

Sumitomo Chemicals

Domestic shines, exports in revival, stable outlook; maintaining a Buy

Ahead of consensus & our estimates, Sumitomo's Q1 was robust; revenue/EBITDA/PAT grew 26/36/41% y/y. Key highlights: a) Domestic revenue up 29% y/y; exports 9% y/y. b) Exports subdued due to Europe, Africa, Asia, LATAM revenue down 37/6/16/37% y/y. c) Japan/NAFTA revenues were Rs317m/106m (nil a year back. d) The GM contracted 80bps y/y to 38.1% on pricing pressure in exports. e) The lower GM was fully absorbed by better operating leverage (employee cost down 110bps y/y; opex down 130bps y/y) leading to the EBITDA margin expanding 150bps y/y to 20.7%. f) Specialty/generics contributed 25%/75% (vs 24%/76% a year ago. g) Jun'25 WC: 17 days fewer y/y to 43 (vs 60 a year ago, 89 the prior quarter) on 14 inventory days fewer y/y to 90. h) Cash collections were Rs13.3bn (Rs10.3bn last year).

13 products launched in three years; with seven in the pipeline for FY26. In its home market, Sumitomo launched 13 products, which have received an encouraging response from farmers. In FY25, it launched three products (Meshi, Ormie, Portion) and has seven in the pipeline (Advika, Excalia, Powerpull, Herbex, Lentigo, Envoy) to be launched in FY26.

Guidance. The monsoon 6% above the LPA and stable crop acreage should augur well for the company. Its continuing focus on launching and ramping up products coupled with leveraging its distribution strength and optimising costs is expected to drive a sustained performance. Further, with exports returning to a growth trajectory driven by demand reviving, and the inventory overhang largely behind, management is confident regarding growth in FY26 and beyond.

Outlook, Valuation. Factoring in Q1 FY26 results, we raise our FY26e/27e EPS 2/3%. We expect the company to clock 17/23% revenue/PAT CAGRs over FY25-28. We introduce FY28e and roll forward valuations to H1 FY28. We retain a Buy rating, with a higher TP of Rs690 (earlier Rs620), 40x H1 FY28e EPS. **Risks:** Adverse weather, a complete ban on glyphosate (~14% of FY25 revenue).

Key financials (YE Mar)	FY24	FY25	FY26e	FY27e	FY28e
Sales (Rs m)	28,439	31,485	37,283	43,594	50,295
Net profit (Rs m)	3,697	5,064	6,528	7,814	9,306
EPS (Rs)	7.4	10.1	13.1	15.7	18.6
P/E (x)	85.7	62.6	48.6	40.6	34.1
EV / EBITDA (x)	65.7	49.3	37.8	31.7	26.3
P/BV (x)	13.0	10.9	9.2	7.6	6.3
RoE (%)	15.3	19.0	20.5	20.5	20.3
RoCE (%)	15.4	18.9	20.5	20.6	20.4
Dividend yield (%)	0.2	0.2	0.2	0.2	0.2
Net debt / equity (x)	-0.2	-0.2	-0.4	-0.4	-0.4

Source: Company, Anand Rathi Research

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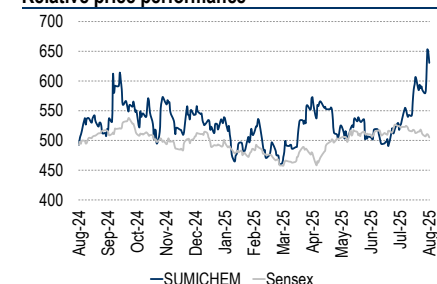
Rating: **Buy**
Target price: Rs.690
Share price: Rs.635

Key data	SUMICHEM IN / SUMH.BO
52-week high / low	Rs.665 / 447
Sensex / Nifty	81,019 / 24,723
Market cap	Rs.315bn
Shares outstanding	499m

