



# Sumitomo Chemical India Limited



Investor Presentation

November 2020



# Safe Harbour

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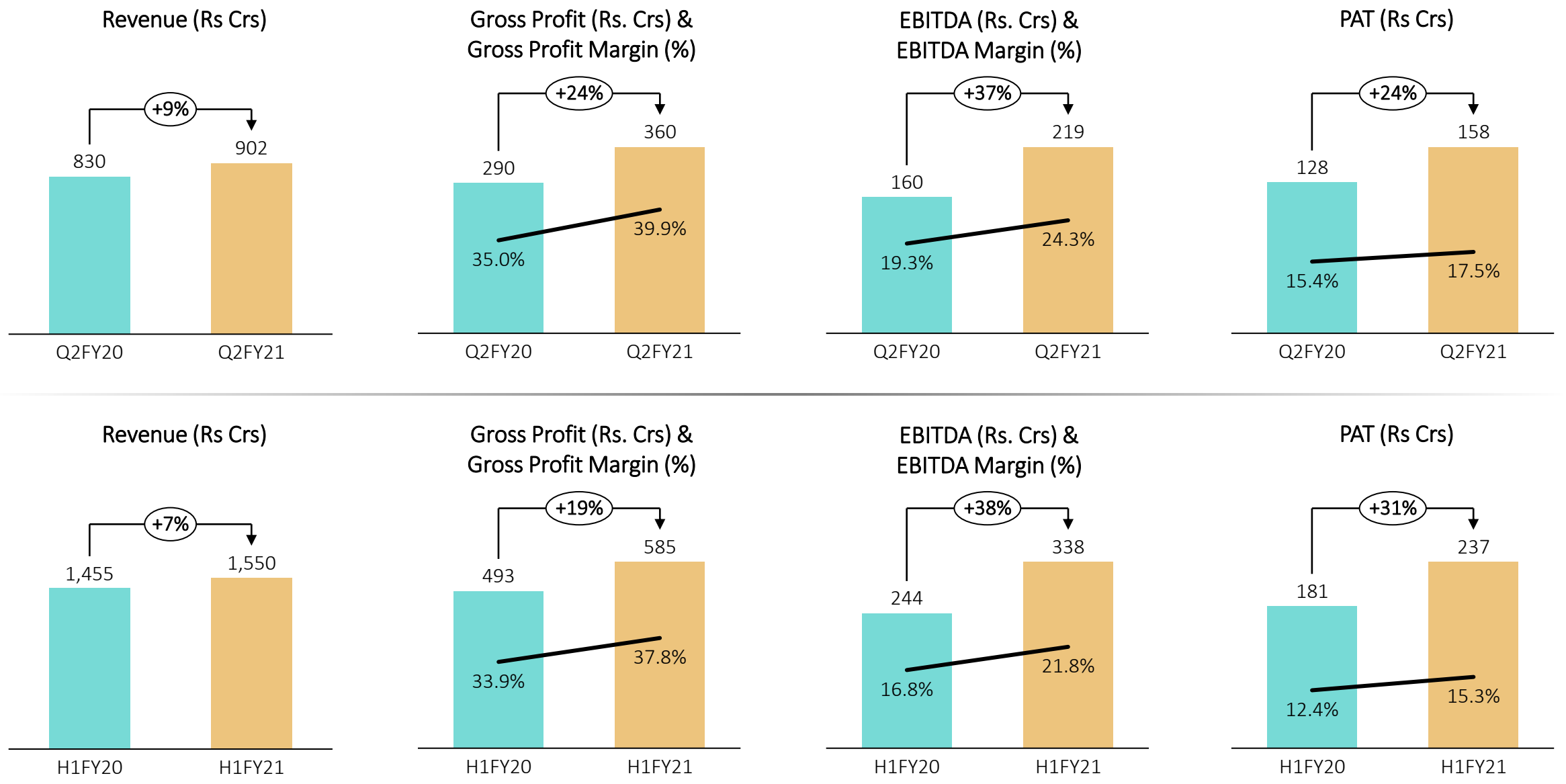
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The background image is a composite. It features a laboratory scene with several glass flasks on a reflective surface. Two of the flasks in the foreground contain green plants with visible root systems submerged in liquid. In the background, a microscope is visible. The entire scene is set against a blue, textured background. A white rectangular box with a red border is positioned on the left side, containing the text.

# Financial Performance & Key Highlights

# Performance Highlights – Quarter & YTD





# Performance Highlights – YTD

## Key Highlights

- ✓ Covid-19 related lockdown
  - Production lost during few initial weeks of the year
  - Subsequently production resumed and ramped up gradually over the period
- ✓ Lower Inventory as on March 2020 (as compared March 2019) impacted sales
- ✓ Greater focus on collection and disciplined sales through monitoring ground level liquidation and consumption patterns
- ✓ Better Product Mix enabled optimal utilization of available capacity and improvement in margins
- ✓ Merger synergies, cost optimizations and operational efficiencies to sustain margin improvement
- ✓ Favourable weather conditions indicate robust demand expectations
- ✓ Implementation underway of Advanced fully intergraded SAP system - SAP SH4 HANA (v 1909)
  - Several value-added features related to advanced data analytics and business planning (Sales, Operations, Costs and Financial planning) to be deployed
  - Another step towards Company's digital transformation journey

## New Products Launched – H1

- ✓ 3 Insecticides
- ✓ 1 PGR



**National Award For Excellence in Digital Marketing**  
*"Best use of Internet for Social & Economic Development"*





# Consolidated Profit & Loss Account Statement – Quarter & YTD

Particulars (Rs. Crs)	Q2 FY21	Q2 FY20	YoY	Q1 FY21	QoQ	H1 FY21	H1 FY20	YoY
<b>Revenue from Operations</b>	<b>902.0</b>	<b>829.6</b>	<b>9%</b>	<b>647.7</b>	<b>39%</b>	<b>1,549.7</b>	<b>1,454.9</b>	<b>7%</b>
COGS	541.9	539.3		422.6		964.6	961.5	
<b>Gross Profit</b>	<b>360.1</b>	<b>290.3</b>	<b>24%</b>	<b>225.0</b>	<b>60%</b>	<b>585.1</b>	<b>493.5</b>	<b>19%</b>
<b>Gross Profit %</b>	<b>39.9%</b>	<b>35.0%</b>	<b>493 bps</b>	<b>34.7%</b>	<b>518 bps</b>	<b>37.8%</b>	<b>33.9%</b>	<b>384 bps</b>
Employee Expenses	54.1	44.4		48.3		102.4	88.2	
Other Operating Expenses	87.1	86.1		58.1		145.2	160.8	
<b>Operating EBITDA</b>	<b>218.9</b>	<b>159.7</b>	<b>37%</b>	<b>118.6</b>	<b>84%</b>	<b>337.5</b>	<b>244.5</b>	<b>38%</b>
<b>EBITDA Margin</b>	<b>24.3%</b>	<b>19.3%</b>	<b>501 bps</b>	<b>18.3%</b>	<b>594 bps</b>	<b>21.8%</b>	<b>16.8%</b>	<b>498 bps</b>
Other Income	6.1	4.4		2.3		8.5	5.4	
Depreciation	11.3	9.3		10.8		22.0	18.3	
<b>EBIT</b>	<b>213.7</b>	<b>154.8</b>	<b>38%</b>	<b>110.2</b>	<b>94%</b>	<b>323.9</b>	<b>231.6</b>	<b>40%</b>
<b>EBIT Margin</b>	<b>23.7%</b>	<b>18.7%</b>	<b>504 bps</b>	<b>17.0%</b>	<b>668 bps</b>	<b>20.9%</b>	<b>15.9%</b>	<b>499 bps</b>
Interest	1.7	1.5		1.3		3.0	3.0	
<b>Profit Before Tax &amp; Exceptional</b>	<b>212.1</b>	<b>153.3</b>	<b>38%</b>	<b>108.9</b>	<b>95%</b>	<b>321.0</b>	<b>228.6</b>	<b>40%</b>
Exceptional Item Gain / (Loss)*	0.0	-3.8		0.0		0.0	-4.4	
<b>Profit Before Tax</b>	<b>212.1</b>	<b>149.4</b>	<b>42%</b>	<b>108.9</b>	<b>95%</b>	<b>321.0</b>	<b>224.2</b>	<b>43%</b>
<b>PBT Margin</b>	<b>23.5%</b>	<b>18.0%</b>	<b>550 bps</b>	<b>16.8%</b>	<b>670 bps</b>	<b>20.7%</b>	<b>15.4%</b>	<b>530 bps</b>
Tax	54.3	21.7		29.5		83.8	43.1	
<b>Net Profit</b>	<b>157.8</b>	<b>127.7</b>	<b>24%</b>	<b>79.4</b>	<b>99%</b>	<b>237.2</b>	<b>181.1</b>	<b>31%</b>
<b>Net Profit Margin</b>	<b>17.5%</b>	<b>15.4%</b>	<b>209 bps</b>	<b>12.3%</b>	<b>523 bps</b>	<b>15.3%</b>	<b>12.4%</b>	<b>286 bps</b>
Other Comprehensive Income	-1.3	-0.8		-0.6		-1.8	-0.5	
<b>Total Comprehensive income for the period</b>	<b>156.5</b>	<b>126.9</b>		<b>78.8</b>		<b>235.3</b>	<b>180.6</b>	

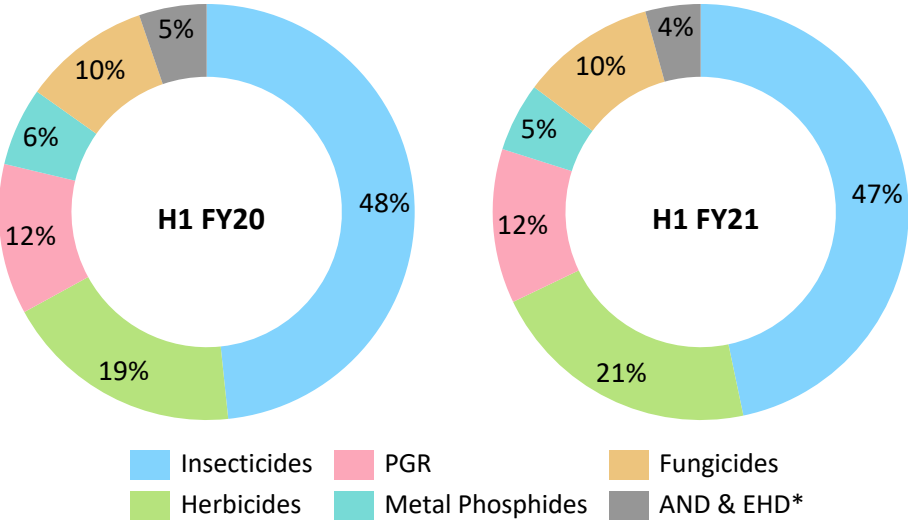
Given the seasonality in the business, it is best monitored on an annual basis

