality products

Source: Company data, I-Sec research

SCIL has bought two additional privately-owned land parcels in FY25 for expansion:

- ~20 acres adjoining existing Bhavnagar site; and
- 50 acres at a prime location at Dahej within Chemical Zone (recently received environmental clearance)

SCIL aims to invest ~15% of its consol. EBITDA every year for the upgradation of manufacturing facilities and capacity expansion to cater to the strong domestic/global demand.

Exhibit 23: Capex plan and timelines at Dahej, Bhavnagar and Tarapur sites

Project Description	Capex budget	Estimated Commercialization	Project Description	Capex budget	Estimated Commercialization	Project Description	Capex budget	Estimated Commercialization
Second Plant for a key SCC innovated product at Bhavnagar site for global requirements	~INR 55 crore	Q4 FY27	Plant for manufacturing Herbicide intermediate at Dahej site for supply to parent company	~INR 150 crore	Q2 FY28-29	Fitment for additional products at Tarapur site for supply to parent company	~INR 10 crore	Q4 FY27-28
<ul style="list-style-type: none"> SCIL has received board approval to set up a second plant for an important SCC innovated product for global requirements at existing Bhavnagar site. Brownfield expansion at existing Bhavnagar site – second plant for the same product within two years of first plant. To build on the success of the first plant, which demonstrated high utilization, world-class quality, and strong cost competitiveness 			<ul style="list-style-type: none"> First strategic investment at the Dahej site, marking a key step in developing Dahej as a strategic global manufacturing hub for the parent company's high-potential patented molecules. Initial operations will commence using process know-how from the parent company, with SCIL driving further process optimization and cost efficiencies to enhance competitiveness and improve project payback metrics. This is expected to be followed up with additional projects to enable future forward and backward integration, the same product as well as other high-potential patented molecules from the parent company's pipeline. 			<ul style="list-style-type: none"> The Company has also approved a capex for fitment to manufacture two additional molecules (one fungicide and one herbicide) at the existing Tarapur facility, primarily for supply to the parent company. This investment leverages existing infrastructure, enhances asset utilisation and strengthens SCIL's role as a strategic manufacturing hub within the parent group's global supply chain. 		

Payback period: Less than 5 years from start of operations

Source: I-Sec research, Company data

Exhibit 24: R&D capabilities

- 3 fully equipped, DSIR approved R&D labs located at Mumbai, Bhavnagar and Gajod capable of synthesis, technical product and formulation development; Soil Health Research Laboratory and in-house field trials
- R&D Team comprises of 75+ qualified and dedicated engineers & scientists of which 10+ are PhDs with more than 15 years of Experience
- 25+ patents granted across various geographies; 9 applications filed
- R&D facilities to gain capability for creating new processes and new combinations using SCC Japan's chemistries which would help improve production processes and efficiency



Bhavnagar, Synthesis Lab



Bhavnagar, R&D Analytical lab



Bhavnagar, Soil Health Research Lab



Bhavnagar, Biopesticides Unit

Source: I-Sec research, Company data

Exhibit 25: Key products of the company

Product	Category	Indicative uses
Fenpropathrin	Insecticide	Paddy, cotton, F&V
Glyphosate	Herbicide	Tea gardens, non-cropped
Profenophos	Insecticide	Cotton, soya bean
Pyriproxyfen	Insecticide	Cotton
Clothianidin	Insecticides	Vegetables
Tebuconazole	Fungicides	Wheat, soya bean, chillies
Gibberallic Acid	Plant Growth Regulator	Citrus fruits
Aluminium Phosphide	Fumigant	Warehousing of good grains
Chlorpyrifos	Insecticide	Paddy, beans, gram
DL-Methionine	Animal Nutrition	Poultry

Source: Company data, I-Sec research

Top-10 products contribute less than 45% of total revenue. No product/molecule contributes more than ~15% of total revenue (FY25). The company diversified across key crops and has concentrated its efforts now on fruits and vegetables, paddy and other high-growth segments. Revenue from new launches in the last three years has grown to 8–10% vs. 6% earlier.

Exhibit 26: Key products launched in last 3 years



Source: I-Sec research, Company data

SCIL's in-depth market understanding and research is evident in the successful launches of 12+ new products in the last 36 months. It has launched innovative products such as Meshi, Portion, and Ormie in FY25. SCIL recently received regulatory approval in India for two innovative patented high-potential molecules of SCC – Excalia Max (fungicide) and Lentigo (an herbicide). It has 5–6 products in the pipeline to be launched in FY26.

Exhibit 27: New product launches in FY26



Source: Company data, I-Sec research

The company aims to invest in seamless integration of R&D between SCIL and SCC units, which would help improve our production processes, enhancing yields and efficiency. It also plans to introduce new products as per market demand.

Slowdown in FY24; however, FY25 saw volume recovery

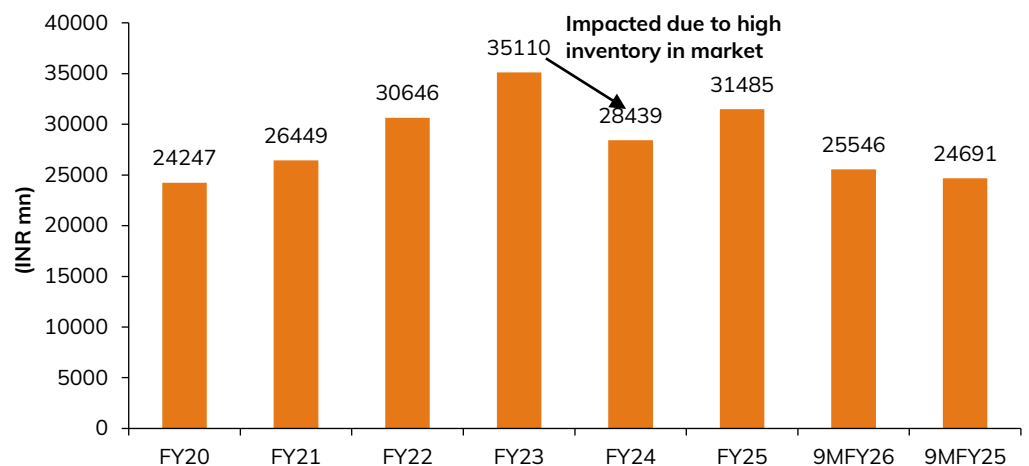
FY24 was one of the most challenging years for the agri-chem industry, with challenges emerging from multiple areas such as geopolitical tensions, erratic monsoons, lower demand, high-cost inventory, and declining price.

In FY25, the company delivered volume growth of 20% (domestic volume growth of 20% and export volume growth of 30%) while realisation declined by 10%.

In FY25, SCIL focused its efforts to utilise the following three areas to accelerate growth–

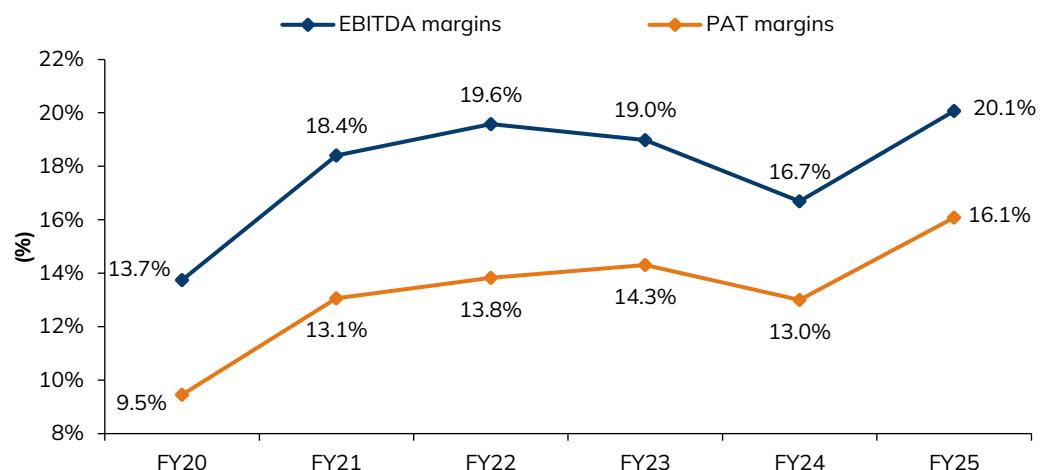
- **Global markets:** Innovative and dynamic well-diversified policies, enabling the company to generate higher value-addition from the global markets.
- **Research and innovation:** Poised to play a big role accelerating future growth by maintaining balance between proprietary and generic products and between organic –inorganic growth.
- **Digital economy:** Creating capabilities to leverage disruptive technologies such as artificial intelligence for technology-enabled growth.

Exhibit 28: FY24 saw revenue impact due to high-cost inventory; however, FY25 saw some recovery

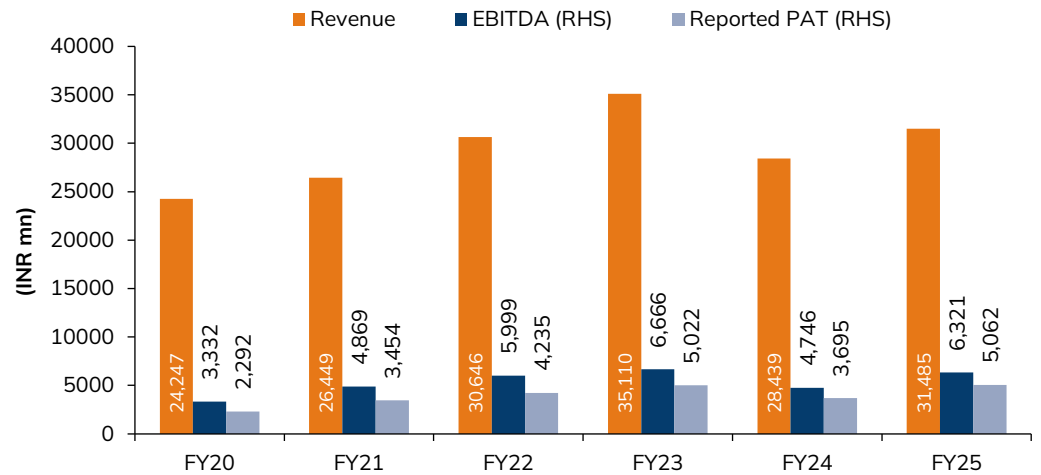


Source: Company data, I-Sec research

Exhibit 29: Margin hit was also seen in FY24



Source: Company data, I-Sec research

Exhibit 30: Revenue grew substantially post Covid-19 (FY18–23); however, declined in FY24, before improving in FY25


Source: Company data, I-Sec research

Exhibit 31: SCIL's distribution network

Network	
States	26
Depots	60
Distributors	15,000+
Dealers	~40,000
Farmer connect through physical meetings	4.4mn+
Digital connect	20mn+
Sales team	~600

Source: Company data, I-Sec research

Exhibit 32: Formidable player in the Indian agri-chem space


Source: Company data, I-Sec research; #FDOs - Field Development Officers (contractual)

Exhibit 33: SCC (parent company) ranks 8th among global agri companies, as per CY24 revenue

Company name	Crops Protection business sales (USD bn)	No. of issued patents by company (2007–24)
Syngenta Crop Protection	13.2	2,019
Bayer Crop Science	12.2	3,063
BASF	8.3	2,468
Corteva	7.4	1,945
UPL (FY25)	4.3	436
FMC	4.2	326
Adama	3.8	222
Sumitomo Chem (Japan) FY24	3.0	2,024

Source: [Company data](#), I-Sec research
Exhibit 34: Growth strategies


Source: I-Sec research, Company data

Investment in biological by parent – could become a new target area for growth in India

SCC's global biological initiatives are centred on expanding its 'biorationals' business—products derived from natural sources such as microorganisms, plant extracts, and minerals—to drive sustainable 'regenerative agriculture'. SCC has made strategic investments in global bio-agricultural firms, as part of its efforts to strengthen business in biological crop protection and fertilizers, which are key focus areas within its agri-business operations.

Biorationals and botanicals expansion: The company defines 'biorationals' as natural crop protection solutions like microbial pesticides, plant growth regulators, and rhizosphere materials. Major efforts are led by its US-based subsidiary, Valent BioSciences, a global leader in environmentally compatible pesticides.

SCC has been steadily building up the Biorational business over the last 2 decades, using Valent (formed in 2001 post the acquisition of Abbott Labs Biorational business) as the primary vehicle for spearheading this segment. SCC has since the 2001 buy, established a production plant microbial Crop protection AI's in CY14, acquired a US rhizosphere microbials business in CY15, opened a biorational research centre in CY18, and launched dedicated biorationals sales organizations at the group's major overseas locations in 2020. In CY23, SCC acquired FBSciences, a leader in the discovery and commercialisation of biostimulants and biopesticides.

Exhibit 35: SCC biological segment initiatives

Year	Milestone	Impact
2001	Founding acquisition	SCC acquires Abbott's biological business to form VBC.
2012	Postharvest expansion	VBC acquires Pace International to lead in post-harvest protection.
2015	Rhizosphere strategy	VBC acquires Mycorrhizal Applications to boost soil health solutions.
2023	Biostimulant entry	VBC acquires FBSciences to lead in climate-smart agricultural materials.
2024	Postharvest divestiture	VBC divests Pace International to AgroFresh to focus on biorational R&D.
2026	Formation of SBC	VBC, MGK, and VNA integrate into a single global hub (SBC).

Source: I-Sec research, Company data

'Natural Products' branding: In 2023, the group launched a global branding campaign under the slogan "Natural POWER for the world" to increase social recognition of its 30+ types of naturally derived products.

Biodiversity and natural capital: Sumitomo Chemical recently revised its **Biodiversity Guideline** (Feb'25) to move beyond conservation toward the active **restoration of natural capital**. It is a 'TNFD Early Adopter' (**Taskforce on Nature-related Financial Disclosures**) committed to disclosing nature-related financial risks and impacts.

Synthetic biology and biomanufacturing: The company is integrating biotechnology with digital technology (BX - Biotechnological Transformation) to develop high-performance products, such as mass-producing engineering plastics from biomass.

Regional growth in India: Through SCIL, the company is aggressively expanding its biological segment, offering certified organic farming solutions like **TRICHO HR™** (bio-fungicide) and **SUDOCEL™** (biological bactericide).

The global biological crop protection market is projected to nearly double from USD 8bn in 2023 to over USD 15bn by 2029, accounting for ~20% of the total crop protection market ([link](#)). The US market leads growth on this front, due to the rising environmental awareness and consumer demand for health and food safety.

Furthermore, SCC has a 50-year history in agri-chem and fertiliser distribution across ~40 countries and seeks to integrate these new investments into its existing global

network to promote broader adoption of biological solutions. This enhances its value chain in sustainable agriculture worldwide

Indian subsidiary, SCIL, could benefit materially from these initiative

We believe SCIL stands to benefit significantly from SCC's global foray into biologicals by acting as the primary vehicle for deploying these advanced technologies in the rapidly growing Indian market.

Portfolio expansion: SCIL already sources biological products from SCC's US-based subsidiary, Valent BioSciences. The global acquisition of FBSciences (2023) directly expands the range of biostimulants and crop nutrition solutions SCIL can introduce to Indian farmers. SCIL has already successfully launched high-performance biorationals like Promalin® (for fruit quality) and ProGibb® (plant growth regulator) in India. New technology platforms from SCC, such as MCOM (Nutrient Uptake) and MycoApply® (Root Health), represent the next wave of products SCIL can commercialize.

Diversification, margin boost: While the traditional chemical market is mature, India's agricultural biologicals market is projected to grow at a CAGR of 14.13% through 2032 ([link](#)). This allows SCIL to diversify away from purely synthetic pesticides. By combining SCC's global biologicals with SCIL's local acquisitions (like the majority stake in Barrix Agro Sciences), SCIL can offer 'Green Chemistry' solutions that command higher premiums due to stricter residue limits on export crops.

