

CMP: INR 271

Target Price: INR 319

Rating: Accumulate

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)	52,680
52w H/L (INR)	294 / 186
Avg. Yearly Volume (in 000')	423

Shareholding Pattern %

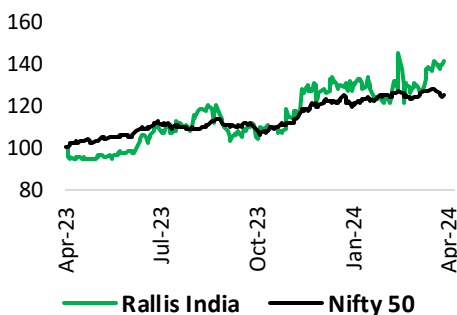
(As on March, 2024)

Promoters	55.08
DII's	12.75
FII's	9.20
Others	22.97

Stock Performance (%)

	1M	6M	1Y
Rallis India	9.4%	36.6%	42.9%
Nifty 50	0.9%	15.6%	25.7%

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 Q4FY24 results, and as expected the quarterly earnings reflected the external thin demand scenario of agro chemicals industry globally. As the domestic crop care business maintained positive volume growth, the Exports though were impacted heavily by 27% in Q4 and 35% in FY24. The Company had launched 19 products, 13 in Crop Protection and 6 in Crop Care business. We believe the IMD reports regarding good monsoon this year augurs well for the company's domestic crop care business. Domestic markets outperformed export markets during the period. However, going forward, the export market is expected to recover its growth momentum as inventory destocking comes to an end.

Q4FY24 Result Highlights:

- Revenues came at INR 4,360 mn (-16.6% YoY /-27.1% QoQ) much below our estimates of INR 4,900 mn.
- EBITDA for Q4FY24 stood at INR 60 mn (down 109.4% YoY/ down 90.3% QoQ) against our estimates of an EBITDA negative of INR 200 mn.
- EBITDA Margins contracted by 900 bps QoQ to 1.4% vs 10.4% in Q3FY24.
- Q4FY24 Net Loss reported was INR 210 mn against PAT of INR 240 mn in Q3FY24 and Net Loss previous year Q4FY23 of INR 690 mn in Q4FY23.
- Cost of Materials came down by 20.7% QoQ/14.75% YoY, but still less than revenues, reflecting decline in Exports by 27% in Q4 and 35% in FY24 while domestic crop care business posted positive annual volume growth for FY24.

Outlook & Valuations: Rallis India Ltd. has reported below estimates in their earnings for Q4FY24, which was expected due to the seasonality of their business. The company faced 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 has completed its capex and will now have to await for better demand scenario to pick up both volumes and prices and focus on their marketing as planned. We value the company at 15x times its FY27E EPS of INR 21.2 and reduce our rating to Accumulate cutting Target Price to INR 319 per share (from INR 320) with an upside of 17%.

Financial Snapshot:

Particulars (INR Mn)	FY23	FY24E	FY25E	FY26E	FY27E
Revenues	2,980	3,635	4,290	5,062	5,973
EBITDA	231	414	532	628	741
PAT	91	225	297	350	413
EPS	4.72	11.55	15.26	18.01	21.25
EBIDTA Margin	7.75%	11.40%	12.40%	12.40%	12.40%
ROCE	7.48%	15.22%	18.04%	18.89%	19.58%