\* Merger expenses

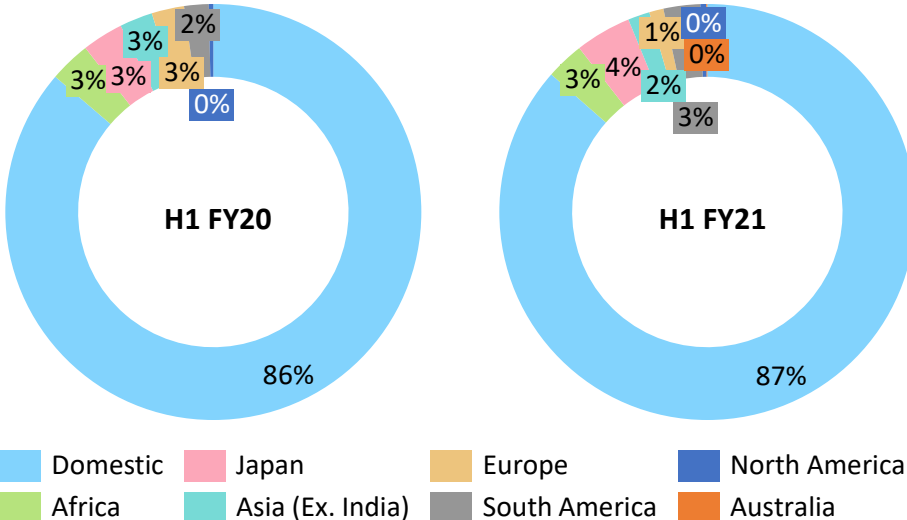
# Revenue Breakup – YTD



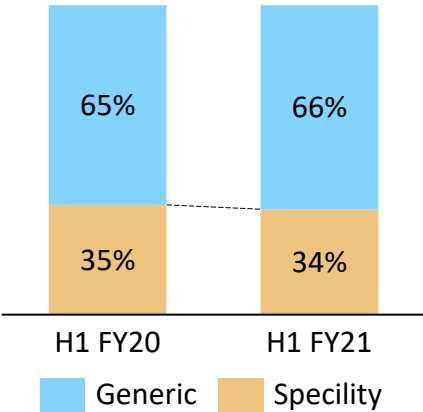
Product Breakup



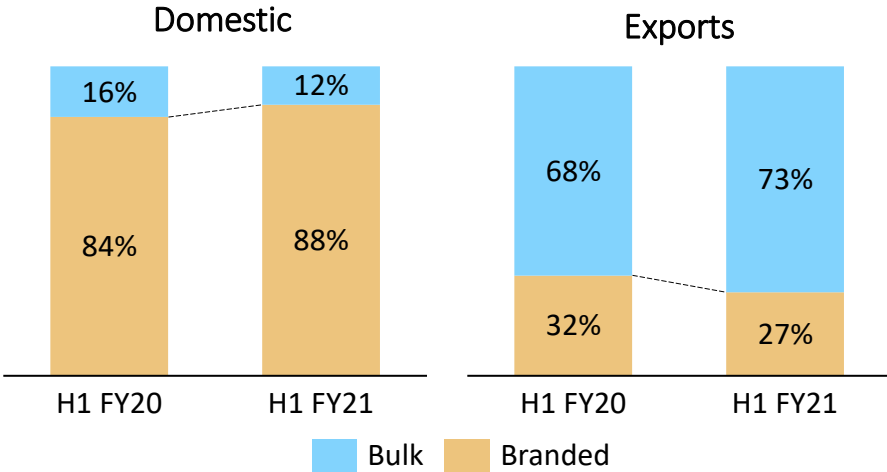
Geographic Breakup



Segment Breakup



Bulk & Branded



\* Animal Nutrition Division (AND) and Environmental Health Division (EHD)



# Consolidated Balance Sheet

Assets (Rs. Crs)	Sep-20	Mar-20
<b>Non-Current Assets (A)</b>	<b>361.3</b>	<b>360.6</b>
Property, Plant and Equipment	278.8	282.9
Capital work-in-progress	4.9	6.5
Right to use an Asset	36.4	34.9
Other Intangible Assets	1.1	1.7
Intangible Assets under Development	3.8	3.8
<b>Non-Current Financial Assets</b>		
(i) Investments	0.1	0.1
(ii) Loans	6.4	5.3
Non-Current tax Assets (net)	18.6	20.2
Deferred tax Asset (net)	5.6	1.1
Other non-current Assets	5.7	4.2
<b>Current Assets (B)</b>	<b>2,288.3</b>	<b>1,745.6</b>
Inventories	496.3	588.0
<b>Current Financial Assets</b>		
(i) Investments	202.2	86.0
(ii) Trade receivables	972.4	849.8
(iii) Cash and cash equivalents	317.3	92.6
(iv) Bank balances other than (iii) above	160.9	0.9
(v) Loans	7.6	7.9
(vi) Other financial assets	15.4	21.8
Other Current Assets	116.2	98.6
<b>Total Assets (A+B)</b>	<b>2,649.6</b>	<b>2,106.2</b>

Equity & Liabilities (Rs. Crs)	Sep-20	Mar-20
<b>EQUITY (A)</b>	<b>1,429.6</b>	<b>1,221.8</b>
Equity Share Capital	499.1	499.1
Other Equity	930.5	722.6
<b>Non-current liabilities (B)</b>	<b>53.7</b>	<b>44.5</b>
<b>Non-Current Financial liabilities</b>		
Lease Liabilities	22.7	19.4
Provisions	31.1	25.1
Deferred tax liabilities (net)	-	-
Non-current Tax Liabilities	-	-
<b>Current liabilities (C)</b>	<b>1,166.3</b>	<b>839.9</b>
<b>Current Financial liabilities</b>		
(i) Borrowings	-	-
(ii) Trade Payables	615.8	490.9
(iii) Lease Liabilities	15.0	16.2
(iii) Other financial liabilities	362.5	235.4
Other current liabilities	108.0	80.2
Provisions	13.9	9.7
Current tax liabilities	51.1	7.4
<b>Total Equity &amp; Liabilities (A+B+C)</b>	<b>2,649.6</b>	<b>2,106.2</b>

NIL borrowings  
Cash, Cash Equivalents & Liquid Investments of ~Rs. 680 Crs as on 30<sup>th</sup> September 2020





# Consolidated Working Capital Movement

Particulars (Rs. Crs)	Sep-20*	Jun-20*	Change (Sep-20 to Jun-20)	Mar-20*	Change (Sep-20 to Mar-20)	Sep-19*	Change (Sep-20 to Sep-19)
Inventory (A)	496.3	593.8	-97.5	588.0	-91.7	546.7	-50.4
Inventory Days ( <i>Inventories/ COGS* No. of days in period</i> ) (i)	84	128		134		93	
Trade Receivables (B)	972.4	730.2	242.2	849.8	122.6	1,039.0	-66.6
Trade Receivables Days ( <i>Trade Receivables / Revenue*No. of days in period</i> ) (ii)	99	103		128		115	
Trade Payables (C)	615.8	623.9	-8.1	490.9	124.8	759.4	-143.6
Trade Payables Days ( <i>Trade Payables/ COGS*No. of days in period</i> ) (iii)	105	134		111		130	
Other Financial Liabilities (D)	362.5	297.2	65.4	235.4	127.1	64.7	297.8
Other Financial Liabilities Days ( <i>Other Current Liabilities / Revenue*No. of days in period</i> ) (iv)	37	42		35		7	
<b>Net Working Capital (A+B-C-D)</b>	<b>490.4</b>	<b>403.0</b>	<b>87.4</b>	<b>711.4</b>	<b>-221.0</b>	<b>761.5</b>	<b>-271.1</b>
Net Working Capital Days ( <i>i + ii – iii – iv</i> )	42	54		115		72	

## Key Highlights

- ✓ Focused efforts towards improving overall working capital and collections
- ✓ Collection during H1 FY21 of ~Rs. 1,543 crores as compared to Rs. 1,320 crores during H1 FY20, increased by 17% yoy
- ✓ Cash, Cash Equivalents and Liquid investments of ~Rs. 680 crores as on 30<sup>th</sup> September 2020

Given the seasonality in the business, it is best monitored on an annual basis

\* No. of Days in period: Sep-20 – 92 days, Jun-20 – 91 days, Mar-20 – 365 days, Sep-19 – 92 days



# Consolidated Cash Flow Statement

Cash Flow Statement (Rs. Crs)	Half year ended 30-Sep-20	Half year ended 30-Sep-19
<b>Net Profit Before Tax</b>	<b>321</b>	<b>224</b>
Adjustments for: Non-Cash Items / Other Investment or Financial Items	30	21
<b>Operating profit before working capital changes</b>	<b>351</b>	<b>245</b>
Changes in working capital	232	-42
<b>Cash generated from Operations</b>	<b>583</b>	<b>203</b>
Direct taxes paid (net of refund)	-42	36
<b>Net Cash from Operating Activities</b>	<b>541</b>	<b>167</b>
<b>Net Cash from Investing Activities</b>	<b>-280</b>	<b>-88</b>
<b>Net Cash from Financing Activities</b>	<b>-36</b>	<b>-37</b>
<b>Net Increase /(Decrease) in Cash and Cash equivalents</b>	<b>225</b>	<b>43</b>
Add: Cash & Cash equivalents at the beginning of the period	93	50
<b>Cash &amp; Cash equivalents at the end of the period</b>	<b>317</b>	<b>93</b>

Given the seasonality in the business, it is best monitored on an annual basis



SUMITOMO CHEMICAL

# Sumitomo Chemical Company Limited, Japan

- An Introduction





# Overview

## About Sumitomo

- ✓ Sumitomo started business in Japan in early **16th Century (400 years+)**
- ✓ Currently several Sumitomo founded companies operate as **independent listed companies** with widespread shareholding and run by its professional boards
- ✓ Even today, all Sumitomo companies continue to follow **basic business philosophy and ethical practices** of Sumitomo

## About Sumitomo Chemical Company Limited, Japan (SCC)

- ✓ SCC was founded in **1913** and undertakes several chemical related businesses as an independent listed company
- ✓ SCC is a leading Japanese **research driven diversified chemical company** listed on the Tokyo Stock Exchange with consolidated sales revenue for FY20 of **US\$ 20.5 bn**
- ✓ Offers **diverse range of products** globally in 5 business sectors: petrochemicals, energy and functional materials, IT-related chemicals and materials, pharmaceuticals and health and crop sciences sector;
- ✓ SCC holds **12,600+ Patents of which ~34% are in Health & Crop Science**

## SCC's Health and Crop Science Sector - Undivided Focus for Leadership in India

- ✓ Health & Crop Sciences Sector – **Revenue US\$ 3.1 bn**
- ✓ Leading R&D spenders globally among agro-solution players
- ✓ **Strong pipeline** of Agro-Solutions and Environmental Health products with very high business potential of ~US\$1.4 - \$1.8 bn
- ✓ SCC recently **acquired Nufram's distribution in Latin America** thereby gaining leadership position in Latin America Generics Market Segment
- ✓ SCIL is **flagship entity** of SCC group focusing on high potential Indian market; only TG grade manufacturing site outside Japan and part of SCC's growth strategy
- ✓ SCC is **proud of SCIL's achievement** so far and confident of its growth potential
- ✓ SCC will continue to support SCIL to achieve **market leadership position** in Indian market





# SCC - Growth Strategy in Health & Crop Sciences Sector - R&D

## Core Competence: R&D

### Intellectual Capital

Sumitomo Chemical is conducting R&D based on the knowledge regarding chemical and biorational crop protection products, which is obtained after its many years of R&D activities.