Barrix acquisition further boosts prospects: The acquisition of Barrix Agro Sciences has further strengthened SCIL's biological portfolio. In FY25, Barrix demonstrated a significant operational turnaround, registering approximately 82% revenue growth and contributing to SCIL's overall sustainability goals.

Strategic manufacturing hub: Under the global 'SCI 2.0' strategy, SCC has designated India as a global manufacturing hub. SCIL is scaling up facilities at Bhavnagar and Tarapur to produce innovative molecules, including biological and specialty chemicals, for both domestic use and global export.

Indian agri-chem could see strong growth over FY26–28E

The Indian agri-chem sector is a vital component of the country's agricultural economy, playing a crucial role in enhancing crop productivity and ensuring food security. Despite facing global headwinds and domestic challenges, the industry is demonstrating resilience and is poised for significant growth. With a market size estimated at ~USD 11.2bn in FY25 (including fertiliser sector), the sector is projected to reach USD 14.5bn by FY28E ([link](#)), implying a CAGR of ~9%. Growth has been driven by a combination of domestic demand for increased crop yields and India's rising prominence as a global export hub for cost-effective agri-chemicals.

Within agri-chem, the pesticides segment is valued at USD 8bn or so, growing at ~3% CAGR, with exports growing at a stronger 8–9%. We believe that pesticide consumption in the domestic market should grow strongly over the next decade, with a combination of rising food requirement, stagnant area under cultivation, transition to higher-margin products (horticulture) and consumption patterns at a strong disadvantage vs. global average to support strong growth.

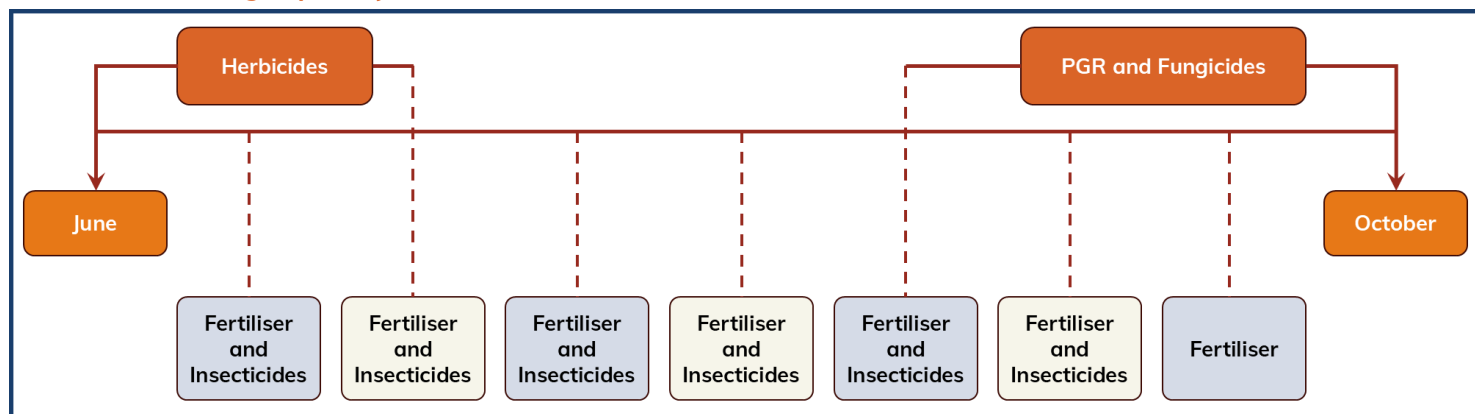
The following broad classification covers agri-chem –

- **Insecticides** (46% of agri-chem in India): Are used to kill insects. Generally, the insects eat leaves, trunk, roots etc. This is the largest agri-chemical segment in India. Insecticides are used on all crops, but mainly for food grains.
- **Herbicides** (24% of agri-chem in India): Are used before sowing to kill seeds of weeds (e.g.- grass). Herbs consume the nutrients from the soil and compete with the crop. Herbicides improve productivity by removing weeds. Some herbicides can be used after sowing too.
- **Fungicides** (26% of agri-chem in India): Helps kill the fungus. It is useful for horticulture crops (fruits, vegetables etc.).
- **Rodenticides** (small segment): They are used to kill rodents when the farm produce is stored in warehouse or is when it is transported.
- **Plant growth regulators** (small segment): They are used to ensure overall nourishment/regulating growth of the crops.
- **Bio-pesticides** (new segment): These are prepared from all natural ingredients. There are no harmful chemicals used. However, the efficacy of bio-pesticides is low.

Application depends on season

The application of the types of pesticides is a function of the type of crop as well as the season, with the lifecycle of agri-chem usage in India implying specific times of application of herbicides, PGR and fungicides; insecticides being applied more uniformly through the crop lifecycle.

Exhibit 36: Working capital cycle (Kharif season)



Source: I-Sec research, Industry data

Crop yields in India are fairly short of global levels

One of the major aspects of Indian agriculture has been its relatively low crop yields compared to global averages – across major crop yields for India, yields are 13–47% lower than global averages and the differential is starker when compared to other more developed agri markets.

Exhibit 37: Indian crop yield vs. global averages (kgs/hectare)

Crops	India's yield per hectare	Countries with maximum yield per hectare	Average world yield
Rice, Paddy	4,058	Australia - 8,771, USA - 8,374	4,662
Wheat	3,533	Belgium - 9,336, UK - 8,935	3,547
Maize	3,070	Iran - 23,224, Chile - 12,100	5,824
Cereals	3,405	Belgium - 8,989, Netherlands - 8,654	4,113
Pulses	698	Belgium - 4,164, Egypt - 3,890	992

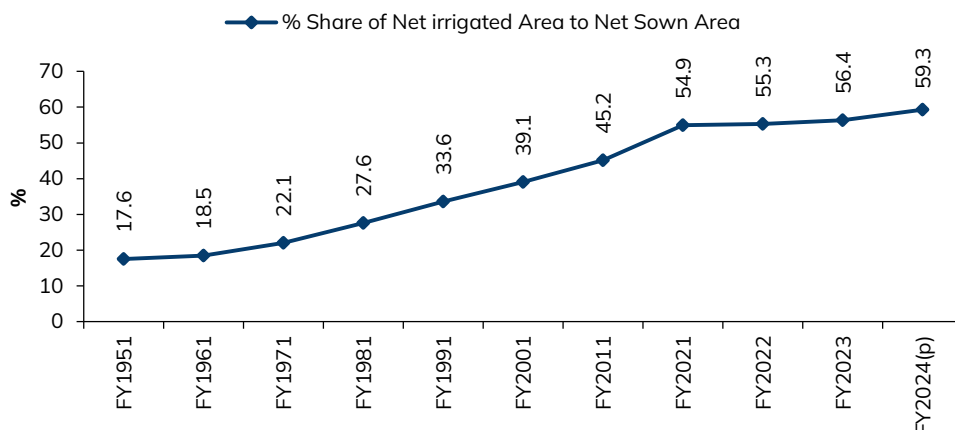
Source: I-Sec research, Pers RHP

The following factors drive low yields for Indian agri vs. global averages –

Low levels of irrigated land

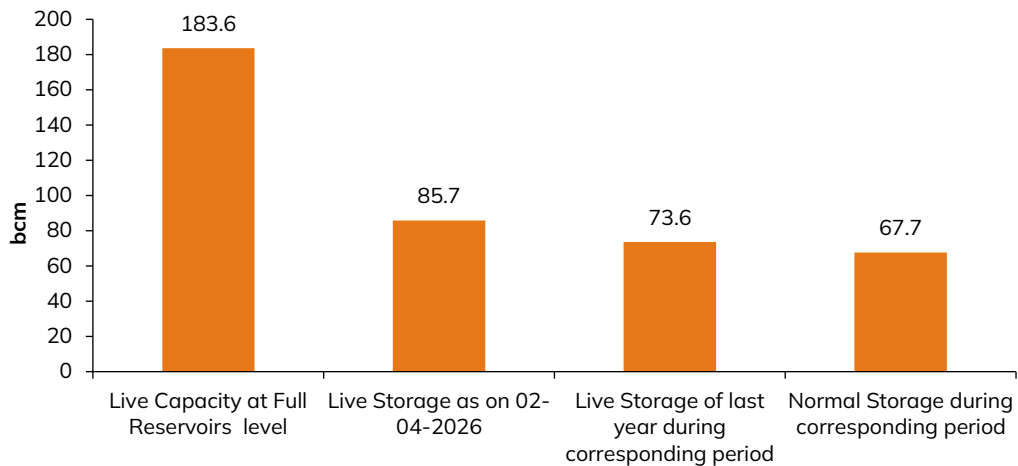
Despite concerted efforts to increase the extent of arable land and organised irrigation efforts – share of land covered by irrigation is still at relatively modest levels, with the percentage share, even as of current year, at ~59%.

Exhibit 38: Irrigated area has grown drastically since FY1951... now ~59% of net sown area



Source: I-Sec research, Desagri.gov.in

Exhibit 39: Water reservoir storage levels remain above normal and last year

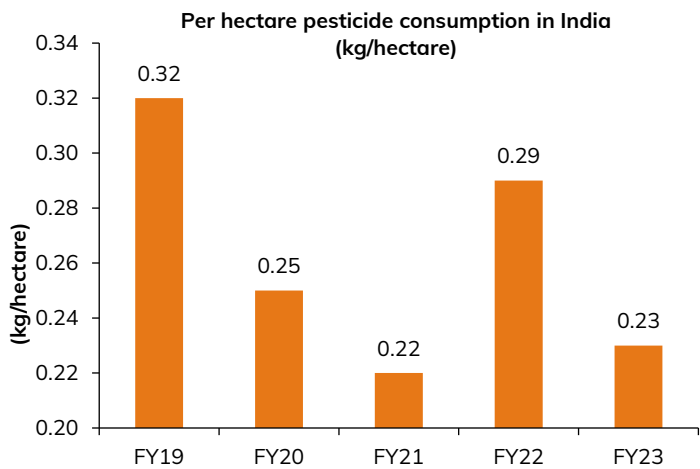


Source: I-Sec research, <https://rsms.cwc.gov.in/frameWork/web/public-dashboard>

Usage of agri-chem products well below required levels

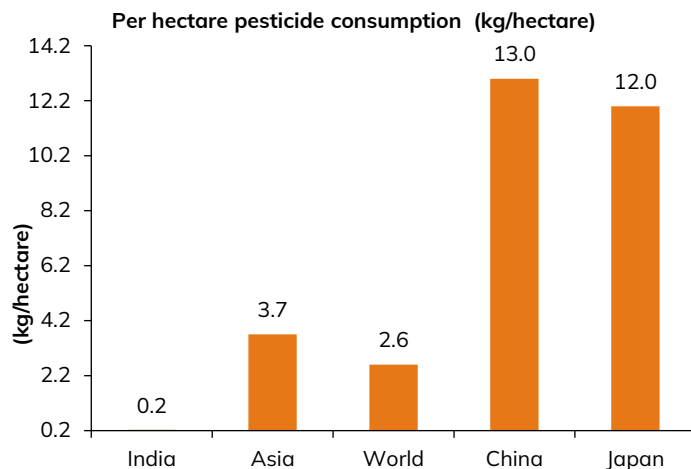
Looking at the usage data of pesticides in India, average utilisation per hectare is well below global averages – moreover, the per hectare usage has remained broadly flat over the last 4–5 years.

Exhibit 40: India pesticides consumption remains below 0.3kg/hectare...



Source: I-Sec research, Source: Directorate of Plant Protection, Quarantine & Storage, RHP of peers

Exhibit 41: ...well below global average

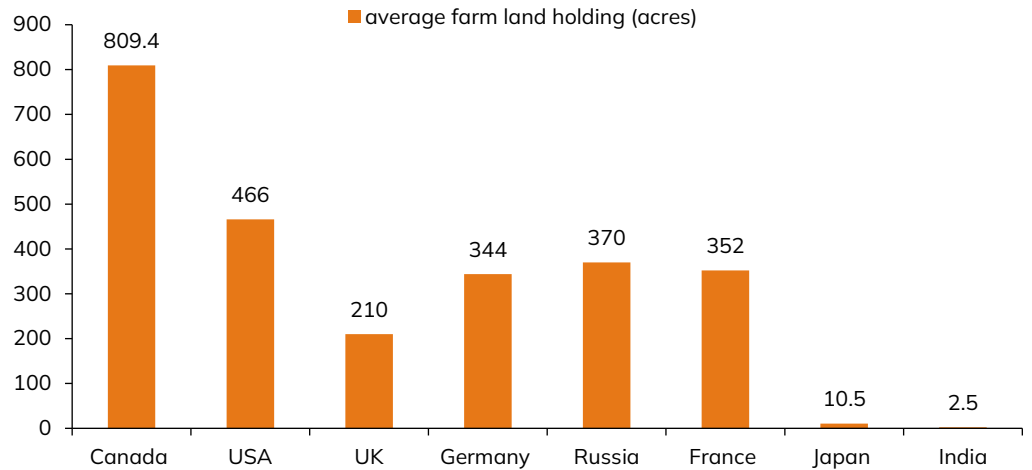


Source: I-Sec research, RHP of peers, Directorate of Plant Protection, Quarantine & Storage

Size of average land holdings

The average size of land holdings for farmers in India is small (80% farms have land holdings <5 acres, overall average is at only ~2.5 acres), which creates challenges for use of modern machinery and agriculture techniques. Add to that the restrictions on using resilient seeds (genetically modified seeds prohibited, except in cotton) and the lack of awareness in applying more efficient farming methods – put together, it creates a constraint on farm yields in the country.

Exhibit 42: Indian average farm holdings at conspicuously low levels



Source: I-Sec research, Company data, www.statcan.gc.ca ; www150.statcan.gc.ca

Multiple growth prospects for Indian agri-chem

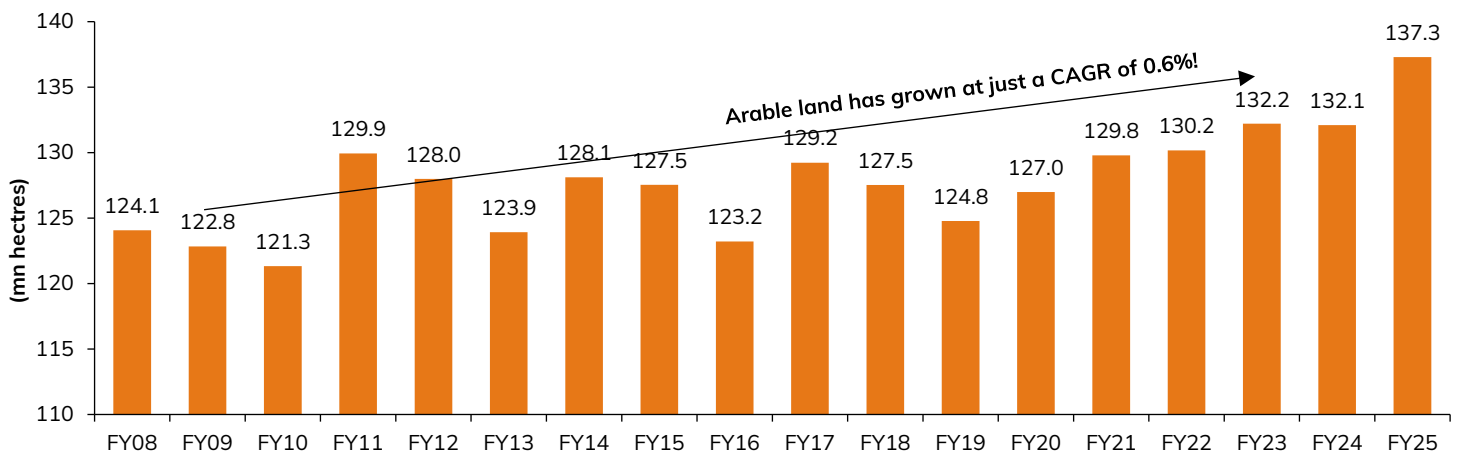
We see multiple factors driving growth prospects for Indian agri-chem – given the factors mentioned above and the rapidly growing requirement for agri commodities in the Indian economy over the next two decades.

