



Solid Chemistry

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Contents

	Page No.
Story in charts.....	4
SUMICHEM = Sumitomo Chemical India (SCI) + Excel Crop Care (ECC).....	5
Investment Arguments.....	7
Strong Parentage.....	7
Diversified and De-risked portfolio	8
Rich product pipeline driven by strong R&D capabilities	10
Strong brand and well entrenched distribution network.....	12
SUMICHEM has huge outsourcing potential from SCC	13
Financials	14
Outlook and Valuation	16
Acquisition of Excel Crop Care by Sumitomo Chemical Company	17

Company Initiation

Rating: BUY | TP: Rs206

Solid Chemistry

Key Financials – Consolidated

Y/e Mar	FY19	FY20E	FY21E	FY22E
Sales (Rs. m)	22,117	23,815	27,030	31,085
EBITDA (Rs. m)	2,635	2,824	3,595	4,694
Margin (%)	11.9	11.9	13.3	15.1
PAT (Rs. m)	1,658	2,131	2,597	3,423
EPS (Rs.)	3.3	4.3	5.2	6.9
Gr. (%)	14.2	28.6	21.8	31.8
DPS (Rs.)	1.2	1.5	1.9	2.4
Yield (%)	0.9	1.2	1.5	2.0
RoE (%)	15.8	18.4	20.1	23.4
RoCE (%)	22.1	21.1	24.7	29.0
EV/Sales (x)	2.81	2.60	2.26	1.95
EV/EBITDA (x)	23.6	21.9	17.0	12.9
PE (x)	37.6	29.3	24.0	18.2
P/BV (x)	6.0	5.4	4.8	4.3

* Valuation Ratios are considered on the basis of closing price of Excel Crop Care and merger ratio of the two companies

Shareholding Pattern (%)

Promoter's	80.30
Foreign	0.17
Domestic Institution	3.70
Public & Others	15.83
Promoter Pledge (Rs bn)	-

We initiate coverage on Sumitomo Chemicals India (SUMICHEM) with BUY rating and target price of Rs 206 based on 30x FY22 EPS of Rs 6.9. We believe, a well-managed business, MNC parentage (80% holding currently), significant earnings growth (27% CAGR between FY20-22E), attractive valuations (@ 18.2x FY22 EPS) and low float of shares makes SUMICHEM a potential a multi-bagger in the long run. With technical expertise, financial strength and market reach of Sumitomo Chemical Corporation (SCC) coming in, we expect stark improvement in the operations and financial performance of SUMICHEM. SUMICHEM's diversified portfolio, strong brand, rich product pipeline from parent and its active ingredients and broad range of innovative products will enable sales and PAT CAGR of 14% and 27% between FY20-22E.

Strong Parentage: Sumitomo Chemical Corporation (SCC) parentage gives SUMICHEM unique advantage of access to world class portfolio, greener chemistries, superior innovative capabilities, good brand recall and wider access to international markets for its products. Crop protection is a major focus area for parent currently as SCC is targeting 42% growth in topline and 2.8x growth in profitability in Health & Crop Science during 2018-2021 driven primarily by volumes. SUMICHEM's export portfolio of Excel Crop Care will benefit from global standing of SCC due to its innovative image and global reach. Exports could be fast growth engine for SUMICHEM as SCC, an innovator with patented/proprietary molecules, will use SUMICHEM generic portfolio to further deepen its distribution reach globally.

Rich product pipeline driven by strong R&D capabilities: SUMICHEM has large pipeline of new products consisting of proprietary molecules, combination products, off-patent generics, etc. It plans to launch 1 proprietary product from the parent every year in addition to its own developed combination products/pre-mixtures. SUMICHEM has 11 products in pipeline including commercialisation of 2 technicals. The company is also working on technical and off-patent molecules some of which are in various stages of launch. SCC's launch pipeline of innovative molecules till 2025 is already planned and SUMICHEM is likely to test these molecules for Indian market.

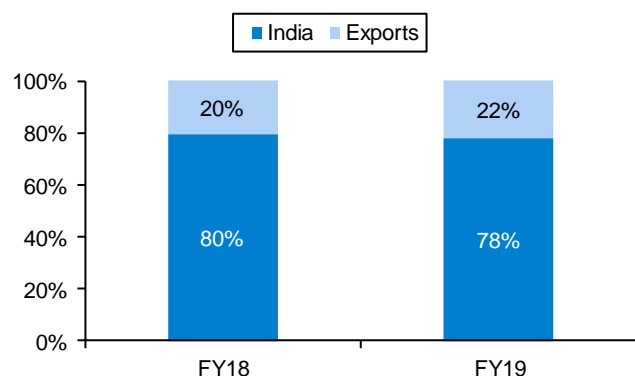
SUMICHEM has potential to become a procurement entity for the SCC: ECC's cost competitive manufacturing capabilities, SCC's focus on Indian markets, diversifying supply chain strategy and India emerging as a key player in chemical manufacturing are expected to drive business towards SUMICHEM from the parent. SUMICHEM is already working on 2 molecules (1 insecticide and 1 herbicide). SCC is currently manufacturing 1 of these molecules but wants to shift production to India. These molecules have the opportunity to become sizeable in 2-3 years from launch. SUMICHEM is working on those molecules and they are likely to reach at commercialisation stage in coming months. While it may take time for SUMICHEM to do material business with parent, the certainty of this happening is imminent.

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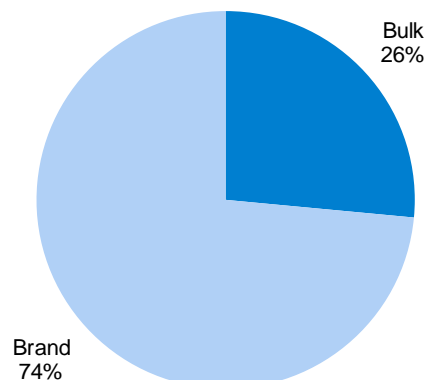
Story in charts

