

## India

**REDUCE** (previously HOLD)

Consensus ratings\*: Buy 5 Hold 8 Sell 6

Current price:	Rs203
Target price:	Rs180
Previous target:	Rs240
Up/downside:	-11.3%
InCred Research / Consensus:	-32.3%
Reuters:	RALL.NS
Bloomberg:	RALI IN
Market cap:	US\$544m
	Rs39,497m
Average daily turnover:	US\$1.7m
	Rs120.7m
Current shares o/s:	194.5m
Free float:	49.9%

\*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(10.3)	(15.5)	(34.7)
Relative (%)	(8.4)	(16.6)	(38.9)

Major shareholders	% held
Promoter & Promoter Group	50.1
Nippon Life India	3.1
SBI Long Term Fund	2.9

## Analyst(s)


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# Rallis India Ltd

## Business challenges continue to persist

- Over the past few quarters, business challenges like supply chain and raw material procurement have led to continuous disappointment on the EPS front.
- We believe these business concerns will continue to persist in the medium term, thereby affecting the profitability of the company.
- We now value the stock at 15x FY24F and downgrade our rating on it to Reduce (from Hold) with a lower target price of Rs180 (Rs240 earlier).

### Multiple concerns weigh on the stock price

Rallis India stated that it is facing multiple problems like supply chain disruption and raw material availability which has impacted its business. The company is also seeking to domestically source raw materials as currently ~50% of the raw materials required by it are sourced from China. Higher inventory is also one of the other concerns as there are sales returns due to logistics problems. We don't believe these risks are going to abate in the near to medium term and hence, we downgrade our rating on the stock to Reduce (from Hold earlier).

### Cost pressure to be partially offset by new product launches

Rising input cost is one of the key concerns across the chemicals space. Other costs like freight, natural gas and solvent costs have also gone up by ~1.5x in the past few quarters. Rising crude oil and base chemical product prices are a structural risk and Rallis India is facing the same. The company added six new products in the crop protection segment. It is also undertaking capacity expansion and debottlenecking of capacity for some of its products like hexaconazole, metalaxyl, acetamiprid, and lambda cyhalothrin. We believe this will help the company to partially offset the major concerns faced by it.

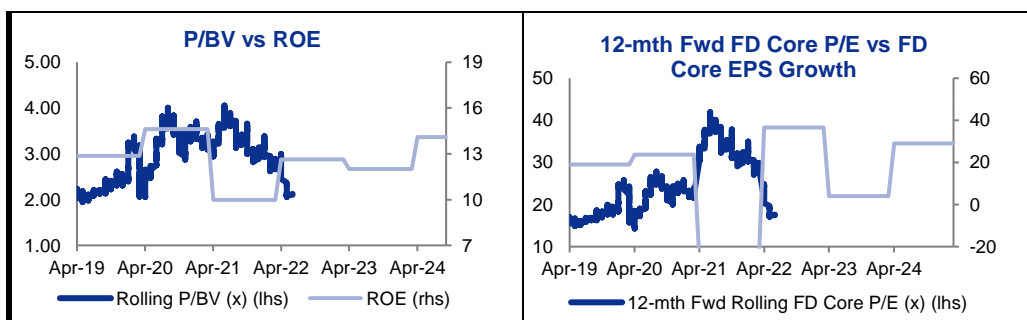
### We value Rallis India at 15x FY24F EPS and downgrade it to Reduce

Management highlighted in its last con-call that despite price hikes Rallis India is not able to fully absorb cost inflation. Given that the company is facing multiple headwinds, we believe that it will lead to volatility in earnings. We now value the stock at 15x FY24F EPS and downgrade our rating on it to Reduce (from Hold earlier) with a lower target price of Rs180 (Rs240 earlier). Risks: While our gross margin accounts for raw material cost pressure, in a rising raw material scenario gross margin can surprise negatively. However, big global demand tailwind (although unlikely in a high inflationary scenario) can lead to a positive surprise on the earnings per share or EPS front and poses an upside risk to our target price.

