

Sumitomo Chemical India Limited – OFFER FOR SALE

30 - September - 2020

OFFER BACKGROUND

Sumitomo Chemical Company Ltd ("the Seller") proposes to sell up to 1,64,83,654 (one crore sixty four lakh eighty three thousand six hundred and fifty four) Equity Shares (representing approximately 3.30% (three point three zero percent) of the total issued and paid up equity share capital of Sumitomo Chemical India Ltd ("the Company") ("Offer Size" or "Sale Shares") on September 30, 2020 ("T Day") (for non-Retail Investors only) and on October 01, 2020 ("T+1 Day") (for Retail Investors (defined below) and for non-Retail Investors who choose to carry forward their un allotted bids) through a separate, designated window of BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE" and together with BSE, the "Stock Exchanges").

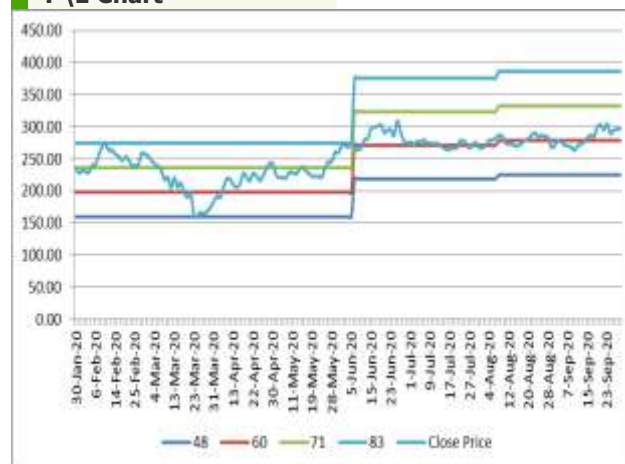
THE SYNOPSIS OF THE OFFER FOR SALE IS AS FOLLOWS:

Name of the Seller (Promoter /Promoter Group)	Sumitomo Chemical Company Ltd ("the Promoters of the Company")
Name of the company whose shares are proposed to be sold and ISIN	Sumitomo Chemical India Limited
Name of the stock exchanges where orders shall be placed	NSE and BSE
Name of the designated stock exchange	BSE
Date and time of opening and closing of the sale	Date: September 30, 2020 for Non-Retail; Open: 9.15am; Close: 3.30 pm Date : October 01, 2020 for retail; Open : 9:15am; Close : 3.30pm
Total number of equity shares being offered in the Sale	Sell up to 1,64,83,654 (one crore sixty four lakh eighty three thousand six hundred and fifty four) Equity Shares (representing approximately 3.30% (three point three zero percent) of the total issued and paid up equity share capita
Name of the broker(s)	JM Financial Institution securities limited
Retail Discount	No discount
Floor Price	Rs.270
Allocation Methodology	The allocation shall be at or above the Floor Price on price priority method at multiple clearing prices ("Clearing Prices") basis in accordance with the SEBI OFS Circulars.

Stock Data

Latest Data as on 29th September, 2020	
Latest Equity(Subscribed)	499.15
Latest Reserve	499145736.00
Latest EPS -Unit Curr.	4.67
Latest Bookvalue -Unit Curr.	24.48
Face Value	10.00
Stock Exchange	BSE
Latest Market Price--Unit Curr.	297.45
Latest P/E Ratio	63.69
Latest P/BV	12.15
52 Week High -Unit Curr.	317.45
52 Week High-Date	25/06/2020
52 Week Low -Unit Curr.	152.50
52 Week Low-Date	25/03/2020
Market Capitalisation	14847.09
Dividend Yield -%	0.25

P\|E Chart



AVERAGES – Turnover (NSE)

	Total Turnover	Avg. Turnover	No. Of Days
Weekly	1297044608	259408928	5
Fornightly	3335388672	333538880	10
Monthly	4203700480	191077296	22
Quarterly	10919611392	165448656	66
Half Yearly	18418851840	146181360	126
Yearly	23290660864	137003888	170

AVERAGES – VOLUME (NSE)

	Total Volume	Avg Volume	No. Of Days
Weekly	4340942	868188.4	5
Fornightly	11156660	1115666	10
Monthly	14311774	650535.2	22
Quarterly	38265436	579779.3	66
Half Yearly	66852136	530572.5	126
Yearly	87323760	513669.2	170

