



Pick of the week

Sumitomo Chemicals India Ltd (SCIL)

Recommendation: **BUY**

Current Price: ₹400

Potential Upside: 25%

Time Period: 12 Month

Target Price: ₹500

Why invest?

- SCIL is part of Japan-based Sumitomo Chemical Company (SCC) and has a robust product portfolio which is diversified across agrochem value chain and also diversified across key crops.
- We believe that SCIL is well placed against its domestic peers in terms of advantage of strong parentage, robust product pipeline, wide distribution and opportunities from contract manufacturing in future.
- SCIL has a pipeline of five proprietary products from SCC to be made in India in the next two years and evaluating and discussing more.
- We believe that SCC group's acquisition of Nufram's Latin American agrochem distribution business is expected to result in strong exports opportunity for SCIL.
- SCIL has reported strong Q1FY22 performance. We expect 14.9% and 23% CAGR in revenue and PAT, respectively in FY21-24E with RoCE and RoEs of over 25% and 20%, respectively.
- We value the stock at ~40x September 2023E earnings, based on merits against its domestic and MNC peers in the sector.