Shareholding pattern (%)	Jun'25	Mar'25	Dec'24
Promoters	75.0	75	75
- of which, Pledged	-	-	-
Free float	25.0	25.0	3.6
- Foreign institutions	3.7	3.6	3.5
- Domestic institutions	8.2	8.1	7.0
- Public	13.2	13.2	14.4

Estimates revision (%)	FY26e	FY27e
Sales	0.8	1.4
EBITDA	1.5	2.3
PAT	2.1	3.1

Relative price performance



Source: Bloomberg

Himanshu Binani
Research Analyst

Quick Glance – Financial and Valuations (consolidated)

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Revenues	28,439	31,485	37,283	43,594	50,295
Growth (%)	-19.0	10.7	18.4	16.9	15.4
Raw material	17,751	18,589	22,184	26,113	30,277
Employee & other expen	5,943	6,575	7,065	7,978	8,802
EBITDA	4,746	6,321	8,035	9,503	11,216
EBITDA margins (%)	16.7	20.1	21.6	21.8	22.3
- Depreciation	622	661	713	786	899
Other income	957	1,201	1,561	1,905	2,324
Interest expense	51	59	62	63	64
PBT	5,029	6,802	8,821	10,560	12,576
Effective tax rates (%)	26	26	26	26	26
+ Associates / (Minorities)	-	-	-	-	-
Adj. income	3,697	5,064	6,528	7,814	9,306
Extraord. items (loss)/profit	-	-	-	-	-
Reported PAT	3,697	5,064	6,528	7,814	9,306
WANS	499	499	499	499	499
FDEPS (Rs)	7.4	10.1	13.1	15.7	18.6

Fig 3 – Cash-flow statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
PBT	5,029	6,802	7,260	8,655	10,252
+ Non-cash items	673	719	775	848	963
Oper. profit before WC changes	5,702	7,522	8,035	9,503	11,216
- Incr./ (decr.) in WC	-3,926	180	-3,596	3,571	1,100
Others incl. taxes	2,030	2,814	732	841	946
Operating cash-flow	7,598	4,527	10,898	5,091	9,169
- Capex (tangible + intangible)	1,311	286	1,750	1,750	1,750
Free cash-flow	6,287	4,241	9,148	3,341	7,419
Acquisitions	-	-	-	-	-
- Div. (incl. buyback & taxes)	3,098	239	904	904	904
+ Equity raised	-	-	-	-	-
+ Debt raised	-	-	-328	-	-
- Fin. investments	3,006	3,635	-	-	-
- Misc. items (CFI and CFF)	185	452	101	63	64
Net cash-flow	-3	-84	7,815	2,374	6,451

Source: Company, Anand Rathi Research

Fig 5 – Price movement



Source: Bloomberg

Fig 2 – Balance sheet (Rs m)

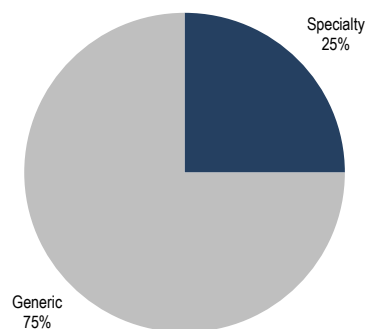
Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Share capital	4,991	4,991	4,991	4,991	4,991
Net worth	24,416	29,011	34,635	41,545	49,947
Debt	185	328	-	-	-
Minority interest	30	39	-	-	-
Deferred tax liability / (asset)	-	-	-	-	-
Capital employed	24,631	29,379	34,635	41,545	49,947
Net tangible assets	5,812	5,755	6,792	7,756	8,607
CWIP (tang. and intang.)	40	94	94	94	94
Investments (strategic)	3,457	4,572	4,572	4,572	4,572
Investments (financial)	1	671	671	671	671
Current assets (excl. C&CE)	21,989	28,125	30,219	36,316	39,999
Cash	1,833	428	8,243	10,617	17,068
Current Liabilities	8,502	10,266	15,956	18,482	21,064
Working capital	13,487	17,859	14,263	17,835	18,935
Capital deployed	24,631	29,379	34,635	41,545	49,947

