

**CMP: INR 325**

**Target Price: INR 332**

**Rating: Neutral**

**Stock Info**

BSE	500355
NSE	RALLIS
Bloomberg	RALLIS:IN
Reuters	RALLIS.BO
Sector	Agrochemicals
Face Value (INR)	1
Equity Capital (INR Bn)	19.5
Mkt Cap (INR mn)	66,330
52w H/L (INR)	365 / 205
Avg. Yearly Volume (in 000')	1,344

**Shareholding Pattern %**

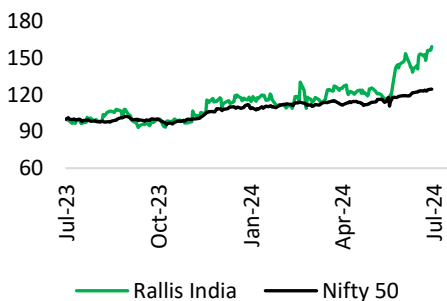
(As on June, 2024)

Promoters	55.08
DII's	12.77
FII's	9.20
Others	22.54

**Stock Performance (%)**

	1M	6M	1Y
Rallis India	5.0%	35%	54.5%
Nifty 50	5.3%	15.6%	25.6%

**Rallis India Vs Nifty**



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Rallis India Ltd. is engaged in the business of crop protection and seeds. India is the major market for the company, but it also has sizeable presence in international markets, mainly America and Europe. It is on the verge of completion of a major capital expenditure cycle and the result will be evident in the next 2-3 years.

The company announced its Q1FY25 earnings, and disappointingly enough the numbers were lower than our estimates. As the domestic crop care business maintained positive volume growth, the Exports though were impacted heavily by 5% dip for the Crop Care business in Q1. The Company has recently launch several products, and is also coming up with few more in the Herbicides family. We believe the monsoons will off late lead to higher productivity. Domestic markets outperformed export markets as excess supply by China continued. However, going forward, the export market is expected to recover in terms of Pricing as inventory destocking comes to an end.

**Q1FY25 Result Highlights:**

- Revenue came at INR 7,830 mn against our estimates of INR 8,211 mn, up 79.6% QoQ/flat YoY.
- The Crop Care business revenue grew by 8% YoY while the Seeds business got impacted due to supply constraints and contracted by 16% YoY in Q1FY25.
- EBITDA came at INR 960 mn, against our estimates of INR 1,964 mn, up 1500% QoQ/down 12.7% YoY.
- EBITDA Margins came at 12.3% for Q1FY25 against our estimates of 23.9%, up 1,088 bps QoQ / down 181 bps YoY.
- Net Profit increased to INR 480 mn against our estimates of INR 1,194 mn, against a Loss of INR 210 mn in Q4FY24 and a profit of INR 630 mn in Q1FY24.

**Outlook & Valuations:** Rallis India Ltd. has reported below estimates in their earnings for Q1FY25 despite good demand and better monsoon this season. The company is facing a tough task in their international business front due to both the Red Sea crisis which has caused insurance premiums on shipping soar high last quarter while prices & demand remained subdued in export markets. The Company is watching the capacities added to mature to higher efficiencies and will now have to await for better demand scenario to pick up both volumes and prices. We value the company at 25x times its FY27E EPS of INR 13.3 and reduce our rating to Neutral revising our Target Price to INR 332 per share (from INR 319) with an upside of 2%.

