

CMP: INR 290

Target Price: INR 348

Rating: Buy

Stock Info

BSE	500355
NSE	RALLIS
Bloomberg	RALLIS:IN
Reuters	RALLIS.BO
Sector	Agrochemicals
Face Value (INR)	1
Equity Capital (INR Mn)	195
Mkt Cap (INR Mn)	56,320
52w H/L (INR)	379 / 236
Avg. Yearly Volume (in 000')	1,146

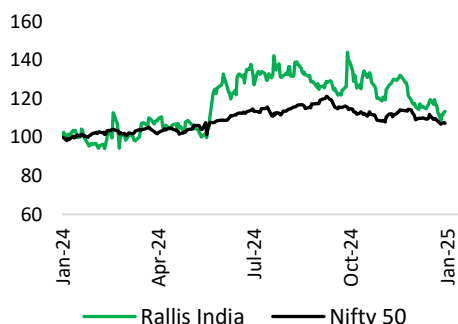
Shareholding Pattern %

(As on Dec, 2024)

Promoters	55.08
DIs	13.29
FIs	11.86
Others	19.35

Stock Performance (%)	1M	6M	1Y
Rallis India	-3.8	-11.0	13.1
Nifty 50	-3.1	-5.4	7.3

Rallis India Vs Nifty



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Rallis India announced its Q3FY25 earnings, and as expected the quarterly earnings reflected the external thin demand scenario of agro chemicals industry globally. As the domestic crop care business maintained growth volumetrically but was down 2% YoY due to steep price corrections. The Exports were impacted heavily, down by 38% YoY in Q3FY25. The Company is facing challenges in the scaling up of the new products launched in earlier quarters. The reservoir levels across the nation are higher by 24% than last year, with 139% of normal levels, giving confidence of healthy productivity in the domestic markets. Domestic markets outperformed export markets during the quarter as the Chinese suppliers keep external markets, majorly, South America, followed by North America and Europe remain heavily flooded by the Chinese suppliers. However, going forward, the export market is expected to recover its growth momentum as current price levels aren't sustainable even for the Chinese suppliers.

Q3FY25 Result Highlights:

- Revenues came at INR 5,220 mn (-43.7% QoQ/-12.7% YoY) much below our estimates of INR 6,960 mn.
- EBITDA for Q3FY25 stood at INR 440 mn (down 73.5% QoQ/ down 29% YoY) against our estimates of an EBITDA of INR 679 mn.
- EBITDA Margins contracted by 946 bps QoQ / 194 bps YoY to 8.4% in Q3FY25.
- Q3FY25 Net Profits reported was INR 110 mn against PAT of INR 240 mn in Q3FY24 and in Q2FY25 of INR 980 mn in Q2FY25.
- Cost of Materials came down by 31.6% QoQ / down 17.4% YoY, reflecting decline in Exports by 38% in Q3FY25 while domestic crop care business posted positive annual volume growth for Q3FY25.

Outlook & Valuations: Rallis India Ltd. has reported below estimates in their earnings for Q3FY25, which was below than expected due to the seasonality of their business. The Management attributed the 2 cyclones in the months of October and December to the muted numbers in the domestic business where water reservoir levels at 24% higher than last year levels give confidence of overall healthy crop productivity. 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 30x times its FY27E EPS of INR 11.6 and upgrade to Buy rating with a Target Price of INR 348 per share with an upside of 20% post the corrections in Agro-Chemicals space.

Financial Snapshot:

Particulars (INR Cr)	FY23	FY24	FY25E	FY26E	FY27E
Revenues	2,980	2,648	2,807	3,228	3,809
EBITDA	231	311	348	400	472
PAT	91	148	166	191	226
EPS	4.72	7.60	8.56	9.84	11.62
EBIDTA Margin	7.75%	11.75%	12.40%	12.40%	12.40%
ROCE	7.48%	10.04%	11.29%	12.23%	13.44%

