

# RALLIS INDIA

## RESULT UPDATE

### KEY DATA

<b>Rating</b>	<b>REDUCE</b>
Sector relative	Underperformer
Price (INR)	353
12 month price target (INR)	202
52 Week High/Low	386/196
Market cap (INR bn/USD bn)	69/0.8
Free float (%)	25.9
Avg. daily value traded (INR mn)	238.9

### SHAREHOLDING PATTERN

	Mar-25	Dec-24	Sep-24
Promoter	55.08%	55.08%	55.08%
FII	11.41%	11.86%	10.58%
DII	13.78%	13.29%	13.83%
Pledge	0%	0%	0%

### FINANCIALS

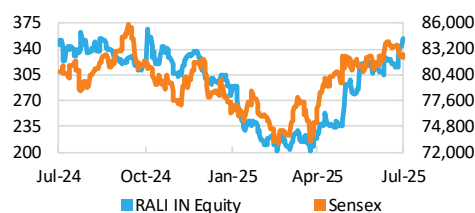
(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	26,630	30,455	33,710	37,331
EBITDA	2,860	3,706	4,273	4,881
Adjusted profit	1,240	2,094	2,459	2,835
Diluted EPS (INR)	6.5	11.0	12.9	14.9
EPS growth (%)	(13.8)	68.9	17.4	15.3
RoAE (%)	6.7	10.6	11.5	12.1
P/E (x)	37.2	22.1	18.8	16.3
EV/EBITDA (x)	16.6	12.7	10.9	9.7
Dividend yield (%)	1.0	1.2	1.4	1.6

### CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	30,455	33,710	4.1%	4.1%
EBITDA	3,706	4,273	4.9%	5.2%
Adjusted profit	2,094	2,459	6.2%	6.5%
Diluted EPS (INR)	11.0	12.9	6.2%	6.5%

### PRICE PERFORMANCE



## All-round beat

Rallis India's Q1FY26 performance testifies to a robust beginning to this year's Kharif season. The company reported a solid quarter beating all headline estimates. Sales/EBITDA shot up 22.2%/56.3% YoY. PAT nearly doubled YoY to INR950mn.

Growth was well distributed across the three portfolios: Domestic B2C, Domestic & International B2B, and Seeds. All grew in healthy double digits. While the placement quarter showed strength, watch out for liquidation in Q2FY26E. We are raising FY26E/27E EPS by 6.2%/6.5% and rolling forward the valuation to FY28E. Valuing the stock at 15x Q1FY28E EPS yields a revised TP of INR202 (earlier INR182); maintain 'REDUCE'.

### Solid start to FY26

Rallis delivered a strong performance aided by robust Kharif sowing (up 11.3% YoY). B2C revenue increased 13% YoY to INR4.49bn driven by a 33% YoY jump in soil and plant health. B2B, which includes International, rose 23% YoY to INR2bn—albeit on a low base—with continued softness in Latam, Africa and Asia. Key actives such as Metribuzin, Hexaconazole and Metalaxyl-M saw steady growth while Pendimethalin remained weak due to low utilisation. Despite 192bp YoY gross margin contraction (to 36.3%) owing to higher input costs, EBITDA jumped 56.3% YoY with EBITDA margin expanding 340bp YoY to 15.7% on strong operating leverage.

### Cashing in on cotton seeds

The seeds business burgeoned 37% YoY to INR3.05bn led by strong sales of cotton seeds. Seeds' EBITDA shot up 66.6% YoY to INR800mn. The Diggaz portfolio saw strong liquidation of cotton seeds in North India. Rallis hopes to report EBITDA margin of 15% in the Seeds portfolio (26% in Q1FY26 as 1Q is a seasonally strong quarter). Cotton was ~33% of total seeds revenue; 40% came from paddy and maize. During Q1, Rallis faced challenges in maize and paddy due to supply challenges.