Quarterly Result

Particulars (INR Mn)	Q4FY24	Q3FY24	Q4FY23	QoQ	YoY
Revenue from operations	4,360	5,980	5,230	-27.09%	-16.63%
Cost of material consumed	2,600	3,280	3,050	-20.73%	-14.75%
Purchase of stock-in-trade	280	190	70	47.37%	300.00%
Changes in inventories	-440	-30	710	1366.67%	-161.97%
Gross Profit	1,920	2,540	1,400	-24.41%	37.14%
<i>Gross Profit Margin</i>	44.0%	42.5%	26.8%	156bps	1727bps
Employee Cost	660	660	610	0.00%	8.20%
Other Expenses	1,200	1,260	1,430	-4.76%	-16.08%
EBITDA	60	620	-640	-90.32%	-109.38%
<i>EBITDA Margin</i>	1.4%	10.4%	-12.2%	-899bps	1361bps
Depreciation	330	300	230	10.00%	43.48%
EBIT	-270	320	-870	-184.38%	-68.97%
Finance Cost	80	40	50	100.00%	60.00%
EBT before Other Income	-350	280	-920	-225.00%	-61.96%
Other Income	60	20	40	200.00%	50.00%
Exceptional items	0	0	0	-1	NA
Profit Before Tax	-290	300	-880	-196.67%	-67.05%
Tax Expenses	-80	60	-190	-233.33%	-57.89%
<i>Effective Tax Rate</i>	27.6%	20.0%	21.6%	759bps	600bps
Profit After Tax	-210	240	-690	-187.50%	-69.57%
<i>Net Profit Margin</i>	-4.8%	4.0%	-13.2%	-883bps	838bps
Number of Shares (Cr)	19.5	19.5	19.5	0.00%	0.00%
EPS (INR per share)	-1.07	1.25	-3.55	-185.60%	-69.86%

Source: Company, Arianth Research

Concall Takeaways:**Guidance:**

- The Management is expecting good demand this season with the rains good for sowing seasons considering La Nina effects.
- Since the last part of the capex was completed in FY24, the management does not expect INR 1,000-1,500 mn for FY25 capex.
- The Management says that the pricing has stabilized for most Crop Protection and Crop Nutrition chemicals, but pricing uptrend will only occur with higher actual volume uptick as well as rain & inventory levels of water

Key Highlights:

- The Management says that getting back the demand as was seen a couple of years back looks bleak in current times.
- The pace of new product launches has picked up with 19 products launched in the year, out of which 13 are from crop Protection and 6 in Crop care business.
- The exports business saw a decline of 27% revenues with drop across both pricing and volumes.
- Domestic crop care business experienced 9% degrowth due to price drop and flat volumes.
- Distribution network for Domestic Care stood at 4,500 dealers and the retail footprint of about 60,000 as of March 2024.
- The Management says the company is maintaining a higher level of inventory compared to the historical levels.
- The Company does not have any significant balance sheet debts currently, and the factoring job done for the India Assets for export receivables business is what is left in the Interest Cost of the business.
- As per the Management, the company has done sufficiently high capex over the last few years, and is now going to focus more on the R&D side along with the launching and marketing of their products more in the future.
- On the question whether the Prices of Agro-chemicals have bottomed out, the Management said that the molecules are all globally traded, and that pricing will be determined whether the overall global agricultural demand keeps on growing fairly. However, the management did mention that there are certain molecules whose prices have now stabilized at current levels over last several months, and that there is some upward trend in a few molecules as well, and the future pricing is dependent on the destocking of the Inventory levels.
- As per the Management, the domestic business has suffered over the last 6 months due to lesser than normal rains, leading to some inventory build up for that duration of time, and going forward, the company is expecting major demand to come back only after the initial rains.
- The Company cleared that they aren't dedicating any R&D efforts towards the Bulk Fertilizer business like nano Urea and Nano DAP, and will maintain their R&D focus on Crop Nutrition.