Fig 4 – Ratio analysis

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
P/E (x)	85.7	62.6	48.6	40.6	34.1
EV / EBITDA (x)	65.7	49.3	37.8	31.7	26.3
EV / Sales (x)	11.0	9.9	8.1	6.9	5.9
P/B (x)	13.0	10.9	9.2	7.6	6.3
RoE (%)	15.3	19.0	20.5	20.5	20.3
RoCE (%) - after tax	15.4	18.9	20.5	20.6	20.4
RoIC (%) - after tax	15.3	19.0	20.5	20.5	20.3
DPS (Rs)	1.5	1.5	1.5	1.5	1.5
Dividend yield (%)	0.2	0.2	0.2	0.2	0.2
Dividend payout (%)	20.2	14.8	11.5	9.6	8.0
Net debt / equity (x)	-0.2	-0.2	-0.4	-0.4	-0.4
Receivables (days)	107	87	86	96	103
Inventory (days)	154	129	118	120	130
Payables (days)	187	184	216	241	238
CFO : PAT (%)	205	89	167	65	99

Source: Company, Anand Rathi Research

Fig 6 – Segment-wise break-up, Q1 FY26



Source: Company

Fig 7 – Quarterly

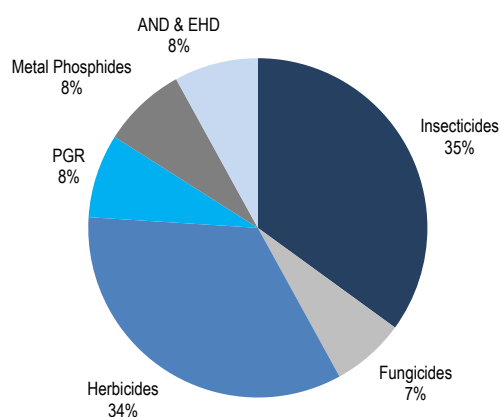
(Rs m)	Q1 FY26	Q1 FY25	Y/Y (%)	Q4 FY25	Q/Q (%)	FY26	FY25	Y/Y (%)
Revenues	10,568	8,389	26.0	6,794	55.5	37,283	31,485	18.4
Raw material	6,544	5,125	27.7	4,075	60.6	22,184	18,589	19.3
Staff costs	708	655	8.1	647	9.4	2,871	2,647	8.5
Others	1,123	998	12.6	877	28.1	4,194	3,929	6.8
Total expenditure	8,376	6,778	23.6	5,599	49.6	29,249	25,165	16.2
EBITDA	2,192	1,611	36.1	1,196	83.3	8,035	6,321	27.1
Interest	17	12	39.5	17	0.1	62	59	5.0
Depreciation	157	149	5.8	164	(4.2)	713	661	8.0
Other income	388	260	49.1	316	22.7	1,561	1,201	30.0
PBT	2,406	1,711	40.7	1,331	80.8	8,821	6,802	29.7
Tax	625	444	40.9	333	87.6	2,294	1,738	32.0
Adj. net profit	1,781	1,267	40.6	998	78.5	6,528	5,064	28.9
Extraordinary items	-	-	NA	-	NA	-	-	
Net profit	1,781	1,267	40.6	998	78.5	6,528	5,064	28.9
Equity capital (FV: Rs10)	499	499		499		499	499	
Adj. EPS (Rs)	3.6	2.5	40.6	2.0	78.5	13.1	10.1	28.9

As % of net revenue

Raw material	61.9	61.1		60.0		59.5	59.0	
Staff expenses	6.7	7.8		9.5		7.7	8.4	
Other expenses	10.6	11.9		12.9		11.3	12.5	
EBITDA	20.7	19.2		17.6		21.6	20.1	
Net profit	16.9	15.1		14.7		17.5	16.1	

