

Ruchi Soya Industries Ltd.
SECTOR FMCG
Issue Highlights

Issue Open	March 24, 2022
Issue Close	March 28, 2022
Issue Price	Rs.615-650 per share
Total Issue Size	Rs. 4,300 Cr
Market Lot	21 Equity Shares
Face Value	Rs 2 per share

Offer Structure

QIB Category	50%
Retail category	35%
Non-Institutional	15%

Lead Book Running Managers

- SBI Capital Markets Ltd
- Axis Capital Ltd
- ICICI Securities Ltd

Registrar To The Offer

- Link Intime India Pvt. Ltd.

About the Company

Incorporated in January 1986, Ruchi Soya Industries is one of the largest FMCG companies in the Indian edible Oil sector. Further, they are the largest manufacturers of soya foods under the brand 'Nutrela'. They have launched a range of premium edible oils, blended edible oils and under Nutrela they launched High Protein Chakki Atta and Honey in FY21.

They are a part of the Patanjali group which is one of India's leading FMCG and health and wellness companies. They have further expanded their packaged food portfolio by acquiring the 'Patanjali' product portfolio of biscuits, cookies, rusks, noodles, and breakfast cereals. In FY22, they have forayed into a niche and a high growth Fast Moving Health Goods (FMHG) segment with the launch of Nutraceutical business. The company has a total of 23 processing plants (of which 17 are currently operational) across India. Also, they have developed an extensive distribution pan India network of over 97 sale depots, 4,763 distributors who in turn reach out directly to 4,57,788 retail outlets.

Outlook and Valuation

The food and grocery retail market is worth ~Rs 39.5 lakh cr in FY2020, out of which the Indian packaged food retail market contributes 15% which is estimated to be ~Rs 6 lakh cr. The past trend suggested that unbranded products such as fresh fruits and vegetables, loose staples, fresh unpackaged dairy and meat was dominating the Indian food retail market. However, at present there is a shift towards packaged food from unpackaged and unbranded products led by premiumization, convenience and healthy eating habits and emergence of modern retail and online grocery delivery platforms. This is leading the packaged food market to grow at almost double the pace of the overall category and going ahead its contribution is expected to increase by 20% by FY25.

As per the SEBI guidance, the minimum requirement for a public shareholding in a listed company should be 25%, Thus, Ruchi Soya has announced a FPO, as the promoters of the company seek to reduce their shareholding to comply with SEBI's guidance. At present, the promoter group i.e. Patanjali owns 98.9% while public shareholders own 1.1%. Post the FPO, Patanjali's shareholding will reduce to 81% while public shareholding will rise to 19%.

Ruchi Soya has a well-recognized brand name, extensive distribution network and experienced management team. Going ahead, the company would continue to grow its relationship with Patanjali, focus on increasing high-margin products, and improve operating efficiency. Further, expanding the distribution network and managing the supply chain would be crucial. Notably, the FPO price is offered at Rs 615-650/share which is at a discount of 40-48% as on CMP (Rs 910) 21th March, 2022. On the financial front, the company is trading at 35x PE FY22E (annualized EPS). However, Ruchi Soya has high debt on the books and its plan is to utilize major FPO proceeds for repayment of its debt (~80-85%) in the next few months.

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Statements on ownership and material conflicts of interest , compensation– Research Analyst (RA)

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below , are given separately]

S. No.	Statement	Answer	
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

Nature of Interest (if answer to F (a) above is Yes :

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Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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