



BUY

CMP 228.05

TARGET 270.00

LONG TERM INVESTMENT

STOCK COVERAGE

Our View:

Rallis India Ltd mainly deals in agri business & has emerged as one of the leaders in the Indian Agrochemical industry. Company has presence across value chain: Seeds ,Soil conditioners , Crop Protection Chemicals plant growth nutrients.

Rallis India being leading agrochemical company has posted strong set of numbers in Q3FY20. Company with its strong product line has introduced 2 products during the quarter in Crop Protection. Also, company is on track to launch 1 additional products during the fiscal & has plan to introduce 11-12 new products over the next few years in Domestic market.

Company is scaling up capacities of certain molecule by setting up of Dahej chemical plant where progress is on track. Production expected to commence in FY 21. Also, Metribuzin Phase II expansion of 500MTPA is expected to be commercialized by Feb, 2020. This will consolidate the company's presence in Metribuzin market going forward.

This year abundant rain and high reservoir levels have created favourable conditions for the winter or rabi crop season, reviving demand for farm inputs such as agrochemicals and fertilizers thus beneficial for company.

Hence looking after all above we recommend "BUY" on the stock with price target of Rs 270 in long term investment horizon.

Well Entrenched connect with Indian Farmer

Strong market position-among top 3 in Hybrid Paddy (3rd) & Hybrid Millet (3rd) & Maize (6th). With over a million packets sold .co's Bt Cotton portfolio is fast growing

1st Indian Company to introduce molecule in India

1st Company to set up R&D Centre in the country

Opportunity Size: Agrochemicals products worth US\$ 2.9 bn expected to go off patent between 2017 - 20.

CMP ON 20 th JAN'20	228.05
Target	270.00
BSE Code	500355
NSE Code	RALLIS
Market Cap (Rs Cr)	4434.86
52 week High/Low	227.45/139.10
Industry	Agrochemicals
Face Value	1.00
Equity (Rs Cr)	19.45
TTM EPS	9.67
Latest Book Value	67.69
Dividend Yield %	1.13
P/E	23.58
P/B	3.14
Industry P/E	33.35

(Rs Cr)	FY18	FY19
Net Sales*	1790.95	1983.96
EBIDTA*	266.77	243.75
PAT*	167.91	155.38
EPS	8.62	7.99
Book Value	61.22	66.13

Shareholding Pattern %			
	Q3FY20	Q3FY19	Q2FY20
Promoter	50.09	50.09	50.09
FII	4.41	3.79	4.67
DII	18.58	20.16	18.36
Others	26.92	25.96	26.88

Peer Comparison (Rs Cr)			
(As On FY19)	Rallis India	Excel Crop Care	PI Industries
Net Sales	1983.96	1319.06	2840.90
EBIDTA	243.75	151.32	638.00
PAT	155.38	86.29	410.20
OPM %	10.45	11.47	22.46
NPM %	7.13	10.12	14.44
ROE%	12.50	14.15	19.57
P/E	23.58	40.66	48.47

#Consolidated Basis

Source: ACE Equity



Rallis, a TATA Enterprise is a subsidiary of Tata Chemicals, with its business presence in the Farm Essentials vertical. It is one of India's leading crop care companies. The company has distribution network of 2,300 distributors who reach more than 40,000 retail counters across the country covering more than 80% of India's districts. Rallis is closely connected to around 1 Million farmers through Rallis Kisan Kutumb programme. It is estimated that around 5 Million+ farmers benefit from the agriculture solutions provided by Rallis.