### Financial Summary

	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Revenue (Rsm)	24,294	26,039	29,205	31,700	34,846
Operating EBITDA (Rsm)	3,229	2,741	3,477	3,708	4,761
Net Profit (Rsm)	2,286	1,642	2,243	2,332	3,009
Core EPS (Rs)	11.4	8.4	11.5	12.0	15.5
Core EPS Growth	25.8%	(25.9%)	36.6%	4.0%	29.0%
FD Core P/E (x)	17.28	24.06	17.61	16.94	13.13
DPS (Rs)	3.0	3.0	3.2	3.4	4.3
Dividend Yield	1.48%	1.48%	1.59%	1.65%	2.13%
EV/EBITDA (x)	11.31	13.63	10.54	9.81	7.46
P/FCFE (x)	102.06	65.42	82.85	40.98	22.98
Net Gearing	(18.7%)	(12.6%)	(15.4%)	(15.5%)	(17.7%)
P/BV (x)	2.48	2.33	2.13	1.95	1.76
ROE	14.8%	10.0%	12.6%	12.0%	14.1%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS**

**Profit & Loss**

(Rs mn)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
<b>Total Net Revenues</b>	<b>24,294</b>	<b>26,039</b>	<b>29,205</b>	<b>31,700</b>	<b>34,846</b>
<b>Gross Profit</b>	<b>9,542</b>	<b>9,804</b>	<b>11,390</b>	<b>12,363</b>	<b>14,287</b>
<b>Operating EBITDA</b>	<b>3,229</b>	<b>2,741</b>	<b>3,477</b>	<b>3,708</b>	<b>4,761</b>
Depreciation And Amortisation	(641)	(743)	(888)	(1,046)	(1,230)
<b>Operating EBIT</b>	<b>2,588</b>	<b>1,998</b>	<b>2,590</b>	<b>2,662</b>	<b>3,531</b>
Financial Income/(Expense)	(52)	(48)	(48)	(38)	(38)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	405	275	497	535	583
<b>Profit Before Tax (pre-EI)</b>	<b>2,941</b>	<b>2,224</b>	<b>3,039</b>	<b>3,159</b>	<b>4,076</b>
Exceptional Items	95				
<b>Pre-tax Profit</b>	<b>3,035</b>	<b>2,224</b>	<b>3,039</b>	<b>3,159</b>	<b>4,076</b>
Taxation	(749)	(582)	(795)	(827)	(1,067)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>2,286</b>	<b>1,642</b>	<b>2,243</b>	<b>2,332</b>	<b>3,009</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>2,286</b>	<b>1,642</b>	<b>2,243</b>	<b>2,332</b>	<b>3,009</b>
Recurring Net Profit	2,215	1,642	2,243	2,332	3,009
<b>Fully Diluted Recurring Net Profit</b>	<b>2,215</b>	<b>1,642</b>	<b>2,243</b>	<b>2,332</b>	<b>3,009</b>

**Cash Flow**

(Rs mn)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
<b>EBITDA</b>	<b>3,229</b>	<b>2,741</b>	<b>3,477</b>	<b>3,708</b>	<b>4,761</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(602)	(750)	(211)	(508)	(579)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(212)	80	1,308	56	21
<b>Other Operating Cashflow</b>	<b>(940)</b>	<b>(1,053)</b>	<b>(1,046)</b>	<b>(1,081)</b>	<b>(1,513)</b>
Net Interest (Paid)/Received	(52)	(48)	(48)	(38)	(38)
Tax Paid	746	688	795	827	1,067
<b>Cashflow From Operations</b>	<b>2,168</b>	<b>1,658</b>	<b>4,276</b>	<b>2,964</b>	<b>3,719</b>
Capex	(1,578)	(1,806)	(2,882)	(2,000)	(2,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(38)	764	(716)		
<b>Cash Flow From Investing</b>	<b>(1,616)</b>	<b>(1,042)</b>	<b>(3,598)</b>	<b>(2,000)</b>	<b>(2,000)</b>
Debt Raised/(repaid)	(165)	(13)	(201)		
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(488)	(585)	(628)	(653)	(843)
Preferred Dividends					
Other Financing Cashflow	(21)	(17)	(48)	(38)	(38)
<b>Cash Flow From Financing</b>	<b>(674)</b>	<b>(614)</b>	<b>(877)</b>	<b>(691)</b>	<b>(880)</b>
Total Cash Generated	(122)	2	(199)	273	839
<b>Free Cashflow To Equity</b>	<b>387</b>	<b>604</b>	<b>477</b>	<b>964</b>	<b>1,719</b>
<b>Free Cashflow To Firm</b>	<b>604</b>	<b>664</b>	<b>726</b>	<b>1,002</b>	<b>1,757</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS...cont'd