### Outlook cautious; valuation captures best case

Rallis delivered a strong Q1FY26 aided by seasonal tailwinds, but volume growth may moderate in Q2FY26 if channel inventories built during the good sowing season aren't fully liquidated. With most of the nine product launches Kharif-focused, margin expansion to the guided 15–20% range appears challenging, particularly given a typically weaker Rabi season. We model in a robust 31.7% EPS CAGR over FY25–28E, but at 24x FY28E earnings, the stock appears fully priced. We see limited upside potential and assign a fair value of INR202/share.

### Financials

Year to March	Q1FY26	Q1FY25	% Change	Q4FY25	% Change
Net Revenue	9,570	7,830	22.2	4,300	122.6
EBITDA	1,500	960	56.3	( 200)	(850.0)
Adjusted Profit	950	480	97.9	( 320)	(396.9)
Diluted EPS (INR)	4.9	2.5	97.9	( 1.6)	(396.9)

## Financial Statements

### Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	26,630	30,455	33,710	37,331
Gross profit	10,820	12,716	14,214	15,858
Employee costs	2,750	2,985	3,304	3,658
Other expenses	5,210	6,026	6,637	7,318
EBITDA	2,860	3,706	4,273	4,881
Depreciation	1,200	1,221	1,305	1,402
Less: Interest expense	120	93	89	98
Add: Other income	320	400	400	400
Profit before tax	1,860	2,792	3,278	3,780
Prov for tax	620	698	820	945
Less: Other adj	0	0	0	0
Reported profit	1,250	2,094	2,459	2,835
Less: Excp.item (net)	10	0	0	0
Adjusted profit	1,240	2,094	2,459	2,835
Diluted shares o/s	190	190	190	190
Adjusted diluted EPS	6.5	11.0	12.9	14.9
DPS (INR)	2.5	3.0	3.5	4.0
Tax rate (%)	33.3	25.0	25.0	25.0

### Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
India rev. growth(%)	6.4	15.0	12.0	12.0
Export rev. growt(%)	(12.4)	12.0	11.0	11.0
Seed rev. growth(%)	(1.4)	15.0	5.0	5.0
EBITDA margin (%)	10.7	12.2	12.7	13.1
Net profit margin (%)	4.7	6.9	7.3	7.6
Revenue growth (% YoY)	0.6	14.4	10.7	10.7
EBITDA growth (% YoY)	(8.1)	29.6	15.3	14.2
Adj. profit growth (%)	(15.8)	68.9	17.4	15.3

### Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	6.3	6.3	6.3	6.3
Repo rate (%)	5.0	5.0	5.0	5.0
USD/INR (average)	77.0	77.0	77.0	77.0
Org.manure growth(%)	0	0	0	0
Debtor days	77.0	67.0	67.0	67.0
Inventory days	180.0	165.6	169.4	170.3
Payable days	132.0	116.0	115.0	116.0
Working capital days	125.0	117.0	121.0	121.0

### Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	37.2	22.1	18.8	16.3
Price/BV (x)	2.4	2.2	2.1	1.9
EV/EBITDA (x)	16.6	12.7	10.9	9.7
Dividend yield (%)	1.0	1.2	1.4	1.6

Source: Company and Nuvama estimates

### Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	190	190	190	190
Reserves	18,850	20,374	22,167	24,243
Shareholders funds	19,040	20,564	22,357	24,433
Minority interest	0	0	0	0
Borrowings	630	630	630	630
Trade payables	5,410	5,841	6,465	7,159
Other liabs & prov	4,590	4,981	5,536	3,613
Total liabilities	29,680	32,020	34,993	35,839
Net block	6,500	7,400	8,300	9,200
Intangible assets	2,230	2,160	2,160	2,160
Capital WIP	250	250	250	250
Total fixed assets	8,980	9,810	10,710	11,610
Non current inv	40	39	38	37
Cash/cash equivalent	310	962	1,124	461
Sundry debtors	5,410	5,841	6,465	7,159
Loans & advances	0	0	0	0
Other assets	12,930	13,602	14,653	15,674
Total assets	29,680	32,020	34,993	35,839

### Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	1,860	2,792	3,278	3,780
Add: Depreciation	1,200	1,221	1,305	1,402
Interest (net of tax)	120	93	89	98
Others	0	0	0	0
Less: Changes in WC	338	(281)	(496)	(2,945)
Operating cash flow	2,898	3,127	3,357	1,392
Less: Capex	(769)	(2,051)	(2,205)	(2,302)
Free cash flow	2,129	1,076	1,152	(911)

### Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	6.7	10.6	11.5	12.1
RoCE (%)	10.1	14.1	15.2	16.1
Inventory days	180	166	169	170
Receivable days	77	67	67	67
Payable days	132	116	115	116
Working cap (% sales)	31.3	28.3	27.0	32.3
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	0	0	0	0
Interest coverage (x)	13.8	26.8	33.4	35.4

### Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	(13.8)	68.9	17.4	15.3
RoE (%)	6.7	10.6	11.5	12.1
EBITDA growth (%)	(8.1)	29.6	15.3	14.2
Payout ratio (%)	38.0	27.2	27.0	26.8

**Exhibit 1: Quarterly financial snapshot (INR mn)**

Rallis India								
Financial snapshot - (Consolidated)								(INR mn)
Year to March	Q1FY26	Q1FY25	YoY	Q4FY25	QoQ	FY26E	FY27E	FY28E
Revenues	9,570	7,830	22.2	4,300	122.6	30,455	33,710	37,331
Raw material	6,100	4,840	26.0	2,590	135.5	17,739	19,496	21,474
Staff costs	670	670	0.0	680	(1.5)	2,985	3,304	3,658
Others	1,300	1,360	(4.4)	1,230	5.7	6,026	6,637	7,318
Total expenditure	8,070	6,870	17.5	4,500	79.3	26,749	29,437	32,450
EBITDA	1,500	960	56.3	-200	(850.0)	3,706	4,273	4,881
Depreciation	290	310	(6.5)	300	(3.3)	1,221	1,305	1,402
EBIT	1,210	650	86.2	-500	(342.0)	2,485	2,967	3,479
Interest	40	50	(20.0)	20	100.0	93	89	98
Add: Other income	120	50	140.0	110	9.1	400	400	400
Add: Prior period items								
Profit Before Tax	1,290	650	98.5	-410	(414.6)	2,792	3,278	3,780
Less: Provision for Tax	340	170	100.0	-80	(525.0)	698	820	945
Less: Minority Interest	0	0	NA	0		0	0	0
Reported Profit	950	480	97.9	-320	(396.9)	2,094	2,459	2,835
Adjusted Profit	950	480	97.9	-320	(396.9)	2,094	2,459	2,835
Equity capital (FV INR 1)	190	190		190		190	190	190
No. of Diluted shares outstanding (mn)	190	190		190		190	190	190
Adjusted Diluted EPS	5.0	2.5	97.9	-1.7	(396.9)	11	13	15
As % of net revenues								
Raw material	63.7	61.8	192.7	60.2	350.8	58.2	57.8	57.5
Staff expenses	7.0	8.6		15.8		9.8	9.8	9.8
Other expenses	13.6	17.4		28.6		19.8	19.7	19.6
EBITDA	15.7	12.3	341.3	(4.7)	N/A	12.2	12.7	13.1
Net profit	9.9	6.1	379.7	(7.4)	N/A	6.9	7.3	7.6

Source: Company, Nuvama Research

## Q1FY26 conference call takeaways

### Opening remarks

- **Global agrochemicals outlook:** Early signs of recovery in global demand, Inventory levels have normalised and the sharp decline in prices, particularly in generics, has come to a halt.
- Recovery in Latam and Africa is progressing at a slower pace, but remains on a steady path.
- **Domestic agrochemical outlook:** Outlook is improving on the back of high reservoir levels, an early and favourable monsoon, and supportive crop MSPs.
- Crop production estimated at 354mn metric tons for 2024-25– up 6% YoY.
- Acreage up in paddy (+7%), soybean (+4.5%), groundnut (+51%), pulses (12.6%) and coarse cereals (+17%).
- Rallis maintains a robustly cautiously optimistic outlook for the Indian agrochemical industry.
- Strong top-line growth was because of double-digit volume-led growth across segments such as Crop Care B2C (+13%), Crop Care B2B (+23%) and Seeds (+38%).