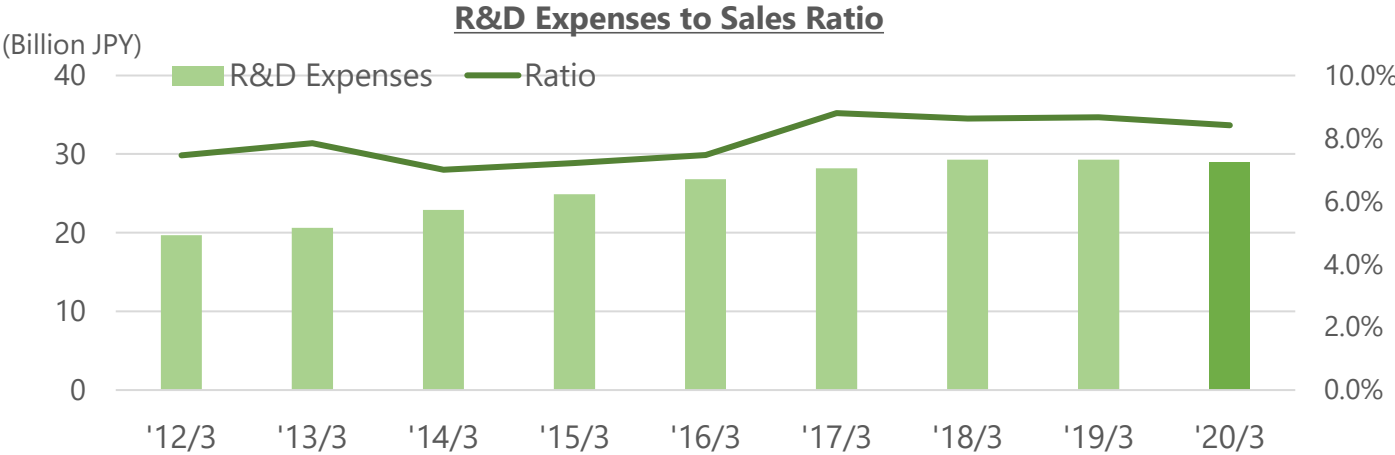
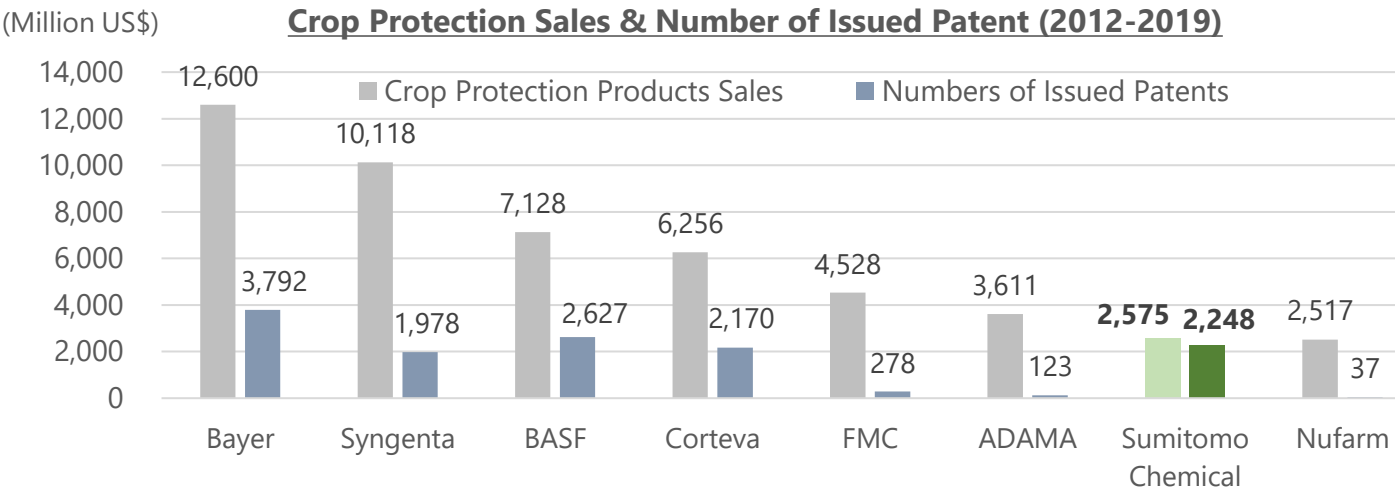
### Human Capital

Personnel located around the world are conducting R&D using a global network.



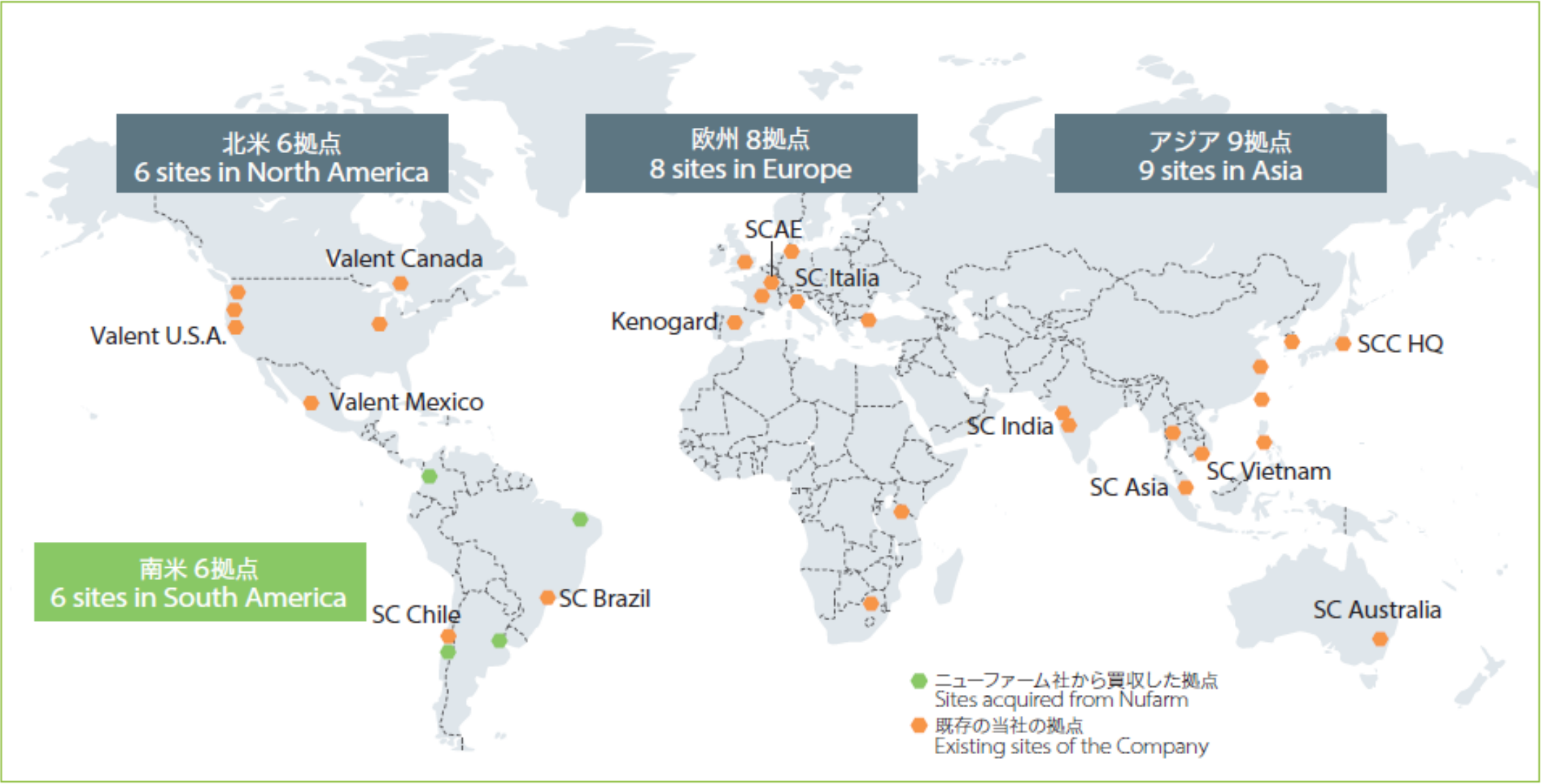
**The Chemistry Research Center:**  
A global discovery and innovation base for the Health & Crop Sciences Sector

## R&D performance data





# SCC - Growth Strategy in Health & Crop Sciences Sector - Distribution



Refer SCC, Japan IR presentation and Investor handbook 2020 at SCC website





# Sumitomo Chemical India Ltd.,

## - Company Overview

SCIL - Vision & Mission

Journey to 10x Growth  
in India

Formidable Player in the Indian  
Agrochemicals Space

Diversified & De-risked Portfolio  
Across the Agro-Chem Value  
Chain

Strong Brand and Well-  
Entrenched Distribution  
Network

Strategically Located  
Manufacturing Facilities

Strong Focus on R&D, Process  
Innovation and Safety, Health  
and Environment (SHE)

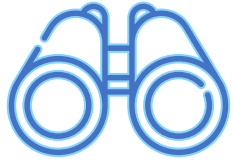
Autonomous Board with Vast  
Industry Experience

Growth Strategies





# SCIL - Vision & Mission



## Vision & Values

### Vision:

- To be a trusted market leader in Indian crop-protection sector
- To develop a vibrant corporate culture
- Endeavor to achieve success and sustainability through innovation & excellence

### Core Values:

- Innovation
- Excellence
- Integrity
- Respect & value all stakeholders
- Customer focus
- People focus
- Sustainability



## Mission

### Marketing and Sales:

- Further penetration into Indian market & take leadership; expand exports
- Strengthen Sales Force, Distribution and Product Portfolio

### Manufacturing:

- Supplying the most competitive products with safe and stable operation and meet demand
- Strengthen Procurement Power
- Expand Manufacturing Functions