Company's business segment is divided in two areas:

Domestic business

Company is leading agrochemical company with presence across value chain:

- Seeds
- Soil conditioners
- Crop Protection Chemicals
- Plant growth nutrients

Metahelix (Company's subsidiary) develops, produces and sells hybrid seeds including Paddy, Millet, Maize and Bt Cotton with main exposure (80-85%) to the Kharif season

Key Highlights

- Company has market share of ~6% (in crop protection & PGN) & ~3 % (in seeds).
- Company has strong & healthy pipeline of sustainable products
- Company has nation wide footprint – 3,670 dealers & 41,500+ retailers

International business

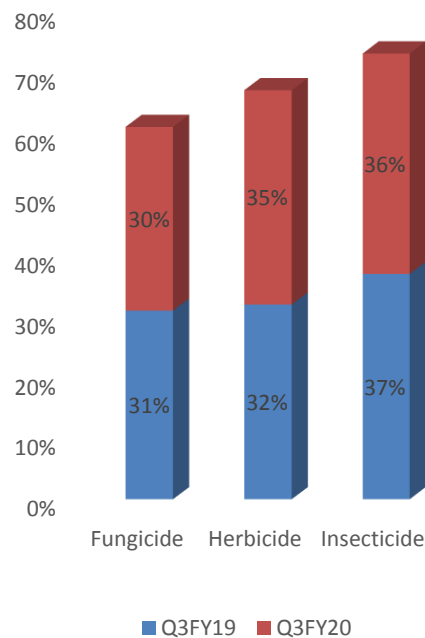
Alliances and direct partnership

Under this , company is engaged in distribution of technical-grade crop care and branded formulations in international markets .Company is developing molecules for global - Agro chemicals, Polymers and Animal care players .

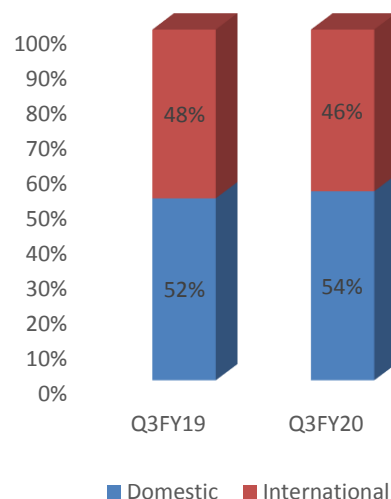
Key products

- Pendimethalin: Used as a pre-emergence herbicide to control annual grasses and certain broad leaved weeds. Global market size: 413Mn USD
- Acephate: An organophosphate foliar and soil insecticide used primarily for control of aphids, leaf miners, caterpillars, sawflies, thrips, and spider mites. Global market size: 510Mn USD
- Hexaconazole: is a Broad-spectrum systemic triazole fungicide used for the control of many fungi particularly Ascomycetes and Basidiomycetes, used majorly for the control of rice sheath blight in China, India, Vietnam and parts of East Asia. Global Market size: 149 Mn USD
- Metribuzin: herbicide used both pre- and post-emergence in crops including soy bean, potatoes, tomatoes and sugar cane. Global market size: 196 Mn USD
- Metalaxyl: an acylalanine fungicide used to control Pythium in a number of vegetable crops, and Phytophthora in peas, Global market size: 89 Mn USD

Category Wise Revenue Split in Q3FY20



Geography Wise Revenue Split in Q3 FY20





Under this, company is engaged in manufacturing molecules for global chemical companies.

Key products

Poly Ether Ketone Ketone (PEKK) & Metconazole

Poly Ether Ketone Ketone (PEKK) – Major supplier of PEKK for Solvay

- Polyetheretherketone (PEKK) is a high-performance, engineering thermoplastic characterized by an unusual combination of properties - resistance to chemicals, wear, fatigue
- PEKK and its composites are widely used in aerospace, automotive, structural, high temperature electrical and biomedical applications

Metconazole –

Fungicide supplied to Kureha Chemicals, a leader in speciality chemicals.