We see the following factors helping growth in pesticide and animal feed consumption over the long term –

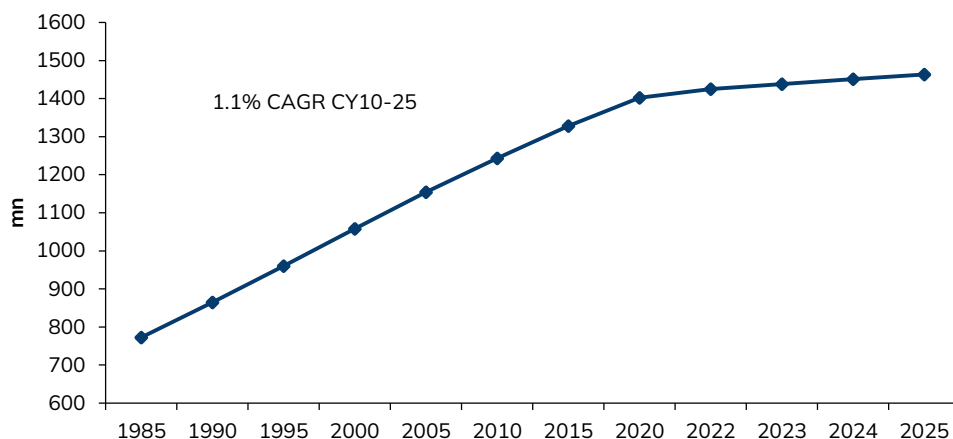
Stagnant land holdings

Over the last 17 years or so, land under cultivation in India has stayed at roughly the same levels, even as yearly fluctuations have been there, driven by seasonal factors, economic reasons etc. This is in sharp contrast to the population growth in the country and the resultant requirement for an increasing amount of foodgrains, fruits and vegetables in the country over the next few decades.

Exhibit 43: Notably slow growth in land under cultivation in India



Source: I-Sec research, Company data

Exhibit 44: Indian population has advanced at 1.1% CAGR in last 15 years


Source: I-Sec research, www.worldometers.info

India's position in global agriculture is an important one

Despite the limited land holdings and relatively lower use of organised irrigation tech, India is a major producer of major agri commodities and features in the top 3 in the production of products across cereals, fruits and vegetables and cash crops.

Exhibit 45: Indian prominence in global agri production

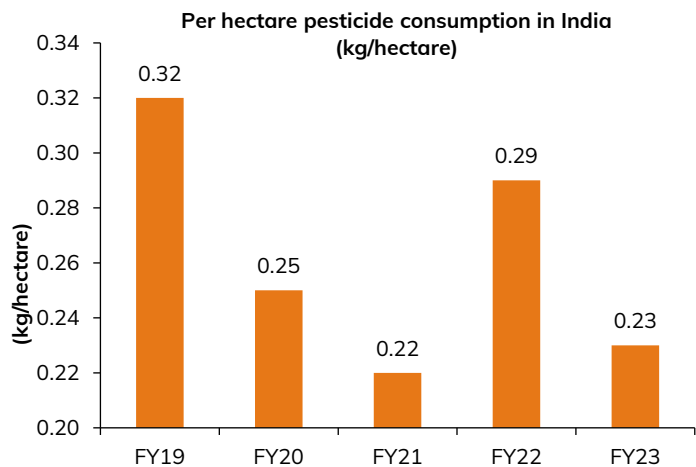
	India	World	% share	India's position	
				Rank	Next to
1. Crop (mn tonnes)					
A. Total cereals	324	2,979	10.9	Third	China, USA
Wheat	104	766	13.5	Second	China
Rice (Paddy)	178	755	23.5	Second	China
Total Pulses	22	88	24.3	First	
B. Oilseeds					
Groundnut (with shell)	7	49	13.8	Second	China
Rapeseed	9	71	13.1	Third	Canada, China
2. Fruits and vegetables (mn tonnes)					
Vegetables & Melons	127	1,169	10.8	Second	China
Fruits excluding melons	88	689	12.8	Second	China
Potato	50	370	13.5	Second	China
Onion (Dry)	23	100	22.8	Second	China
3. Commercial crops (mn tonnes)					
Sugarcane	405	1,949	20.8	Second	Brazil
Tea	1.4	6.5	21.4	Second	China
Coffee (Green)	0.32	10.04	3.2	Eight	Brazil, Vietnam, Colombia, Indonesia, Ethiopia, Honduras, Peru

Source: I-Sec research, Industry data , RHP of peers

Indian usage per hectare well below global averages

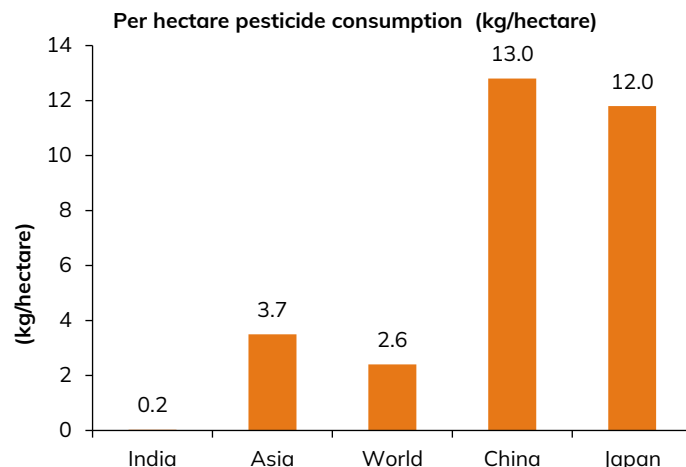
As mentioned earlier, usage of pesticides/hectare has remained stagnant at ~0.2kg for the better part of the last five years and is less than a tenth of global average.

Exhibit 46: India pesticides consumptions remain below 0.3kg /hectare...



Source: I-Sec research, Source: Directorate of Plant Protection, Quarantine & Storage, RHP of peers

Exhibit 47: ...well below global average



Source: I-Sec research, RHP of peers, Directorate of Plant Protection, Quarantine & Storage; FICCI – Overview of Agrochemicals Report 2021, data as of CY17

Crop losses reduce significantly with usage of pesticides

Crop losses to weather patterns, pest infestation and other factors are significant and a judicious use of agri-chem products can reduce crop losses materially, boosting yields and improving economics of farmers ([link](#)).

Exhibit 48: Significant crop losses can be avoided from usage of pesticides

Crop	Updated Avoidable Losses (%)	Key Notes & Recent Findings
Cotton	49–90%	Highly sensitive during early growth; unmanaged weeds can destroy nearly the entire yield.
Rice (Transplanted)	13–30%	Lower losses due to standing water acting as a natural weed suppressant.
Rice (Direct-Seeded)	15–66%	Significantly higher than transplanted rice; some trials show up to 90% loss in poor conditions.
Wheat	10–41%	<i>Phalaris minor</i> remains the primary threat, capable of causing up to 45%–60% reduction in specific pockets.
Soybean	20–77%	Potential losses are among the highest for oilseeds due to slow initial crop growth.
Mustard	21–70%	Parasitic weeds like <i>Orobanche</i> spp. can cause 28%–50% yield reduction alone.
Maize / Corn	18–65%	High variability; wider spacing in rainy seasons makes it prone to severe weed competition.
Groundnut	24–71%	Slow initial canopy development leads to high potential losses.
Sugarcane	14–72%	Long duration crop; weeds compete for nutrients over multiple growth stages.
Sunflower	30–55%	Sensitive during the critical first 30–45 days after sowing.
Pulses (General)	13–85%	Actual losses in Greengram (13–43%) but potential is much higher in unmanaged fields.
Vegetables	30–68%	Onion (up to 68%) and Carrot (70–78%) are particularly vulnerable.
Potato	8–21%	Relatively lower compared to other crops, but weeds interfere with tuber formation.
Fruits	20–35%	Weeds compete for water and nutrients in orchards, especially during young plant establishment

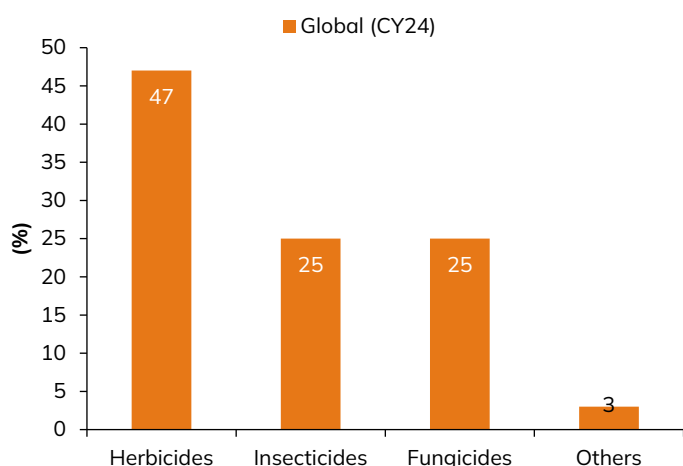
Source: I-Sec research, Company data, Federation of Seed Industry of India, ICAR-Directorate of Weed Research (DWR)

Usage of herbicides in-line with global trends can save labour costs

Unlike global averages, usage of pesticides follows a very different pattern in India. Driven by differences in land holdings, availability of labour, awareness and crop patterns, insecticides comprise ~46% of overall agri-chem usage, with herbicides at ~24%. This is completely the opposite of global trends where herbicides comprise 45% of usage and insecticides are at ~25%.

Usage of herbicides is typically done to reduce the need for manual weeding; hence, successful application of the same can materially reduce the cost of weeding activity at the farm level. We note, however, that this can apply only at farms that are large enough to warrant external labour (as opposed to family farms where labour costs do not register separately).

Exhibit 49: Global pesticides usage leans towards herbicides



Source: I-Sec research, UPL company data

Exhibit 50: India pesticides usage leans towards insecticides

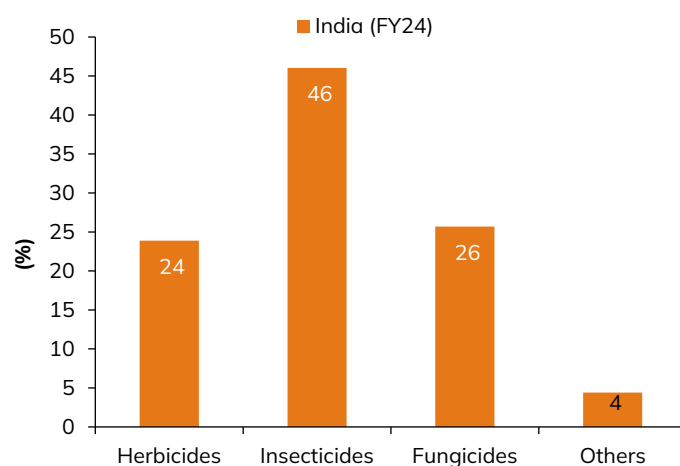
Source: I-Sec research, [PPQS.gov.in](https://ppqs.gov.in) ex miscellaneous

Exhibit 51: Costs savings using herbicides

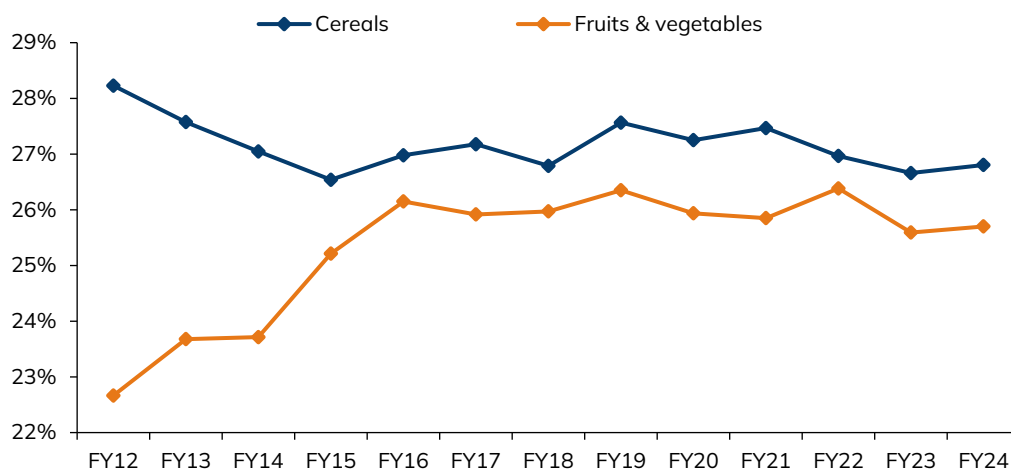
Particulars (per acre per season)	Labour	Herbicides
Mandays required (no. of days)	20	1-3
Cost per manday (INR)	500	500
Total labour cost (INR)	10,000	500-1500
Cost of herbicide (INR)	NA	1200-1500
Total cost (INR)	10,000	1,700-3000

Source: I-Sec research, Industry data, data from Bighaat.com, google shopping data

Shift in patterns of crops can drive margin improvement for pesticides

Over the last decade, one trend has been consistent and structural – the share of horticultural products vs. traditional cereals has been growing. The growing incomes in the country tend to drive higher demand for fruits and vegetables, as diets move to more nutritional products vs. plain cereals.

Exhibit 52: Within crop output, horticulture's share has risen sharply in last 12 years

Source: www.mospi.gov.in I-Sec Research; GVO of different groups of crops at constant (2011-12) prices

Usage of pesticides would, therefore, see an uptick as the share of fruits and vegetables continues to rise relative to cereals in the country. Vulnerability of fruits and vegetables to pests and diseases is very high, with estimates suggesting losses for vegetables reaching as high as 54% and for fruits as much as 78%.

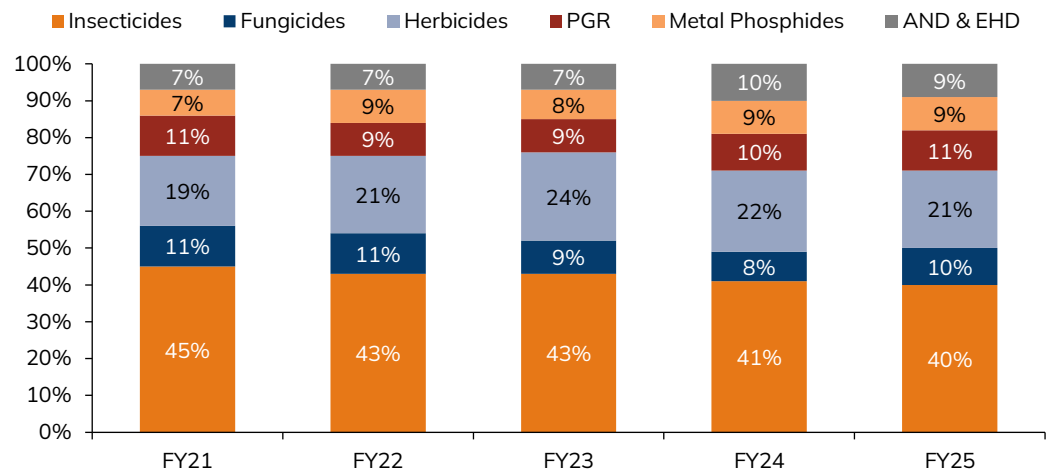
Financial analysis – material growth in financial metrics

We expect revenue and profits to show sustained growth, with the combination of added capacity, improved pricing environment and new launches to support revenue and margin improvement over FY26–28E. We assume revenue mix and domestic/export trends to remain largely the same; but as per management guidance, share of branded products will likely steadily expand as the new product launches start to get monetised.

We, therefore, expect the share of generics to gradually reduce by ~900bps in favour of specialty over FY26–28E – relative to generic: specialty mix of 71%:29% in FY25, we estimate the mix to go to 62%:38% by FY28E. Overall EBITDA margins reflect the improvement to ~16% by FY28E vs. ~15%, as of FY25.