Exhibit 1: India accounts for 80% of revenue



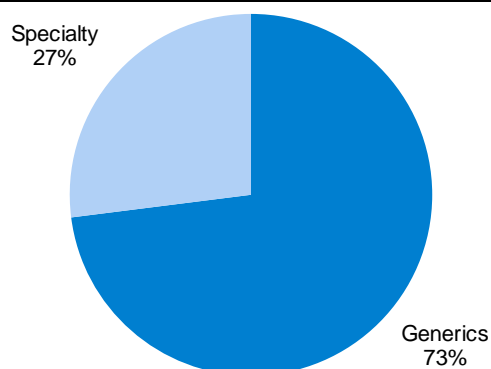
Source: Company, PL

Exhibit 2: Brand business is ~75% of revenue



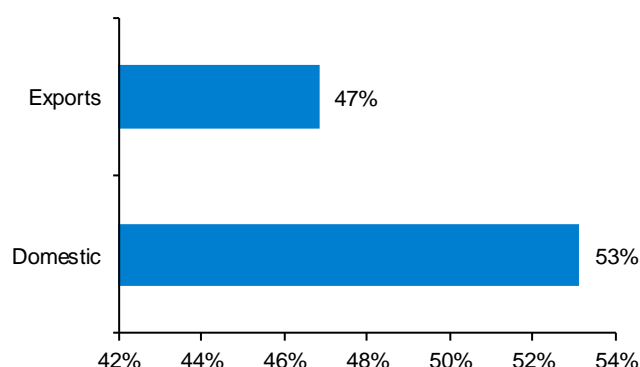
Source: Company, PL

Exhibit 3: SUMICHEM garners 27% of revenue from specialty/proprietary products



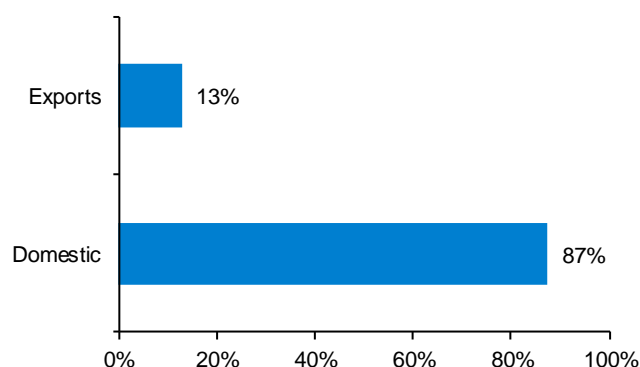
Source: Company, PL

Exhibit 4: Bulk Business is nearly equally split in domestic and exports



Source: Company, PL

Exhibit 5: Domestic contribute 87% of Brand Business



Source: Company, PL

Exhibit 6: SUMICHEM purchases ~15% of its requirements from parent

	FY18	FY19
Sale of goods to Parents	665	934
<i>As a % of revenue</i>	<i>3.5%</i>	<i>4.2%</i>
Purchase of goods from Parent	1,976	2,182
<i>As a % of COGS</i>	<i>16.0%</i>	<i>15.0%</i>

Source: Company, PL

Presence in:

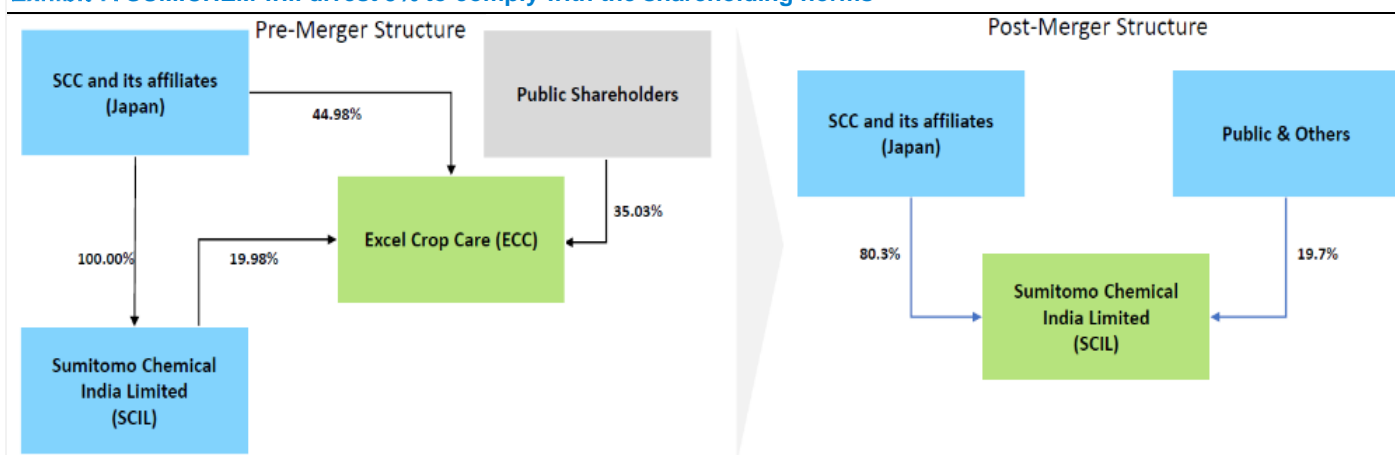
Insecticides- 49%
 Herbicides- 18%
 PGR- 11%
 Metal Phosphides- 8%
 Fungicides- 8%
 Animal Nutrition- 3%
 Environmental Health- 3%

SUMICHEM = Sumitomo Chemical India (SCI) + Excel Crop Care (ECC)

SUMICHEM, formed by merger of Sumitomo Chemical India and Excel Crop Care creates a single entity with a focused approach towards Crop protection products (94%), Environmental Health Division & Animal Nutrition Division (6%) in India. The product range stands enhanced to Crop Protection, Grain Fumigation and Rodent Control, Bio Pesticides to Environmental Health, Professional Pest control and Feed Additives.

- SUMICHEM would be into domestic manufacturing of generic molecules, import of proprietary molecules from Japan and biological products sourced from USA based associate, Valent Biosciences LLC. Valent Biosciences LLC has for over 40 years been producing a range of naturally occurring, environmentally compatible pesticides and plant growth regulators.
- Animal Nutrition division (AND) deals in additives used in poultry feeds for maintaining chicken health and is highly effective alternative to antibiotics.
- Environmental Health Division (EHD) deals in pest control chemicals which are sold to city level municipalities, professional pest control companies and companies manufacturing household insecticides.

Exhibit 7: SUMICHEM will divest 5% to comply with the shareholding norms



Source: Company, PL

Top 10 products contribute 45% of revenue while top 20 would be ~65%.
 No product or molecules contributes more than 15% of revenue while no single customer represents more than 10% of revenue.