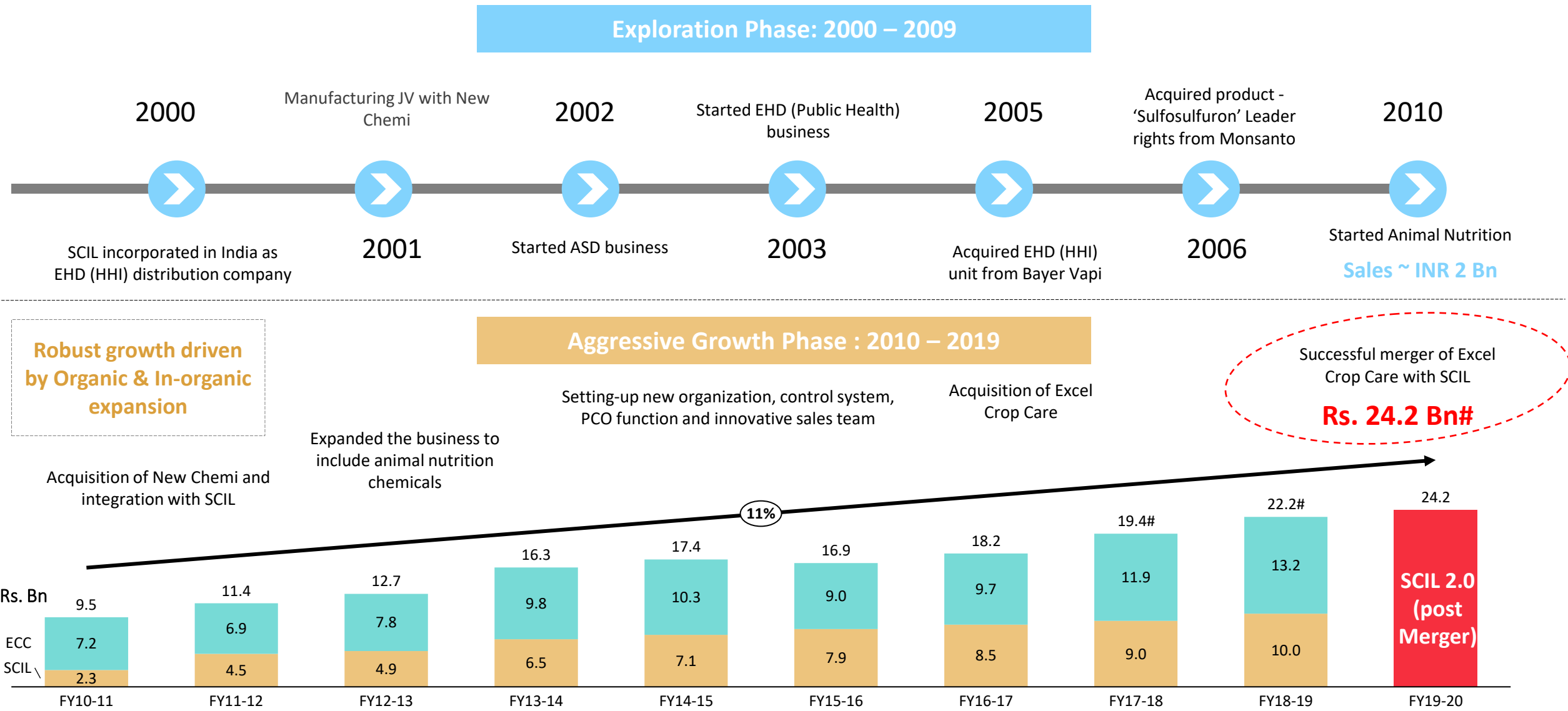
### Management & Support:

- Establishing the most efficient organization to support business growth and alignment with SCC
- Develop administrative efficiency while ensuring internal controls
- Full & Strict Compliances
- Value Creation for all stakeholders





# Journey to 10x Growth in India



# Inter-company transactions are eliminated. Other operating income is included  
HHI – Household Insecticides

5  
Manufacturing  
Facilities

10+  
Technical Actives

13,000+  
Distributors



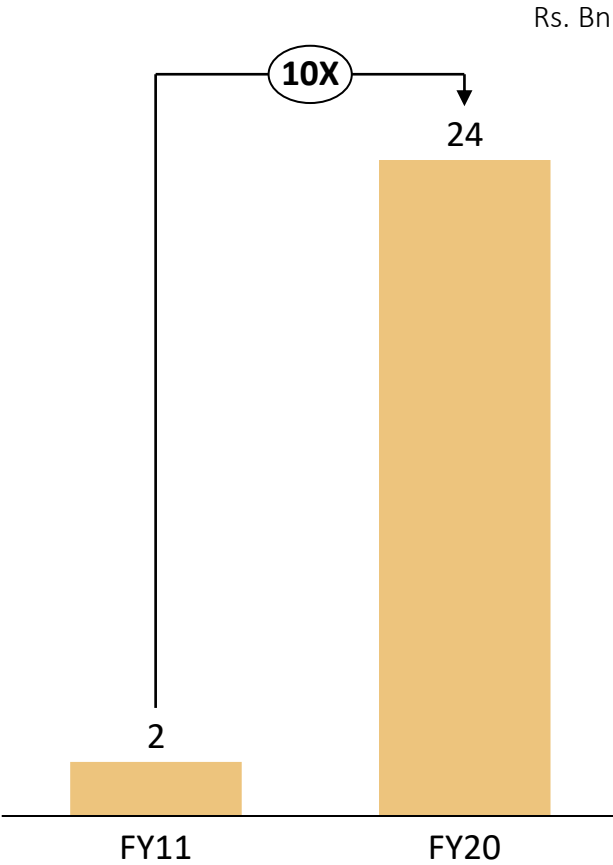
190+  
Brands

25+ / 200+  
Patents /  
Registrations

1,500+  
Employees

Key Products	Product Name	Product Category	Indicative Use
	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
	Chlorpyriphos	Insecticide	Paddy, Beans, Gram
	DL-Methionine	Animal Nutrition	Poultry

Grown 10X+\* over FY11-20

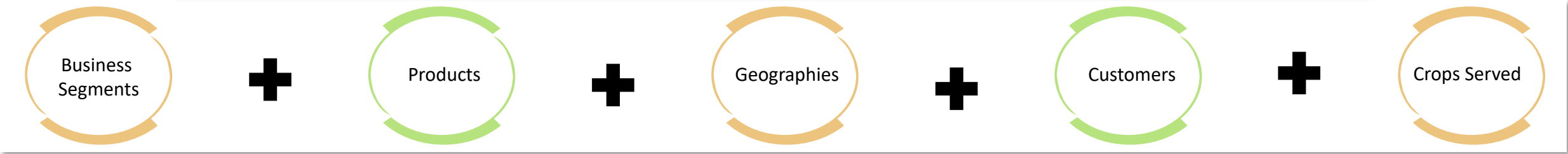


\*On an organic basis, grown 5X+

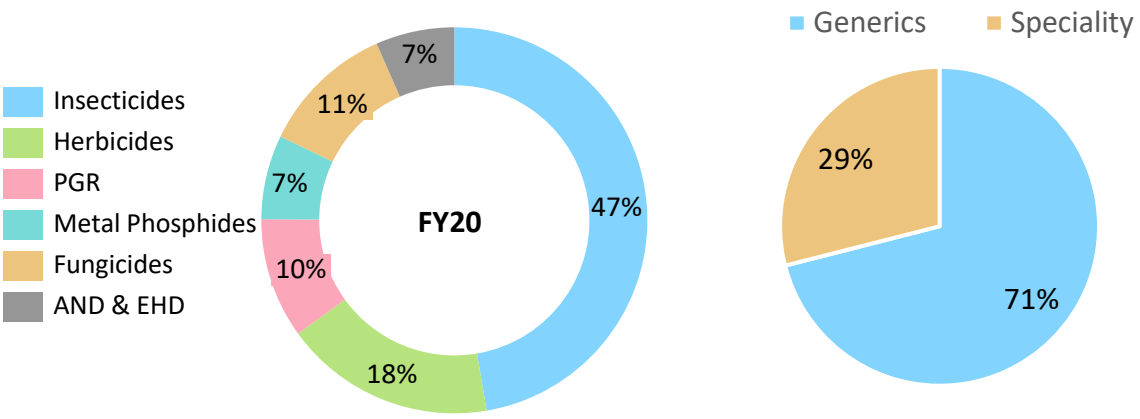


# Diversified & De-risked Portfolio Across the Agro-Chem Value Chain

Well-Diversified across multiple dimensions

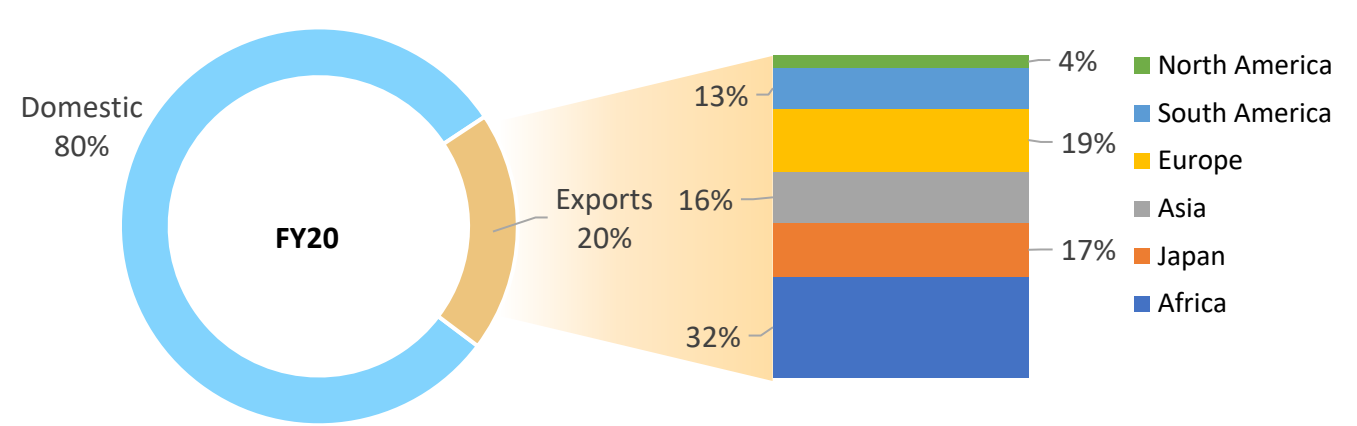


Diversified Portfolio Across Segments



- ✓ Greater focus on high growth, stable and high profitable segments such as **Herbicides, PGR, Bio-rational products**
- ✓ Increasing contribution from PGR segment and offerings for both Kharif and Rabi crops to reduce seasonality in the business
- ✓ One of the highest proportion of environmentally-friendly products in the Industry

Geographic Diversification with Exports to over 60 countries



- ✓ **Top 10 products contributes less than 50% of Total Revenue**
- ✓ **No product / molecule contributes more than 15% of Total Revenue**
- ✓ **Diversified across key crops - Concentrated efforts now on fruits & vegetables, paddy and other high growth segments**



# Strong Brand and Well-Entrenched Distribution Network

- ✓ **Strong brand** with market leading position across various product categories
- ✓ **Dual brand portfolio** can offer products at all price points serving multiple customer sub-segments
- ✓ **In-depth knowledge** of own research products, **proven go-to-market strategy and deep farmer connect** facilitates launch of Speciality products
- ✓ **On-field demonstration of products, training of farmers** in using the products, building awareness among stakeholders in relation to the products
- ✓ **Pan-India distribution network** ensures strong presence with both retailers and farmers and **on-time feedback mechanism**
- ✓ **Scale and diversity** of product offerings lead to **superior bargaining power** with distributors and provides **one-stop solution for farmers**



**23** States



**13,000+**  
Distributors



**1 million+**  
Farmer Connect through  
**1,400+**  
Field / Market Development  
Officers



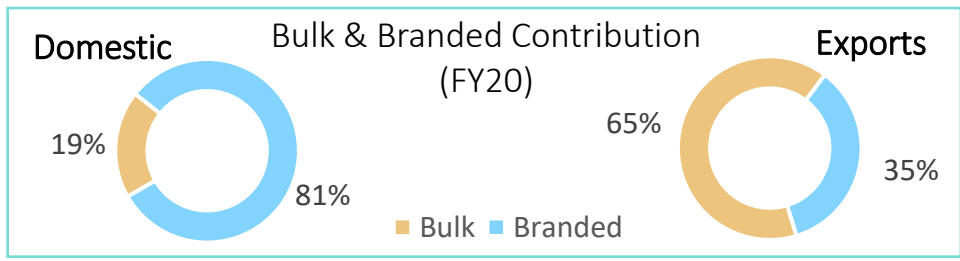
**68** Depots



**~40,000**  
Dealers



**~600**  
Sales Team







# Expanding Brand Visibility and Connect



- ✓ Wide range of **generics and speciality products** for Increased crop presence and providing crop protection solutions
- ✓ More than **1,400+ Relationship managers** connecting to **1 million+ farmers** throughout crop cycle
- ✓ Over **100 brands** covering maximum of crops and pest segments
- ✓ **13,000+ distributors, 70,000+ dealers and 68 Depots** help in expanding brand visibility and connect
- ✓ More than **500+ Qualified and skilled managers** in Sales, Marketing and customer support
- ✓ Company with **20+ mega brands** with high brand recall
- ✓ Healthy geographical Brand coverage **throughout India** including North East and J&K
- ✓ Optimum use of **advertising media** with increased Digital Platforms presence





# Digital Marketing Initiatives

Develop “Digital Marketing” as a parallel support to Traditional marketing system leading to improved sales.