Quarterly Result

Particulars (INR Mn)	Q3FY25	Q2FY25	Q3FY24	QoQ	YoY
Revenue from operations	5,220	9,280	5,980	-43.75%	-12.71%
Cost of material consumed	2,710	3,960	3,280	-31.57%	-17.38%
Purchase of stock-in-trade	230	630	190	-63.49%	21.05%
Changes in inventories	-120	970	-30	-112.37%	300.00%
Gross Profit	2,400	3,720	2,540	-35.48%	-5.51%
<i>Gross Profit Margin</i>	46.0%	40.1%	42.5%	589bps	350bps
Employee Cost	710	690	660	2.90%	7.58%
Other Expenses	1,250	1,370	1,260	-8.76%	-0.79%
EBITDA	440	1,660	620	-73.49%	-29.03%
<i>EBITDA Margin</i>	8.4%	17.9%	10.4%	-946bps	-194bps
Depreciation	290	300	300	-3.33%	-3.33%
EBIT	150	1360	320	-88.97%	-53.13%
Finance Cost	20	30	40	-33.33%	-50.00%
EBT before Other Income	130	1,330	280	-90.23%	-53.57%
Other Income	60	100	20	-40.00%	200.00%
Exceptional items	0	0	0		NA
Profit Before Tax	190	1,430	300	-86.71%	-36.67%
Tax Expenses	80	450	60	-82.22%	33.33%
<i>Effective Tax Rate</i>	42.1%	31.5%	20.0%	1064bps	2211bps
Profit After Tax	110	980	240	-88.78%	-54.17%
<i>Net Profit Margin</i>	2.1%	10.6%	4.0%	-845bps	-191bps
Number of Shares (Cr)	19.5	19.5	19.5		
EPS (INR per share)	0.56	5.04	1.25	-88.89%	-55.20%

Source: Company, Arianth Research

Concall Takeaways:**Key Highlights:**

- The Management refrained from giving any guidance on the current as well as FY26 revenue guidance.
- The Management said that the Rabi Crop sowing is down 0.5% YoY to 16.5 million hectares in the current season.
- Among these, the Oil seeds are lagging by 5%, Wheat is up 2%, Rice area is up 5.6% while Pulses sowing area is more or less similar to last year levels.
- The Reservoir levels across the nation are 24% YoY, at 139% of overall normal storage as of 26th December.
- During the quarter, post monsoon season two cyclones Diana in October and Fengal in December created trade inventory pressure. As per the Management, Companies also resorted to aggressive trade schemes to liquidate the carry forward inventory creating pricing challenges.
- Seed production continued to face the challenges for the second year in a row with volumes under pressure despite a steep increase in input costs.
- Agrochemicals export demand continued to remain weak due to oversupply from China, price deflation and reduced margins.
- The Chinese agrochemical market underwent significant change marked by global companies adopting supply chains and exploring strategies like internationalization.
- The Company says that the industry has seen de-growth in agrochemicals mainly in Central and South America followed by North America, Europe and APAC and Middle East & East Africa in 2024.
- The Management owed the degrowth in PAT to INR 110 mn against INR 240 mn last year due to volume drop in exports.
- Domestic agrochemicals business registered volume growth despite intense market competition.
- Export business continues to reel from market challenges resulting in a degrowth of roughly 38% with volume dropping by 34% and price dropping by 4% over Q3 of previous year.
- The Company faced weak demand for most of the key products in Q3FY25. Hexachonazole showed good traction with process debottlenecking, helping the business register the highest ever volume outlook for the year.
- In Metrobrazine, the volumes were strong on a YTD basis with a positive outlook from one of the global majors as highlighted in the earlier calls. It continues to face margin challenges due to steep volatility in the input cost material and high supply situation.
- The Company is in the final stages of commercializing new technical Metalaxyl from their reverse engineering pipeline and are confident of the long term potential of the product, both for domestic and international markets.
- In the CSM business, their efforts are on expanding the customer base and working on new chemistries. They have also set up labs for new chemistries and are working with 10 new customers for which they are confident it will start contributing meaningfully to the top line and bottom line in the years to come.
- The Company has also brought all B2B businesses under one roof, which will help drive strategic partnerships and alliances for both domestic & international markets.
- Moving to Domestic markets Crop Care business which grew volumetrically but was down by 2% due to steep price corrections.
- Their key focus segments of herbicides, biologicals and specialty solutions have grown by 41% YoY and 21% YoY in volume respectively. Within biologicals and specialty solutions, Geogreen Rally Gold Green Rally Gold Granule and Biostimulants did the highest ever sale on YTD basis.
- Water soluble fertilizer has also scaled up fast with 80% growth in the 9MFY25. However, the Management recognizes these segments need far more focus and nurturing to improve resilience and drive both top line and bottom line improvement.
- In the Seeds business, the Company recorded INR 300 mn revenue as against INR 320 mn in previous year, mainly due to lower hybrid mustard sale. However, this is in a small quarter of the business on a YTD basis. The business has delivered 1% revenue growth and 50% growth in profit before tax.