Exhibit 8: Key molecules for SUMICHEM

Product Name	Category	Crops
Glyphosate	Herbicide	Tea Gardens, non-cropped
Profenophos	Insecticide	Cotton, Soya bean
Dantotsu	Insecticides	Vegetables
Tebuconazole	Fungicides	Wheat, Soya bean, Chilli
Progibb	Plant Growth Regulator	Citrus Fruits
Aluminum Phosphide	Fumigant	Warehousing of Food Grains
Chlorpyrifos	Insecticide	Paddy, Beans, Gram
DL-Methionine	Animal Nutrition	Poultry

Source: Company, PL

Exhibit 9: SUMICHEM = Sumitomo Chemical India (SCI) + Excel Crop Care (ECC)

PARAMETER	ECCL	SCIL (Pre-Merger)	Sumichem
Manufacturing Facilities	Plants in Gujarat and Dadar & Nagar Haveli	Plant in Maharashtra & Gujarat	5 plants in West India
Manufacturing Capability	Predominantly a formulation company with facilities for both formulation company with facilities for both formulation & technical	Manufacturing of formulations	Presence in both technical & formulation manufacturing
Distribution Capability	4700+ distributors located across India	9000+ distributors concentrated in few regions	Improved depth & breadth of the distributors
R&D Capability	3 fully equipped R&D facilities for synthesis & formulation of chemicals	Outsources R&D requirements	Creating new combinations using SCIL's chemistries
Industry Sub-segments	Insecticides (44%), Herbicides (27%), Fungicides (11%), Metal Phosphides (13%), Others (5%)	Insecticides (63%), Herbicides (7%), Fungicides (7%), Others (22%)	Insecticides (52%), Herbicides (19%), Fungicides (9%), Metal Phosphides (8%), Others (12%)
Product Capability	Major focus on Generics; nascent presence in Biopesticides	Major focus on speciality Products	Presence across complete range of products
Business Segments	Presence only in Agrochemical segment	Presence in ASD, AND and EHD segments	ASD focused with presence in AND & EHD
Range of crop Served	Staple crops with major presence in Kharif season	Fruits & vegetables crops covering both Kharif & Rabi season	Well diversified product range covering Kharif & Rabi crops
Customer Concentration	Top 5 customers contributes to ~12% of sales	Top 5 contributes to ~15% of sales	Top 5 customers contributes to ~12% of sales
S&M Capability	Strong wide-spread presence with the distributors/retailers	High degree of engagement with farmers	Strong presence with both the retailers & farmers

Source: Company, PL

Exhibit 10: Brand portfolio of SUMICHEM

Insecticides		Fungicide	Herbicide	Seed Treatment	PGN
Borneo	Tricel Power	Validacin	Leader	Seedcel	Laatu
Sumi Lano	Dantotsu	Caviet	Sumi Max	Seedex	AeROS
Celquin	Bang X	Caviet EC	Casanova		Herbozyme Gr
Excel Super Glow	Ducat	Hexzol Gold	D'Cel		Make up
Imidacel Super	ImFi	Dimension	Excel Mera 71		Tareef
Tricel	Robot	Sulfex	Glycel		Nature Deep
Wonderex	Trizocel	Sulfex Gold	Junoon		Aminocel Gold
Danitol	Meothrin	Swadheen	Metrex		Herbozyme
Acetacel	Celcron	Tebazo	Vidhvans		Mobicel H
Deltex	ETNA		Sugam		ProGibb
Hitcel	Imidacel		Weedcel Super		Celrich
Pyromite	Thiocel				Herbozyme Power Gr
	Ultimate				Nutri S 90
					Sumi Hoshi
					Celstar
					Madhyam
					Sure Shot

Source: Company, PL

Investment Arguments

Strong Parentage

Sumitomo Chemical Corporation (SCC) parentage gives SUMICHEM unique advantage of access to world class portfolio, greener chemistries, superior innovative capabilities, good brand recall and wider access to international markets for its products.

- India is a key market for Sumitomo and we believe SUMICHEM will launch numerous molecules of the parent in India. While some molecules are in approval stage, others are in trial studies and approval stage. SUMICHEM has existing portfolio of 10-12 specialty molecules.
- We believe crop protection is a major focus area for the parent currently as SCC is targeting 31% growth in sale of specialty chemicals during 2018-2021 of which 1/3rd will be contributed by Health & Crop Sciences sector. In Health and CP segment, SCC is targeting 42% growth in topline and 2.8x growth in profitability over the same period driven by volumes.

Sumitomo Chemical Corporation has aggressive growth plans for the Health and Crop science segment

Exhibit 11: SCC's 2018-2021 plan for Specialty Chemical segment

Revenue (Bn Yen)	FY2018 Actual	FY2021 Target	YoY	Action plan for Health & Crop science Segment
Specialty Chemicals	1510	1980	31%	(1) Strengthen and expand biorationals business
Health & Crop Science	338	480	42%	(2) Develop and launch new crop protection chemicals
Energy	283	390	38%	(3) Expand methionine sales and strengthen earnings
IT related chemicals	396	520	31%	(4) Accelerate global expansion of environmental health business
Pharma	492	590	20%	

Source: Company, PL

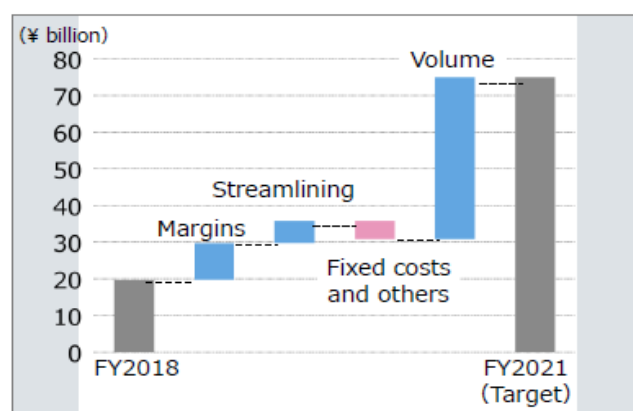
Exhibit 12: SCC's Core OI from CP to grow 2.8x by 2021

Core Operating Income (Bn Yen)	FY2018 Actual	FY2021 Target	YoY	Major Issues
Specialty Chemicals	150	235	57%	(1) Establish a global footprint in the crop protection business
Health & Crop Science	20	75	281%	
Energy	23	31	35%	(2) Further strengthen the crop protection business (agriculture related supplies, precision agriculture)
IT related chemicals	26	35	34%	
Pharma	81	94	16%	