✓ Our Digital Assets : **21 websites**, currently driving about **8,648 visitors** everyday.



- ✓ Successful campaign to introduce the QR codes of <http://www.sumitomoproducts.com/> to the retailers and farmers.
- ✓ The campaign drove **44.44%** of the website visitors through QR codes.



**Informative Video on Fall armyworm in Maize**  
58,856 views (since Jun 2019) and counting  
[Youtube Link](#)



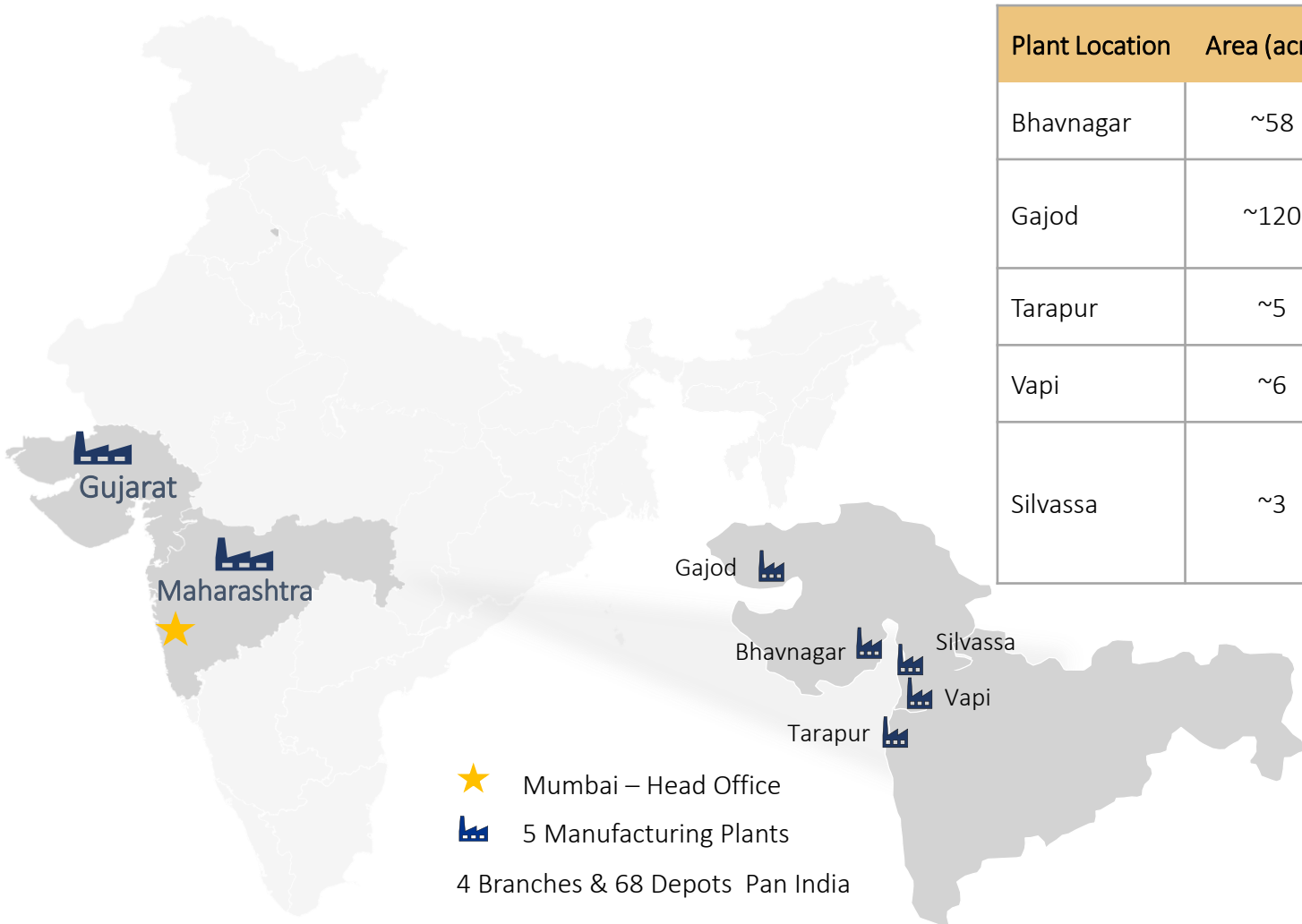
**Informative and Testimonial Combined Video on Pink Bollworm in Cotton and Danitol as Remedy**  
66,828 views (since May 2019) and counting  
[Youtube Link](#)

- ✓ Videos in 9 major regional languages
- ✓ 10 channels on YouTube with informative and testimonial videos



# Strategically Located Manufacturing Facilities

Connectivity to Major Cities and Proximity to Main Highways, Ports Reduces Logistic Time and Costs



Plant Location	Area (acres)	Segment Served	Product Manufactured
Bhavnagar	~58	Manufacturing of Technical Grade Pesticides and Formulations	<b>Technical Grade Products:</b> Chlorpyrifos, Profenophos, Glyphosate, Tebuconazole Tech, Quinalphos, Imidacloprid, Thiacloprid, Acetamiprid, Byspyribac Sodium, Aluminium Phosphide, Zinc Phosphide, Sulphur WDG, Fenpropathrin  Formulations for above TG products and several other speciality and generic products
Gajod	~120	Production and manufacturing of Metal Phosphides, Sulphur WDG and other WDG formulations	
Tarapur	~5	Production and manufacturing of Active Ingredients	
Vapi	~6	Formulation & Packaging	
Silvassa	~3	Formulation of Glyphosate and Other Speciality Products	

- Overall Optimal capacity utilization generally (Utilization were impacted in Q1 due to Covid-19 related lockdown and restrictions)
- Continues investments to enhance capacity as per the forecasted demand (similar to the trends followed in past)

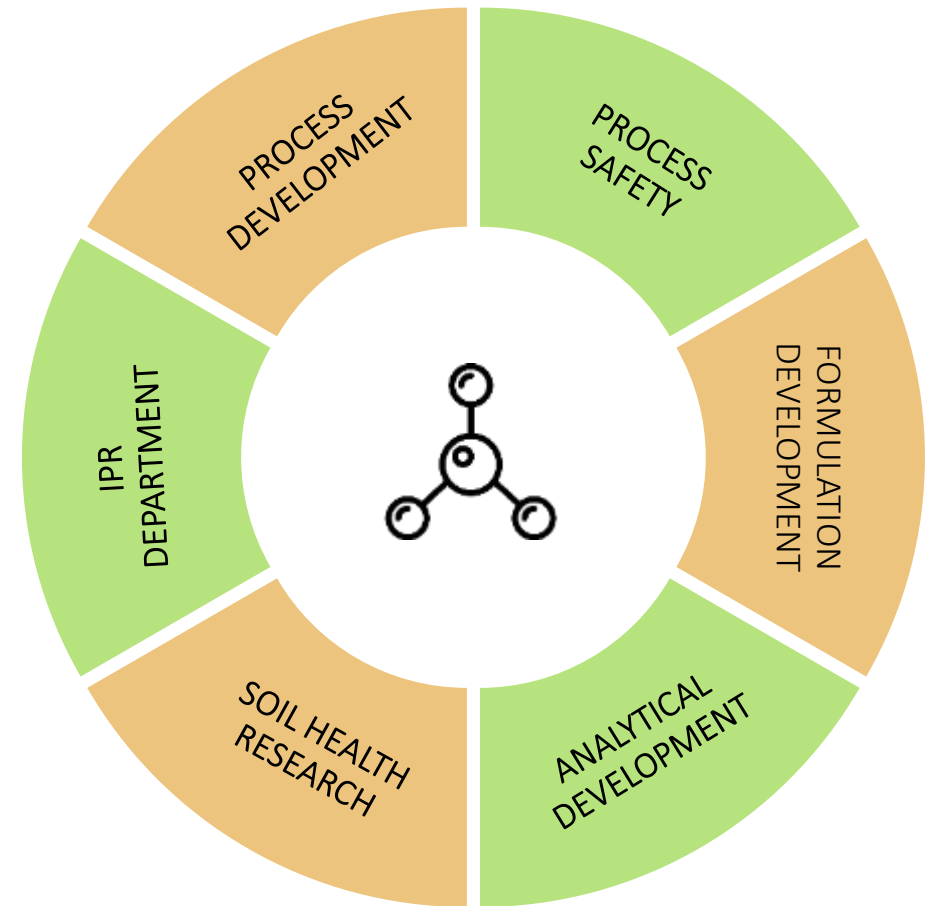




# Strong Focus on R&D and Process Innovation

## End-to-End Product Development Capabilities

- ✓ **3 fully equipped, DSIR approved R&D labs** located at Mumbai, Bhavnagar and Gajod capable of synthesis, technical product and formulation development
- ✓ R&D Team comprises of **75+** qualified and dedicated engineers & scientists of which 10+ are PhDs with more than 15 years of Experience
- ✓ **25+ patents** granted across various geographies; 9 applications filed
- ✓ **Pipeline of 9 new combination products /pre-mixtures** currently under development (5 insecticides, 2 fungicides, 2 PGR) and 2 **Technical products (1 Insecticide & 1 Herbicide)** for manufacturing in India
- ✓ R&D facilities to gain capability for creating new processes and new combinations using **SCC Japan's chemistries** which would help improve production processes and efficiency
- ✓ Feasibility of SCC Japan's new molecule pipeline being studied and evaluated in an Indian context







# Thrust on Safety, Health and Environment (SHE)

## Quality Certifications Ensure Consistent product quality and healthy working environment at manufacturing sites

- ✓ ISO:9001:2015, ISO-14001:2015 and OHSAS18001:2007 for the manufacturing sites at Bhavnagar, Gajod, Tarapur and Silvassa; ISO:9001:2015 at Vapi
- ✓ A8000 Certification for Social Accountability in Bhavnagar and Gajod
- ✓ Efforts focused on reducing effluent load and effluent treatment cost, for staying innovative and competitive in the market
- ✓ The quality of the products is maintained and upgraded to the applicable national and international standards through rigorous pursuit of Six Sigma initiative
- ✓ Focused on energy conservation and energy cost reduction: 50% of total power requirement through wind and solar power generation plants
- ✓ Expanding solar power plant capacity in line with towards green energy would also help in reducing dependence on outsourced power as well as in energy cost reduction
- ✓ 3R Principle: Recovery – Recycle – Reuse
- ✓ Safety audit, training programmes and other safety management processes and programmes are carried out/conducted at regular intervals
- ✓ All the manufacturing and warehousing sites of the Company are covered by safety audit



