



VISIT NOTE

RALLIS INDIA

Chasing growth through capex; execution key

India Equity Research | Midcap Agri

 **Edelweiss**
Ideas create, values protect

We recently interacted with Rallis' new management team—Mr. Sanjeev Lal, CEO, and Mr. R Mukundan, MD. The new team is focusing on accelerating growth through: 1) capex (INR8bn over four-five years) in brownfield & adding new molecules; 2) expanding distribution network (plans to double retail presence); and 3) expanding product basket in seeds. Though this capex-led growth is much needed (Rallis was going slow on capex over the past four-five years), we believe the environment has become much more challenging in domestic distribution as well as CRAMS. While management is confident of growth revival, we remain cautious and will keep an eye on how execution unfolds in a challenging environment. Maintain 'HOLD' with target price of INR173, valuing the stock at 15x FY20E EPS.

Losing market share across the board...

Rallis, over the past five years, has been losing market share in all its businesses—domestic branded, seeds and exports / CRAMS. In the domestic business, its market share, among key players, has dipped from 8.2% in FY13 to 6.0% in FY18. CAGR of 3% in the seed business over the past five years has also been slower than expectation. In exports / CRAMS as well Rallis has missed the bus due to intense competition. Lower-than-industry growth over the past five years was driven by management's conservative policy and muted investment in growth.

...now, eyeing aggressive capex-led growth

The company's new management team has lined up aggressive capex of INR8bn to compensate/regain the lost opportunity. This capex includes brownfield expansion in generic and formulations (INR3.5bn) and launch of new molecules (INR4.5bn). Despite being late in taking growth initiatives, management remains confident of gaining lost ground driven by R&D capabilities, brand Rallis and distribution heft.

Outlook and valuation: Eye on execution; maintain 'HOLD'

Though the new management team remains confident of recouping growth driven by capex, we believe the loss in market share and heightened competitive intensity in domestic and export markets will be key challenges. We will keep an eye on the company's execution plan and revisit our recommendation & estimates once we get more comfort on the same. However, at current valuation, the stock trades at 15x FY20E EPS. We maintain 'HOLD'.

Financials

(INR mn)

Year to March	FY18	FY19E	FY20E	FY21E
Net revenue	17,909	20,482	23,620	27,248
EBITDA	2,645	2,734	3,347	3,857
Adjusted diluted EPS (INR)	8.6	9.0	11.5	13.4
Adjusted Profit	1,676	1,756	2,238	2,604
Diluted P/E (x)	17.5	16.7	13.1	11.3
ROAE (%)	14.5	14.2	16.5	17.2

EDELWEISS RATINGS

Absolute Rating **HOLD**

Investment Characteristics None

MARKET DATA (R: RALL.BO, B: RALI IN)

CMP : INR 162

Target Price : INR 173

52-week range (INR) : 249 / 146

Share in issue (mn) : 194.5

M cap (INR bn/USD mn) : 32 / 458

Avg. Daily Vol. BSE/NSE ('000) : 297.7

SHARE HOLDING PATTERN (%)

	Current	Q2FY19	Q1FY19
Promoters *	50.1	50.1	50.1
MF's, FI's & BKs	20.2	18.5	18.7
FII's	3.8	4.0	4.0
Others	26.0	27.3	27.2
* Promoters pledged shares (% of share in issue)	:		NIL

PRICE PERFORMANCE (%)

	BSE Midcap Index	Stock	Stock over Index
1 month	(5.7)	(10.2)	(4.6)
3 months	(0.4)	(5.9)	(5.5)
12 months	(16.1)	(35.9)	(19.8)

Rohan Gupta

+91 22 4040 7416

rohan.gupta@edelweissfin.com

Nihal Mahesh Jham

+91 22 6623 3352

nihal.jham@edelweissfin.com

Bharat Gupta

+91 22 6620 3320

bharat.gupta@edelweissfin.com

March 13, 2019

Aggressive new product launches to brighten prospects

Rallis India has been losing market share over the last few years despite product launches over the last few years. Taking cognizance of the fact, the new management has announced a mega scale capex of INR 8bn to be incorporated in different phases over the next 5 years. The management believes the molecules to be developed under the new phase have the potential to bring back growth.