Source: Sumitomo Chemical Corporation, PL

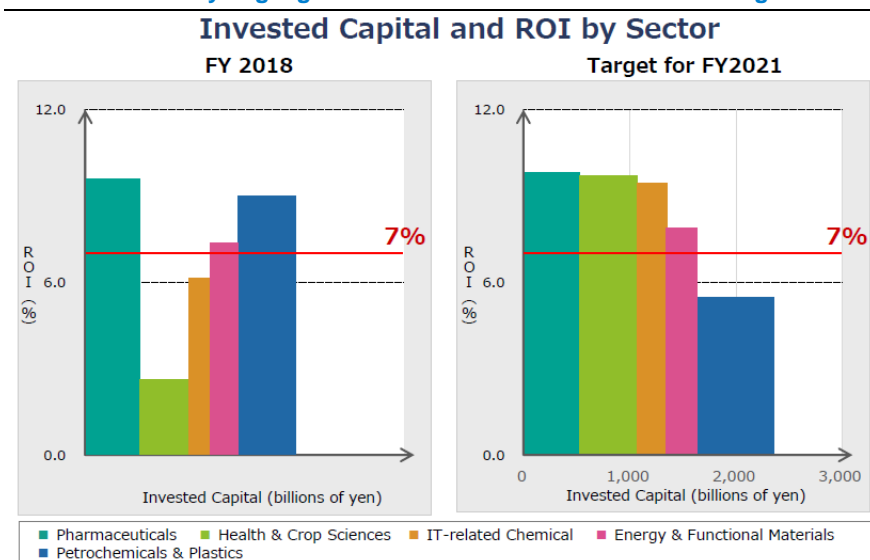
Exhibit 13: Volume driven increase in profitability

Core operating income variance analysis (FY2018 v/s FY2021)



Source: Sumitomo Chemical Corporation, PL

Exhibit 14: SCC eyeing significant increase in ROI from the CP segment



SUMICHEM to run independent operations and decide its own growth path with full support from the parent

SUMICHEM has greater and concentrated focus on Herbicides, PGRs and Bio-rationals

SCC has global leadership in Methionine

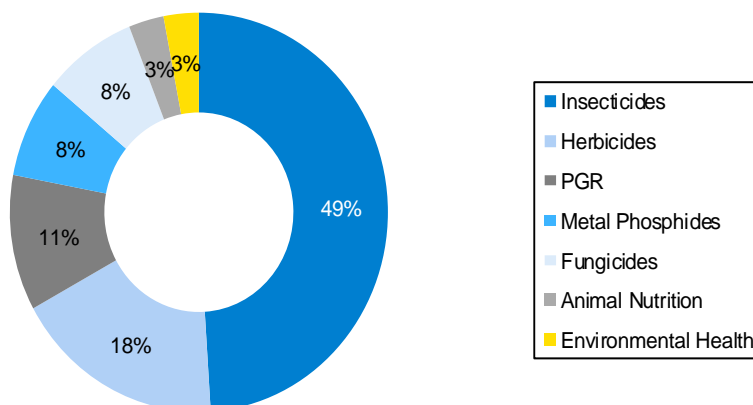
- SCC has mandated SUMICHEM to run independent operations and decide its own growth path with full support from the parent.
- SUMICHEM's export portfolio of ECC will benefit from international standing of SCC due to its innovative image and global reach. We expect exports to be fast growth engine for SUMICHEM in the medium term as SCC is an innovator with patented/proprietary molecules. SUMICHEM's generic portfolio will be capitalized upon by the parent to further deepen its distribution reach.

Diversified and De-risked portfolio

SUMICHEM's portfolio has presence in all segments i.e. Insecticides (49%), Herbicides (18%), Fungicides (8%), PGRs (11%). This enables it to encash on high growth categories (Herbicides, Fungicides, PGRs) while large segments like Insecticides ensure stability. Metal Phosphides, Animal Nutrition and Environment Health division contribute 8%, 3% and 3% of revenue respectively.

- SUMICHEM has concentrated focus on Herbicides, PGRs and Bio-rationals as these are highly profitable and high growth segments. SUMICHEM has PGR portfolio for both Kharif and Rabi which reduces seasonality in business.
- Animal Nutrition product segment deals in Feed additives (Methionine). Methionine is mainly used in chicken farming and is a type of essential amino acid that promotes the growth of animals. It is an antibiotic alternative without negative side-effects. The product finds its usage mainly in chicken and eggs targeted for export markets due to its restrictive use.
- SCC is global market leader in methionine. The product is in short supply globally due to very limited number of players. Growth of Methionine business is a high focus area of the parent company. India does not offer large market for Methionine due to lax regulation. If regulations for restrictive usage of antibiotics are made stricter in India, its market size can expand exponentially.

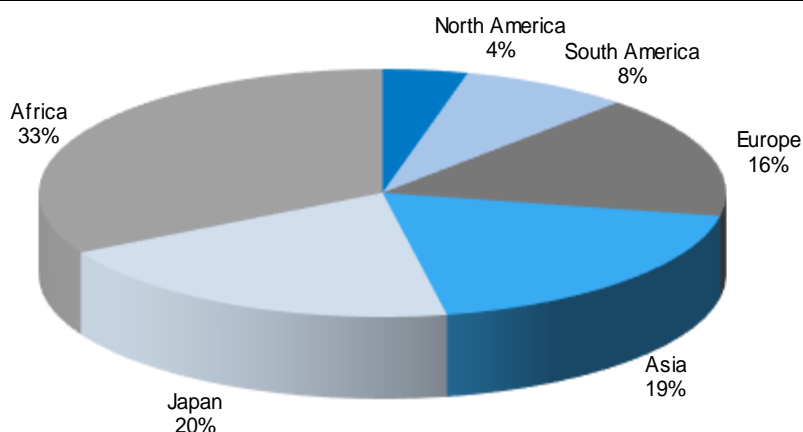
Exhibit 15: Contribution from Herbicides, PGRs and Fungicides to increase



Source: Company, PL

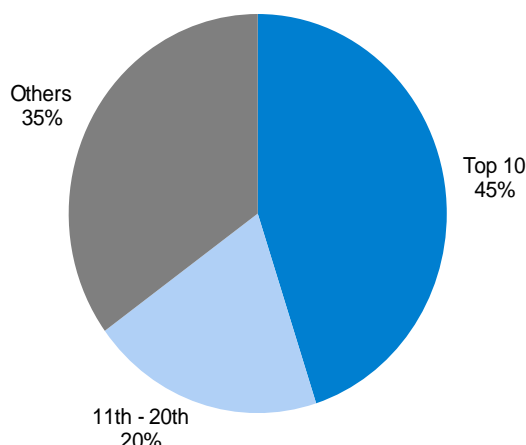
- SUMICHEM has exports diversified across regions:** SUMICHEM's exports are well diversified across geographies. Africa accounts for 33% of exports as Excel Crop care (ECC) has large presence in that geography through its own distribution reach.