## Abiding by SCC Japan's EHS Policies



Dr. Vikram Sarabhai award for developing green technology from department of Science and Technology, Government of Gujarat



Certificates of appreciation received ten times from jointly by Gujarat Safety Council and Dish



Government of Gujarat for achieving 10 lakh accident free man-hours



Certificates of merits received from jointly by Gujarat Safety Council and Dish Government of Gujarat for achieving 20 lakh accident free man-hours



Certificates of honour received two times jointly by Gujarat Safety Council and Dish Government of Gujarat for achieving 30 lakh accident free man-hours

**Focus on purity, quality and timely delivery of products to the customer**



# Autonomous Board with Vast Industry Experience



**Dr. Mukul Govindji Asher**  
**Chairman and Independent Director**

- Professorial Fellow at Lee Kuan Yew School of Public Policy at the National University of Singapore
- Advisor to Govts in Asia on tax policy & pension reforms; and to multi-lateral institutions including IMF, Asian Development Bank, PFRDA of India, Govt of Gujarat, & World Bank
- Member of the panel to review Crawford School of Public Policy at Australian National University



**Preeti Gautam Mehta**  
**Independent Non-executive Director**

- 30 years of experience in corporate laws, foreign investment and collaborations, mergers and acquisitions and private equity investments, banking, franchising and hospitality



**Bhupendranath Bhargava**  
**Independent Non-executive Director**

- Experience of over 50 years in areas including banking, project financing and credit rating
- Held directorship in several leading corporates and was on the advisory board of an independent regulatory body set up by the Government of India to work on reforms in telecommunications sector



**Ninad Dwarkanath Gupte**  
**Non-executive Director**

- Experience of 43 years in management of companies operating in fine chemicals, performance chemicals, industrial chemicals & agrochemicals
- Held senior positions at Excel Industries, BASF India, Herdillia Chemicals and worked as MD of Cheminova India and Agrocel Industries and as Joint MD of Excel Crop Care



# Autonomous Board with Vast Industry Experience



**Hiroyoshi Mukai**

**Non-executive Director**

- Associated with Sumitomo Chemical Group for over 30 years
- Holds a bachelor's degree from the University of Osaka, Japan



**Tadashi Katayama**

**Non-executive Director**

- MBA from Vanderbilt University, U.S.A. and a Master's degree from Kyoto University in Japan
- Associated with Sumitomo Chemical, Japan since 1992 in the Health and Crop Science business unit in various positions



**Masanori Uzawa**

**Non-executive Director**

- MBA from University of Virginia, USA and a Bachelor's degree from the University of Tokyo in Japan
- Associated with Sumitomo Chemical, Japan and has experience of over 19 years in the areas of strategy, planning and business development for crop protection & other chemical businesses.



**Chetan Shantilal Shah**

**Managing Director**

- Commerce graduate from the University of Mumbai and holds a master's degree in Business Administration from North Roppe University in the USA
- Over 43 years of industry experience in various leadership and senior management roles



**Sushil Champaklal Marfatia**

**Executive Director**

- Chartered Accountant with over 42 years of industry experience
- Worked with New Chemi Industries Limited for 33 years which was later merged with the Company

Board is supported by a strong and experienced management team associated with Company since long



# Growth Strategies



## Continued Investment in R&D and Pipeline

- Aim to invest in seamless integration of R&D between SCIL and SCC units which would help improve our production processes, enhancing yields and efficiency
- Introduce new products as per market demand



## Capacity Expansion

- Driving operational efficiencies maintaining highest safety standards and Responsible Care compliances
- Invest ~15% of consolidated EBITDA every year for upgradation of manufacturing facilities and capacity expansion to cater to strong domestic/global demand



## Further Brand Development

- Investments for marketing of new and existing products and brands
- On-field demonstrations, training of farmers for building ground-level demand generation supported by digital marketing
- Focus on high margin brands
- 11 products registration in process to further improve capacity utilization including product level expansion



## Development of Combination Products

- Pipeline of **9 new** combination products / pre-mixtures currently under development (5 insecticides, 2 fungicides, 2 PGR) & **2 Technical products** (1 Insecticide & 1 Herbicide) for manufacturing in India
- Introduction of new molecules in speciality segment leveraging SCC's support



## Expand Export Business

- Enhance exports in regions like Africa and Europe
- Leverage SCC's Global supply chain and marketing network to drive exports

## Achieving Market Leadership in India

- Balanced portfolio of generic and speciality products
- Consolidate position as best agro-chemical marketer in India
- Strive for manufacturing excellence
- Set-up a strong management & team
- Lay the foundation for next generation leadership

Leverage expertise in successful product launches and capacity expansions to fuel future growth







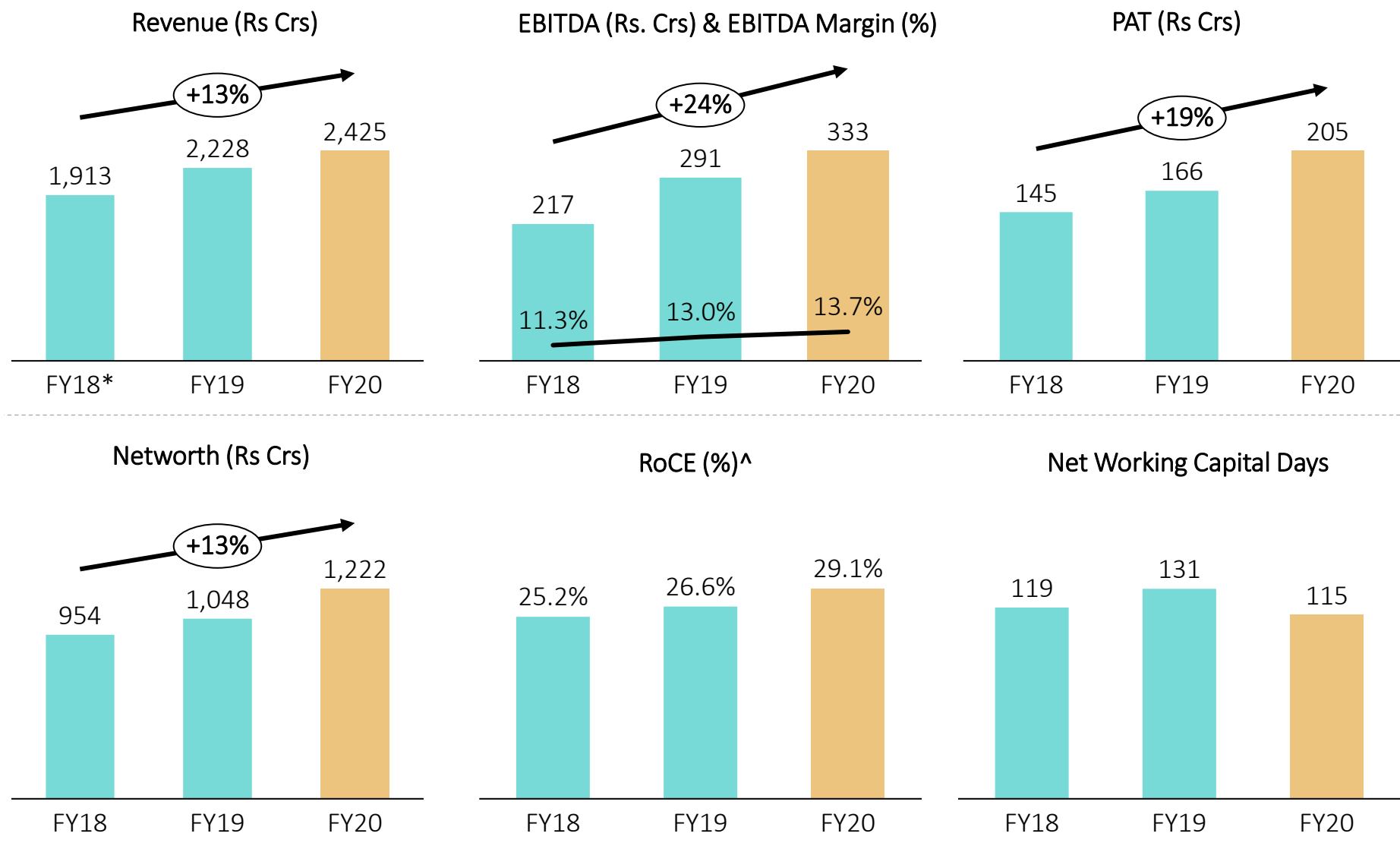
# Financial Performance & Key Takeaways

Historical Performance  
Highlights

Key Takeaways



# Historical Performance Highlights



- ✓ Good monsoon and availability of water boosted farmer sentiment and resulted in good growth in rabi season 2019 as well as upcoming Kharif season in 2020 in the Indian domestic market
- ✓ Combined entity ~2x in size
- ✓ Net debt free balance sheet
- ✓ Strong margin profile maintained
- ✓ PAT number is after adjusting one time merger costs
- ✓ Additional upside to be realized on account of synergies

1. Given the seasonality in the business, it is best monitored on an annual basis since a significant portion of revenue & PAT is recorded in the first half of the year

2. Appointed date for merger of ECC and SCIL is 1<sup>st</sup> Apr'18

\*Revenue is Net of Excise Duty. ^ ROCE – {EBIT/ (Net Worth + Borrowings – Cash and Cash Equivalent)}



# Consolidated Profit & Loss Account Statement

Particulars (Rs. Crs)	FY20	FY19	FY18
<b>Net Revenue from Operations</b>	<b>2,424.8</b>	<b>2,228.4</b>	<b>1,912.9*</b>
COGS	1,607.6	1,458.9	1,238.7
<b>Gross Profit</b>	<b>817.2</b>	<b>769.6</b>	<b>674.2</b>
<b>Gross Profit %</b>	<b>33.7%</b>	<b>34.5%</b>	<b>35.2%</b>
Employee Expenses	179.3	158.4	147.5
Other Operating Expenses	304.7	320.5	309.6
<b>Operating EBITDA</b>	<b>333.2</b>	<b>290.7</b>	<b>217.1</b>
<b>EBITDA Margin</b>	<b>13.7%</b>	<b>13.0%</b>	<b>11.3%</b>
Other Income	10.7	7.6	23.7
Depreciation	41.0	27.8	30.5
<b>EBIT</b>	<b>302.9</b>	<b>270.5</b>	<b>223.8</b>
<b>EBIT Margin</b>	<b>12.5%</b>	<b>12.1%</b>	<b>11.7%</b>
Interest	5.5	3.7	2.8
<b>Profit Before Tax &amp; Exceptional</b>	<b>297.4</b>	<b>266.8</b>	<b>221.0</b>
Exceptional Item Gain / (Loss)**	-30.9	-7.0	0.0
<b>Profit Before Tax</b>	<b>266.5</b>	<b>259.8</b>	<b>221.0</b>
<b>PBT Margin</b>	<b>11.0%</b>	<b>11.7%</b>	<b>11.6%</b>
Tax	61.8	94.0	75.8
<b>Net Profit</b>	<b>204.7</b>	<b>165.8</b>	<b>145.1</b>
<b>Net Profit Margin</b>	<b>8.4%</b>	<b>7.4%</b>	<b>7.6%</b>
Other Comprehensive Income	-5.1	0.1	5.1
<b>Total Comprehensive income for the period</b>	<b>199.6</b>	<b>165.9</b>	<b>150.2</b>
<b>EPS</b>	<b>4.1</b>	<b>3.3</b>	<b>2.9</b>