Manufacturing facilities

Company's manufacturing facilities are located in :

1. Ankleshwar, Gujarat
2. Dahej, Gujarat
3. Lote, Maharashtra
4. Akola, Maharashtra

Innovation Centres

Company has innovation centres at:

5. Rallis Innovation Chemistry Hub (RICH), Bengaluru
6. Metahelix Life Sciences R&D facility, Bengaluru Seed Research farms, across India

Company has export locations across 50 countries which covers Europe, Asia, Middle East, Americas, Africa and Oceania

Supply chain

Company has 28 Depots 1 Hub Warehouse 12 Regional Offices 3,667 Dealers 40,432 Retailers

key Positives:

Strong Product pipeline

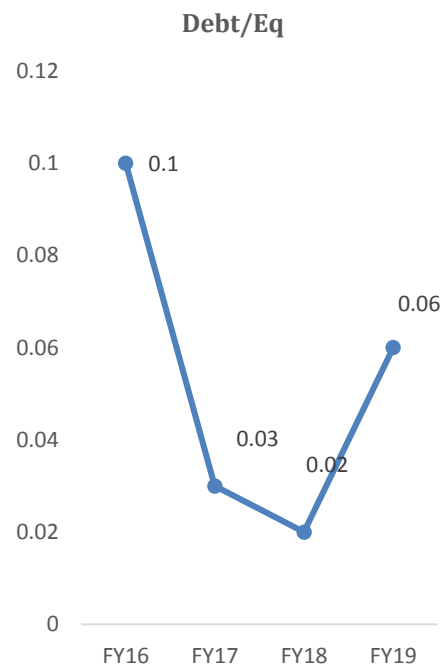
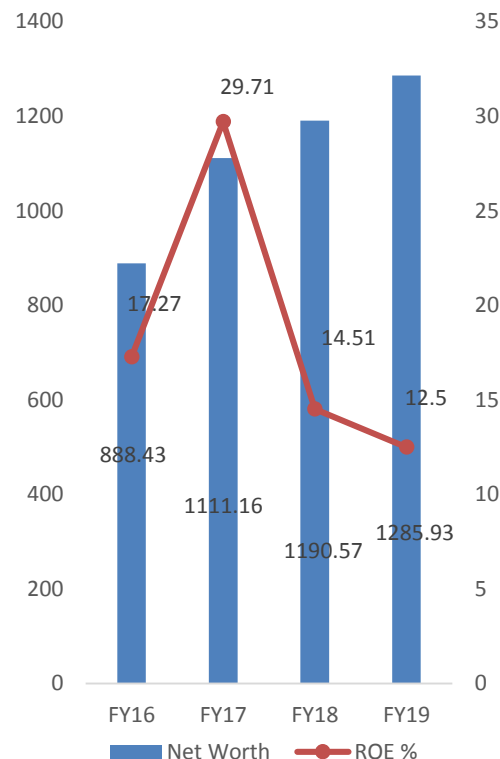
- Company introduced 2 products during the Q3FY20 in Crop Protection
- Company is on track to launch 1 additional products during the fiscal (total new introductions in the year =7)
- Company has plan to introduce 11-12 new products over the next few years in Domestic market

Widening footprint

New trade terms accepted well by the partners; addition of 330 dealers during the 9M FY20 (SS/PD count at 9M end = 3730; retailer count ~ 41500)

Operational efficiency

- Improved cash from Operations more than Rs 300 Cr CY as compared to PY
- Channel pipeline stocks stable





Company has received The National Company Law Tribunal (NCLT), approval for the merger of Metahelix Life Sciences. Metahelix Life Sciences, a wholly-owned subsidiary of Rallis India, is an agricultural biotechnology company focusing on developing traits and technologies for crop protection & improved productivity. It also provides customized research to select global Agri-biotech business using its proprietary technologies in crop transformation and functional genomics. The Company's seeds business is one of the fastest growing segments with a significant room for expansion. However, with both the Company and its subsidiary, Metahelix Life Sciences Limited ('Metahelix'), having operational seeds business there were newly emerging regulatory challenges related to co-marketing and some overlap presenting scope for optimising. Focused on this objective, the Company's Board of Directors have taken the strategic decision of discontinuing its seeds business. After which seeds operations was completely handled by Metahelix, whose strong portfolio and brand connect benefitting the Company to grow the seeds business with focused approach and optimal utilisation of resources. Thereafter company's board has also decided to merge Metahelix Life Sciences Limited.