Exhibit 16: Africa and LatAM contribute 33% and 20% of exports



Source: Company, PL

- Low product and client concentration risk:** Top 10 products contribute 45% of revenue while top 20 would be ~65%. No product or molecules contributes more than 15% of revenue while no single customer represents more than 10% of revenue.

Exhibit 17: Top 20 molecules contribute 60% of revenue


Source: Company, PL

Rich product pipeline driven by strong R&D capabilities

SUMICHEM has strong pipeline of new products consisting of proprietary molecules, combination products and off-patent generics, etc. The company is focusing on new products and marketing of parent's molecules in India.

- The company plans to launch 1 proprietary product/annum from the parent company in addition to its own developed combination products/pre-mixtures.
- SUMICHEM has 11 products in pipeline including commercialisation of 2 technicals. The company is targeting crops like Soybean, Cotton and Wheat etc. which have a sizeable market in India.
- The company is also working on technical and off-patent molecules some of which are in various stages of launch. ECC has expertise in 10 technicals including Glyphosate and CPP.

Exhibit 18: Rich product pipeline

Product pipeline	
Insecticides	5
Proprietary molecules	1 each year
Fungicides	2
PGRs	2
Commercialisation of technical	
Insecticide	1
Herbicide	1

Source: Company, PL

Sumitomo Chemical Corporation (Japan) has aggressive new product pipeline

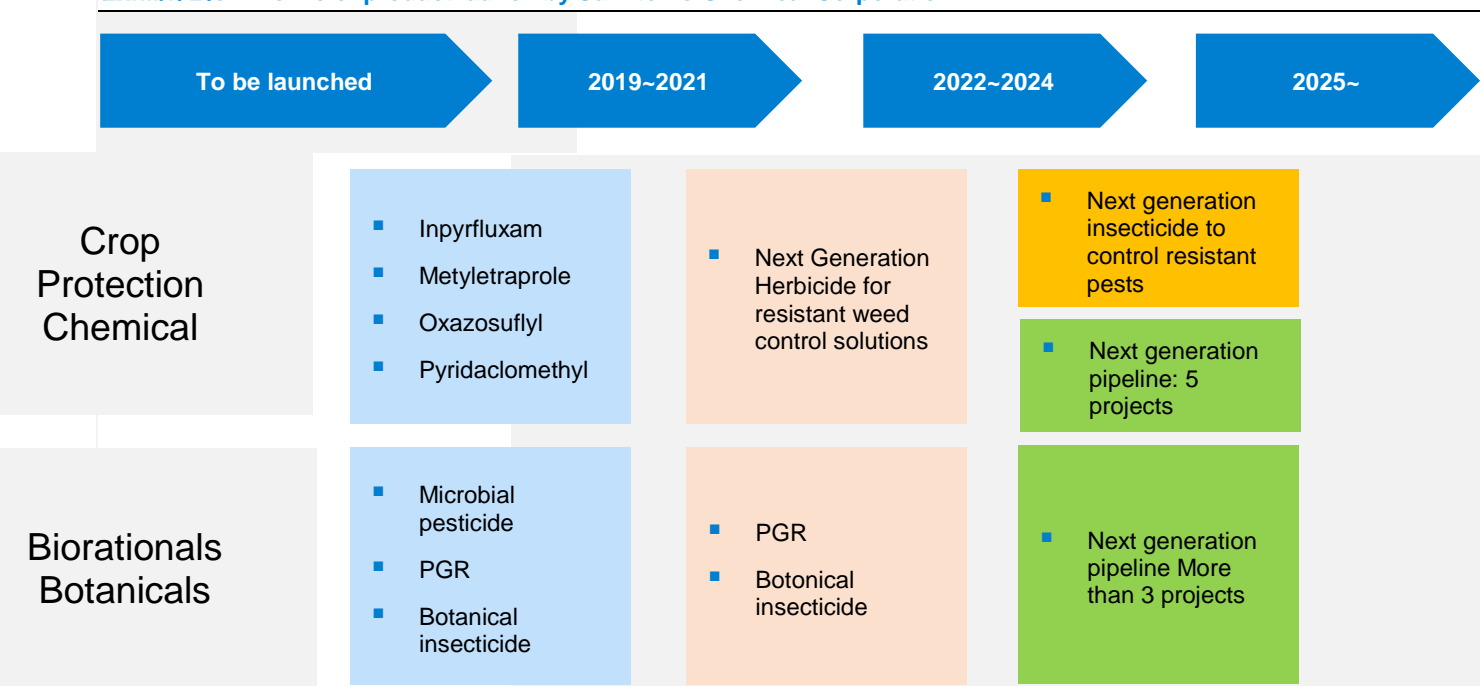
Over the next few years when SCC launches innovative patented molecules, SUMICHEM will have access to these molecules to launch them in India.

Pipeline of +9 formulations and commercialisation of 2 technicals ready)

Exhibit 19: Launch pipeline of Sumitomo Chemical Corp, Japan

Compounds	Use	Lifecycle stage	Crop	Action against
INDIFLIN (Inpyrfluxam)	Fungicide	In registration (submitted in 2017)	Soybean	Rust
PAVECTO (Metyletraprole)	Fungicide	In registration (2018)	Wheat	Septoria
ALLES (Oxazosuflyl)	Fungicide	In registration (2019)		
Pyridaclomethyl	Fungicide	In registration		
Pipeline A	Herbicide	Full development started		Broad spectrum
Pipeline B	PGR	Full development in progress		For Fruit and Leaf thinning
Pipeline C	Insecticide	Full development in progress		
Pipeline D	Insecticide	Evaluation in progress		

Source: Company, PL

Exhibit 20: Timeline of product launch by Sumitomo Chemical Corporation


Source: Sumitomo Chemical Corporation, PL

- End to end product development capabilities:** ECC had 3 fully equipped R&D facilities for synthesis and formulation of chemicals while legacy Sumitomo India used to outsource all of its R&D requirements. SUMICHEM R&D team of +75 engineers & scientists (3 DSIR approved R&D labs) is expected to improve its capabilities of creating new combinations using legacy Sumitomo India's chemistries.
- R&D facilities are also expected to gain capability for creating new processes and combination molecules using parent's capabilities which would improve production processes and efficiencies.