**Financial Snapshot:**

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenues	2,980	2,648	3,125	3,688	4,351
EBITDA	231	311	388	457	540
PAT	91	148	185	219	258
EPS	4.72	7.60	9.53	11.24	13.27
EBIDTA Margin	7.75%	11.75%	12.40%	12.40%	12.40%
ROCE	7.48%	10.04%	12.45%	13.68%	14.85%

## Quarterly Result

Particulars (INR Mn)	Q1FY25	Q4FY24	Q1FY24	QoQ	YoY
<b>Revenue from operations</b>	<b>7,830</b>	<b>4,360</b>	<b>7,820</b>	<b>79.59%</b>	<b>0.13%</b>
Cost of material consumed	3,710	2,600	4,250	42.69%	-12.71%
Purchase of stock-in-trade	920	280	1,240	228.57%	-25.81%
Changes in inventories	210	-440	-680	-147.73%	-130.88%
<b>Gross Profit</b>	<b>2,990</b>	<b>1,920</b>	<b>3,010</b>	<b>55.73%</b>	<b>-0.66%</b>
<i>Gross Profit Margin</i>	38.2%	44.0%	38.5%	-585bps	-30bps
Employee Cost	670	660	660	1.52%	1.52%
Other Expenses	1,360	1,200	1,250	13.33%	8.80%
<b>EBITDA</b>	<b>960</b>	<b>60</b>	<b>1,100</b>	<b>1500.00%</b>	<b>-12.73%</b>
<i>EBITDA Margin</i>	12.3%	1.4%	14.1%	1088bps	-181bps
Depreciation	310	330	250	-6.06%	24.00%
<b>EBIT</b>	<b>650</b>	<b>-270</b>	<b>850</b>	<b>-340.74%</b>	<b>-23.53%</b>
Finance Cost	50	80	30	-37.50%	66.67%
EBT before Other Income	600	-350	820	-271.43%	-26.83%
Other Income	50	60	30	-16.67%	66.67%
Exceptional items	0	0	0		NA
<b>Profit Before Tax</b>	<b>650</b>	<b>-290</b>	<b>850</b>	<b>-324.14%</b>	<b>-23.53%</b>
Tax Expenses	170	-80	220	-312.50%	-22.73%
<i>Effective Tax Rate</i>	26.2%	27.6%	25.9%	-143bps	27bps
<b>Profit After Tax</b>	<b>480</b>	<b>-210</b>	<b>630</b>	<b>-328.57%</b>	<b>-23.81%</b>
<i>Net Profit Margin</i>	6.1%	-4.8%	8.1%	1095bps	-193bps
Number of Shares (Cr)	19.5	19.5	19.5	0.00%	0.00%
EPS (INR per share)	2.46	-1.07	3.26	-330.05%	-24.49%

Source: Company, Arihant Research

**Concall Takeaways:****Key Highlights:**

- Revenue came at INR 7,830 mn against our estimates of INR 8,211 mn, up 79.6% QoQ/flat YoY.
- The Crop Care business revenue grew by 8% YoY while the Seeds business got impacted due to supply constraints and contracted by 16% YoY in Q1FY25.
- EBITDA came at INR 960 mn, against our estimates of INR 1,964 mn, up 1500% QoQ/down 12.7% YoY.
- EBITDA Margins came at 12.3% for Q1FY25 against our estimates of 23.9%, up 1,088 bps QoQ / down 181 bps YoY.
- Net Profit increased to INR 480 mn against our estimates of INR 1,194 mn, against a Loss of INR 210 mn in Q4FY24 and a profit of INR 630 mn in Q1FY24.
- On the industry front, the Management said that IMDA monsoon prediction and strong monsoon seen from early July, the domestic Kharif sowing a growth of ~10% more compared to last year.
- Key crops like paddy is about 21%, soybean is about 30%, maize is 34% and pigeon feed is about 191% up in acreage.
- As per the Management, from field reports they are getting to know that cotton acreages have reduced significantly in northern parts of India. The Management believes there is one particular pest called pink bollworm, which has been bothering the farmers.
- On the Export front, the Management is seeing growth in demand volumes while prices remain subdued due to excess supply from China.
- The Domestic crop care business saw good growth with the prices higher in the Pulses and Oil Seeds as per the Management.
- The Management believes the Herbicides business has done quite well for their business, and going ahead they are working in several products in the Herbicides Portfolio which will further increase their market share.
- The Crop Care business delivered 8% growth over last year despite weaker pricing. The Crop Nutrition business had a very good quarter and grew roughly by 31%. The Company also commissioned the water soluble supplier plant during the year.
- The Company sees domestic market prices stabilized at current levels.
- The Company has some more older products like SFA, which has seen prices coming to half the levels they were 2 years ago.
- The Freight cost surge due to Red Sea crisis and causing the Baltic Dry Index double over the last year, is affecting their margins as well currently.
- The Management showed concern on the International business for the next 3 months in terms of demand revival, however they were satisfied with the domestic business picking up really well as the prices of Commodities are higher than expected and good rains can cause better Farm Yield.
- The Management mentioned the deficient rainfall in Qatar did impacted the company FY25 sales but moderate monsoon in domestic markets are seeing good growth in Kharif crops.