Table 1: Rallis India Product launches over last three years

Year	Name of Product	Type	Description
FY18	Pulito	Fungicide	A leading fungicide used for specialty crops for the control of a wide spectrum of diseases as well as to increase plant/fruit health
	Cenator	Combination Product	New age ready- mix formulation of Fluxapyroxad + Epoxiconazole for Paddy Sheath Blight.
	Odis	Insecticide	Odis is a one-shot ready mix of well proven chemistry with different mode of actions for effective control of sucking pests of rice and cotton, with a significant impact on paddy crop production.
	Riceup	Herbicide	It is an innovative formulation, oil dispersion with broad spectrum systemic herbicide for the management of major weeds in both direct seeded rice and transplanted rice.
	Jashn Super	Insecticide	Introduced for the control of key lepidopteron pest, which causes significant losses to commercial crops, Jashn Super has strengthened the Company's Lepidopteron pest control solution portfolio
FY17	Epic	Fungicide	Epic is an improved and advanced WDG formulation of Hexaconazole, with lowest formulation dose of fungicide in Indian history. It was launched in the main market of paddy
	Summit	Insecticide	An advanced new generation insecticide based on Spinetoram, Summit is effective against thrips and almost all caterpillar pests.
	Neonix	Seed Treatment	Neonix is the first ever seed treatment product in India, which controls both soil insects and soil borne diseases in groundnut and wheat crops.
FY16	ZEENY	Insecticide	An insecticide, is an advanced formulation for the control of Jassids on Okra, strengthening the F&V portfolio of the Company
	MARK	Herbicide	A new generation, pre-emergent herbicide for the control of weeds in Soybean
	Panida Grande	Herbicide	A novel broad spectrum formulation of pendimethlin for the control of weeds in various crops

Source: Company, Edelweiss research

Table 2: Agrochemical Companies Market Share

Company	2013	2014	2015	2016	2017	2018
Dhanuka Agritech	5.3	6.2	6.0	5.9	5.8	5.9
Rallis India	8.2	8.7	7.8	6.3	6.3	6.0
Bayer Cropscience	14.8	17.2	17.3	17.0	16.5	15.3
Excel Crop Care	4.1	5.5	5.4	4.5	4.8	5.2
PI	5.0	5.4	6.1	5.9	5.6	5.5
UPL	16.2	18.8	20.2	19.3	19.5	19.7
BASF	8.4	8.7	6.9	4.4	4.8	5.3
Monsanto	1.4	2.0	1.7	2.0	1.8	1.1
Insecticide India	5.6	7.2	7.4	7.0	6.6	6.6

Source: Crisil, Edelweiss research

Under the first phase of the capex, the company would be carrying out a brown-field expansion to increase the existing formulation capacity as well as debottlenecking the constraints in existing product basket. Both of them together are expected to cost INR 3.5bn and are expected to be completed in next 18 months. The company as a measure to revive its market share is looking for aggressive product launches. As communicated by management, total of 11-12 products are expected to be launched till FY23 with 5 products (3 combinations, 1 technical and 1 PGR) are expected to hit the market in FY20.

Table 3: Product launches over the next 5 years

	FY20	FY21	FY22	FY23
New Product launches	3 combination 1 Technical 1 Plant Growth Regulator (PGR)	3 across business segment	NA	3 across business segment

Source: Company, Edelweiss research

Metahelix– New tie ups / inorganic opportunity to accelerate growth

The company has announced the merger of its wholly owned subsidiary 'Metahelix' into Rallis. The performance from the seed segment has remained muted despite operating on low base. As per the management, company is targeting to improve on the product basket in the seed business. With mainly concentrated towards kharif crops, the company is targeting to introduce seeds for rabi crops as a measure to diversify the product mix. Metahelix has strong portfolio of pearl and millet and want to diversify to other crops including cotton, fruits & Vegetables.

Rallis' new management is also open for new tie ups with global partners for providing germplasm and launching products in crops, where its presence is weak. The company is also open to inorganic growth opportunities if they offer access to a unique product basket.