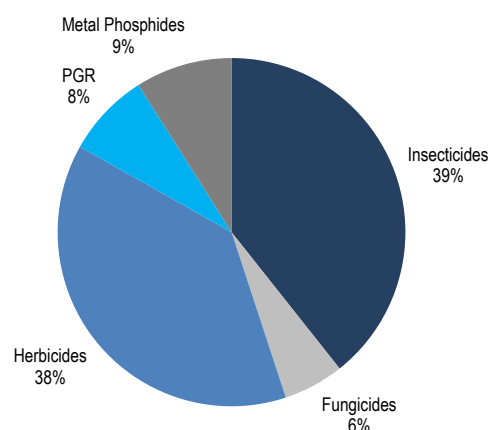
Source: Company

Fig 8 – Category-wise revenue break-up, Q1 FY25



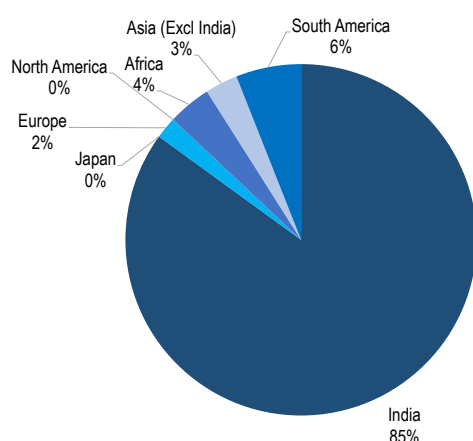
Source: Company, Anand Rathi Research

Fig 9 – Category-wise revenue break-up, Q1 FY26



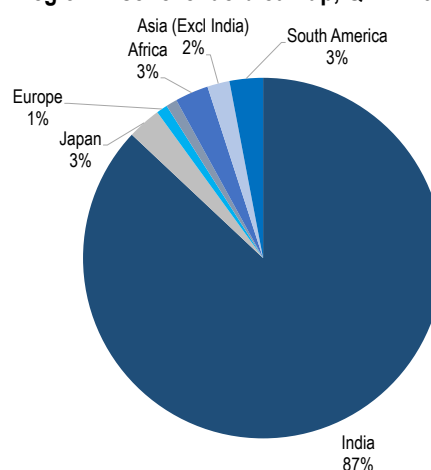
Source: Company, Anand Rathi Research

Fig 10 – Region-wise revenue break-up, Q1 FY25



Source: Company, Anand Rathi Research

Fig 11 – Region-wise revenue break-up, Q1 FY26



Source: Company, Anand Rathi Research

Other highlights

- Product launches on track.** Sumitomo launched 13 products in its home market, which has received encouraging responses from farmers. In FY25, it launched three products (Meshi, Ormie, Portion); it has seven in the pipeline (Advika, Excalia, Powerpull, Herbex, Lentigo, Envoy) to be launched in FY26.
- Focus on cash collection led to better working capital.** Net working capital days were 43 in Q1 (60 a year back). Inventory fell 14 days y/y to 90. The company's focus continues to be on improving collections through fewer receivable days (down six y/y to 76). Payable days were down from 83 to 80. Cash collection in Q1 FY26 rose 28% y/y to Rs13.3bn, against Rs10.3bn. Cash and equivalents in Jun'25 were Rs22.1bn.

