Sumitomo Chemicals (SUMCH)

ICICI Direct

CMP: ₹510 | Target ₹ 625 (23%) | Target Period: 12 months | **BUY**

July 29, 2026

Result Update

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.

Q1FY27 performance: sails trough despite multiple headwinds- Revenues stood at ₹1,063 crore, flat YoY (on a high base of Q1FY26). 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 and AND & EHD 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:

Product pipeline remains strong: The 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). With monsoon progress slated to improve in the coming months, the management expects gradual recovery in sowing activity. 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.

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 BUY with a TP of ₹625, based on 45x EPS of ₹13.9

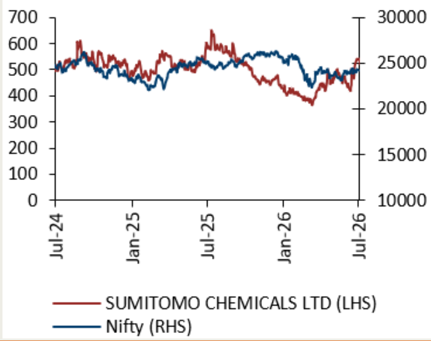
Particulars

Particular	₹ crore
Market Capitalization	24,967
Total Debt (FY26)	2
Cash & Invests (FY26)	956
EV	25,392
52-week H/L (₹)	665/363
Equity capital (₹)	499.1
Face value (₹)	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

- Lower than expected offtake of new products
- Adverse weather situation in domestic and export market

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Key Financial Summary

Key Financials (₹ crore)	FY24	FY25	FY26	2-year CAGR (FY24-26)	FY27E	FY28E	2-year CAGR (FY26-28E)
Net Sales	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	52.8x	39.5x	36.5x		30.0x	25.7x	
P/E	68.8x	50.3x	46.9x		41.5x	36.6x	
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

Q1FY27 Earnings Highlights

Key Highlights-

- Indian agrochemical sector was impacted by an adverse operating environment in the quarter, with the 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.
- Elevated channel inventories following advance purchases in March-April and subsequent price corrections weighed on demand during the quarter.
- Export performance was helped by strong growth in South America, Asia (ex-India) and Africa, partially offset by lower sales in Japan and North America.
- Segmentally, growth in Metal Phosphides (+21% YoY) and AND & EHD (+11% YoY) helped offset softer demand in Herbicides, Fungicides and Plant Growth Regulators.
- August remains the key month for rainfall which may drive recovery in volumes and channel inventory clearance in Q2FY27.

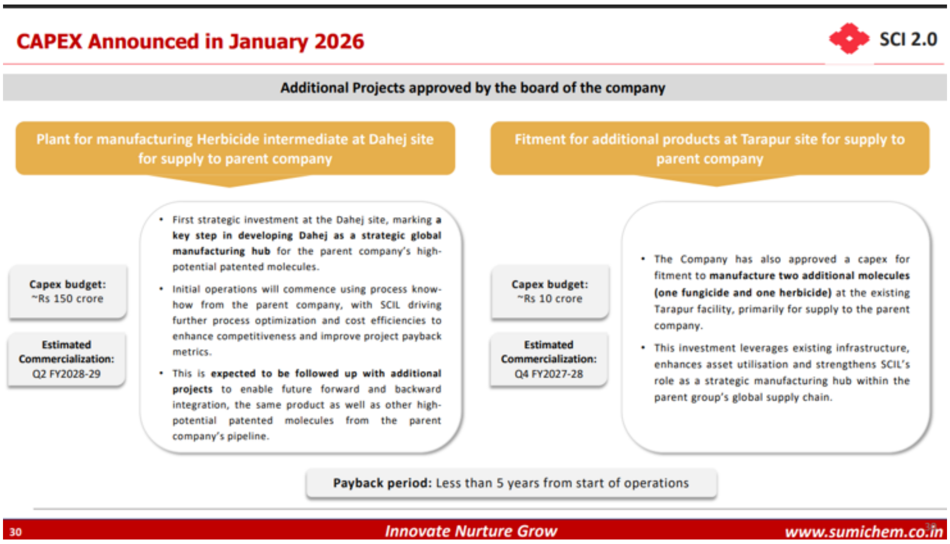
New Product Pipeline

- SCIL launched 7 large products in FY26 – Lentigo, Excalia Max, Powerpull, Advika, Envoy and Oslava.
- Lentigo and Excallia Max received favourable market response, exceeding the company's internal targets. It has 3–4 parent (SCC) products in the launch pipeline. Products launched in the last three years now contribute 8% of domestic revenue.
- Topgrain and Helibax (Pyridalyl + Emamectin) remain on track for launch during Q2FY27, supporting future growth initiatives.