Chart 1: Revenue Contribution by top seed players

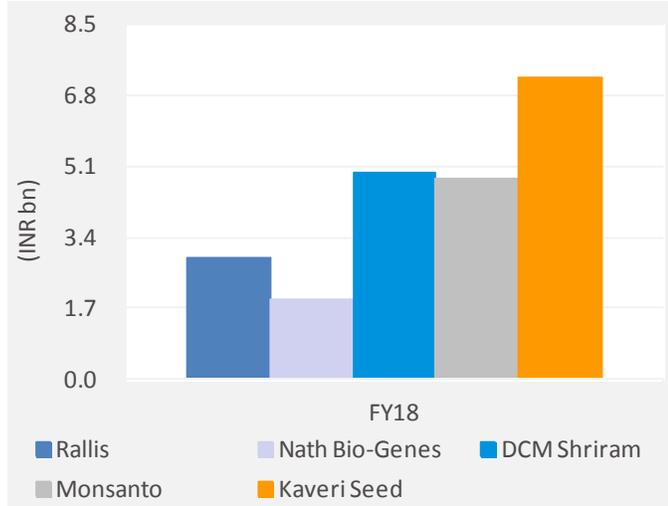
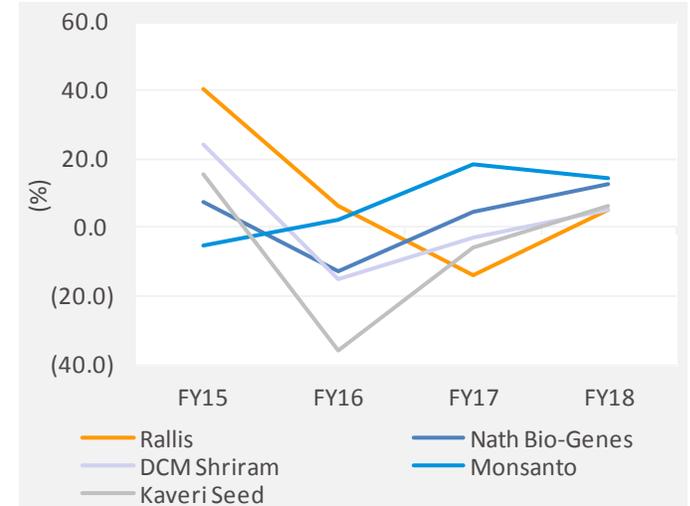


Chart 2: Rallis lagging to cope up with peers in seed business



Source: Company, Edelweiss research

Focus on expanding distribution

The company’s strategy is to rationalize the existing distribution network and add more distributors / dealers across pan-India. In regard to it, the company has knocked off around 600 non-performing distributors / dealers from the pool of 3,400 dealers, while adding 750 new dealers. Rallis though in the past has remained stringent in regard to its credit policies, the new management is planning to relax the credit norms as a measure to bring new distributors on board. The company has a direct connect with 40,000 retailers across pan-India and the management remains confident of expanding its reach by adding 30,000-35,000 retailers over the course of next 3 years.

Consolidation of R&D facilities

Rallis is planning to consolidate its R&D facilities, which are currently spread in four locations. However, the company is planning to expand its existing Bengaluru-based R&D (used for Metahelix Seeds) facility to cover all the R&D work including Rallis (agrochemicals) and seeds. It is planning to spend INR700-800mn plus over the next three-four years on R&D of new products.

Exports business to remain primary growth driving factor

Rallis India's future growth story can be linked to growth in contract manufacturing space. High growth visibility on account of uptick in global agrochemical cycle looks attractive. However, increase in competitive intensity may wane the shine from the segment. Competition has increased manifold as other players such as PI industries, Aarti Industries, SRF, etc. have already established the facilities in anticipation of uptick in global demand.

Rallis has lagged in improving its brand position in the international market. The company's exports have, over the past several years, remained stagnant. This is attributable to increased competition from domestic peers.

The new management team is planning to revive the momentum. Among its existing exports portfolio, which primarily includes Metacolozol and PEKK, it is planning to further increase capacities. Going forward, it has identified three new molecules (of the 17 molecules that will go off-patent in the next three years) and has plans to develop its global leadership in these molecules. This may require capex of ~INR3-4bn.