Valuation

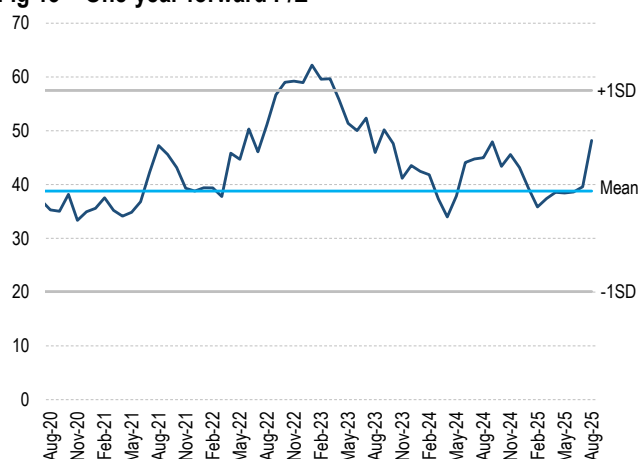
Fig 12 – Change in estimates

(Rs m)	FY26e			FY27e		
	Old	New	Chg (%)	Old	New	Chg (%)
Revenue	36,976	37,283	0.8	42,988	43,594	1.4
EBITDA	7,913	8,035	1.5	9,285	9,503	2.3
EBITDA margin (%)	21.4	21.6	15.0	21.6	21.8	20.0
PAT	6,395	6,528	2.1	7,579	7,814	3.1
EPS	12.8	13.1	2.1	15.2	15.7	3.1

Source: Anand Rath Research

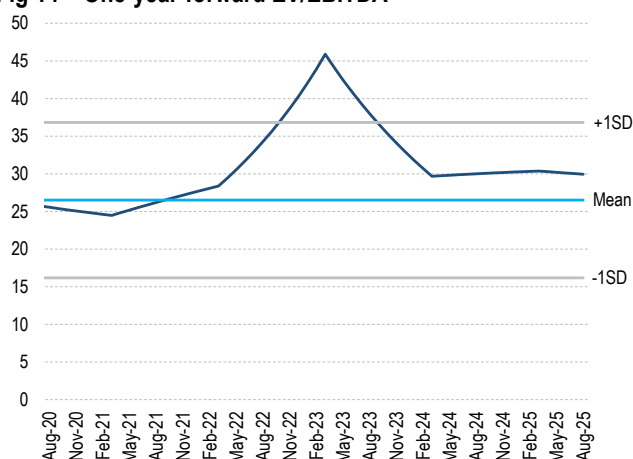
Factoring in the Q1 performance, we raise our FY26e/27e EPS 2%/3%. We expect the company to clock 17%/23% revenue/PAT CAGRs over FY25-28. We introduce our FY28e and roll forward valuations to H1 FY28. We maintain a Buy rating, with a revised TP of Rs690 (earlier Rs620), 40x H1 FY28e EPS.

Fig 13 – One-year-forward P/E



Source: Bloomberg, Anand Rath Research

Fig 14 – One-year-forward EV/EBITDA



Source: Bloomberg, Anand Rath Research

Risks

- Adverse weather in the home market.
- Volatile commodity prices globally.
- A complete ban on glyphosate (~14% of FY25 revenue).

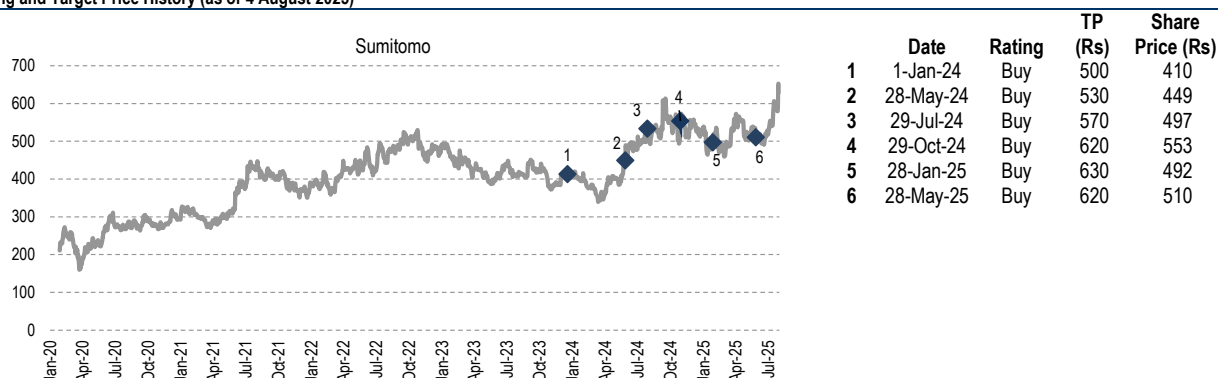
Appendix

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