1. Given the seasonality in the business, it is best monitored on an annual basis

2. Appointed date for merger of ECC and SCIL is 1st Apr'18

\* Revenue net of Excise Duty; \*\* Merger expenses





# Consolidated Balance Sheet

Assets (Rs. Crs)	Mar-20	Mar-19	Mar-18
<b>Non-Current Assets (A)</b>	<b>360.6</b>	<b>318.3</b>	<b>312.7</b>
Property, Plant and Equipment	282.9	277.2	264.8
Capital work-in-progress	6.5	3.2	4.5
Right to use an Asset	34.9	-	-
Other Intangible Assets	1.7	2.1	1.9
Intangible Assets under Development	3.8	4.9	4.3
<b>Non-Current Financial Assets</b>			
(i) Investments	0.1	0.1	0.1
(ii) Loans	5.3	7.6	7.3
Non-Current tax Assets (net)	20.2	18.8	24.8
Deferred tax Asset (net)	1.1	-	-
Other non-current Assets	4.2	4.4	5.1
<b>Current Assets (B)</b>	<b>1,745.6</b>	<b>1,541.7</b>	<b>1,345.7</b>
Inventories	588.0	680.6	609.3
<b>Current Financial Assets</b>			
(i) Investments	86.0	-	-
(ii) Trade receivables	849.8	671.0	551.8
(iii) Cash and cash equivalents	92.6	50.5	73.5
(iv) Bank balances other than (iii) above	0.9	0.9	0.8
(v) Loans	7.9	5.1	3.7
(vi) Other financial assets	21.8	15.8	10.4
Other Current Assets	98.6	117.8	96.3
<b>Total Assets (A+B)</b>	<b>2,106.2</b>	<b>1,860.0</b>	<b>1,658.4</b>

Equity & Liabilities (Rs. Crs)	Mar-20	Mar-19	Mar-18
<b>EQUITY (A)</b>	<b>1,221.8</b>	<b>1,048.4</b>	<b>954.0</b>
Equity Share Capital	499.1	274.6	274.6
Other Equity	722.6	773.8	679.4
<b>Non-Current liabilities (B)</b>	<b>44.5</b>	<b>30.2</b>	<b>32.5</b>
<b>Non-current Financial liabilities</b>			
Lease Liabilities	19.4	-	-
Provisions	25.1	15.6	12.7
Deferred tax liabilities (net)	-	14.6	18.1
Non-current Tax Liabilities	-	-	1.7
<b>Current liabilities (C)</b>	<b>839.9</b>	<b>781.3</b>	<b>671.9</b>
<b>Current Financial liabilities</b>			
(i) Borrowings	-	19.7	10.1
(ii) Trade Payables	490.9	480.8	527.3
(iii) Lease Liabilities	16.2	-	-
(iii) Other financial liabilities	235.4	179.2	55.6
Other current liabilities	80.2	87.2	70.1
Provisions	9.7	2.5	2.3
Current tax liabilities	7.4	12.0	6.6
<b>Total Equity &amp; Liabilities (A+B+C)</b>	<b>2,106.2</b>	<b>1,860.0</b>	<b>1,658.4</b>

1. Given the seasonality in the business, it is best monitored on an annual basis
2. Appointed date for merger of ECC and SCIL is 1<sup>st</sup> Apr'18





# Consolidated Working Capital Movement

Particulars (Rs. Crs)	Mar-20	Mar-19	Change
Inventory (A)	588.0	680.6	-92.6
Inventory Days ( <i>Inventories/ COGS*365</i> ) (i)	133	170	
Trade Receivables (B)	849.8	671.0	178.8
Trade Receivables Days ( <i>Trade Receivables / Revenue*365</i> ) (ii)	128	110	
Trade Payables (C)	490.9	480.8	10.2
Trade Payables Days ( <i>Trade Payables/ COGS*365</i> ) (iii)	111	120	
Other Financial Liabilities (D)	235.4	179.2	56.3
Other Financial Liabilities Days ( <i>Other Current Liabilities / Revenue*365</i> ) (iv)	35	29	
<b>Net Working Capital (A+B-C-D)</b>	<b>711.4</b>	<b>691.6</b>	<b>19.7</b>
<i>Net Working Capital Days (i + ii – iii – iv)</i>	<i>115</i>	<i>131</i>	



# Consolidated Cash Flow Statement

Cash Flow Statement (Rs. Crs)	Mar-20	Mar-19	Mar-18
<b>Net Profit Before Tax</b>	<b>266.5</b>	<b>259.8</b>	<b>221.0</b>
Adjustments for: Non-Cash Items / Other Investment or Financial Items	45.7	18.6	9.6
<b>Operating profit before working capital changes</b>	<b>312.2</b>	<b>278.5</b>	<b>230.6</b>
Changes in working capital	-9.4	-112.7	-100.0
<b>Cash generated from Operations</b>	<b>302.8</b>	<b>165.8</b>	<b>130.6</b>
Direct taxes paid (net of refund)	81.4	88.1	83.1
<b>Net Cash from Operating Activities</b>	<b>221.4</b>	<b>77.7</b>	<b>47.4</b>
<b>Net Cash from Investing Activities</b>	<b>-117.9</b>	<b>-35.3</b>	<b>-39.6</b>
<b>Net Cash from Financing Activities</b>	<b>-61.4</b>	<b>-65.4</b>	<b>7.2</b>
<b>Net Increase /(Decrease) in Cash and Cash equivalents</b>	<b>42.2</b>	<b>-23.1</b>	<b>15.0</b>
Add: Cash & Cash equivalents at the beginning of the period	50.5	73.5	58.6
<b>Cash &amp; Cash equivalents at the end of the period</b>	<b>92.6</b>	<b>50.5</b>	<b>73.6</b>

1. Given the seasonality in the business, it is best monitored on an annual basis since a significant portion of revenue & PAT is recorded in the first half of the year
2. Appointed date for merger of ECC and SCIL is 1<sup>st</sup> Apr'18



# Key Developments

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## Impact of Draft order banning 27 Insecticides by Government of India

- ✓ The Government of India released a draft notification for public comments regarding proposed ban of some agro-chemical 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
- ✓ The list of products proposed to be banned includes some of the Company's products
  - Two technical grade products manufactured by the Company: Chlorpyrifos and Quinalphos (The Company has large export of these products which would be outside the purview of such proposal)
  - Some other products wherein Technical Grade is purchased by the Company and then it undertakes formulations and distribution
- ✓ Industry Associations have filed petitions in various Courts seeking more information and time for responding to the proposal

## Impact of Draft order on usage of Glyphosate formulations only through Pest Control Operators

- ✓ Industry Associations have filed petitions in various Courts seeking more information and time for responding to the proposal
- ✓ The Company has large export of Glyphosate which would be outside the purview of such proposal
- ✓ Based on the current understanding of this matter and in the opinion of the Company's management, prima-facie the proposal, if implemented, is not likely to have material impact on the Company's operations



# Key Takeaways

## Formidable Player in the Indian Agro-chem Space

- Strong / leadership position across products and processes
- Ability to develop new combination products (9 under registrations and additional under development)

## Experienced Management Team and Board of Directors

- Strong management and autonomous Board with vast experience and domain expertise
- Localized experience enables better understanding of market needs to drive growth

## Well-diversified Product Portfolio Across Agro-Chem Value Chain

- Multi-product, multi-geography, multi-customer de-risking
- Access to an impressive range of own actives along with significant exposure towards speciality products resulting in product offerings at all price points serving multiple customers sub-segment

## Strong Brand and Well-Entrenched Distribution Network

- 23 states, 68 depots, 13,000+ distributors, 40,000+ dealer network
- High credibility and brand recall amongst farmers and the trade on account of transparent and ethical business dealings

## To Benefit from Strong Parentage of SCC Japan

- Benefits from international standing of SCC Japan; most well revered brand renowned for its quality
- Access to SCC's global supply chain and global R&D activities (one of the largest spenders) resulting in development of actives and broad range of formulation research

## State-of-the-art Manufacturing and R&D Facilities

- Operates five manufacturing facilities with state-of-the-art plants at strategic location which helps reduce logistic time and costs
- Capacity not a constraint allowing for significant growth on existing investments
- Holds 27 patents and further 9 applications filed

## Strong Track Record of Driving Growth

- Grown 10X over FY11-19 driven by organic and inorganic expansion; 11% CAGR for merged entity (including Excel Crop Care) over the same period
- Debt free balance sheet with strong return ratios





## Annexures

Awards & Accolades

Details on Merger with Excel  
Crop Care Ltd.

Sector Tailwinds



# Awards & Accolades



Jamnalal Bajaj Award for “*Fair Business and Practices*”



First ever president’s gold shield for import substitution



First award for export of organic and inorganic chemicals



ICMA award for innovation and purposeful programs for social progress



First Sir P.C. Ray award for development of products and process with indigenous technology



Punjab Haryana Delhi Chamber of Commerce and Industries award for ethical business



Winner active ingredient trophy and certificate from M/s. Bayer



Trishul award for the excellent performance for exports in international markets



Shramveer award for improvement of product efficiency received from national level Delhi



Vishwakarma Rashtriya Puraskar received for process development



National Safety Award by Labour Ministry, Government of India for safety performance



Shramveer Award to employees from Labour Ministry, state level received six times



Shram Bhushan Award to employees received five times



Shram Ratna to employees, received seven times



Shram Shri award to employees received three times

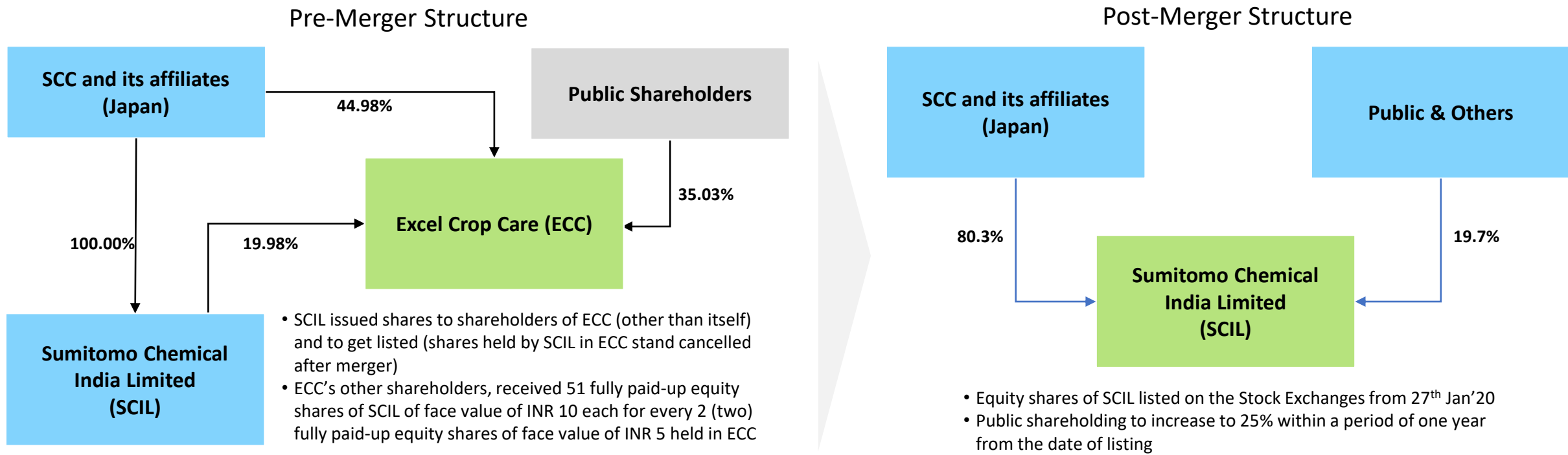


Gujarat State Safety Certificate for safety commitment



# Merger of Excel Crop Care to Unlock Value

Successfully and smoothly completed the merger



“Long term Commitment from SCC, Japan”