Key Findings

- Sumitomo Chemical India manufactures chemical products. The company offers agricultural chemical and crop protection products. Sumitomo Chemical serves customers worldwide.
- Sumitomo Chemical India, a merged entity of Excel Crop Care, got listed on the bourses. Investors whose names had appeared in the company's books as of August 31, 2019 (record date) were credited with 51 equity shares of face value ₹10 each of SCIL for every two fully paid-up shares of face value ₹5 each in Excel Crop.
- During June Quarter, the company has reported a Consolidated sales of Rs 647.70 Crore, up 45.30 % from last quarter Sales of Rs 445.77 Crore and up 3.19 % from last year same quarter Sales of Rs 627.65 Crore. The Company reported net profit after tax of Rs 79.40 Crore in latest quarter.
- Recently the Government of India released a draft notification for public comments regarding proposed ban of some agro-chemical products. The list of products proposed to be banned includes some of the Company's products (two technical grade products and some other formulated products). The matter is being discussed at various forums such as various industry associations and farmers associations. Such forums and the Company are expected to take necessary actions to defend these products such as filing suitable explanations and technical justifications with authorities for favorable technical assessment and if necessary, other legal recourse. Based on the management understanding and expectations, the matter is not likely to have material adverse impact on the Company's operations as restrictions, if any, are not expected to be applicable to exports,' the company said in a statement.
- The company has established presence in the crop protection segment and it has diversified product portfolio including insecticides, weedicides, fungicides, fumigants and rodenticides as well as plant growth nutrition products, bio-rationals and plant growth regulators, well-balanced technical and formulations manufacturing capabilities and access to SCCL's (Sumitomo Chemical Company Limited) proprietary products has helped the company to establish itself as one of major players in this space.
- Product portfolio is well diversified with company's agro chemical products covering multiple crop segments in both Kharif and Rabi season and non-agrochemical including animal nutrition and environment health products. With over 13,000 distributors, its distribution network covers close to 85% of mainland India, providing geographic diversity. Further, close to 20% of the revenue is generated from export markets, partially offsetting the risk related to demand cyclicity in the domestic market.

Risk

- Regulatory Norms
- Volatility in raw material prices

Conclusion

The company is doing well on the financial front and is well balanced in terms of manufacturing capabilities for technical grade and formulated products. It has a presence in all the product segments - insecticides, weedicides, fungicides, fumigants and rodenticides as well as plant growth nutrition products, bio-rationals and plant growth regulators. Your Company also has presence in animal nutrition and environment health businesses. Your Company is known for marketing in India, the proprietary products of its Japanese parent – Sumitomo Chemical Company, Limited in agrochemicals, animal nutrition and environment health segments. With integration of Excel Crop Care Limited through amalgamation, it now has strong portfolio of generics as well. The combined marketing network of the Company also stands strengthened. With this integration, your Company has moved up several notches in the pecking order of the Indian crop protection industry. Your Company is also one of the few industry players having both chemical and biological products in its portfolio. On the valuation front, we expect that the stock will see a price target of Rs.347 in 8 to 10 months time frame on expected P/Ex of 60x and FY21 EPS of Rs.5.79 (CMP Rs.288)

View: Company Fundamentally good for long term purpose

Size of offer for sale: Rs.445 crore

Shareholding Pattern (%)

Description as on	30/06/2020	31/03/2020	21/01/2020
Total Foreign	1.08	0.38	0.45
Total Institutions	4.96	4.6	3.71
Total Non Promoter Corporate Holding	3.77	3.75	4.62
Total Promoters	78.3	80.3	80.3
Total Public & Others	11.9	10.97	10.93

Shareholding of securities of persons belonging to the category Public and holding more than 1% of the total number of shares

Description as on	30/06/2020	31/03/2020	21/01/2020
Life Insurance Corporate Of India	3.68	3.68	3.68

BSE DATA

Date	High -Unit Curr	Low -Unit Curr
Weekly	309.00	287.00
Monthly	311.80	283.60
3 Month	311.80	258.00
6 Month	317.45	157.60

DELIVERABLE VOLUME (NSE)

Date	Total Volume	Deliverable Volume	Deliverable Volume(%)
29/09/2020	33936	21626	63.73
28/09/2020	37645	15062	40.01
25/09/2020	33349	12475	37.41
24/09/2020	45080	19987	44.34
23/09/2020	78990	42197	53.42
22/09/2020	46386	14455	31.16
21/09/2020	112241	68084	60.66
18/09/2020	122855	43237	35.19
17/09/2020	13062	5392	41.28
16/09/2020	51637	32441	62.83
15/09/2020	20996	8145	38.79
14/09/2020	10998	7342	66.76
11/9/2020	6708	3734	55.66
10/9/2020	17783	10997	61.84
9/9/2020	29727	16762	56.39
8/9/2020	13043	8495	65.13
7/9/2020	17996	9552	53.08
4/9/2020	24734	13447	54.37
3/9/2020	12288	6103	49.67
2/9/2020	24920	11044	44.32
1/9/2020	11140	6329	56.81