Strong brand and well entrenched distribution network

SUMICHEM will benefit from SCC's strong brand image and market leading position across various product categories. The dual brand portfolio of Excel Crop Care and Sumitomo Chemical enables SUMICHEM to offer products at all price points serving multiple sub-segments.

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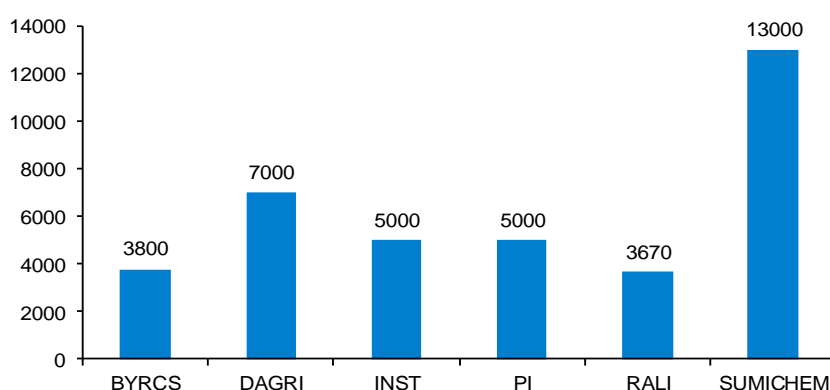
- The distribution coverage of the combined entity covers pan-India with +13000 distributors, strong presence with both retailers and farmers. While ECC had distributors spread across India, Sumitomo's distributors are concentrated in few regions.
- Channel checks suggest Sumitomo undertakes concentrated marketing by targeting a region for deep and intense marketing of proprietary molecules.
- We believe SUMICHEM will also benefit from proven go-to-market initiatives of SCC and deep farmer connect of ECC. Deep in-depth knowledge of own research products also facilitates launch of Specialty products.
- To support the traditional marketing system, the company is also running parallel digital marketing across its own 17 websites (Individual website for major brands) which has ~6342 visitors daily.

Exhibit 21: SUMICHEM has well entrenched distribution network

States	Depots	Distributors	Dealers	Farmer Connect	Field officers	Sales Team
23	68	13000	40000	>1 mn	>1400	600

Source: Company, PL

Exhibit 22: SUMICHEM far outpaces peers in distribution reach



Source: Company, PL

SUMICHEM has huge outsourcing potential from SCC

ECC's cost competitive manufacturing capabilities, SCC's focus on Indian markets, diversifying supply chain strategy and India emerging as a key player in chemical manufacturing are expected to drive business towards SUMICHEM from the parent.

- SUMICHEM is already working on 2 molecules (1 insecticide and 1 herbicide) for SCC out of which 1 will be launched by SCC in 2021. SCC is currently manufacturing 1 of these for which it wants to shift production to India. These molecules have the opportunity to become sizeable in 2-3 years from launch.
- SUMICHEM is working on those molecules and they are likely to reach at commercialisation stage in coming months. While one molecule is the final product, another is an AI and SUMICHEM is expected to do decent value addition.
- While it may take time for SUMICHEM to do material business with parent, the certainty of this happening is imminent.

SCC is currently manufacturing 1 of these products for which it wants to shift production to India. While it may take time for SUMICHEM to do material business with parent, the certainty of this happening is imminent.

Financials

We estimate topline growth of 14% CAGR between FY20-22E driven by strong demand for existing products, launch of new molecules and integration benefits/efficiencies from merger and turnaround in domestic agrochemical industry.

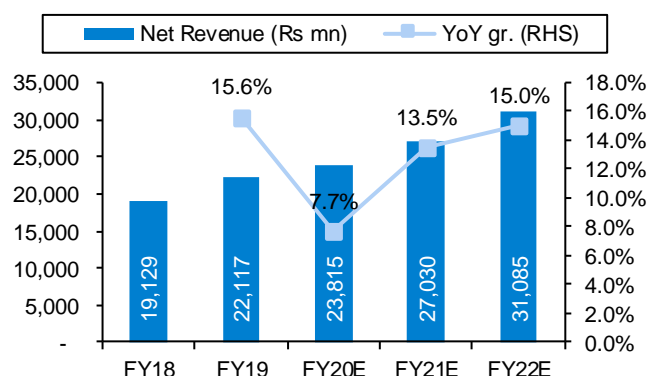
- Gross margins are expected to expand 173 bps driven by lower raw material prices, procurement efficiencies like higher negotiation power due to significant increase in buying quantities etc.
- Employee costs and other expenses are largely fixed in nature (except marketing related costs) hence are likely to see moderate growth of 10-11% inspite of decent improvement in sales.
- EBITDA is expected to clock 30% CAGR while margins are likely to expand by 324 bps to 15.1% in FY22E. Margin expansion will be driven by operating leverage, marketing and logistic cost efficiencies. We believe rationalization in depots (from 68 to 40-45) will provide decent savings in logistics cost.
- SUMICHEM is likely to invest Rs800 mn between FY21E-and FY22E for product development, capacity expansion and maintenance capex. Capex is likely in existing facilities by addition of machines. Brownfield or Greenfield erection of new plant looks unlikely.
- Adjusted PAT is expected to clock ~27% CAGR with Rs 3.4bn profit in FY22E with an FY22E EPS of Rs 6.9.
- SUMICHEM is currently debt free and is expected to continue to be a net cash company given its limited capex requirements. We expect net cash and investment of Rs 571 mn in FY20E which will increase to Rs 1.9bn by FY22E.