- 01

De-risked Portfolio

Presence in both technical & formulation manufacturing and across complete range of products
- 02

Highly Complementary Offerings

Spread across generics & speciality and to leverage dual brands for offerings across the price spectrum
- 03

Distribution Scale

Well-entrenched pan-India network and synergies in product marketing
- 04

Operational Synergies

Continuous improvement in manufacturing efficiencies, location realignment and process efficiencies to lead to margin expansion
- 05

Undivided Parent Focus

Backing of a well-established parent company with single focused entity of scale to drive India expansion



# Well-diversified Platform of Scale (1/2)

Parameter	ECCL	+	SCIL (Pre-Merger)	=	SCIL (Post-Merger)
Manufacturing Facilities	Plants in Gujarat (2) and Dadar & Nagar Haveli (1)		Plant in Maharashtra (1) and Gujarat (1)		5 plants in West India
Manufacturing Capability	Predominantly a formulation company with facilities for both formulation & technical		Manufacturing of formulations		Presence in both technical & formulation manufacturing
Distribution Capability	4,700+ distributors located across India		9,000+ distributors concentrated in few regions		Improved depth and breadth of the distributors
R&D Capability	3 fully equipped R&D facilities for synthesis and 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%), Fungicide (8%), Herbicide (7%) & Others*(22%)		Insecticides (52%), Herbicides (19%), Fungicides (9%), Metal Phosphides (8%), Others* (12%)

\*Others - Soil Nutrition, Biological, PGR etc.





# Well-diversified Platform of Scale (2/2)

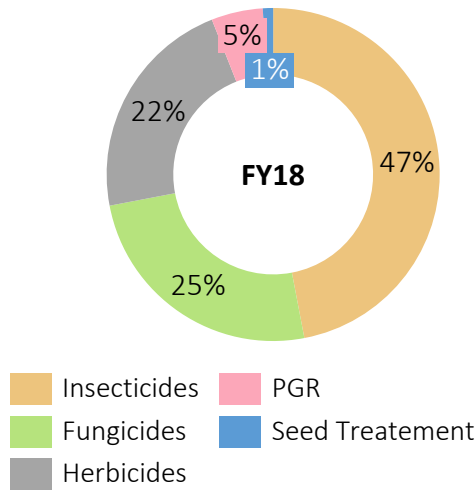
Parameter	ECCL	+	SCIL (Pre-Merger)	=	SCIL (Post-Merger)
Product Capability	Major focus on Generics; nascent presence in Biopesticides		Major focus on Speciality Products		Presence across complete range of products
Business Segments	Presence only in agrochemical segment		Presence in ASD, AND and EHD segments^		ASD focused with presence in AND & EHD^
Range of Crops Served	Staple crops with major presence in Kharif season		Fruits and vegetable crops covering both Kharif and Rabi season		Well diversified product range covering Kharif & Rabi crops
Customer Concentration	Top 5 customers contributes to ~12% of sales		Top 5 customers contributes to ~15% of sales		Top 5 customers contribute ~12% of sales
S&M Capability	Strong wide-spread presence with the distributors / retailers		High degree of engagement with the farmers		Strong presence with both the retailers and farmers

^ASD – Agro-solutions Division; AND – Animal Nutrition Division; EHD – Environmental health Division

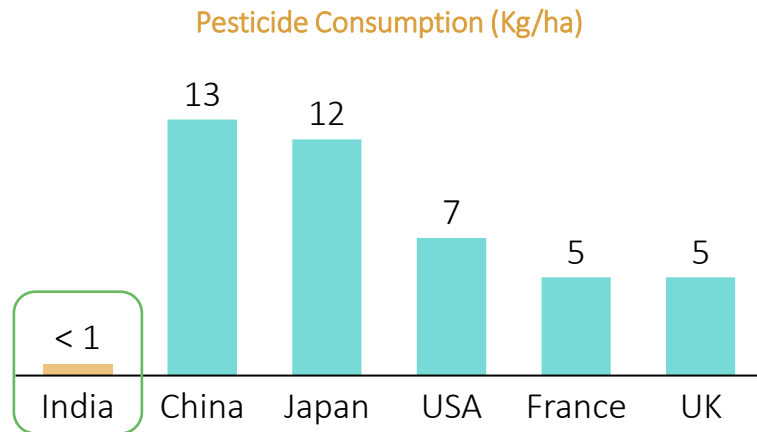


# Well Placed to Benefit from Sector Tailwinds

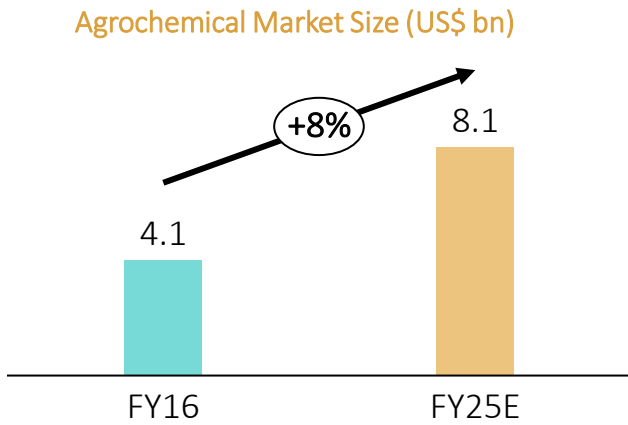
Pesticides: Market Share by Segment



Highly Underpenetrated Market



Significant growth opportunity for Indian Players



Source: Data from CLI 2018

Yield improvement is critical for increasing food production to feed growing population and hence crop protection products are critical to reduce crop losses

## Advantage India

- ✓ Technically Trained Manpower
- ✓ Supportive Government Policies
- ✓ Strong Safety, Health & Environment
- ✓ Legal & Regulatory Compliance
- ✓ Strong R&D
- ✓ Customer Relations Management
- ✓ Operating Efficiencies

- ✓ Rising Population
- ✓ Increasing Food Demand
- ✓ Increasing demand of Horticulture & Floriculture

## Policy Initiatives

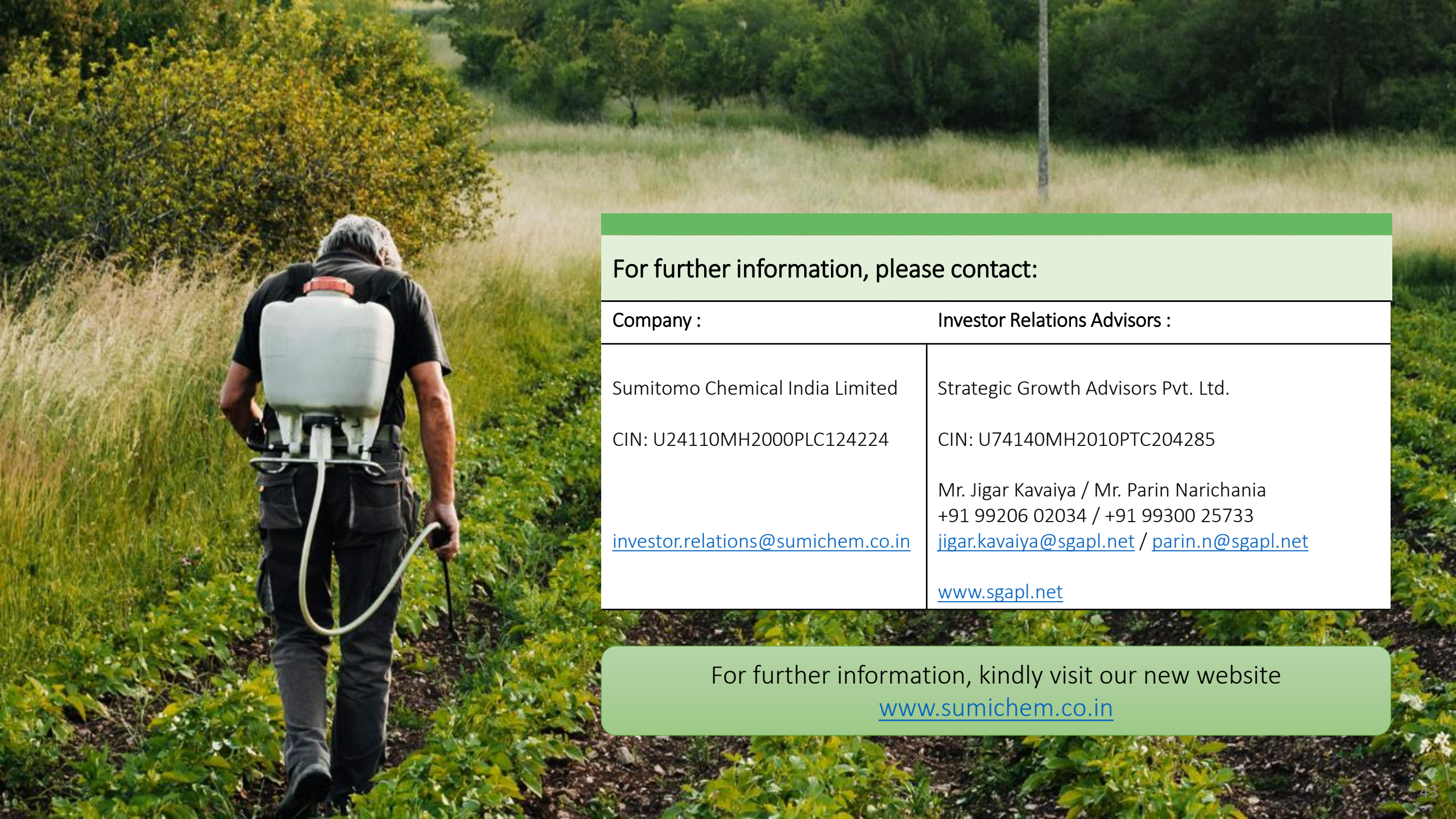
- ✓ Increasing MSP's
- ✓ Water management and rain-water harvesting
- ✓ Enhancing exports of rice and wheat
- ✓ M-Kisan
- ✓ National e-Governance Plan
- ✓ Pradhan Mantri Fasal Bima Yojana
- ✓ Amending the Insecticides Act, 1968, to be replaced by Pesticides Management Act
- ✓ Government's plan to double farmer's Income



## China's Competitiveness Eroding

- ✓ Increased Capital Costs
- ✓ Currency Appreciation
- ✓ Stricter Environment Regulations
- ✓ Reduction in government subsidies
- ✓ Global players diversifying supplier risk





For further information, please contact:

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For further information, kindly visit our new website

[www.sumichem.co.in](http://www.sumichem.co.in)