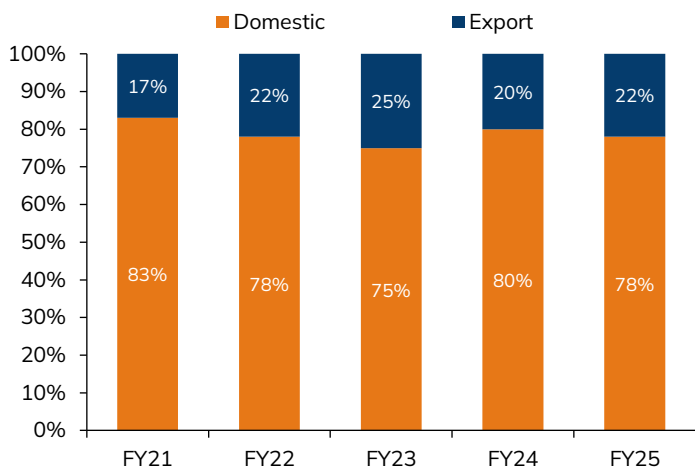
Overall, revenue/EBITDA/PAT CAGRs of ~11/13/13% over FY26–28E drives accretion in operating cash flows of INR 20.6bn (cumulative) over the period, vs. INR 18bn over FY22–25. Despite higher capex of INR 1.5bn annually, the resultant improvement in FCF also reflects in resilient RoE/RoCE of 17–18% over the next 2–3 years.

Exhibit 53: Insecticides and herbicides contribute >60% of sales



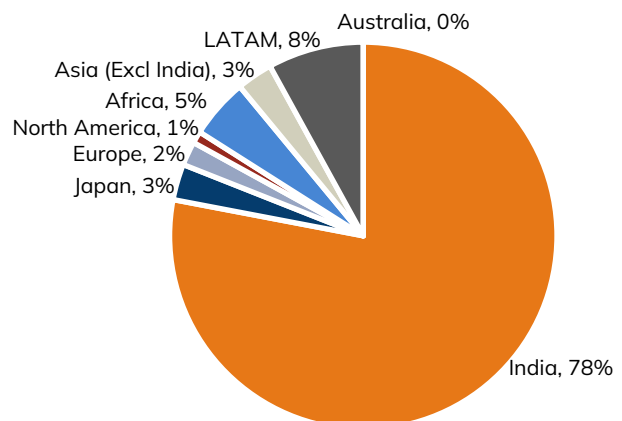
Source: Company data, I-Sec research

Exhibit 54: Domestic vs. export trend



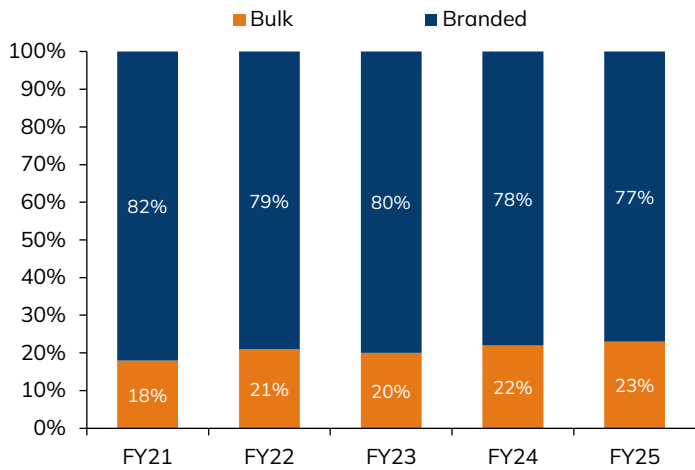
Source: Company data, I-Sec research

Exhibit 55: FY25 – domestic contributes 75% of sales



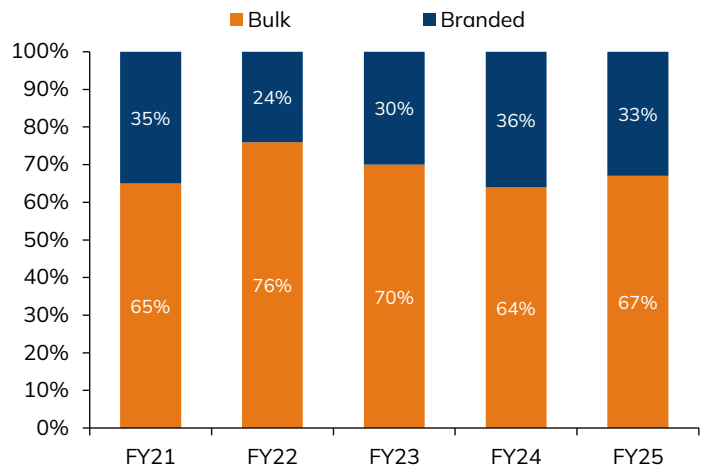
Source: Company data, I-Sec research

Exhibit 56: Domestic sales are skewed towards branded products...



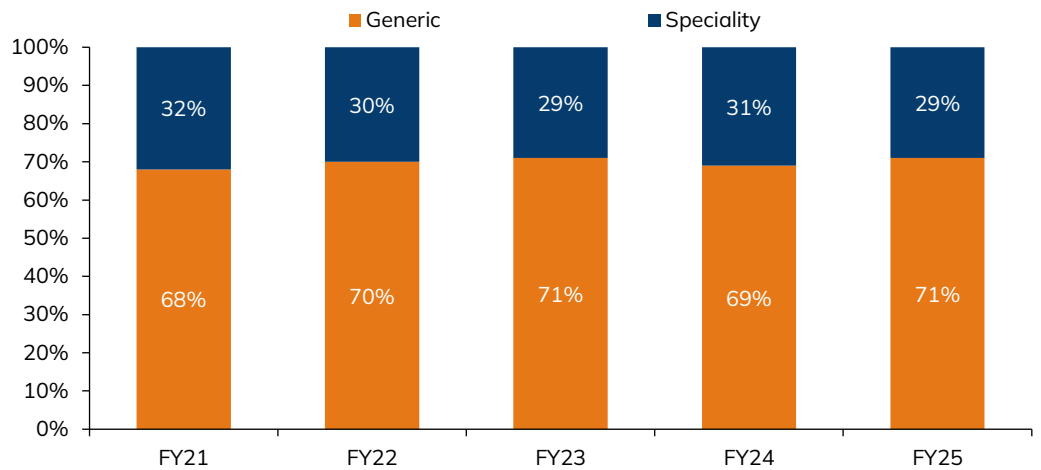
Source: Company data, I-Sec research

Exhibit 57: ...while exports are more inclined towards bulk, however higher than peers



