Shubh Nivesh

Sumitomo Chemicals (SUMCH)

ICICI Direct

CMP: ₹525 | Target ₹ 625 (19%) | Target Period: 12 months | **BUY**

August 10, 2026

Resilient performance, Outlook remains promising...

About the stock: Incorporated in 2000, Sumitomo Chemicals (SCIL) provides solutions for insecticide, herbicides, Metal Phosphates, fungicides etc. It is an Indian subsidiary of global chemicals major Sumitomo Chemical Company (SCC) Japan.

- Q1FY27 Product mix: Insecticides ~35%, Herbicides ~31%, PGR~6%, Fungicides~5%. Geography wise- India – 87%, Exports- 13%.
- The company over the last few years has undertaken capex on the behalf of SCC Japan to cater to its innovative portfolio for global launches. Latest in this drive is recently announced plans in May 2025 and in January 2026 which cumulatively account for ~ ₹225 crore.

Sails trough despite multiple headwinds- Revenues stood at ₹1,063 crore, flat YoY. Segment wise, Insecticides, which contributed 35% of the revenues were flat whereas herbicides, which contributed 31% of the revenues were down 8%. On the bright side, metal phosphates, Animal Nutrition Division/ Environmental Health Division contributing 10% & 13% of the revenues were up by 26% & 19%, respectively. Geography wise, domestic revenues (84% of the revenues) declined ~3% to ₹893 crore whereas exports (16% of the revenues), were up ~26% to ₹170 crore. GPM came at 39.2%, up ~110 bps YoY, driven by price hikes. EBITDA came in at ₹233 crore, up 6% YoY, translating to margins of 21.9%, up ~120 bps YoY. PAT for the quarter stood at ₹214 crore, up ~20% YoY.

Investment Rationale:

- **Monsoon recovery encouraging after a slow start-** June quarter was impacted due to delayed onset of the South-West monsoon, 40% rainfall deficit till June-end, lower reservoir levels and a ~20% decline in kharif sowing area during the early part of the season. Also note that the company had a very strong Q1FY26 (due to early onset of monsoon in May 2025 and the resulting inventory filing). The company has launched 7 large products in FY26 – Lentigo, Excalia Max, Powerpull, Advika, Envoy and Oslava, with Lentigo and Excallia Max receiving favourable market response, exceeding the company's internal targets. These products are expected to generate a meaningful traction. New products such as Topgrain and Helibax (Pyridalyl + Emamectin) remain on track for launch during Q2FY27. It also has 3–4 parent (SCC) products in the launch pipeline. With south-west monsoon covering almost entire India (cumulative rainfall deficit narrowed down to 11% in August), we expect recovery in sowing activity.
- **Incremental SCC involvement provides better visibility; planned capex remains on track:** SCIL has been elevated to the same tier as Japan, the US, Brazil, and Europe for early-stage trials of new molecules, reflecting the parent's growing confidence in its technical capabilities. SCC is also looking for a possible Semiconductor chemicals foray through SCIL in India. Additionally, the ₹150 crore capex at its Dahej facility to manufacture high value patented molecules for its parent company with commercialization expected from Q2FY29 remains on track. It had also approved investments in the Bhavnagar and Tarapur projects, catering to parent company requirements, with commissioning targeted by Q4FY27. These strategic investments along with growing engagement with the parent for its global aspirations is what separates SCIL from other MNC agrochem players. It also justifies the premium valuation.

Rating and Target Price: Maintain a BUY with a TP of ₹625 based on 45x EPS of ₹13.9

SUMITOMO CHEMICAL Co., Ltd.

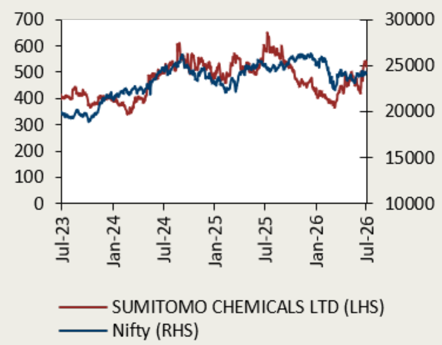
Particulars

Particulars	Rs. (in crore)
Market Capitalization	26,774
Total Debt (FY26)	2
Cash and Inv. (FY26)	956
Enterprise Value	25,819
52-week H/L (Rs.)	618/363
Equity capital	499.1
Face value (Rs.)	10

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	75.0	75.0	75.0	75.0
FII	3.7	3.4	3.4	3.0
DII	8.5	8.7	9.0	9.3
Other	12.9	13.0	12.6	12.7

Price Chart



Key risks

(i) Lower than expected offtake of new products

(ii) Adverse weather situation in domestic and export market

Research Analyst

Siddhant. Khandekar
Siddhant. khandekar@icicisecurities.com

Shubh Mehta
shubh.mehta@icicisecurities.com

Deep Thosani
deep.thosani@icicisecurities.com

Key Financial Summary

Key Financials (₹ Crore)	FY24	FY25	FY26	2 year CAGR (FY24-26)	FY27E	FY28E	2-year CAGR (FY26-28E)
Net Revenue	2,843.9	3,148.5	3,238.3	6.7%	3,556.7	4,007.2	11.2%
EBITDA	474.6	632.1	670.9	18.9%	800.3	921.7	17.2%
EBITDA Margins (%)	16.7%	20.1%	20.7%		22.5%	23.0%	
Adj.PAT	369.7	506.4	526.9	19.4%	613.6	695.8	14.9%
Adj. EPS (₹)	7.4	10.1	10.6		12.3	13.9	
EV/EBITDA	54.4x	40.7x	37.6x		30.9x	26.5x	
P/E	70.9x	51.7x	48.3x		42.7x	37.7x	
ROE (%)	15.1	17.5	15.5		15.8	15.7	
ROCE (%)	20.8	23.6	22.2		21.2	21.0	

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

Pankaj Pandey Head – Research pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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