Strong demand for existing products, launch of new molecules, accruing of integration benefits/efficiencies to drive topline growth

Margin expansion will be driven by declining raw material prices, higher negotiation power, plugging off inefficiencies

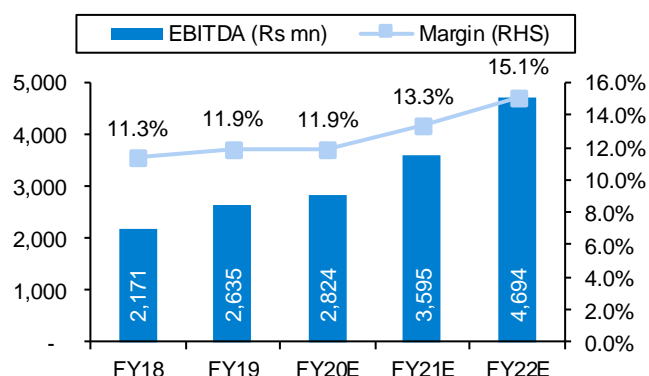
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Exhibit 23: Topline growth of 14% CAGR between FY20-22E

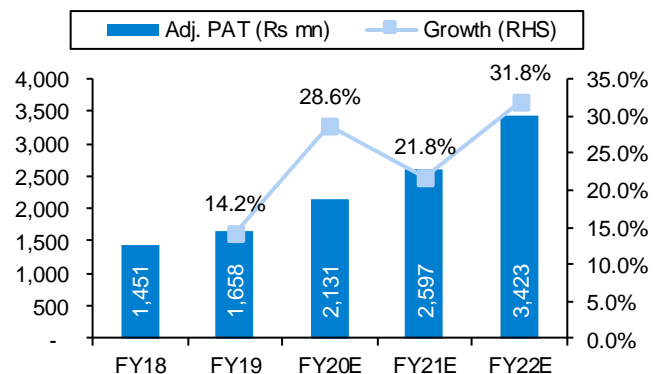


Source: Company, PL

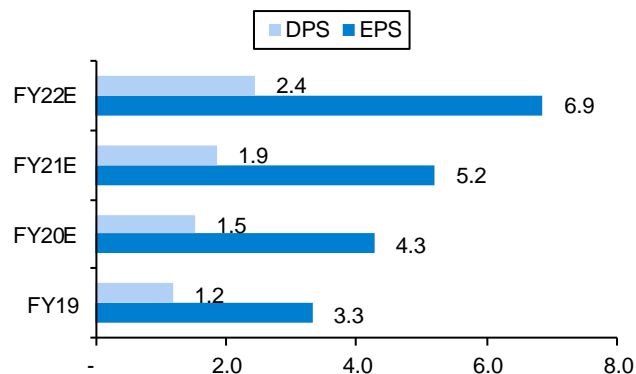
Exhibit 24: Margins to expand 324 bps between FY20-22E



Source: Company, PL

Exhibit 25: Significant improvement in profits post FY20


Source: Company, PL

Exhibit 26: Payout ratio expected at ~35%


Source: Company, PL

Exhibit 27: SUMICHEM's Working Capital is high but in line with peers

	FY18	FY19
Inventory Days		
Sumitomo Chemical	116	112
Bayer Crop	100	119
Dhanuka Agritech	78	75
Insecticides India	139	216
Receivable Days		
Sumitomo Chemical	105	111
Bayer Crop	89	81
Dhanuka Agritech	79	79
Insecticides India	80	75
Payable Days		
Sumitomo Chemical	101	98
Bayer Crop	38	68
Dhanuka Agritech	31	28
Insecticides India	83	86
Net Working Capital Days		
Sumitomo Chemical	121	125
Bayer Crop	150	132
Dhanuka Agritech	125	126
Insecticides India	136	205

Source: PL

Outlook and Valuation

We believe, a well-managed business in a growing sector with MNC parentage (80% holding currently), significant earnings growth potential (27% CAGR between FY20-22E), attractive valuations (@ 18.2x FY22 earnings) and low float of shares, SUMICHEM, has all the characteristics of being a multibagger in the long run.

We initiate coverage on Sumitomo Chemicals India (SUMICHEM) with BUY rating and target price of Rs 206 based on 30x FY22 EPS of Rs 6.9. We believe, a well-managed business in a growing sector with MNC parentage (80% holding currently), significant earnings growth potential (27% CAGR between FY20-22E), attractive valuations (18.2x FY22 EPS) and low float of shares, SUMICHEM, has all the characteristics of being a multi-bagger in the long run. With technical expertise, financial strength and market reach of Sumitomo Chemical Corporation (SCC) coming in, we are likely to see stark improvement in the operations and financial performance of SUMICHEM. SUMICHEM's diversified portfolio, strong brand and rich product pipeline will enhance significantly from R&D expertise of parent, its active ingredients and broad range of innovative products. SUMICHEM's topline and bottom-line are expected to grow at CAGR of 14% and 27% between FY20-22E.

Exhibit 28: Peer Comparison

Company (Rs mn)	Revenue			EBITDA			PAT		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
SUMICHEM	23,815	27,030	31,085	2,824	3,595	4,694	2,131	2,597	3,423
BYRCS	34,640	38,322	41,761	6,351	7,473	8,436	4,841	5,696	6,501
RALI	23,387	26,381	29,333	2,958	3,720	4,341	1,971	2,405	2,834

Company	Revenue CAGR	EBITDA CAGR	PAT CAGR	CMP	Mcap	PE (x)		
						FY20E	FY21E	FY22E
SUMICHEM	14.2%	28.9%	26.7%	125	62,393	29.3	24.0	18.2
BYRCS	8%	15.2%	15.9%	4,105	184,487	38.1	32.4	28.4
RALI	12.0%	21.1%	19.9%	228	44,320	22.5	18.4	15.6

Source: Company, PL

* Valuation Ratios are considered on the basis of closing price of Excel Crop Care and merger ratio of the two companies

Acquisition of Excel Crop Care by Sumitomo Chemical Company

In June 2016, Sumitomo Chemical Company (SCC) had acquired ~45% stake in Excel crop care (ECC) at a price of Rs 1259.36/share. Post open offer the total shareholding of Sumitomo group in ECC stands at ~65%.

ECC is now merging with SCIL. ECC shareholders will receive 51 shares of SCIL (FV- Rs 10) for every 2 shares of ECC (FV- Rs 5).