Table 4: Exports revenues by Indian players

	(INR Bn)							
	FY12	FY13	FY14	FY15	FY16	FY17	FY18	CAGR (%)
Rallis	3.8	4.2	4.9	5.0	4.0	4.4	4.8	3.3
PI Industries	4.3	6.0	9.3	11.4	12.7	14.3	14.6	18.9
Aarti	3.0	4.0	5.0	5.4	5.5	5.8	6.7	12.0
SRF	1.4	2.8	4.4	6.0	7.4	6.1	5.7	22.2
Deccan Fine Chemicals	1.2	3.4	5.4	8.1	9.9	13.7	NA	49.1
Anupam Rasayan	1.3	1.6	2.4	2.9	3.1	3.1	NA	15.1

*Aarti Industries: Assumption that share of Agro Intermediates– 22.5% of revenues

*SRF: Assumption that 80% of company's revenues comes from Agrochemicals

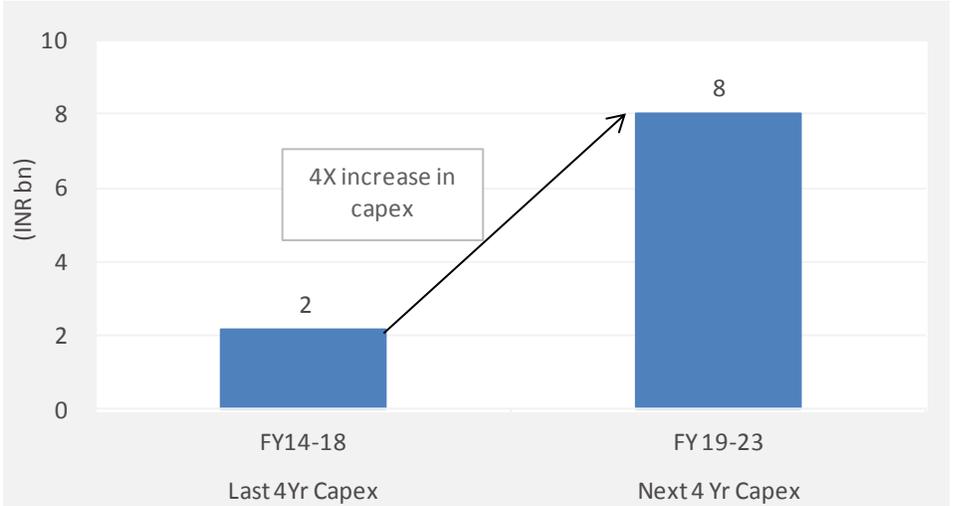
Source: Company, Edelweiss research

Details of capex over next five years

Rallis India has been a laggard in expanding its existing utilities. However, declining market share has prompted the new management to go aggressive in capex. The company has set aside a target of INR 8bn capex to be executed over next 5 years in different phases. As per Mr. R. Mukundan (Managing Director, Rallis), “ Though we have been late in putting capex, we believe given the Rallis advantage and domestic and global presence, we will be able to ramp-up and compensate the opportunity loss”. Under the first phase of the capex, the company would be carrying out a brown-field expansion to increase the existing formulation capacity and is expected to cost INR 1bn.

Next, Rallis is also focusing on ramping up the capacities of few existing products in its active ingredients (AIs) basket like Mutribuzin, Pendimethalin, etc. Management believes, led by its cost competitiveness and quality leadership in these products, there is significant scope to add capacities and plans to double capacities over the next one-two years. It is planning to invest INR1.0-1.5bn in these, which includes ~INR400mn on Mutribuzin.

Chart 3: Rallis capex to increase 4 times in next five years



Source: Company, Edelweiss research

Management change to push growth plan

Rallis India has seen a lot of transition of top management personnel over last few months. New faces of the Rallis Management include new CEO- Mr. Sanjiv Lal and Non-Executive Director Mr. R. Mukundan. Earlier, Mr. Mukundan, M.D of Tata chemicals took temporal charge of Rallis India after Mr. Shankar (Ex-MD, Rallis India) took voluntarily retirement.