Strong Capex

Company is in process of setting up of Dahej chemical plant-in which progress on track. Production expected to commence in FY 21. Also, Metribuzin Phase II expansion of 500MTPA is expected to be commercialized by Feb, 2020. The overall expenditure incurred towards Metribuzin capacity has been approx Rs 25 Cr. Company is planning capex of Rs 800 Cr to be spend over next few years for strengthening its domestic & international business.

Healthy financial performance

Company has shown strong financial performance in Q3FY20 where topline of company has shown strong growth of 28% YoY basis at Rs 533.60 Cr while EBIDTA has registered 101% growth in Q3FY20 at Rs 55.74 Cr. On the bottomline company has registered growth of 174 % at Rs 38.14 Cr on YoY basis.

Strategic Initiatives taken by company

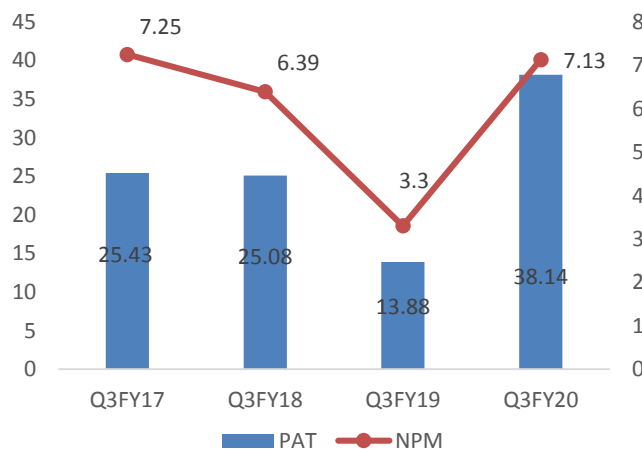
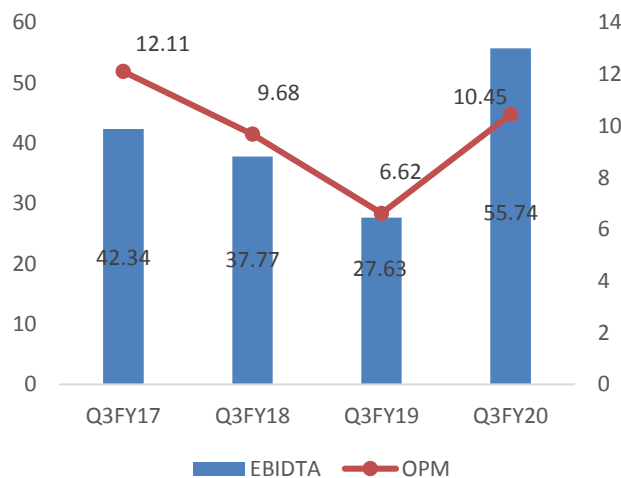
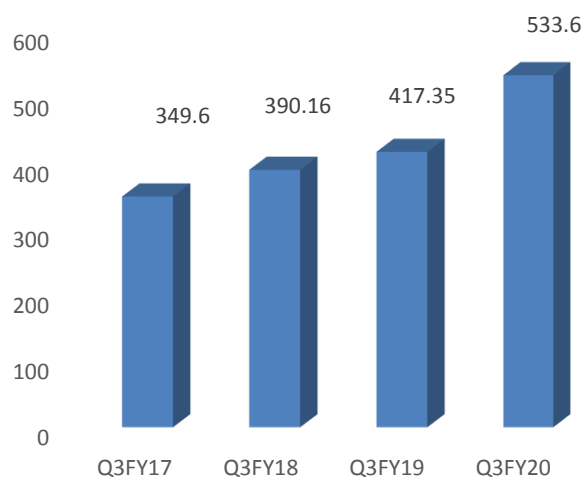
Domestic Business

- Refreshing distribution channel : Adding distributors to enhance growth
- Revitalize channel policies
- Increase focus on new product launches
- Improve connect between distributors and company