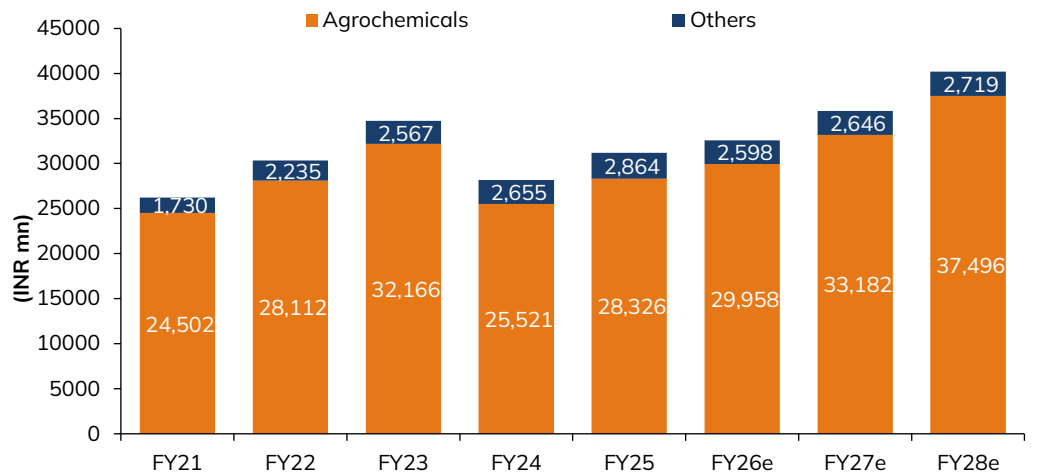
Sour: Company data, I-Sec research

Exhibit 58: Generics contributes ~70% of sales over last 5 years



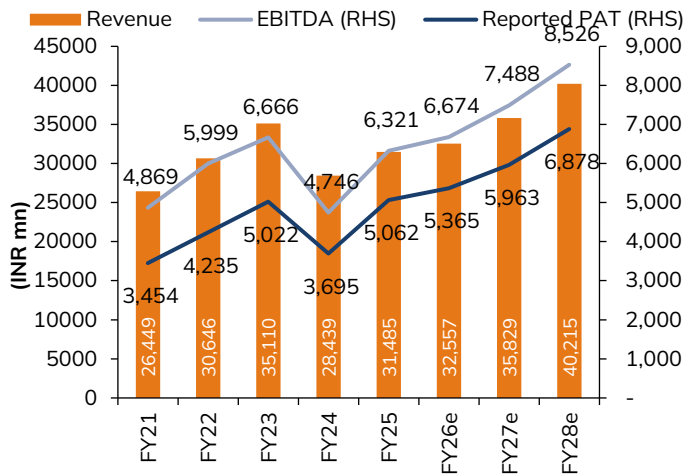
Source: Company data, I-Sec research

Exhibit 59: Uptick in revenue cycle over FY25-28E



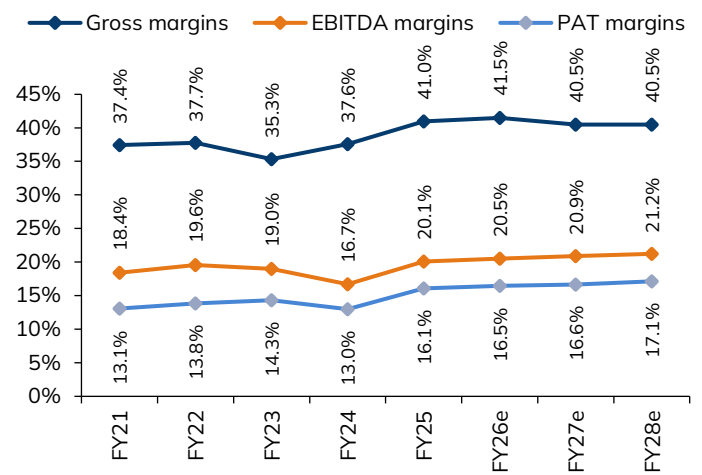
Source: Company data, I-Sec research

Exhibit 60: Revenue/PAT to see a CAGR of 11–13% over FY26–28E



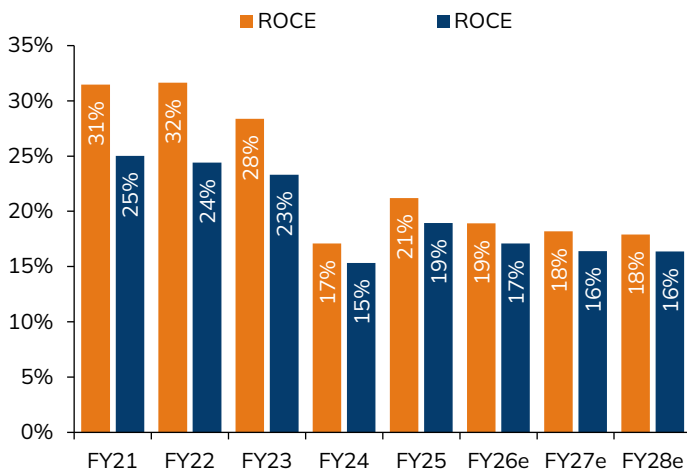
Source: Company data, I-Sec research

Exhibit 61: Margins to remain healthy



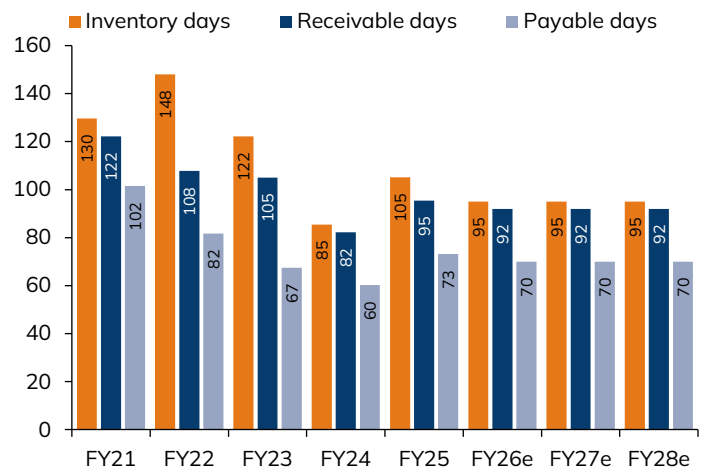
Source: Company data, I-Sec research

Exhibit 62: Return ratios to moderate



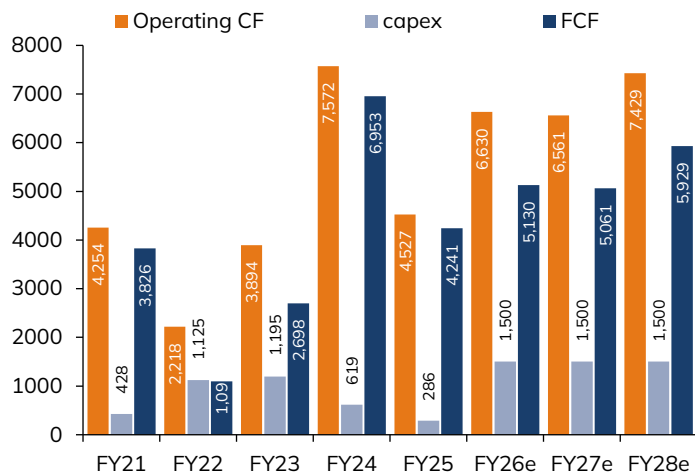
Source: Company data, I-Sec research

Exhibit 63: Working capital days to remain flattish



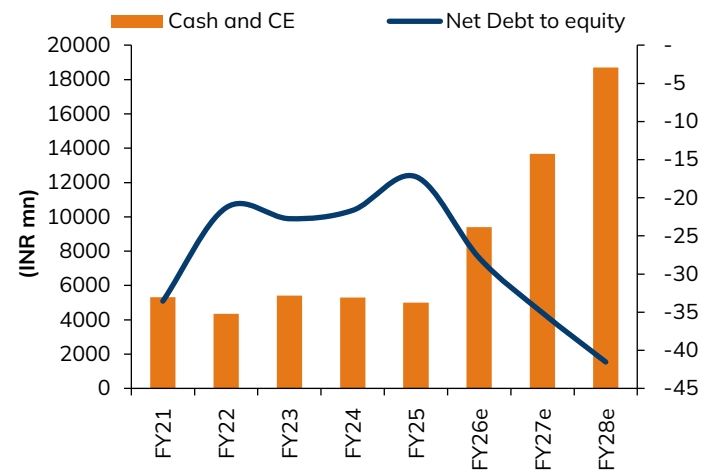
Source: Company data, I-Sec research

Exhibit 64: Strong operating cashflow



Source: Company data, I-Sec research

Exhibit 65: Leading to substantial deleveraging



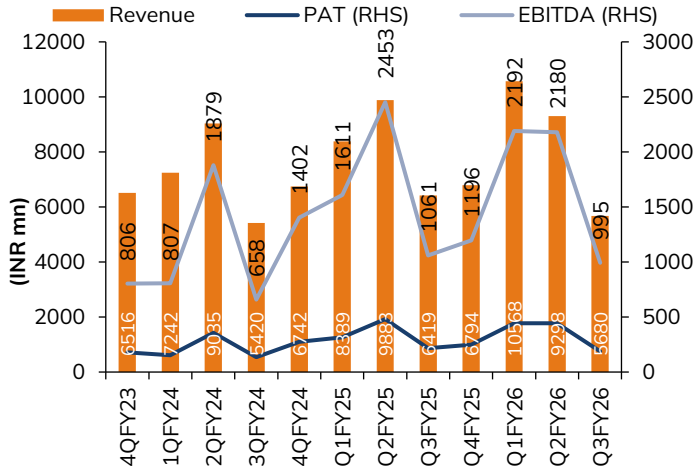
Source: Company data, I-Sec research

Exhibit 66: Quarterly snapshot

INR mn	Q3FY26	Q3FY25	Q2FY26	YoY	QoQ	9MFY26	9MFY25	YoY
Sales	5680	6419	9298	-12%	-39%	25546	24691	3%
Gross margins	47.4%	42.1%	43.1%			42.0%	41.2%	
EBITDA	995	1061	2180	-6%	-54%	5367	5125	5%
EBITDA margins	17.5%	16.5%	23.4%			21.0%	20.8%	
Adj PAT	884	874	1778	1%	-50%	4442	4067	9%
Insecticides	48.0%	39.0%	39.0%			41%	39%	
Fungicides	9.0%	12.8%	9.0%			9%	10%	
Herbicides	17.0%	14.5%	26.0%			24%	23%	
PGR	9.0%	11.0%	9.0%			9%	11%	
Metal Phosphides	12.5%	10.8%	8.0%			9%	8%	
*AND & EHD	4.5%	11.8%	9.0%			8%	9%	
Total	100.0%	100.0%	100.0%			100%	100%	
Insecticides	2,726	2,503	4,049	9%	-33%	10474	9630	9%
Fungicides	511	825	1,260	-38%	-59%	2299	2469	-7%
Herbicides	966	928	1,572	4%	-39%	6131	5679	8%
PGR	511	706	1,048	-28%	-51%	2299	2716	-15%
Metal Phosphides	710	696	744	2%	-5%	2299	1975	16%
AND & EHD	256	760	625	-66%	-59%	2044	2222	-8%
Total	5,680	6,419	9,298	-12%	-39%	25546	24691	3%
Category-wise revenue break-up								
Generic	74.5%	76.7%	75.0%			71%	71%	
Speciality	25.5%	23.3%	25.0%			29%	29%	
Segment Break-up (INR mn)								
Generic	4,231	4,923	5,980	-14%	-29%	18137	17531	3%
Speciality	1,448	1,496	3,318	-3%	-56%	7408	7160	3%
Bulk & Branded								
Domestic								
Bulk	9.1%	30.4%	17.6%			18%	21%	
Branded	90.9%	69.6%	82.4%			82%	79%	
Domestic - INR mn								
Bulk	347	1,470	1,355	-76%	-74%	3725	4200	-11%
Branded	3,459	3,364	6,338	3%	-45%	16967	15800	7%
Exports								
Bulk	66.0%	72.0%	66.0%			66%	72%	
Branded	34.0%	28.0%	34.0%			34%	28%	
Exports - INR mn								
Bulk	1,237	1,141	1,060	8%	17%	3203	3378	-5%
Branded	637	444	546	44%	17%	1650	1314	26%

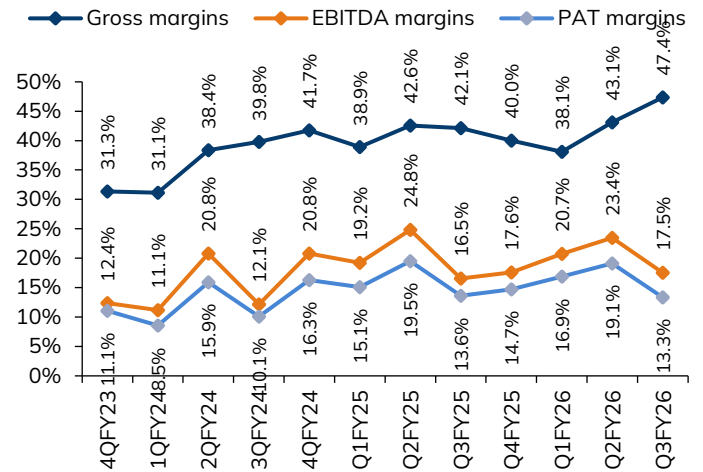
Source: I-Sec research, Company data, discontinuation of business* AND from Q3FY26

Exhibit 67: Revenue/PAT impacted due to one-offs...



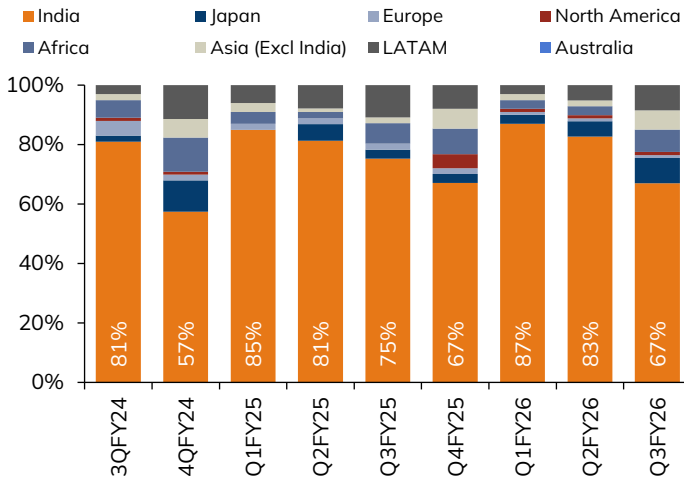
Source: Company data, I-Sec research

Exhibit 68: ...however, margins have improved YoY



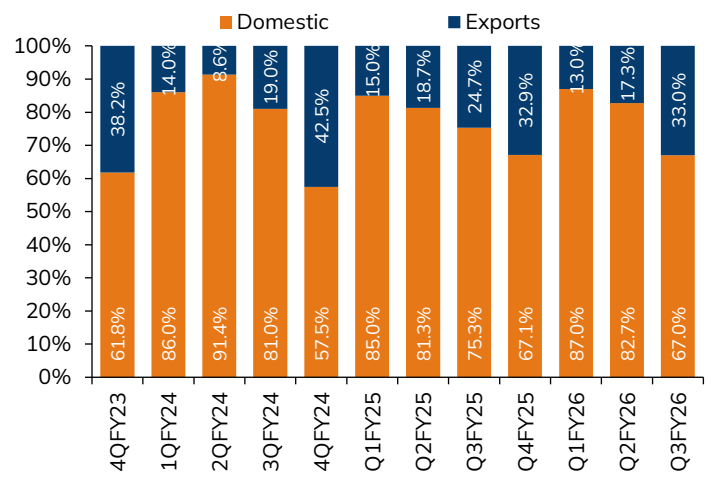
Source: Company data, I-Sec research

Exhibit 69: Quarterly geographical sales mix trend



Source: Company data, I-Sec research

Exhibit 70: Quarterly trend in domestic sales



Source: Company data, I-Sec research

Valuations – we see material upsides from here

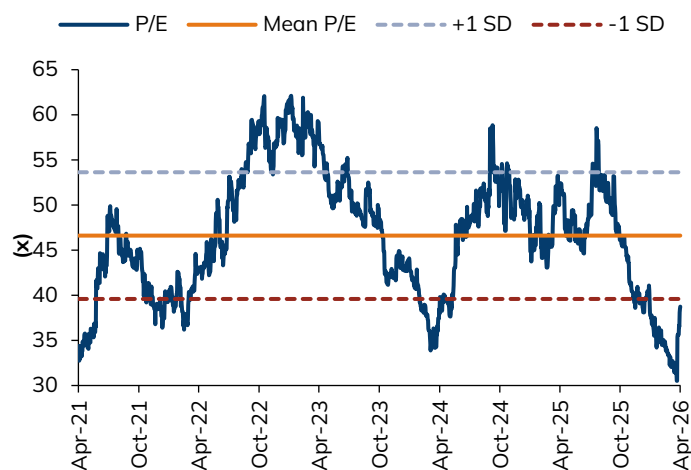
We value SCIL using a combination of FY28E PER and EV/EBITDA multiples and we also analyse the valuation range using a historical PEG range, which we believe provides leeway for negative surprises in the fair value. Our derived price is INR 515, implying a material 23% upside hereon. At our target price, implied PER multiple is 36.5x and implied EV/EBITDA multiple is at 29.3x.

Exhibit 71: Valuation

	FY28E
EPS (INR/share)	13.8
Growth	15%
P/E multiple (x)	36.5
TP (INR)	503
Implied PE (x) (at CMP)	30.4
<hr/>	
(INR mn)	
EBITDA	8,526
EV/EBITDA multiple (x)	29.3
EV	2,49,375
Net debt	(13,671)
Equity Value	2,63,046
TP (INR)	527
Implied EV/EBITDA (x) (at CMP)	22.3
<hr/>	
Average TP (INR/share)	515
CMP	419
Upside / (downside)	23%

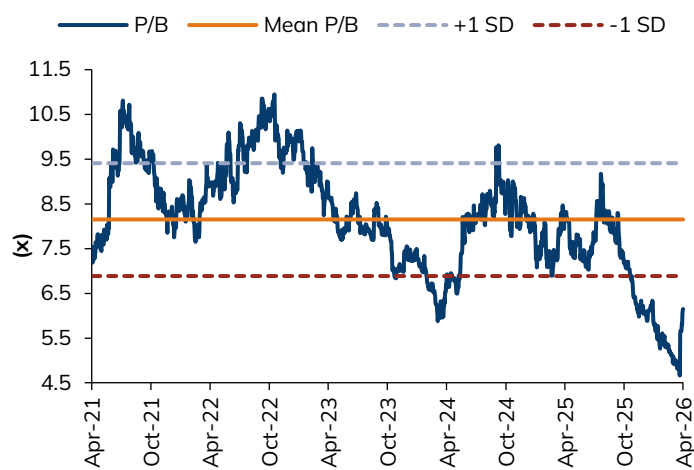
Source: Company data, I-Sec research,

Exhibit 72: PER band trading below 5-year average

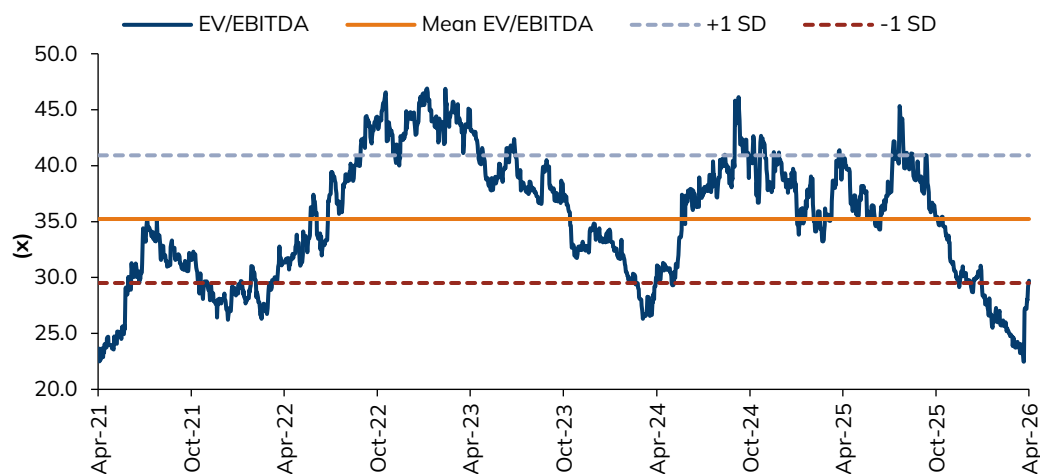


Source: I-Sec research, Company data

Exhibit 73: P/BV band trading below 5-year average



Source: I-Sec research, Company data

Exhibit 74: EV/EBITDA trading below 5-year average band


Source: I-Sec research, Company data

Exhibit 75: SCIL vs. Indian agri – relative valuation table

INR mn	Mkt Cap (Mn)	EPS			P/B			EV/EBITDA			P/E		
		FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Sumitomo Chemical India Ltd	2,09,217	11.1	12.9	15.1	6.2	5.4	4.6	30.8	25.9	22.5	37.7	37.7	32.5
Sumitomo Chemical India Ltd (I-Sec est)	2,09,217	10.7	11.9	13.8	6.2	5.4	4.6	29.9	26.1	22.3	39.0	35.1	30.4
Godrej Agrovet Ltd (I-Sec est)	1,14,224	28.8	30.6	35.1	4.4	4.0	3.7	13.2	12.2	10.5	20.6	19.4	16.9
Upl Ltd	5,44,320	28.9	44.2	53.2	1.5	1.4	1.3	9.3	8.0	7.2	22.3	22.3	14.6
Pi Industries Ltd	4,46,962	93.2	100.1	114.3	3.9	3.5	3.2	21.9	19.8	17.4	31.6	31.6	29.4
Rallis India Ltd	50,319	9.9	12.2	14.9	2.5	2.3	2.1	13.2	11.2	9.5	26.3	26.3	21.3
Paradeep Phosphates Ltd	1,26,024	10.2	10.7	12.3	1.9	1.6	1.4	7.7	7.4	6.7	11.9	11.9	11.3
Kaveri Seed Co Ltd	47,581	58.0	68.2	79.3	2.7	2.3	1.9	14.3	12.1	10.5	15.9	15.9	13.6
Dhanuka Agritech Ltd	46,300	59.5	67.3	77.0	3.2	2.8	2.2	11.7	10.3	9.1	17.3	17.3	15.3
Basf India Ltd	1,56,287	85.1	146.7	199.4	3.9	3.5	3.0	25.7	16.7	12.9	42.4	42.4	24.6
Bayer Cropscience Ltd	2,15,960	147.3	168.7	193.6	7.2	6.8	6.4	24.7	21.2	18.5	32.6	32.6	28.5
Insecticides India Ltd	18,826	52.1	64.1	68.0	1.5	1.4	1.2	8.6	7.0	6.5	12.4	12.4	10.1
Average					3.6	3.3	2.9	16.3	13.8	11.9	24.7	24.3	19.6

Source: I-Sec research, Company data, Bloomberg, closing price as of 10th April'26

Annexure

Manufacturing and registration process of agri-chem

Technical is the main agrochemical. It is converted to usable format for farmers i.e. formulations. Most companies in India sell formulations. Limited number of companies have backward integration of technicals.

Companies without backward integration procure technicals from other agri-chem companies or import from China, which supplies 35–40% of technicals used in India.

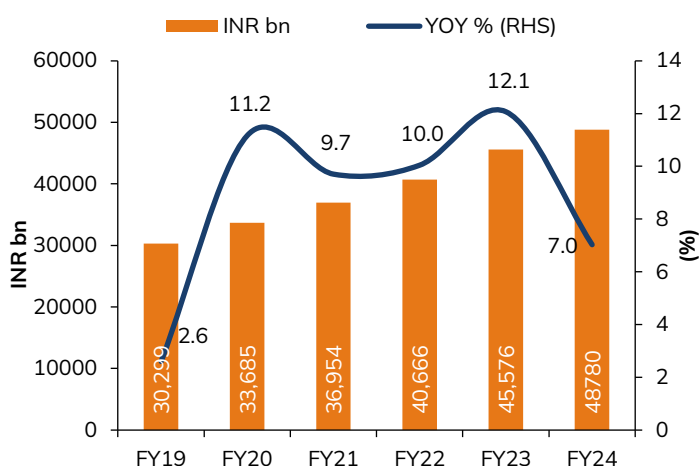
Registration process

All new agrochemicals are patented by some player globally. They get exclusive rights for 20 years. The Indian market is all about post patents (i.e. generics).

Whenever a new generic is introduced in India, it is registered under Section 9(3) of the Insecticides Act. This process requires 4-5 years.