Financials

P&L (INR Cr)	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Revenues	2,604	2,980	3,635	4,290	5,062	5,973
<i>Change (%)</i>	7.2%	13.0%	22.0%	18.0%	18.0%	18.0%
Cost of Goods Sold	1,510	1,786	2,072	2,402	2,835	3,345
Employee costs	239	256	331	390	461	544
Other expenses	581	707	818	965	1,139	1,344
Total operating Expense	2,330	2,749	3,221	3,758	4,434	5,232
EBITDA	274	231	414	532	628	741
Other Income	30	13	16	18	22	25
Depreciation	74	91	111	132	155	183
Interest	7	12	15	18	21	25
PBT	222	127	304	401	473	558
Extra-ordinary	0	1	0	0	0	0
PBT after ext-ord.	222	127	304	401	473	558
Tax	58	36	79	104	123	145
<i>Rate (%)</i>	26.2%	28.5%	26.0%	26.0%	26.0%	26.0%
PAT	164	91	225	297	350	413
<i>Change (%)</i>	-28.2%	-44.8%	147.6%	32.1%	18.0%	18.0%
Balance Sheet (INR Cr)	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Share Capital	19	19	19	19	19	19
Reserves & Surplus	1,677	1,711	1,867	2,096	2,378	2,723
Net Worth	1,697	1,730	1,887	2,115	2,397	2,743
Long term debt	4	24	16	16	16	16
Short term debt	50	113	88	88	88	88
Total Debt	54	137	104	104	104	104
Deferred Tax & other liabilities	43	55	55	55	55	55
Current liabilities	1,016	865	1,303	1,487	1,705	1,962
Provisions	49	11	11	11	11	11
Total Liabilities	2,858	2,798	3,359	3,773	4,273	4,875
Net Block	531	520	890	889	925	892
Capital Work-in-Progress	56	179	85	50	50	50
Other Non-Current Assets	477	454	415	364	313	262
Net fixed assets	1,064	1,153	1,390	1,302	1,288	1,204
Investments	209	219	139	239	339	439
Debtors	446	499	627	740	874	1,031
Inventories	938	793	1,195	1,410	1,664	1,964
Cash & bank balance	63	46	-79	-7	21	12
Loans & advances & other CA	138	87	87	87	87	87
Total current assets	1,794	1,644	1,969	2,470	2,985	3,671
Total Assets	2,858	2,798	3,359	3,773	4,273	4,875

Source: Company, Arianth Research

Cash Flow Statement

Cash Flow Statement (INR Cr)	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Profit before tax (PBT)	222	128	304	401	473	558
Depreciation	74	91	111	132	155	183
Chg in working cap	-60	-7	-94	-143	-169	-200
Tax Paid	-58	-36	-79	-104	-123	-145
Other Operating cash flow	7	12	15	18	21	25
Others	-20	-25	-22	-25	-25	-25
Net Operating Cash Flow	165	163	235	278	332	396
Capital Expenditure	129	250	250	100	100	100
Free Cash Flow	36	-87	-15	178	232	296
Investments	209	219	139	239	339	439
Other Investing cash flows	-233	-240	-220	-220	-220	-220
Cash Flow from Investing	104	229	169	119	219	319
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
Cash Flow from Financing	-61	-49	-66	-86	-86	-86
Net change in cash	-1	-116	1	73	27	-9
Opening cash	37	36	-80	-79	-7	21
Closing Cash	36	-80	-79	-7	21	12

Key Ratios	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Per share (Rs)						
EPS	8.4	4.7	11.5	15.3	18.0	21.2
CEPS	12.3	9.4	17.3	22.0	26.0	30.7
BVPS	87.2	89.0	97.0	108.8	123.3	141.0
Valuation (x)						
P/E	32.1	57.4	23.5	17.8	15.0	12.8
P/CEPS	22.1	28.8	15.7	12.3	10.4	8.8
P/BV	3.1	3.0	2.8	2.5	2.2	1.9
EV/EBITDA	19.2	23.2	13.2	10.1	8.5	7.2
Return Ratios (%)						
Gross Margin	42.0%	42.5%	43.0%	44.0%	44.0%	44.0%
EBIDTA Margin	10.5%	7.8%	11.4%	12.4%	12.4%	12.4%
PAT Margin	6.3%	3.1%	6.2%	6.9%	6.9%	6.9%
ROE	9.7%	5.3%	11.9%	14.0%	14.6%	15.1%
ROCE	11.4%	7.5%	15.2%	18.0%	18.9%	19.6%
Leverage Ratio (%)						
Total D/E	0.0	0.1	0.1	0.0	0.0	0.0
Turnover Ratios						
Asset Turnover (x)	0.9	1.1	1.0	1.1	1.2	1.2
Inventory Days	131	125	120	120	120	120
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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