Allocation methodology	<p>A minimum of 25% of the equity shares being offered in the Sale shall be reserved for allocation to mutual funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended ("Mutual Funds") and insurance companies registered with the insurance Regulatory and Development Authority under the Insurance Regulatory and Development Authority Act, 1999, as amended ("Insurance Companies"), subject to receipt of valid bids/orders at the Clearing Prices.</p> <p>In the event of any under subscription by Mutual Funds and Insurance Companies, the unsubscribed portion shall be available to the other bidders.</p> <p>No single bidder other than Mutual Funds and Insurance Companies shall be allocated more than 25% of the size of the Sale.</p>
Oversubscription option	<p>In case the Oversubscription Option is not exercised, the equity shares of the Company forming part of the Base Offer Size will hereinafter be referred to as "Offer Shares") through a separate, designated window of the BSE Limited (the "BSE") and the National Stock Exchange of India Limited ("NSE", and together with the BSE, the "Stock Exchanges"). The Offer shall be undertaken exclusively through the Seller's Brokers named below on a separate window provided by the Stock Exchanges for this purpose.</p>
Conditions for withdrawal of the Sale	<p>The Seller reserves the right to not to proceed with the Sale at any time prior to the time of opening of the Sale on the Sale Date. In such a case, there shall be a cooling off period of 10 trading days from the date of withdrawal before an offer is made again. The Stock Exchanges shall suitably disseminate details of such withdrawal.</p>
Conditions for cancellation of the Sale	<p>In the event (i) the aggregate number of orders received in the Sale at or above the Floor Price is less than the total number of Sale Shares or (ii) of any default in settlement obligations, the Seller reserves the right to either conclude the Sale to the extent of valid bids / orders or cancel the Sale in full. The decision to either accept or reject the Sale shall be at the sole discretion of the Seller.</p>
Conditions for participating in the Sale	<p>Non-institutional buyers shall deposit 100% of the order value in cash up-front with the Clearing Corporation at the time of placing bids for the Sale.</p> <p>In case of institutional investors who place orders with 100% of the order value deposited upfront, custodian confirmation shall be within trading hours.</p> <p>In case of institutional investors who place orders without depositing 100% of the order value upfront, custodian confirmation shall be as per the existing rules for secondary market transactions.</p> <p>The funds collected shall neither be utilized against any other obligation of the trading member nor co-mingled with other segments.</p> <p>Modification or cancellation of orders would be allowed during the duration of the offer only for:</p> <p>(i) Orders placed by institutional investors and by non-institutional investors, with 100% of the order value deposited upfront: Such orders can be modified or canceled at any time during the trading hours.</p> <p>(ii) Orders placed by institutional investors without depositing 100 % of the order value upfront: Such orders cannot be modified or cancelled by the investors or stock brokers, except for making upward revision in the price or quantity.</p> <p>The buyer shall also be liable to pay any other fees, as may be levied by the Stock Exchanges, including Securities Transaction Tax.</p> <p>In case of any permitted modification or cancellation of the order / bid, the funds shall be released/ collected on a real-time basis by the clearing corporation.</p> <p>In case of default in pay-in by any investor, 10% of the order value shall be charged as penalty from the investor and collected from the broker. This amount shall be credited to the Investor Protection Fund of the stock exchange.</p>

QUARTERLY PERFORMANCE

	Qtr Ending Jun.20	Qtr Ending Jun.19	VAR %
Total Income	647.70	625.33	3.58
OPM (%)	18.32	13.46	36.06
OP	118.66	84.20	40.93
Other income	2.32	1.01	129.70
PBIDT	120.98	85.21	41.98
Net Finance Charges	1.28	1.51	-15.23
PBDT	119.70	83.71	42.99
Depreciation	10.78	8.96	20.31
PBT before EO	108.92	74.75	45.71
EO	0.00	-0.38	-100.00
PBT after EO	108.92	75.13	44.98
Tax expense	29.51	21.38	38.03
PAT	79.41	53.75	47.74
Profit after Minority Interest and Share of profit of Associates	79.40	53.36	48.80

BALANCE SHEET

(Rs. In Crore)