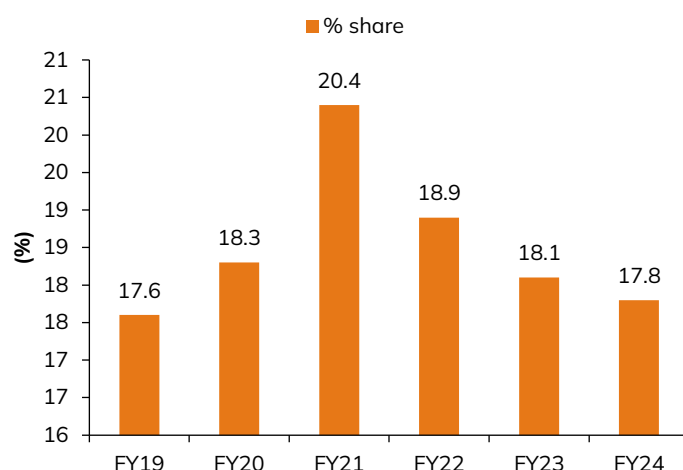
Once the agrochemical is registered under Section 9(3), other companies need to register their products under Section 9(4). This process requires just one year. There is a rise of combination products. It requires 9(3) registration.

Exhibit 76: Trend in agriculture GVA at constant prices



Source: PIB release and Economic Survey, MOSPI, I-Sec research

Exhibit 77: Percentage share of GVA of agriculture and allied sector to total economy



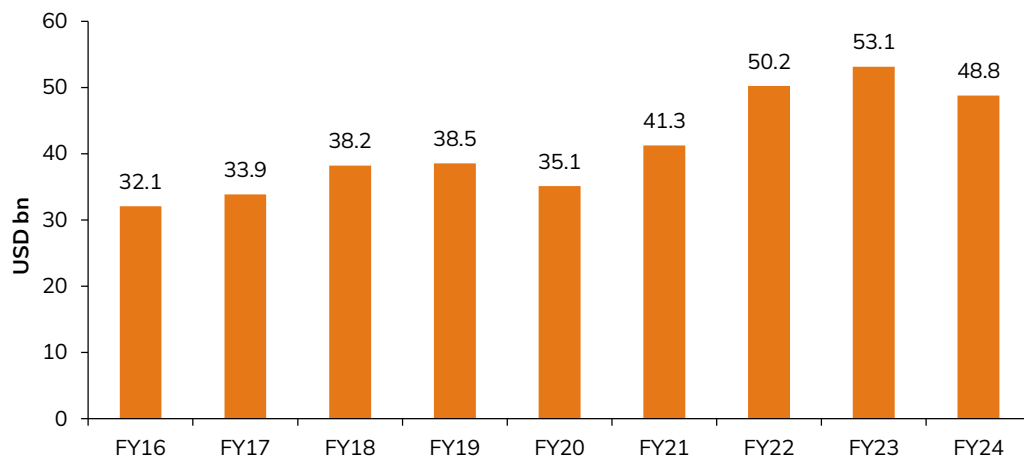
Source: PIB release and Economic Survey, MOSPI, I-Sec research

Exhibit 78: Key agricultural and allied sector exports from India in FY24

	USD bn
Rice (Basmati and Non-Basmati)	11.29
Marine Products	6.73
Spices	3.79
Buffalo Meat	3.69
Sugar	1.86
Miscellaneous processed items	1.53
Oil Meal	1.22
Coffee	1.54

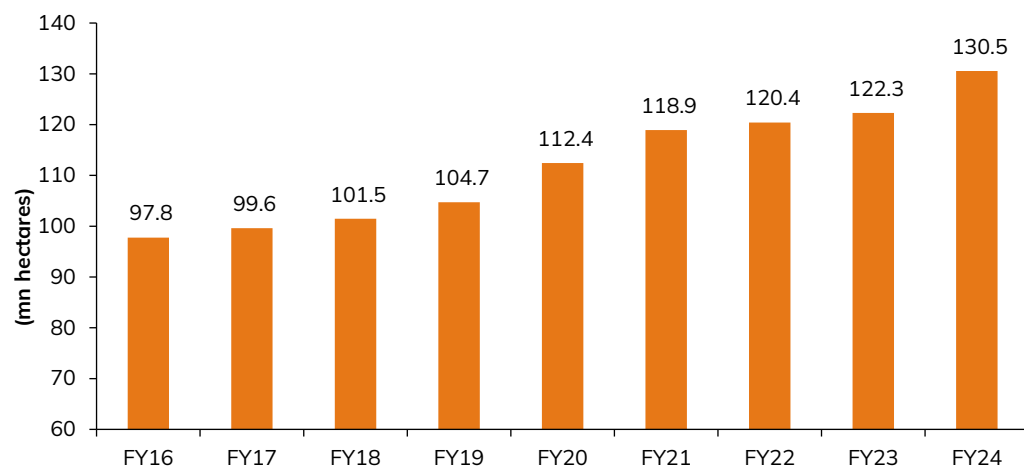
Source: Ministry of Agriculture and Farmers' Welfare, APEDA, Ministry of Commerce, I-Sec research, IBEF

Exhibit 79: Agricultural exports from India



Source: Company data, I-Sec research

Exhibit 80: Gross irrigated area



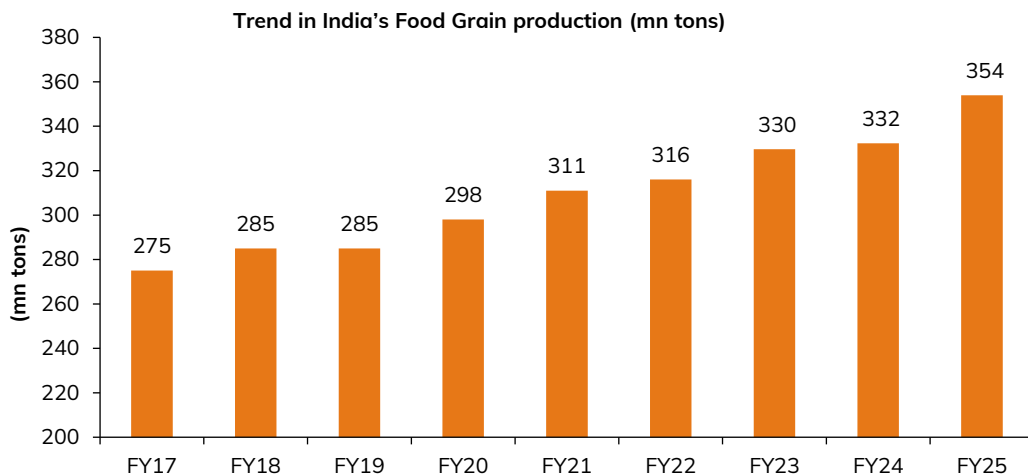
Source: IBEF, Ministry of Agriculture and Farmers Welfare, I-Sec research; [Desagri.gov.in](https://desagri.gov.in)

Exhibit 81: Yield (kg/hectares)

Crop	FY20	FY21	FY22	FY23	FY24	FY25
Rice	2,722	2,717	2,798	2838	2882	2899
Wheat	3,440	3,521	3,537	3521	3559	3587
Maize	3,006	3,199	3,387	3545	3351	3518
Total Cereals	2,772	2,824	2,899	2939	2945	2997
Total Pulses	823	885	888	902	881	914
Total Foodgrains	2,343	2,394	2,425	2494	2515	2578
Total Oilseeds	1,224	1,247	1,312	1368	1314	1408
Sugarcane	80,497	83,566	84,906	83349	78953	84006
Cotton (mn bales of 170kg each)	455	451	428	443	436	465
Jute & Metsa (mn bales of 180kg each)		2,542	2,738	2,570	2737	2759

Source: Government of India (Ministry of Agriculture and Farmers Welfare); I-Sec research; [Upag.gov.in](https://upag.gov.in)

Exhibit 82: Trend in India's food grain production



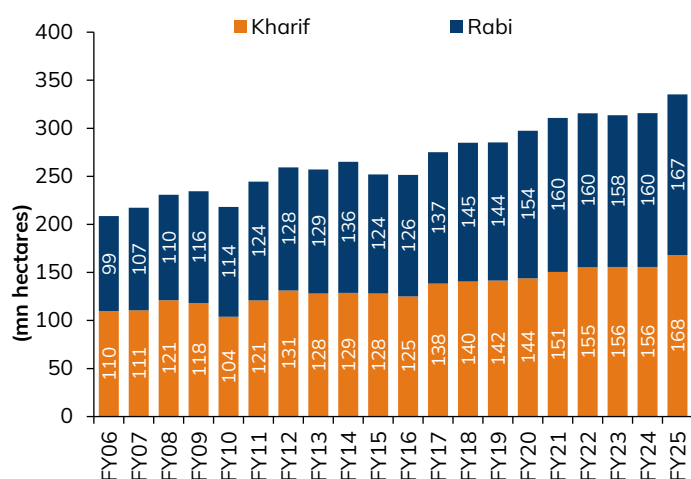
Source: Government of India (Ministry of Agriculture and Farmers Welfare); I-Sec research

Exhibit 83: Foodgrains and commercial crops production (MnT)

Crop	FY21	FY22	FY23	FY24	FY25
Rice	124.4	129.5	135.8	137.8	149.1
Wheat	109.6	107.7	110.6	113.3	117.5
Maize	31.6	33.7	38.1	37.7	42.3
Total Cereals	285.3	288.3	303.6	308.1	328.7
Total Pulses	25.5	27.3	26.1	24.2	25.2
Total Foodgrains	310.7	315.6	329.7	332.3	354.0
Total Oilseeds	35.9	38.0	41.4	39.7	42.6
Sugarcane	405.4	439.4	490.5	453.2	450.1
Cotton (million bales of 170 kg each)	35.2	31.1	33.7	32.5	30.7
Jute & Metsa (million bales of 180 kg each)	9.4	10.1	9.4	9.7	8.4

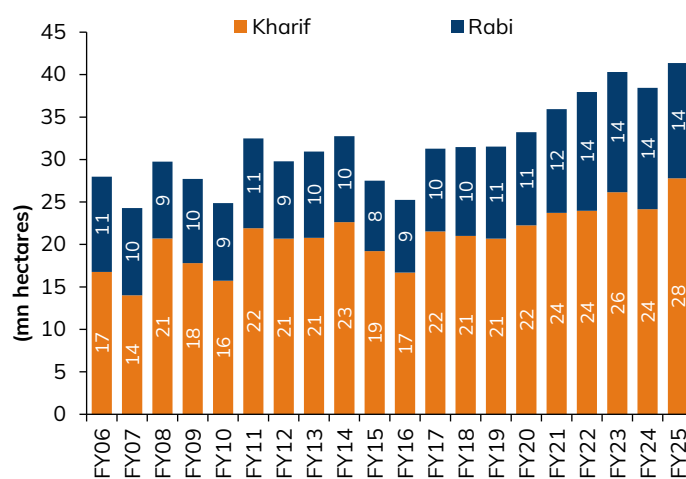
Source: I-Sec research, Government of India (Ministry of Agriculture and Farmers Welfare);

Exhibit 84: Food grain production



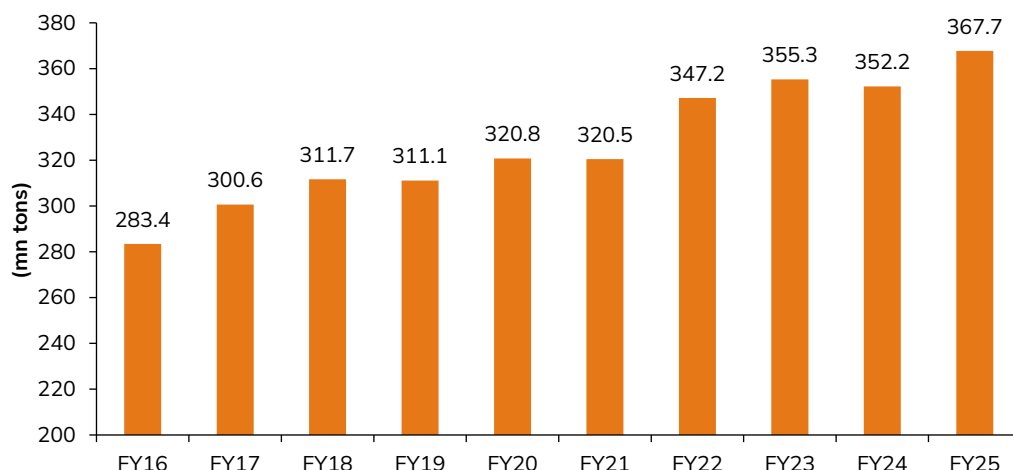
Source: Government of India (Ministry of Agriculture and Farmers Welfare); I-Sec research

Exhibit 85: Oil seeds production



Source: Government of India (Ministry of Agriculture and Farmers Welfare); I-Sec research;

Exhibit 86: India's horticulture production

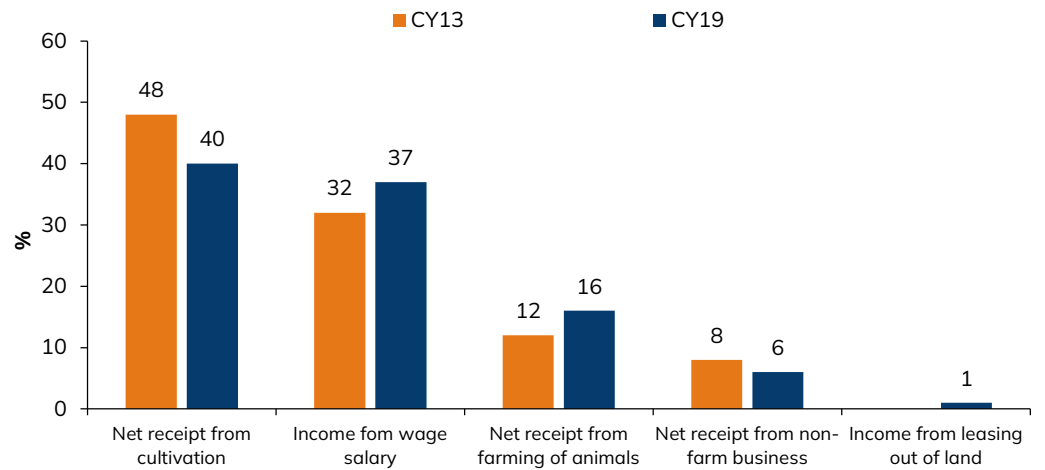


Source: Ministry of Agriculture and Farmers' Welfare, Press Release, I-Sec research

Exhibit 87: MSP price trend over last 7 years (INR/quintal)

SR. No.	Commodity	Variety	FY19	FY20	FY21	FY22	FY23	F24	FY25	FY26	CAGR% FY19-26
KHARIF CROPS											
1	PADDY	COMMON	1750	1815	1868	1940	2040	2183	2300	2369	5%
2	JOWAR	Grade 'A'	1770	1835	1888	1960	2060	2203	2320	2389	5%
		Hybrid	2430	2550	2620	2738	2970	3180	3371	3699	7%
		Maldandi	2450	2570	2640	2758	2990	3225	3421	3749	7%
3	BAJRA		1950	2000	2150	2250	2350	2500	2625	2775	6%
4	RAGI		2897	3150	3295	3377	3578	3846	4290	4886	9%
5	MAIZE		1700	1760	1850	1870	1962	2090	2225	2400	6%
6	TUR (ARHAR)		5675	5800	6000	6300	6600	7000	7550	8000	6%
7	MOONG		6975	7050	7196	7275	7755	8558	8682	8768	4%
8	URAD		5600	5700	6000	6300	6600	6950	7400	7800	6%
9	GROUNDNUT		4890	5090	5275	5550	5850	6377	6783	7263	7%
10	SUNFLOWER SEED		5388	5650	5885	6015	6400	6760	7280	7721	6%
11	SOYABEAN SEED		3399	3710	3880	3950	4300	4600	4892	5328	8%
12	SESAMUM		6249	6485	6855	7307	7830	8635	9267	9846	8%
13	NIGER SEED		5877	5940	6695	6930	7287	7734	8717	9537	8%
14	COTTON	Medium Staple	5150	5255	5515	5726	6080	6620	7121	7710	7%
		Long Staple	5450	5550	5825	6025	6380	7020	7020	8110	7%
RABI CROPS											
15	WHEAT		1840	1925	1975	2015	2125	2275	2275	2425	5%
16	BARLEY		1440	1525	1600	1635	1735	1850	1850	1980	5%
17	GRAM		4620	4875	5100	5230	5335	5440	5440	5650	3%
18	MASUR (LENTIL)		4475	4800	5100	5500	6000	6425	6425	6700	7%
19	RAPESEED & MUSTARD		4200	4425	4650	5050	5450	5650	5650	5950	6%
20	SAFFLOWER		4945	5215	5327	5441	5650	5800	5800	5940	3%
21	TORIA		4190	4425	4650	5050	5450				
OTHER CROPS											
22	COPRA (Calendar Year)	Milling	7511	9521	9960	10335	10590	10860	11160		
		Ball	7750	9920	10300	10600	11000	11750	12000		
23	DE-HUSKED COCONUT (Calendar Year)		2030	2571	2700	2800	2860	2930	3013		
24	JUTE		3700	3950	4225	4500	4750	5050	5335	5650	7%

Source: I-Sec research, PIB release

Exhibit 88: Composition of average monthly income of agricultural households (%)

Source: Economic Survey, I-Sec research, 2019

India's 2025–26 Union Budget: Government makes provision of INR 1.6trn for agriculture and allied sector

Agriculture serves as the backbone of India's economy, playing a pivotal role in ensuring food security, providing employment, and contributing to overall economic development. It supports the livelihoods of a significant portion of the population and remains vital to India's socio-economic fabric. Recognising its importance, the Government of India has implemented various initiatives and significantly increased budget allocations to strengthen the sector.