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-21A</b>	<b>Mar-22A</b>	<b>Mar-23F</b>	<b>Mar-24F</b>	<b>Mar-25F</b>
Total Cash And Equivalents	3,354	2,719	3,236	3,509	4,348
Total Debtors	4,063	4,459	4,884	5,301	5,827
Inventories	7,632	9,380	9,175	9,958	10,947
Total Other Current Assets	1,505	1,381	1,745	1,871	2,024
<b>Total Current Assets</b>	<b>16,554</b>	<b>17,940</b>	<b>19,040</b>	<b>20,640</b>	<b>23,146</b>
Fixed Assets	5,996	5,871	7,866	8,820	9,590
Total Investments	32	32	32	32	32
Intangible Assets	1,958	1,958	1,958	1,958	1,958
Total Other Non-Current Assets	1,346	2,780	1,396	1,359	1,359
<b>Total Non-current Assets</b>	<b>9,332</b>	<b>10,641</b>	<b>11,251</b>	<b>12,168</b>	<b>12,938</b>
Short-term Debt	300	542	300	300	300
Current Portion of Long-Term Debt					
Total Creditors	5,961	7,525	7,166	7,778	8,550
Other Current Liabilities	2,883	2,700	3,432	3,639	3,956
<b>Total Current Liabilities</b>	<b>9,144</b>	<b>10,767</b>	<b>10,898</b>	<b>11,717</b>	<b>12,806</b>
Total Long-term Debt	78	38	78	78	78
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	216	217	216	216	216
<b>Total Non-current Liabilities</b>	<b>294</b>	<b>255</b>	<b>294</b>	<b>294</b>	<b>294</b>
Total Provisions	532	592	517	536	557
<b>Total Liabilities</b>	<b>9,971</b>	<b>11,614</b>	<b>11,709</b>	<b>12,547</b>	<b>13,657</b>
Shareholders Equity	15,908	16,967	18,582	20,261	22,428
Minority Interests	7				
<b>Total Equity</b>	<b>15,915</b>	<b>16,967</b>	<b>18,582</b>	<b>20,261</b>	<b>22,428</b>

<b>Key Ratios</b>					
	<b>Mar-21A</b>	<b>Mar-22A</b>	<b>Mar-23F</b>	<b>Mar-24F</b>	<b>Mar-25F</b>
Revenue Growth	7.9%	7.2%	12.2%	8.5%	9.9%
Operating EBITDA Growth	18.0%	(15.1%)	26.9%	6.6%	28.4%
Operating EBITDA Margin	13.3%	10.5%	11.9%	11.7%	13.7%
Net Cash Per Share (Rs)	15.30	11.00	14.69	16.10	20.41
BVPS (Rs)	81.80	87.23	95.54	104.17	115.31
Gross Interest Cover	49.68	41.70	54.06	70.35	93.33
Effective Tax Rate	24.7%	26.2%	26.2%	26.2%	26.2%
Net Dividend Payout Ratio	26.6%	35.5%	28.0%	28.0%	28.0%
Accounts Receivables Days	64.37	59.73	58.39	58.64	58.28
Inventory Days	180.92	191.22	190.07	180.58	185.57
Accounts Payables Days	(152.59)	(151.59)	(150.49)	(141.03)	(144.93)
ROIC (%)	19.0%	12.8%	15.8%	14.9%	18.4%
ROCE (%)	16.4%	11.6%	14.0%	13.3%	16.1%
Return On Average Assets	8.9%	6.2%	7.8%	7.5%	8.8%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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<b>Description:</b>	Excellent	Very Good	Good	N/A	N/A



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## Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

**ADVANC** – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CGET** – n/a, n/a, **CENDEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** – Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, n/a, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** – Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

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#### Stock Ratings

Definition:

Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

#### Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

#### Country Ratings

Definition:

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Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.