## Financials

### Income Statement

P&L (INR Cr)	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Revenues</b>	<b>2,604</b>	<b>2,980</b>	<b>2,648</b>	<b>3,125</b>	<b>3,688</b>	<b>4,351</b>
Change (%)	7.2%	14.4%	-11.1%	18.0%	18.0%	18.0%
Cost of Goods Sold	1,510	1,786	1,377	1,750	2,065	2,437
Employee costs	239	256	241	284	336	396
Other expenses	<b>581</b>	<b>707</b>	<b>719</b>	<b>703</b>	<b>830</b>	<b>979</b>
<b>Total operating Expense</b>	<b>2,330</b>	<b>2,749</b>	<b>2,337</b>	<b>2,738</b>	<b>3,230</b>	<b>3,812</b>
<b>EBITDA</b>	<b>274</b>	<b>231</b>	<b>311</b>	<b>388</b>	<b>457</b>	<b>540</b>
Other Income	30	13	16	18	22	26
Depreciation	74	91	114	135	159	187
Interest	7	12	18	21	25	29
<b>PBT</b>	<b>222</b>	<b>127</b>	<b>195</b>	<b>250</b>	<b>296</b>	<b>349</b>
Extra-ordinary	0	1	1	0	0	0
<b>PBT after ext-ord.</b>	<b>222</b>	<b>127</b>	<b>196</b>	<b>250</b>	<b>296</b>	<b>349</b>
Tax	58	36	48	65	77	91
Rate (%)	26.2%	28.5%	24.4%	26.0%	26.0%	26.0%
<b>PAT</b>	<b>164</b>	<b>91</b>	<b>148</b>	<b>185</b>	<b>219</b>	<b>258</b>
Change (%)	-28.2%	-44.8%	63.0%	25.3%	18.0%	18.0%

### Balance Sheet

Balance Sheet (INR Cr)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	19	19	19	19	19	19
Reserves & Surplus	1,677	1,711	1,810	1,908	2,058	2,248
<b>Net Worth</b>	<b>1,697</b>	<b>1,730</b>	<b>1,829</b>	<b>1,927</b>	<b>2,078</b>	<b>2,268</b>
Long term debt	4	24	113	16	16	16
Short term debt	50	113	21	88	88	88
<b>Total Debt</b>	<b>54</b>	<b>137</b>	<b>134</b>	<b>104</b>	<b>104</b>	<b>104</b>
Deferred Tax & other liabilities	43	55	43	43	43	43
Current liabilities	1,016	865	984	1,266	1,425	1,612
Provisions	49	11	13	13	13	13
<b>Total Liabilities</b>	<b>2,858</b>	<b>2,798</b>	<b>3,003</b>	<b>3,354</b>	<b>3,663</b>	<b>4,040</b>
Net Block	531	520	661	727	800	840
Capital Work-in-Progress	56	179	19	161	117	35
Other Non-Current Assets	477	454	543	499	448	397
<b>Net fixed assets</b>	<b>1,064</b>	<b>1,153</b>	<b>1,223</b>	<b>1,387</b>	<b>1,365</b>	<b>1,272</b>
Investments	209	219	247	239	339	439
Debtors	446	499	579	539	636	751
Inventories	938	793	808	856	909	954
Cash & bank balance	63	46	32	218	299	372
Loans & advances & other CA	138	87	114	114	114	114
<b>Total current assets</b>	<b>1,794</b>	<b>1,644</b>	<b>1,780</b>	<b>1,967</b>	<b>2,298</b>	<b>2,768</b>
<b>Total Assets</b>	<b>2,858</b>	<b>2,798</b>	<b>3,003</b>	<b>3,354</b>	<b>3,663</b>	<b>4,040</b>