The budget estimates for the Department of Agriculture, Cooperation & Farmers Welfare was **INR 119bn in FY09, increased to INR 219bn in FY14 and further advanced to INR 1.63trn in FY26 (vs. INR 1.2 trn in FY25)**, reflecting the government's commitment to agricultural development.

Key themes and initiatives

- **Technology and digital farming:** Initiatives include the multilingual AI-enabled Bharat VISTAAR platform for farm advisory, dedicated programs for high-value crops like coconut, cashew, cocoa and sandalwood, and credit support for livestock and fisheries value chains.
- **High-value crops:** The budget prioritises high-value crops like coconut, cocoa, and cashew, allocating INR 3.5bn to support this shift, aiming to boost farmer incomes and diversify outputs. A 'Coconut Promotion Scheme' was also proposed to enhance competitiveness in coconut production.
- **Fertiliser support:** The Department of Fertilisers received INR 1.70trn vs INR 1.56trn in the previous year, marking growth of ~9% — making fertiliser support one of the largest single components of agriculture-linked expenditure.
- **Rural development:** The Ministry of Rural Development – indirectly supports agriculture – received INR 1.97trn, up from INR 1.90trn in the previous year.
- **Overall, Budget 2026-27 reflects a shift toward technology-led, high-value, and climate-resilient agriculture.**

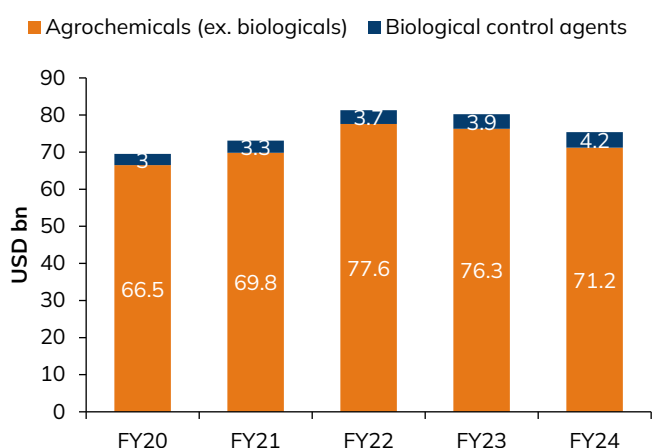
Industry background

Exhibit 89: Segment of global pesticide industry and outlook (in USD bn)

Segments (USD bn)	CY22	CY28P	Outlook
Crop market			
Herbicides	29	~40	4.5-5.5%
Fungicides	18	~25	4.5-5.5%
Insecticides	17	~23	4.5-5.5%
Others	6	~7	1.5-2.0%
Total crop market	70	~95	5.0-6.0%
Non-crop market	11	~14	4.1-5.0%
Total global pesticides market	81	~109	5.0-6.0%

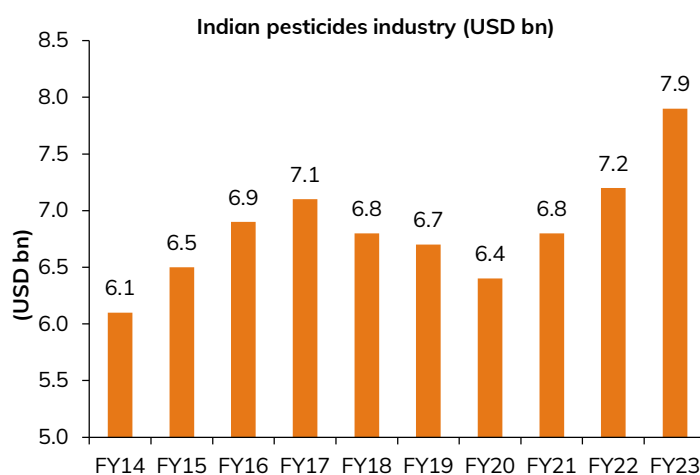
Source: CareEdge Research estimates based on industry resources, I-Sec research

Exhibit 90: Trend in global pesticides market (USD bn)



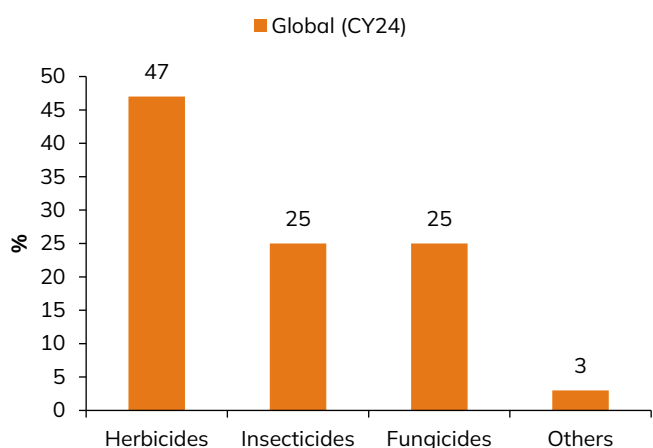
Source: UPL annual report, I-Sec research

Exhibit 91: Indian pesticides industry (USD bn)



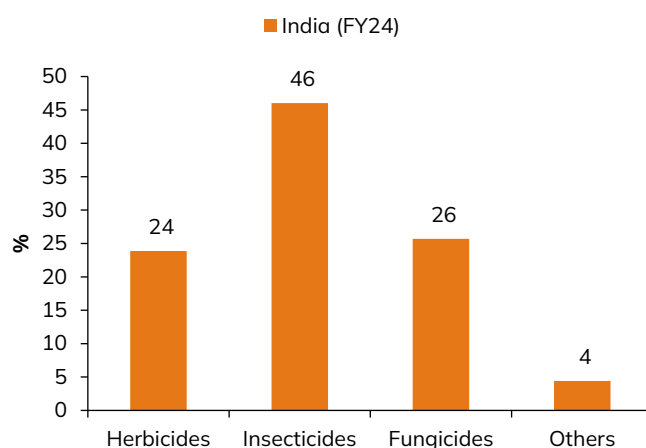
Source: Department of Chemicals and Petrochemicals, I-Sec research

Exhibit 92: Global pesticides usage is skewed towards herbicides

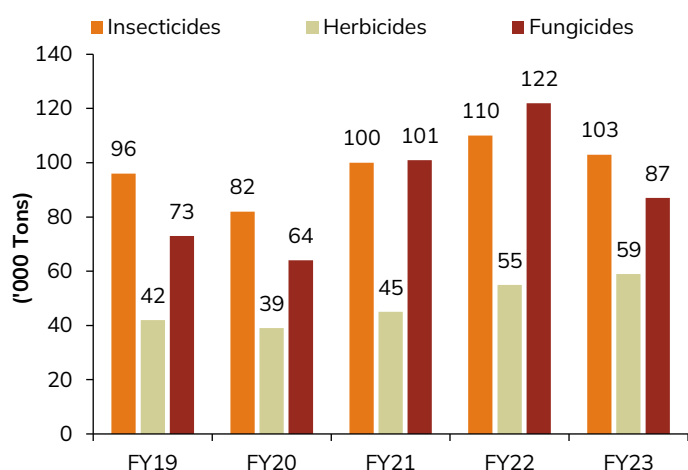


Source: I-Sec research, UPL annual report

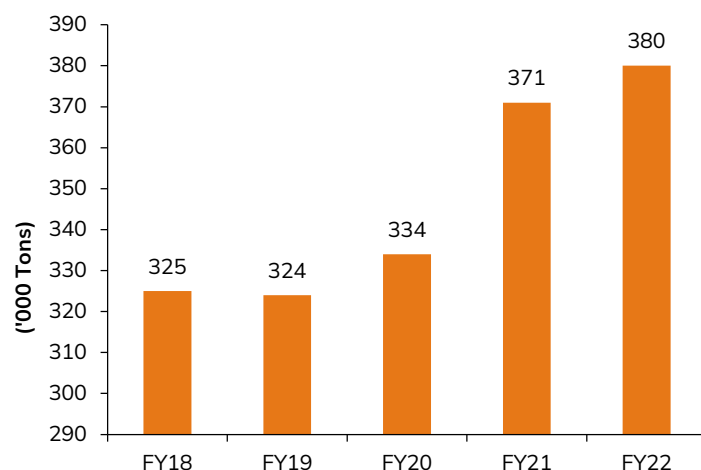
Exhibit 93: India pesticides usage is skewed towards insecticides



Source: I-Sec research, Ppqs.gov.in ex miscellaneous

Exhibit 94: Trend in production of pesticides in India

Source: Directorate of Plant Protection, Quarantine & Storage, I-Sec research

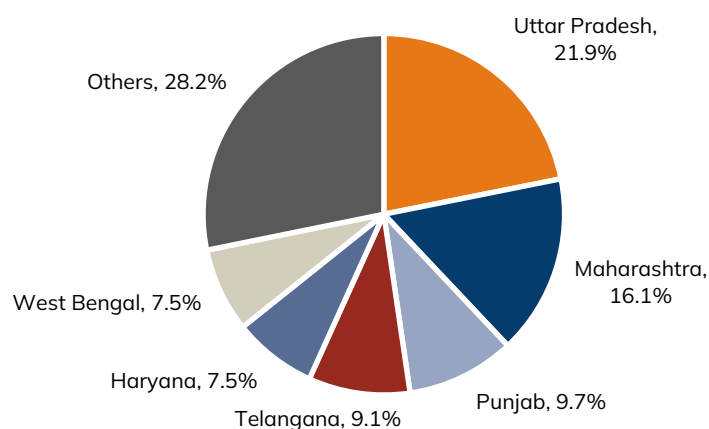
Exhibit 95: Trend in production capacity of pesticides in India

Source: Department of Chemicals and Petrochemicals, I-Sec research; The capacity refers only to technical grade

Exhibit 96: Estimates of pesticides production in India by FY28 for technical grade ('000 tonnes)

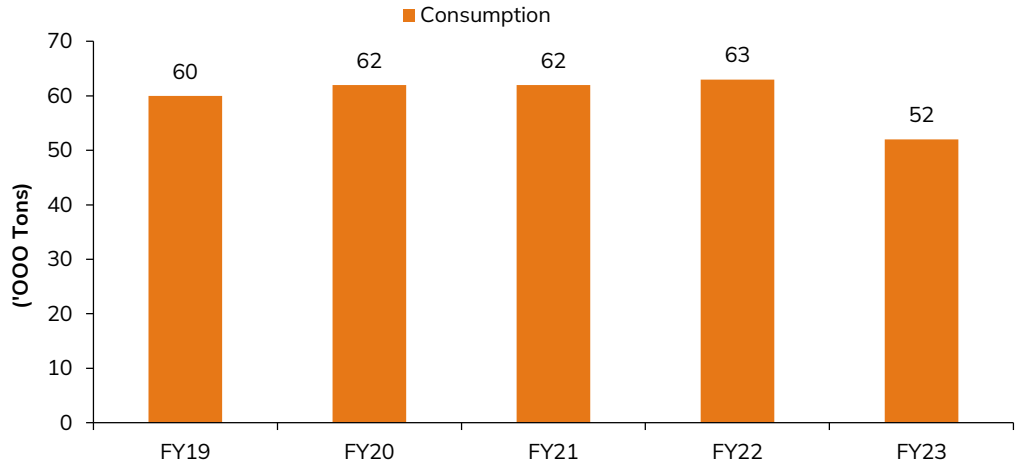
Segments	FY23	FY28P	CAGR
Insecticides	103	~130	4.5%-5.0%
Fungicides	87	~102	2.5%-3.5%
Herbicides	59	~80	6.0%-6.5%
Others	9	~11	5.0%-5.5%
Total	258	~323	4.0%-5.0%

Source: Directorate of Plant Protection, Quarantine & Storage, CareEdge Research estimates based on industry sources, I-Sec research

Exhibit 97: Top 6 states consumed ~72% of pesticides of India's consumption

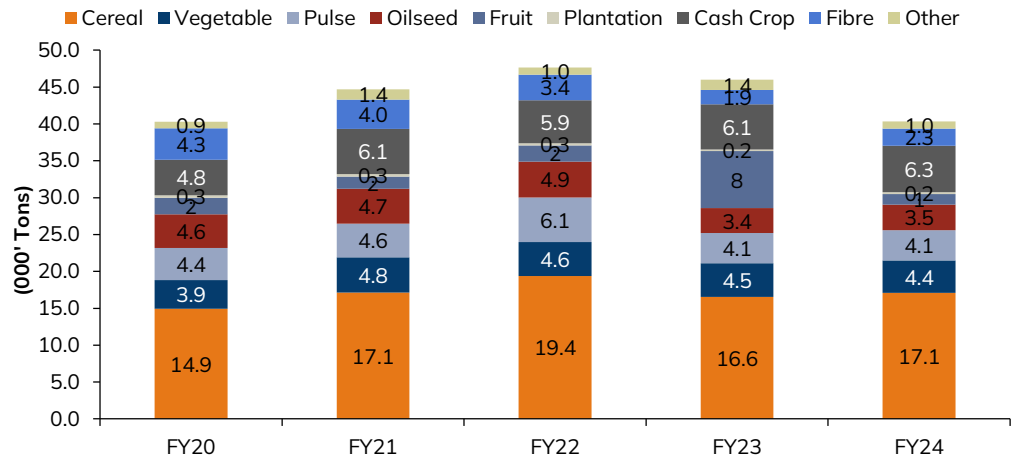
Source: Directorate of Plant Protection, Quarantine & Storage, I-Sec research

Exhibit 98: India's pesticides consumption ('000 tonnes) trend



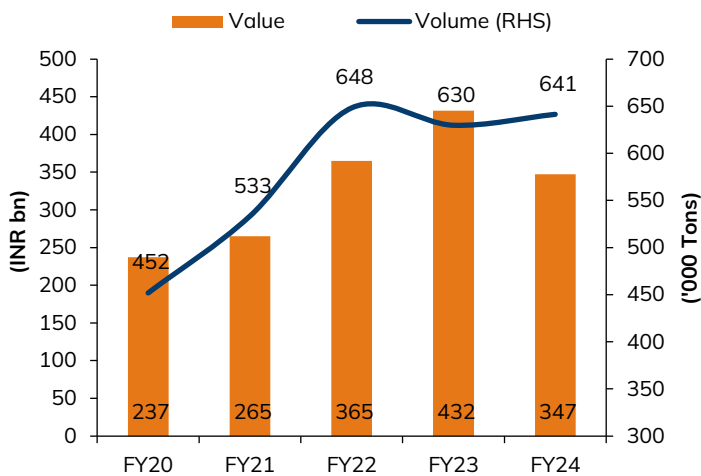
Source: Directorate of Plant Protection, Quarantine & Storage, I-Sec research