International Business

- Investing in capacity expansion
- Registration in International markets
- Expand foot prints in South East Asian countries & Africa

Net Sales (Rs Cr)





Consolidated Balance Sheet

Rs Cr

Particulars	FY16	FY17	FY18	FY19
Sh Capital	19.45	19.45	19.45	19.45
Res & Surplus	868.98	1091.72	1171.13	1266.48
Sh App/Warrants	0.00	0.00	0.00	0.00
Minority Interest	3.75	0.43	1.11	1.84
Total Debt(Long Term Short Term Borrowings)	74.78	36.89	20.03	68.76
Other Long Term Liab & Provision	21.77	22.41	22.07	28.39
Net Deferred Tax Liability	27.20	26.17	19.74	16.45
Sources Of Fund	1015.93	1197.07	1253.53	1401.37
Net Fixed Assets	578.49	580.04	580.42	588.16
Non –Current Investments	18.70	24.36	9.37	9.29
Intangible Assets	26.40	30.16	34.97	37.83
Other Non –Current Assets	146.12	115.55	111.96	114.14
Total Current Assets	714.34	958.94	1241.07	1413.20
Current Liabilities & Provisions	468.13	511.99	724.29	761.24
Net Current Assets	246.21	446.95	516.78	651.96
Uses Of Funds	1015.92	1197.06	1253.5	1401.38

Ratios

Particulars	FY16	FY17	FY18	FY19
EPS	7.37	15.30	8.62	7.99
ROCE (%)	17.27	29.71	14.51	12.50
ROE (%)	17.27	29.71	14.51	12.50
Book Value	45.68	57.14	61.22	66.13
Debt/Equity	0.10	0.03	0.02	0.06



Consolidated P&L A/c

Rs Cr

Particulars	FY16	FY17	FY18	FY19
Net Sales	1529.12	1663.52	1790.95	1983.96
Growth (%)	---	8.79	7.66	10.78
Expenditure	1297.67	1398.02	1524.18	1740.21
EBIDTA	231.44	265.60	266.77	243.75
Growth (%)	----	14.76	0.44	-8.63
EBIDTA Margin (%)	15.14	15.97	14.90	12.29
Depreciation	43.61	47.55	46.31	46.05
EBIT	187.83	218.05	220.46	197.70
EBIT Margin (%)	12.28	13.11	12.31	9.96
Other Income	14.28	12.79	13.18	30.65
Interest	16.00	9.20	6.61	8.06
Exceptional Item	0.00	158.39	0.00	0.00
PBT	186.11	221.64	227.03	220.29
Tax	39.02	82.88	60.01	65.48
PAT	147.09	138.76	167.02	154.81
Growth (%)	---	-5.66	20.37	-7.31
NPM (%)	9.62	8.34	9.33	7.80

Consolidated Quarterly Financial Highlights

Rs. Crore

Particulars	Q3FY20	Q3FY19	Q2FY20	YoY%	QoQ%
Total Income	533.60	417.35	748.69	27.85	-28.73
Total Expenses	477.86	389.72	630.04	22.62	-24.15
Operating Profit	55.74	27.63	118.65	101.74	25.18
Net Profit	38.14	13.88	80.63	174.78	-52.70
PBIDTM %	10.45	6.62	15.85	57.79	4.21
NPM %	7.13	3.30	10.65	116.28	-1.75
EPS	1.96	0.71	4.15	174.78	19.25

Source :ACE Equity



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GROUP COMPANIES

HEM FINLEASE PRIVATE LIMITED

MEMBER-NSE

HEM MULTI COMMODITIES PRIVATE LIMITED

MEMBER-NCDEX, MCX

HEM FINANCIAL SERVICES LIMITED

NBFC REGISTERED WITH RBI

Disclosure of Interest Statement

1. Analyst Ownership of the Stocks	No
2. Hem & its Group Company Ownership of the Stock	No
3. Hem & its Group Company Director Ownership of the Stock	No
4. Broking relationship with Company covered	No

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