	202003	201903	201803
SOURCES OF FUNDS :			
Share Capital	499.15	274.59	274.59
Reserves Total	722.61	549.25	679.42
Equity Application Money	0.00	224.56	0.00
Total Shareholders' Funds	1221.76	1048.40	954.01
Secured Loans	0.00	0.00	10.15
Unsecured Loans	35.58	19.75	0.00
Total Debt	35.58	19.75	10.15
Other Liabilities	25.14	15.64	14.45
Total Liabilities	1282.48	1083.79	978.61
APPLICATION OF FUNDS :			
Gross Block	425.54	345.21	305.76
Less: Accumulated Depreciation	106.06	65.91	39.04
Net Block	319.48	279.30	266.72
Capital Work in Progress	10.27	8.06	8.71
Investments	86.11	0.14	0.14
Current Assets, Loans & Advances			
Inventories	588.00	680.58	609.26
Sundry Debtors	849.77	671.01	551.76
Cash and Bank	93.51	51.35	74.32
Loans and Advances	128.34	138.74	110.33
Total Current Assets	1659.62	1541.68	1345.68
Less : Current Liabilities and Provisions			
Current Liabilities	806.61	747.17	652.87
Provisions	17.08	14.42	8.85
Total Current Liabilities	823.69	761.59	661.72
Net Current Assets	835.93	780.09	683.96
Miscellaneous Expenses not written off	0.00	0.00	0.00
Deferred Tax Assets	39.29	25.77	0.00
Deferred Tax Liability	38.20	40.36	18.07
Net Deferred Tax	1.09	-14.59	-18.07
Other Assets	29.59	30.78	37.14
Total Assets	1282.47	1083.78	978.60
Contingent Liabilities	27.21	25.91	12.54

PROFIT AND LOSS ACCOUNT

(Rs. In Crore)

	202003 (12)	201903 (12)	201803 (12)
INCOME :			
Sales Turnover	2424.75	2228.42	1961.67
Excise Duty	0.00	0.00	48.79
Net Sales	2424.75	2228.42	1912.88
Other Income	10.71	7.56	30.47
Stock Adjustments	-129.34	98.48	46.58
Total Income	2306.12	2334.46	1989.93
EXPENDITURE :			
Raw Materials	1339.42	1387.37	1141.52
Power & Fuel Cost	27.51	26.03	24.69
Employee Cost	179.26	158.40	147.55
Other Manufacturing Expenses	199.55	233.64	199.04
Selling and Administration Expenses	162.77	160.56	167.02
Miscellaneous Expenses	83.03	77.11	60.04
Total Expenditure	1991.54	2043.10	1739.86
Operating Profit	314.58	291.37	250.08
Interest	7.09	3.72	5.38
Gross Profit	307.49	287.65	244.70
Depreciation	40.97	27.80	23.73
Profit Before Tax	266.52	259.85	220.97
Tax	75.49	97.38	78.31
Deferred Tax	-13.66	-3.34	-2.46
Net Profit	204.70	165.80	145.12
Net Profit after Minority Interest & P/L Asso.Co.	204.70	165.80	145.12
Extraordinary Items	-20.62	-4.29	0.09
Adjusted Net Profit	225.32	170.09	145.03

CASH FLOW STATEMENT

(Rs. In Crore)

	202003	201903	201803
Cash and Cash Equivalents at Beginning of the year	50.46	73.55	58.57
Net Cash from Operating Activities	221.40	77.76	47.44
Net Cash Used in Investing Activities	-117.86	-35.40	-39.64
Net Cash Used in Financing Activities	-61.39	-65.45	7.18
Net Inc/(Dec) in Cash and Cash Equivalent	42.15	-23.08	14.98
Cash and Cash Equivalents at End of the year	92.61	50.46	73.55

RATIOS

	202003	201903	201803
Debt-Equity Ratio	0.02	0.01	0.01
Long Term Debt-Equity Ratio	0.01	0.00	0.00
Current Ratio	1.92	1.93	1.95
Turnover Ratios			
Fixed Assets	6.29	6.85	6.42
Inventory	3.82	3.46	3.22
Debtors	3.19	3.64	3.56
Total Asset Turnover Ratio	2.05	2.16	2.00
Interest Cover Ratio	42.72	70.85	42.07
PBIDTM (%)	14.18	13.08	12.75
PBITM (%)	12.49	11.83	11.54
PBDTM (%)	13.89	12.91	12.47
CPM (%)	10.98	8.69	8.61
APATM (%)	9.29	7.44	7.40
ROCE (%)	25.60	25.56	23.13
RONW (%)	19.85	16.56	15.21
Payout (%)	10.52	35.62	0.00

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