Exhibit 99: Commodity-wise consumption of chemical pesticides in India



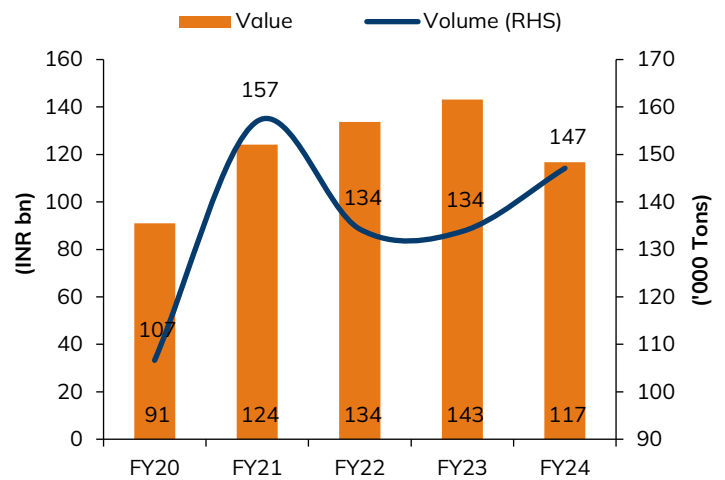
Source: Directorate of Plant Protection, Quarantine & Storage, Company data

Exhibit 100: Export of pesticides



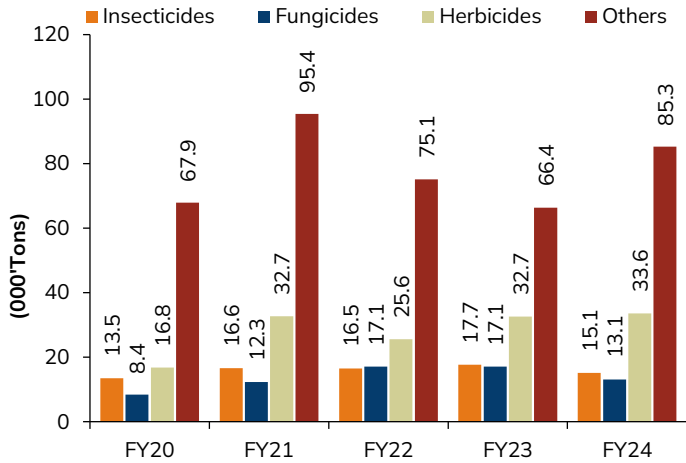
Source: Directorate of Plant Protection, Quarantine & Storage, I-Sec research

Exhibit 101: Import of pesticides



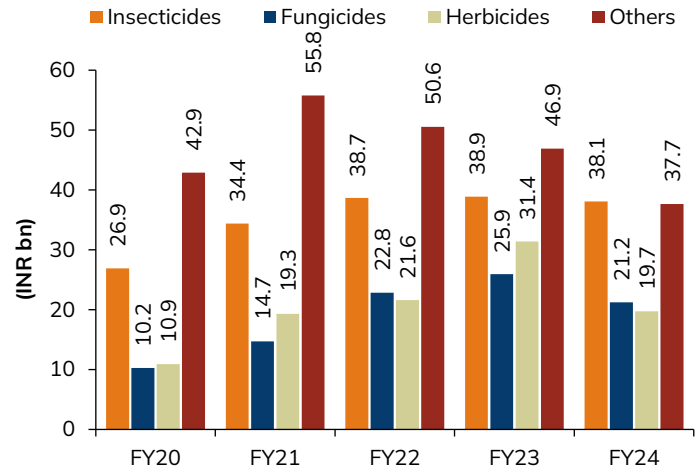
Source: Directorate of Plant Protection, Quarantine & Storage, I-Sec research

Exhibit 102: Import of pesticides – volume trend



Source: Directorate of Plant Protection, Quarantine & Storage, I-Sec research

Exhibit 103: Import of pesticides – value trend



Source: Directorate of Plant Protection, Quarantine & Storage, I-Sec research

Exhibit 104: Generic crop protection market update – 19 active ingredients coming off patent by CY28

Molecule	Year	Type	Description
Bixafen (Bayer Crop Science)	CY23	Fungicide	Broad spectrum fungicide for cereals.
Isopyrazam (Syngenta AG)	CY23	Fungicide	Broad spectrum fungicide. Controls a wide range of fungal pathogens including Septoria tritici, Puccinia recondita, and Puccinia striiformis on wheat; Pyrenophora teres, Rhynchosporium secalis, and Ramularia collocygni on barley; Puccinia recondita on rye; and triticale and Pyrenophora avenae on oats. It also controls Mycosphaerella fijiensis on banana.
Mandipropamid (Syngenta AG)	CY23	Fungicide	Late blight of potato and tomato. Also used in tobacco, F&V, and vine.
Chlorantraniliprole (Corteva/FMC)	CY24	Insecticide	Chewing insects of soybean, F&V, rice, cotton, maize, pome fruit, sugarcane potato, and cereals.
Flubendiamide (Bayer Crop Science)	CY24	Insecticide	Mainly effective for controlling lepidopteron pests including resistant strain in rice, cotton, corn, grapes, other fruits, and vegetables.
Fluopicolide (Bayer Crop Science)	CY24	Fungicide	Fungicide for grapes, potatoes, fruits, and vegetables.
Fluopyram (Bayer Crop Science)	CY24	Fungicide	Fungicide for grapes, potatoes, fruits, and vegetables.
Penflufen (Bayer Crop Science)	CY24	Fungicide	Potato: Black Scurf (Rhizoctonia solani), Silver Scurf (Helminthosporium solani), Dry rot (Fusarium spp.). Cereals: Root rot (Rhizoctonia spp.), Smut, (Rape, Soybean, Cotton), and a number of seed-borne pathogens.
Penthiopyrad (Corteva Agriscience)	CY24	Fungicide	It offers unique RootingPower that results in stronger, healthier roots for higher crop productivity.
Pyriofenone (Ishihara)	CY24	Fungicide	Fungicide developed for the control of powdery mildew in cereals and grape vines.
Pyroxulam (Corteva Agriscience)	CY24	Herbicide	Broad spectrum grass and broadleaf weeds of cereals
Saflufenacil (BASF)	CY24	Herbicide	Broadleaf weeds of soybean, maize, sugarcane, cereals, non-crop, and orchards.
Sedaxane (Syngenta AG)	CY24	Fungicide	Long-lasting protection against difficult-to-control seed-, soil-, and air-borne pathogens such as: Rhizoctonia spp., Ustilago spp. (on cereals), Tilletia caries, Urocystis occulta, Pyrenophora graminea, Microdochium nivale, Typhula spp., Sphacelotheca reiliana, Macrophomina, Sclerotium spp. and also some activity on Verticillium, Phoma, Helminthosporium solani, Phakopsora, Cochliobolus sativus of cereals, soybeans, canola/oilseed rape, corn, potatoes, rice, sugar beets, cotton, and pulses. It offers unique RootingPower that results in stronger, healthier roots for higher crop productivity.
Thiencarbazone-methyl (Bayer Crop Science)	CY24	Herbicide	Herbicide used for the selective control of grasses and broadleaf weeds primarily in corn.
Valifenalate (Ishihara)	CY24	Fungicide	Used to control mildew in many crops including grapes, potatoes, and tomatoes.
Cyantraniliprole (Corteva/FMC/Syngenta)	CY26	Insecticide	Effective against the larval stages of lepidopteran insects; and also on thrips, aphids, and some other chewing and sucking insects on a variety of crops.
Pinoxaden (Syngenta AG)	CY26	Herbicide	Highly selective systemic herbicide used to control monocotyledonous grass weeds in crops such as wild oats, rye-grass, and black grass in winter and spring wheat and winter and spring barley. Controls a broad spectrum of grass weeds in wheat.
Sulfoxaflor (Corteva Agriscience)	CY27	Insecticide	Sucking pests of turf, soybean, cotton, cereals, and F&V.
Benzovindiflupyr (Syngenta AG)	CY28	Fungicide	Control broad range of fungal diseases-blight, mildew, rust, scab, leafspot on corn, soybean, ornamentals, turf, etc

Source: S&P Global, www.agribusinessglobal.com

Exhibit 105: Top-20 pesticides sold in the world are generics

Rank	Active Ingredient	Sales (USD mn)	Remark
1	Glyphosate	7,898	Generic Herbicide
2	Chlorantraniliprole	1,933	Generic Insecticide
3	Glufosinate	1,533	Generic Herbicide
4	Atrazine	1,414	Generic Herbicide
5	Azoxystrobin	1,404	Generic Fungicide
6	Thiamethoxam	1,161	Generic Insecticide
7	Prothioconazole	1,151	Generic Fungicide
8	Metolachlor	1,099	Generic Herbicide
9	Pyraclostrobin	1,002	Generic Fungicide
10	2,4-D	984	Generic Herbicide
11	Imidacloprid	959	Generic Insecticide
12	Mancozeb	955	Generic Fungicide
13	Paraquat	895	Generic Herbicide
14	Tebuconazole	874	Generic Fungicide
15	Dicamba	849	Generic Herbicide
16	Acetochlor	811	Generic Herbicide
17	Lambda-Cyhalothrin	736	Generic Insecticide
18	Trifloxystrobin	687	Generic Fungicide
19	Abamectin	682	Generic Fungicide
20	Acephate	667	Generic Insecticide

Source: I-Sec research, Agribusiness by S&P Global (Accessed on 3rd July 2024) [News.agropages.com](https://www.news.agropages.com)

Exhibit 106: Shareholding pattern

%	Jun'25	Sep'25	Dec'25
Promoters	75.0	75.0	75.0
Institutional investors	11.9	12.3	12.1
MFs and other	6.2	6.6	6.5
Banks/ FIs	0.8	1.0	1.2
Insurance Cos.	1.2	1.0	1.0
FIIIs	3.7	3.7	3.4
Others	13.1	12.7	12.9

Source: Bloomberg, I-Sec research

Exhibit 107: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 108: Profit & Loss

(INR Mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales	31,485	32,557	35,829	40,215
EBITDA	6,321	6,674	7,488	8,526
EBITDA Margin (%)	20.1	20.5	20.9	21.2
Depreciation & Amortization	661	743	875	1,007
EBIT	5,660	5,931	6,614	7,519
Interest expenditure	59	80	80	80
Other Non-operating Income	1,201	1,320	1,438	1,756
PBT	6,802	7,172	7,972	9,196
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	1,738	1,807	2,009	2,317
PAT	5,064	5,365	5,963	6,878
Less: Minority Interest	2	-	-	-
Net Income (Reported)	5,062	5,365	5,963	6,878
Extraordinaries (Net)	-	-	-	-
Recurring Net Income	5,062	5,365	5,963	6,878

Source Company data, I-Sec research

Exhibit 109: Balance sheet

(INR Mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	28,541	32,791	38,017	44,762
of which cash & cash eqv.	428	4,834	9,099	14,123
Total Current Liabilities & Provisions	10,593	10,880	11,484	12,669
Net Current Assets	17,948	21,911	26,533	32,093
Other Non Current Assets	-	-	-	-
Net Fixed Assets	4,892	5,650	6,275	6,769
Other Fixed Assets	862	862	862	862
Capital Work-in-Progress	94	94	94	94
Non Current Investment	671	671	671	671
Current Investments	4,572	4,572	4,572	4,572
Deferred Tax assets	12	12	12	12
Total Assets	29,051	33,772	39,019	45,072
Liabilities				
Borrowings	-	-	-	-
Deferred Tax Liability	-	-	-	-
Lease Liability	-	-	-	-
other Liabilities	-	-	-	-
Equity Share Capital	4,991	4,991	4,991	4,991
Reserves & Surplus	24,020	28,741	33,988	40,041
Total Net Worth	29,011	33,732	38,980	45,033
Minority Interest	39	39	39	39
Total Liabilities	29,051	33,772	39,019	45,072

Source Company data, I-Sec research

Exhibit 110: Quarterly trend

(INR mn, year ending March)

	Mar-25	Jun-25	Sep-25	Dec-25
Net Sales	6794	10568	9298	5680
% growth (YOY)	1%	11%	26%	-6%
EBITDA	1196	2192	2180	995
Margin %	17.6%	20.7%	23.4%	17.5%
Other Income	316	388	388	370
Extraordinaries	0	0	0	-161
Adjusted Net Profit	998	1781	1778	884

Source Company data, I-Sec research

Exhibit 111: Cashflow statement

(INR Mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Cash flow from Operation	6,347	7,994	8,927	10,282
Working Capital Changes	(180)	442	(357)	(536)
Tax	(1,639)	8,830	(2,009)	(2,317)
Operating Cash Flow	4,527	17,267	6,561	7,429
Capital Commitments	(286)	(1,500)	(1,500)	(1,500)
Free Cashflow	4,241	15,767	5,061	5,929
Other investing cashflow	(3,635)	-	-	-
Cashflow from Investing Activities	(3,921)	(1,500)	(1,500)	(1,500)
Inc (Dec) in Borrowings	(5)	-	-	-
Interest Cost	(59)	(80)	(80)	(80)
Others	(440)	(644)	(716)	(825)
Cash flow from Financing Activities	(504)	(724)	(796)	(905)
Chg. in Cash & Bank balance	103	15,043	4,265	5,024
Closing cash & balance	428	4,834	9,099	14,123

Source Company data, I-Sec research

Exhibit 112: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Recurring EPS	10.1	10.7	11.9	13.8
Diluted EPS	10.1	10.7	11.9	13.8
Recurring Cash EPS	11.5	12.2	13.7	15.8
Dividend per share (DPS)	1.2	1.3	1.4	1.7
Book Value per share (BV)	58.1	67.6	78.1	90.2
Dividend Payout (%)	11.8	12.0	12.0	12.0
Growth (%)				
Net Sales	10.7	3.4	10.0	12.2
EBITDA	33.2	5.6	12.2	13.9
EPS (INR)	37.0	6.0	11.2	15.3
Valuation Ratios (x)				
P/E	41.3	38.9	35.0	30.4
P/CEPS	36.5	34.2	30.6	26.5
P/BV	7.2	6.2	5.4	4.6
EV / EBITDA	32.3	29.9	26.1	22.3
EV / Operating Income	29.7	27.5	24.3	20.5
Dividend Yield (%)	0.3	0.3	0.3	0.4
Operating Ratios				
Gross Margin (%)	41.0	41.5	40.5	40.5
EBITDA Margins (%)	20.1	20.5	20.9	21.2
Effective Tax Rate (%)	25.5	25.2	25.2	25.2
Net Profit Margins (%)	16.1	16.5	16.6	17.1
NWC / Total Assets (%)	61.8	64.9	68.0	71.2
Working Capital Days	127.4	117.0	117.0	117.0
Net Debt / Equity (x)	(1,723.6)	(2,788.4)	(3,507.3)	(4,151.5)
Profitability Ratios				
RoCE (%)	15.8	14.1	13.6	13.4
RoCE (Pre-tax) (%)	21.2	18.9	18.2	17.9
RoE (%)	19.0	17.1	16.4	16.4
Fixed Asset Turnover (x)	4.2	3.9	3.6	3.5
Inventory Turnover Days	105.1	95.0	95.0	95.0
Receivables Days	95.4	92.0	92.0	92.0
Payables Days	73.1	70.0	70.0	70.0

Source Company data, I-Sec research

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