Semiconductor Chemicals Opportunity-

- The ICT and mobility solutions sector is a core operational wing of SCC. It focuses on manufacturing advanced electronic and semiconductor materials, contributing 25% of its total revenue
- Parent Company, Sumitomo Chemicals Japan has indicated plans for commercialization of high purity semiconductor chemicals in India
- Discussions with government agencies and customers are ongoing jointly with parent company.

Exhibit 1: Capex Plans announced in January 2026



Source: Company, ICICI Direct Research

Exhibit 2: Capex Plans announced in May 2025

CAPEX Announced in May 2025 SCI 2.0

Second Plant for a key SCC innovated product at Bhavnagar site for global requirements		Production of a newly launched SCC innovated molecule at Tarapur site
SCIL has received board approval to set up a second plant for an important SCC innovated product for global requirements at existing Bhavnagar site	**Product**	SCIL has received board approval to manufacture a newly launched SCC innovated molecule at its Tarapur site
Brownfield expansion at existing Bhavnagar site – second plant for the same product within two years of first plant	**Project Type**	SCIL will undertake equipment modification and line readiness at its Tarapur facility for this newly launched product
Approximately ₹55 crore	**Investment**	Around ₹10 crore
To build on the success of the first plant, which demonstrated high utilization, world-class quality, and strong cost competitiveness	**Objective**	In order to demonstrate SCIL's capability to manufacture in India a newly launched SCC innovative molecule, as also to meet the expected domestic demand of this newly launched product
Q4FY27 (Jan–Mar 2027)	**Target Completion & Commercialization**	Q4FY27 (Jan–Mar 2027)

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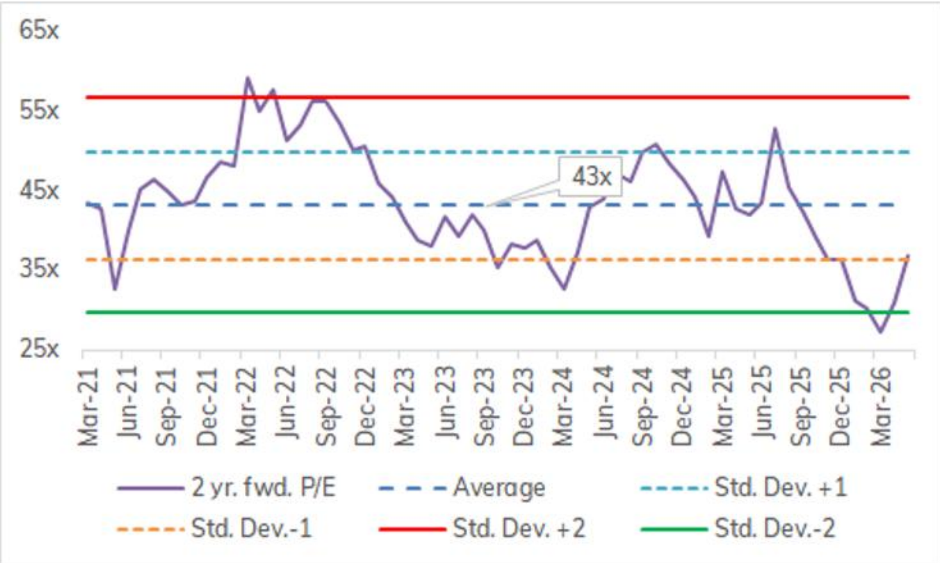
Source: Company, ICICI Direct Research

Exhibit 3: 2 year forward P/E band



Source: Company, ICICI Direct Research

Financial summary

Exhibit 4: Profit and loss statement ₹ crore

Year end March	FY25	FY26	FY27E	FY28E
Net Revenues	3,148.5	3,238.3	3,556.7	4,007.2
Cost Of Revenues	1,858.9	1,877.4	2,116.3	2,364.2
Gross Profit	1,289.6	1,360.9	1,440.5	1,643.0
Employee Cost	264.7	273.8	249.0	280.5
Other Operating Expenses	392.9	416.3	391.2	440.8
EBITDA	632.1	670.9	800.3	921.7
Other Income	120.1	146.7	98.0	98.0
EBITDA, including OI	752.2	817.6	898.3	1,019.7
Depreciation	66.1	66.1	74.2	85.9
Net Interest Exp.	5.9	7.8	6.0	6.0
Other exceptional items	0.0	16.1	0.0	0.0
PBT	680.2	759.7	818.1	927.8
Taxes	173.8	184.6	204.5	231.9
Tax Rate	0.3	0.2	0.3	0.3
PAT	506.4	575.1	613.6	695.8
Adjusted Net Profit	506.4	526.9	613.6	695.8
Adj. EPS (INR)	10.1	10.6	12.3	13.9
Shares Outstanding	49.9	49.9	49.9	49.9