The merger of 2 entities will lead to

- Creation of a single focused entity of scale for SCC's major businesses in India
- Consolidate market positioning
- Capitalising on the operational & product marketing synergies & efficiencies at multiple levels
- Expanding product offering and accelerating growth potential as a result of highly complementary portfolio
- Scaling up distribution network across India
- Benefit from a globally well revered brand renowned for its quality

Exhibit 29: SUMICHEM journey in India till date

2000	SCIL incorporated in India as EHD (HHI) distribution company
2001	Manufacturing JV with New Chemi
2002	Started ASD business
2003	Started EHD (Public Health) business
2005	Acquired EHD (HHI) unit from Bayer Vapi
2006	Acquired product Sulfosulfuron ' Leader rights from Monsanto
2010	Started Animal Nutrition
2011-12	Acquisition of New Chemi and integration with SCIL
2013-14	Expanded the business to include animal nutrition chemicals
2014-15	Setting up new organization, control system, PCO function and innovative sales team
2016-17	Acquisition of Excel Crop Care
2019	Merger of Excel Crop Care with SCIL

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e March	FY19	FY20E	FY21E	FY22E
Net Revenues	22,117	23,815	27,030	31,085
YoY gr. (%)	15.6	7.7	13.5	15.0
Cost of Goods Sold	14,590	16,011	17,948	20,361
Gross Profit	7,528	7,804	9,082	10,724
Margin (%)	34.0	32.8	33.6	34.5
Employee Cost	1,615	1,659	1,838	2,052
Other Expenses	3,277	3,321	3,649	3,979
EBITDA	2,635	2,824	3,595	4,694
YoY gr. (%)	21.4	7.2	27.3	30.6
Margin (%)	11.9	11.9	13.3	15.1
Depreciation and Amortization	278	373	411	453
EBIT	2,357	2,451	3,184	4,241
Margin (%)	10.7	10.3	11.8	13.6
Net Interest	37	60	45	52
Other Income	278	283	370	436
Profit Before Tax	2,598	2,674	3,510	4,625
Margin (%)	11.7	11.2	13.0	14.9
Total Tax	940	543	912	1,203
Effective tax rate (%)	36.2	20.3	26.0	26.0
Profit after tax	1,658	2,131	2,597	3,423
Minority interest	NA	NA	NA	NA
Share Profit from Associate	NA	NA	NA	NA
Adjusted PAT	1,658	2,131	2,597	3,423
YoY gr. (%)	14.2	28.6	21.8	31.8
Margin (%)	7.5	9.0	9.6	11.0
Extra Ord. Income / (Exp)	0	0	0	0
Reported PAT	1,658	2,131	2,597	3,423
YoY gr. (%)	14.2	28.6	21.8	31.8
Margin (%)	7.5	9.0	9.6	11.0
Other Comprehensive Income	0	14.8	0	0
Total Comprehensive Income	166	180.6	180.6	180.6
Equity Shares O/s (m)	499	499	499	499
EPS (Rs)	3.3	4.3	5.2	6.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e March	FY19	FY20E	FY21E	FY22E
Non-Current Assets				
Gross Block	3,501	4,110	4,510	4,910
Tangibles	3,363	3,643	4,023	4,403
Intangibles	137	466	486	506
Acc: Dep / Amortization	659	1,032	1,443	1,896
Tangibles	592	965	1,376	1,828
Intangibles	67	67	67	67
Net fixed assets	2,842	3,078	3,067	3,014
Tangibles	2,772	2,679	2,648	2,575
Intangibles	70	399	419	439
Capital Work In Progress	32	32	32	32
Goodwill	-	-	-	-
Non-Current Investments	1	1	1	1
Net Deferred tax assets	-146	-146	-146	-146
Other Non-Current Assets	311	255	363	456
Current Assets				
Investments	-	-	-	-
Inventories	6,806	7,373	8,294	9,538
Trade receivables	6,710	7,242	8,072	9,368
Cash & Bank Balance	514	580	1,261	1,892
Other Current Assets	1,385	1,500	1,446	1,337
Total Assets	18,454	19,916	22,390	25,493
Equity				
Equity Share Capital	2,746	4,991	4,991	4,991
Other Equity	7,738	6,608	7,897	9,614
Total Network	10,484	11,600	12,889	14,606
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	156	167	149	124
Other non current liabilities	52	30	41	42
Current Liabilities				
ST Debt / Current of LT Debt	197	-	-	-
Trade payables	5,968	6,459	7,406	8,516
Other current liabilities	1,596	1,660	1,906	2,204
Total Equity & Liabilities	18,454	19,916	22,390	25,493

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e March	FY19	FY20E	FY21E	FY22E
PBT	2,598	2,674	3,510	4,625
Add. Depreciation	278	373	411	453
Add. Interest	37	60	45	52
Less Financial Other Income	-38	45	100	125
Add. Other	-90	-238	-270	-311
Op. profit before WC changes	2,785	2,914	3,795	4,944
Net Changes-WC	-1,127	-740	-757	-1,327
Direct tax	-881	-695	-912	-1,203
Net cash from Op. activities	777	1,479	2,125	2,415
Capital expenditures	-397	-280	-380	-380
Interest / Dividend Income	37	45	100	125
Others	7	-	-	-
Net Cash from Invt. activities	-353	-235	-280	-255
Issue of share cap. / premium	-	-	-	-
Debt changes	96	-197	-	-
Dividend paid	-714	-919	-1,120	-1,476
Interest paid	-37	-60	-45	-52
Others	-	-	-	-
Net cash from Fin. activities	-654	-1,177	-1,165	-1,528
Net change in cash	-231	67	680	631
Free Cash Flow	380	1,199	1,745	2,035

Source: Company Data, PL Research

Key Financial Metrics

Y/e March	FY19	FY20E	FY21E	FY22E
Per Share(Rs)				
EPS	3.3	4.3	5.2	6.9
CEPS	3.9	5.0	6.0	7.8
BVPS	21	23	26	29
FCF	0.8	2.4	3.5	4.1
DPS	1.2	1.5	1.9	2.4
Return Ratio(%)				
RoCE	22.1	21.1	24.7	29.0
RoE	15.8	18.4	20.1	23.4
Balance Sheet				
Net Debt : Equity (x)	-0.0	-0.1	-0.1	-0.1
Net Working Capital (Days)	124.6	125.0	121.0	122.0
Valuation(x)				
PER	37.6	29.3	24.0	18.2
P/B	6.0	5.4	4.8	4.3
P/CEPS	32.2	24.9	20.7	16.1
EV/EBITDA	23.6	21.9	17.0	12.9
EV/Sales	2.81	2.60	2.26	1.95
Dividend Yield (%)	0.9	1.2	1.5	2.0

Source: Company Data, PL Research

* Valuation Ratios are considered on the basis of closing price of Excel Crop Care and merger ratio of the two companies

Notes

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**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bayer Cropscience	Hold	3,700	3,730
2	Dhanuka Agritech	BUY	423	416
3	Godrej Agrovet	BUY	659	555
4	Insecticides India	BUY	948	472
5	P.I. Industries	Hold	1,355	1,444
6	Rallis India	Accumulate	248	220
7	Sharda Cropchem	Accumulate	313	268
8	UPL	BUY	740	591

PL's Recommendation Nomenclature

Buy	: >15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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