Financials

P&L (INR Cr)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenues	2,604	2,980	2,648	2,807	3,228	3,809
<i>Change (%)</i>	7.2%	14.4%	-11.1%	6.0%	15.0%	18.0%
Cost of Goods Sold	1,510	1,786	1,377	1,572	1,808	2,133
Employee costs	239	256	241	255	294	347
Other expenses	581	707	719	632	726	857
Total operating Expense	2,330	2,749	2,337	2,459	2,828	3,337
EBITDA	274	231	311	348	400	472
Other Income	30	13	16	17	19	22
Depreciation	74	91	114	121	139	164
Interest	7	12	18	19	22	25
PBT	222	127	195	225	259	305
Extra-ordinary	0	1	1	0	0	0
PBT after ext-ord.	222	127	196	225	259	305
Tax	58	36	48	58	67	79
<i>Rate (%)</i>	26.2%	28.5%	24.4%	26.0%	26.0%	26.0%
PAT	164	91	148	166	191	226
<i>Change (%)</i>	-28.2%	-44.8%	63.0%	12.6%	15.0%	18.0%

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	1,889	2,012	2,170
Net Worth	1,697	1,730	1,829	1,908	2,032	2,190
Long term debt	4	24	113	16	16	16
Short term debt	50	113	21	88	88	88
Total Debt	54	137	134	104	104	104
Deferred Tax & other liabilities	43	55	43	43	43	43
Current liabilities	1,016	865	984	1,177	1,295	1,459
Provisions	49	11	13	13	13	13
Total Liabilities	2,858	2,798	3,003	3,245	3,487	3,809
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
Net fixed assets	1,064	1,153	1,223	1,387	1,365	1,272
Investments	209	219	247	239	339	439
Debtors	446	499	579	485	557	658
Inventories	938	793	808	769	796	835
Cash & bank balance	63	46	32	236	277	288
Loans & advances & other CA	138	87	114	130	153	180
Total current assets	1,794	1,644	1,780	1,858	2,122	2,537
Total Assets	2,858	2,798	3,003	3,245	3,487	3,809

Cash Flow Statement (INR Cr)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Profit before tax (PBT)	222	128	196	225	259	305
Depreciation	74	91	114	121	139	164
Chg in working cap	-60	-7	-1	326	19	25
Tax Paid	-58	-36	-48	-58	-67	-79
Other Operating cash flow	7	12	18	19	22	25
Others	-20	-25	-22	-25	-25	-25
Net Operating Cash Flow	165	163	257	607	346	415
Capital Expenditure	129	250	250	100	100	100
Free Cash Flow	36	-87	7	507	246	315
Investments	209	219	247	239	339	439
Other Investing cash flows	-233	-240	-220	-220	-220	-220
Cash Flow from Investing	104	229	277	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	-87	402	42	10
Opening cash	37	36	-80	-167	236	277
Closing Cash	36	-80	-167	236	277	288

Key Ratios	FY22	FY23	FY24	FY25E	FY26E	FY27E
Per share (Rs)						
EPS	8.4	4.7	7.6	8.6	9.8	11.6
CEPS	12.3	9.4	13.5	14.8	17.0	20.1
BVPS	87.2	89.0	94.1	98.1	104.5	112.6
Valuation (x)						
P/E	34.3	61.4	38.1	33.9	29.5	25.0
P/CEPS	23.6	30.8	21.5	19.6	17.1	14.5
P/BV	3.3	3.3	3.1	3.0	2.8	2.6
EV/EBITDA	20.6	24.8	18.5	15.8	13.7	11.6
Return Ratios (%)						
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%	8.7%	9.4%	10.3%
ROCE	11.4%	7.5%	10.0%	11.3%	12.2%	13.4%
Leverage Ratio (%)						
Total D/E	0.0	0.1	0.1	0.1	0.1	0.0
Turnover Ratios						
Asset Turnover (x)	0.9	1.1	0.9	0.9	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

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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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