### Crop Protection business

- Crop Care B2B increased to INR2.03bn, wherein exports logged 75% YoY growth mainly due to volume-led growth in metribuzin, hexaconazole and Metalaxyl-M.
- Metribuzin and hexaconazole are gaining traction in the US and Southeast Asia.
- Acephate faced demand challenges in Latam and Brazil with no margin improvement seen yet across key markets such as India, Brazil and the US.
- Pendimethalin ran at low capacity, but long-term prospects remain intact.
- **CSM:** This business saw some impact this quarter due to customer timelines, but execution remains on track for the year.
- Rallis is expanding the CSM business through technical and formulation tie-ups with global majors with two key technical molecules already being supplied to customers in Japan and the US.
- **New launches:** Nine new agrochemical products were launched this quarter, including quite a few of herbicides, two fungicides, and one insecticide.
- In the domestic market, herbicides have seen strong growth driven by labour dynamics, and Rallis is actively strengthening its herbicide portfolio as part of its strategy.

### Seeds

- **Digaaz (cotton):** Strong performance despite cotton acreage decline. Over 1mn packets placed with near-zero returns expected. Contribution from cotton shall remain significant for two–three years.

- Cotton contributed about 33% to the total Seeds business's top line while paddy and maize together would account for approximately 40%.
- Field reports suggest a shift in cotton sowing patterns driven by better price realisations through the issue of illegal RRBT cotton seeds.
- Challenges in maize and paddy are attributable to supply constraints.
- Calibrated placement and use of digital tools (AI/ML-based forecasting) have improved placement and liquidation trends.
- **New products:** 14 new products launched during the quarter across cotton, *bajra* and paddy.

## Other key highlights

- **FY26 and medium-term guidance:** Confident of clocking double-digit revenue growth across segments.
- Gross margin improvement to come from product mix shift toward higher-margin new products.
- Operating leverage will kick in with better plant utilisation and cost controls.
- FY26 capex expected to be about INR1bn focused on maintenance and captive solar plant.
- Working capital days have reduced sequentially due to inventory rationalisation.

## Company Description

Rallis is a Tata Group owned Agrochemical Company and a key player in India. Tata Chemicals holds 55.04% in Rallis India. Company has employee strength of 1,657 as on March 31, 2024 and have plants located at Akola, Ankleshwar, Ratnagiri and Bharuch. Agrochemical and seed business constitute ~84% and ~16% in consolidated FY24 sales. Rallis has broad and diversified product portfolio in terms of crops as well as type of pesticide. According to customer engagement survey by Gallop, Company has 7 of the top 12 brands when it comes to awareness of brands in Indian agrochemical market. Rallis has strong relationship with global majors and entered into several alliances such as Dupont, Syngenta, Bayer, among others.

## Investment Theme

Rallis is an established agrochemical player in India with presence in manufacturing of AI (agrochemical intermediates) and seeds business. However given the increasing competition in domestic agrochemical market with more players getting aggressive about new launches and sourcing new products under 9(3) registrations from multiple global innovators, Rallis has been losing its market share in domestic agrochem and share of new product launch in total revenues has been falling.

In seeds industry also though it has been aggressively expanding its product basket, the revenues from seeds industry has been witnessing muted growth. With overall cost structure remaining high, and revenues stagnating, this segment has been key drag of the overall profitability.

In international business, it has two key molecules and has invested aggressively in capex in backward integration, in MPP to expand the product basket and new product registrations. Though this segment is likely to drive growth, overall utilisation remained muted.

## Key Risks

**Weather:** Crop protection industry faces the risks of seasonal weather factors. The weather can affect the presence of pest infestations as well as affect the demand for crop-protection products. In the domestic market, sales are highly seasonal, mainly during the monsoon. Any adverse change in the weather will have a negative effect on the sales.