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement ₹ crore

Year end March	FY25	FY26	FY27E	FY28E
PBT & Extraordinary	680.2	727.6	818.1	927.8
Depreciation	66.1	66.1	74.2	85.9
After other adjustments				
(Inc) / Dec in Working Capital	-18.0	-66.9	43.1	-197.8
Taxes	-163.9	-163.8	-204.5	-231.9
Others	-112.9	-117.4	6.0	6.0
Cash from Ops.	451.5	445.5	736.9	589.9
Purchase of Fixed Assets	-294.6	-44.2	-105.0	-165.0
Others	-97.5	-287.7	0.0	0.0
Cash from Investing	-392.1	-332.0	-105.0	-165.0
Proceeds from issue of shares	0.0	0.0	0.0	0.0
Borrowings (Net)	0.0	1.5	0.0	0.0
Others	-69.1	-84.4	-128.7	-145.2
Cash from Financing	-69.1	-82.9	-128.7	-145.2
Net Change in Cash	-9.6	30.7	503.1	279.7
Effects of foreign currency translation	0.0	0.0	0.0	0.0
BF Cash & Bank	46.6	38.2	68.9	572.0
END Cash & Bank	38.2	68.9	572.0	851.7

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet ₹ crore

Year end March	FY25	FY26	FY27E	FY28E
Liabilities				
Share Capital	499.1	499.1	499.1	499.1
Reserves	2,402.0	2,890.5	3,381.4	3,938.0
Total Shareholders Funds	2,901.1	3,389.7	3,880.5	4,437.2
Minority Interest	3.9	4.1	4.1	4.1
Long Term Borrowings	0.0	1.3	1.3	1.3
Net Deferred Tax liability	26.6	27.9	27.9	27.9
Other long term liabilities	32.8	40.4	0.0	0.0
Long term provisions	34.8	40.9	32.4	36.5
Current Liabilities and Provisions				
Short term borrowings	0.0	0.2	0.2	0.2
Trade Payables	489.4	397.1	584.7	658.7
Other Current Liabilities	466.5	559.7	584.7	658.7
Short Term Provisions	9.3	12.9	14.1	15.9
Total Current Liabilities	965.2	969.8	1,183.6	1,333.5
Total Liabilities	3,964.4	4,474.2	5,129.9	5,840.5
Assets				
Net Block	495.9	516.3	524.6	603.7
Capital Work in Progress	9.4	2.5	25.0	25.0
Intangible assets under devl.	19.1	17.2	17.2	17.2
Goodwill on Consolidation	60.4	60.4	60.4	60.4
Non-current investments	67.1	265.5	265.5	265.5
Deferred tax assets	0.0	0.0	0.0	0.0
Long term loans and advances	175.2	150.4	8.5	9.6
Other Non Current Assets	117.0	121.7	60.4	68.0
Current Assets, Loans & Advances				
Current Investments	457.2	887.2	887.2	887.2
Inventories	703.7	766.1	877.0	988.1
Sundry Debtors	783.4	735.6	857.5	966.1
Cash and Bank	38.2	68.9	572.0	851.7
Loans and Advances	0.0	0.0	0.0	0.0
Other Current assets	1,037.8	882.3	974.4	1,097.9
Current Assets	3,020.3	3,340.2	4,168.2	4,791.0
Total Assets	3,964.4	4,474.2	5,129.8	5,840.5

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

Year end March	FY25	FY26	FY27E	FY28E
Per share data (₹)	-	-	-	-
Adj. EPS	10.1	10.9	12.3	13.9
Adj. Cash EPS	11.5	12.2	13.8	15.7
BV	58.1	67.9	77.7	88.9
DPS	2.0	1.3	2.5	2.8
Operating Ratios (%)	-	-	-	-
Gross Margin (%)	41.0	42.0	40.5	41.0
EBITDA Margin (%)	20.1	20.7	22.5	23.0
PAT Margin (%)	16.1	16.3	17.3	17.4
Debtor Days	91	83	88	88
Inventory Days	82	86	90	90
Creditor Days	57	45	60	60
Cash Conversion Cycle	116	125	118	118
Return Ratios (%)	-	-	-	-
Return on Assets (%)	12.8	11.8	12.0	11.9
RoCE (%)	23.6	22.2	21.2	21.0
RoE (%)	17.5	15.5	15.8	15.7
Solvency	-	-	-	-
Total Debt / Equity	-	0.0	0.0	0.0
Interest Coverage	NA	NA	NA	NA
Current Ratio	3.1	3.4	3.5	3.6
Quick Ratio	2.4	2.7	2.8	2.9
Valuation Ratios (x)	-	-	-	-
EV/EBITDA	39.5	36.5	30.0	25.7
P/E	50.3	46.9	41.5	36.6
P/B	8.8	7.5	6.6	5.7
EV/Sales	7.9	7.6	6.7	5.9

Source: Company, ICICI Direct Research

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Sell: <-15%

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