Source: Company, Arianth Research

**Cash Flow Statement**

Cash Flow Statement (INR Cr)	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Profit before tax (PBT)</b>	<b>222</b>	<b>128</b>	<b>196</b>	<b>250</b>	<b>296</b>	<b>349</b>
Depreciation	74	91	114	135	159	187
Chg in working cap	-60	-7	-1	273	9	28
Tax Paid	-58	-36	-48	-65	-77	-91
Other Operating cash flow	7	12	18	21	25	29
Others	-20	-25	-22	-25	-25	-25
<b>Net Operating Cash Flow</b>	<b>165</b>	<b>163</b>	<b>257</b>	<b>589</b>	<b>386</b>	<b>478</b>
Capital Expenditure	129	250	250	100	100	100
<b>Free Cash Flow</b>	<b>36</b>	<b>-87</b>	<b>7</b>	<b>489</b>	<b>286</b>	<b>378</b>
Investments	209	219	247	239	339	439
Other Investing cash flows	-233	-240	-220	-220	-220	-220
<b>Cash Flow from Investing</b>	<b>104</b>	<b>229</b>	<b>277</b>	<b>119</b>	<b>219</b>	<b>319</b>
Equity Capital Raised / (Repaid)	0	0	0	0	0	0
Debt raised / (Repaid)	16	30	20	0	0	0
Dividend paid (incl tax)	-58	-58	-68	-68	-68	-68
Other Financing Cash Flow	-19	-21	-18	-18	-18	-18
<b>Cash Flow from Financing</b>	<b>-61</b>	<b>-49</b>	<b>-66</b>	<b>-86</b>	<b>-86</b>	<b>-86</b>
Net change in cash	-1	-116	-87	385	81	73
Opening cash	37	36	-80	-167	218	299
<b>Closing Cash</b>	<b>36</b>	<b>-80</b>	<b>-167</b>	<b>218</b>	<b>299</b>	<b>372</b>

**Key Ratios**

Key Ratios	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Per share (Rs)</b>						
EPS	8.4	4.7	7.6	9.5	11.2	13.3
CEPS	12.3	9.4	13.5	16.5	19.4	22.9
BVPS	87.2	89.0	94.1	99.1	106.8	116.6
<b>Valuation (x)</b>						
P/E	38.5	68.9	42.7	34.1	28.9	24.5
P/CEPS	26.5	34.5	24.1	19.8	16.7	14.2
P/BV	3.7	3.7	3.5	3.3	3.0	2.8
EV/EBITDA	23.0	27.7	20.6	16.0	13.4	11.2
<b>Return Ratios (%)</b>						
Gross Margin	42.0%	40.1%	48.0%	44.0%	44.0%	44.0%
EBIDTA Margin	10.5%	7.8%	11.7%	12.4%	12.4%	12.4%
PAT Margin	6.3%	3.1%	5.6%	5.9%	5.9%	5.9%
ROE	9.7%	5.3%	8.1%	9.6%	10.5%	11.4%
ROCE	11.4%	7.5%	10.0%	12.4%	13.7%	14.8%
<b>Leverage Ratio (%)</b>						
Total D/E	0.0	0.1	0.1	0.1	0.1	0.0
<b>Turnover Ratios</b>						
Asset Turnover (x)	0.9	1.1	0.9	1.0	1.0	1.1
Inventory Days	131	125	120	100	90	80
Receivable Days	63	63	63	63	63	63
Payable days	105	103	103	103	103	103

Source: Company, Arianth Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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