**GM crops:** The usage of crop protection products is significantly less for GM crops. Hence, growth and acceptance of GM crops by consumers may have an adverse effect on Rallis' business.

**Overseas regulation:** Rallis is registering its products in the overseas market. Any negative measure by the respective countries can affect the company's growth adversely.

## Additional Data

### Management

CEO	Dr Gyanendra Shukla
CFO	Subhra Gourisaria
COO	S. Nagarajan
Other	
Auditor	B S R & Co.

### Holdings – Top 10\*

	% Holding		% Holding
SBI AMC	9.43	BlackRock Inc	1.12
La Caisse de D	3.58	Robeco Schweiz	1.01
Mitsubishi UFJ	1.99	Dimensional Fun	0.94
Vanguard	1.90	Tata Asset Mana	0.89
Niipon Life Ind	1.52	HDFC Asset mana	0.48

\*Latest public data

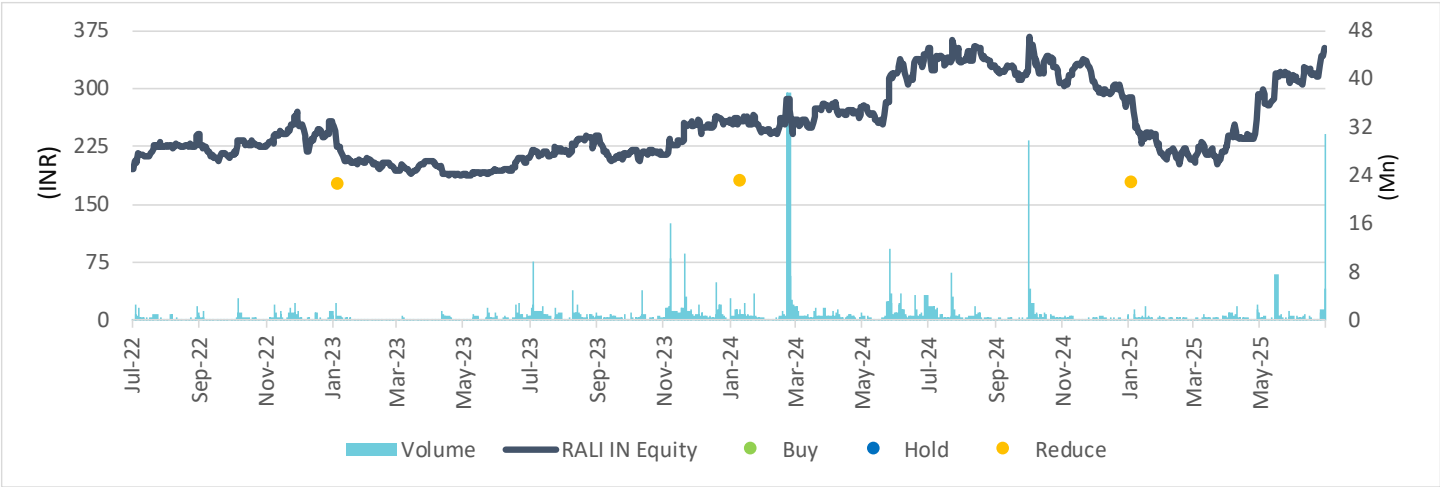
### Recent Company Research

Date	Title	Price	Reco
24-Apr-25	Deficiency of growth triggers; <i>Result Update</i>	243	Reduce
17-Jan-25	Challenging quarter; <i>Result Update</i>	285	Reduce
16-Oct-24	Volumes drive growth; <i>Result Update</i>	368	Reduce

### Recent Sector Research

Date	Name of Co./Sector	Title
07-Jul-25	Agri Inputs	Raining good news: Strong start to Khari; <i>Sector Update</i>
16-May-25	Dhanuka Agritech	Double-digit growth poised to continue; <i>Result Update</i>
15-May-25	Sharda Cropchem	Strong volume growth; <i>Result Update</i>

### Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

### Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	203
Hold	<15% and >-5%	64
Reduce	<-5%	36

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