Table 5: New Faces of Management

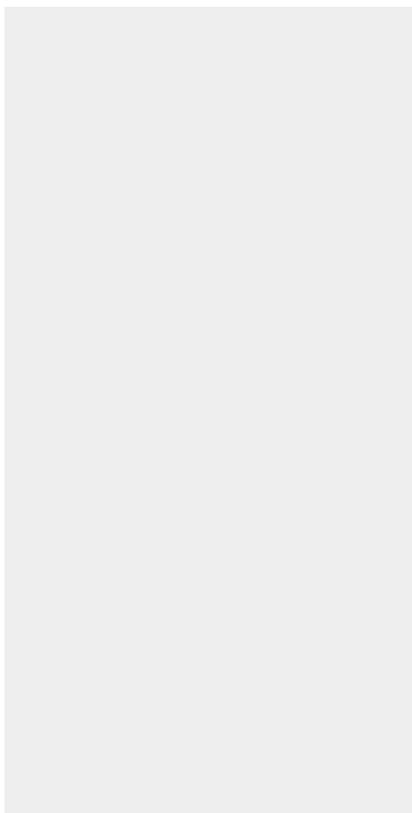
	New Management	Designation	Profile	Tenure
	Sanjeev Lal	MD & CEO	Mr. Sanjiv Lal, aged 57 years, has over 35 years of experience and is currently the Chief Operating Officer (India Chemicals Business) at Tata Chemicals. He started his career with Hindustan Lever Ltd and joined Tata Chemicals in 2003. At Tata Chemicals, he has held various line and staff roles, and was deputed to IMACID (the Tata Chemicals JV at Morocco) for two years as the Joint MD.	1st April, 2019- 31st March, 2024
	S. Nagarajan	MD & CEO, Metahelix	MR. S. Nagarajan has been the MD & CEO of Metahelix Life Science Ltd. He has over 26 years of experience working in several Tata Companies including CXO level business leadership. He began his career with Tata Motors, after which he worked with Tata Cellular and later with Tata Teleservices. He is presently a Founder Director of Federation of Seed Industry of India. He is an alumnus of the Indian Institute of Technology, Madras (B.Tech) and a Gold Medallist MBA (PGDM) from the Indian Institute of Management, Ahmedabad.	
	R. Mukundan	Non-Executive Director	Aged 52 years, Mr. Mukundan is an MBA from FMS, Delhi University, and BE-Electrical Engineering from IIT, Roorkee. He has attended the Advanced Management Programme at Harvard Business School. He joined the Tata Administrative Service in 1990. He joined Tata Chemicals Limited (TCL) in 2001 and has led various functions like strategy and business development, corporate quality, corporate planning and manufacturing before taking over as the Managing Director & CEO of TCL in 2008. He played an active role in the TCL transformation efforts and in the growth of domestic business, acquisition of new facilities in United Kingdom, Kenya and United States and divestment of Fertiliser Business. He serves as Director on the boards of certain Tata Group Companies. Mr. R. Mukundan is also Managing Director & CEO of parent company Tata Chemicals Limited.	

Source: Company, Edelweiss research

Table 6: Old Faces of Management

	Old Management	Designation	Reason for Exit	Tenure	
	V.Shankar	MD & CEO	Mr. V. Shankar, Managing Director & CEO requested the board for an early retirement from the services of the company with effect from 31st March, 2019 to pursue his interest in setting up the company's proposed "Centre of Excellence for Sustainable Agriculture and Farm Excellence (C-SAFE)". C-SAFE is being set up as part of the initiatives commemorating the 150 years of the Tata Group as a significant contribution to nation-building.	April 2005- 31st March, 2019	
		K.R. Venkatadri	Chief Operating Officer	Mr. K. R. Venkatadri served as the Chief Operating Officer at Rallis India Limited. Mr. Venkatadri served as an Executive Vice President of Sales & Marketing and Vice President of Domestic Sales at Rallis India Ltd. He has also served as Vice President of International Business and Vice President of Domestic Business at Rallis India Ltd. Mr. Venkatadri joined Rallis India in 2006 and has over 18 years of experience. He has served as Senior Manager of Business Strategy & Business Development of Tata Chemicals Ltd, and is a Director at Metahelix Life Sciences Limited. Mr. Venkatadri is a B.E. (Mech.) and holds a postgraduate diploma in management.	October 2006- March 2019

Source: Company, Edelweiss research



Valuation

Rallis has been trading at one-year forward PE multiple of 14.1x and one-year forward EV/EBITDA of 8.7x. Stock valuation at current level seems attractive given the historical five-years' average PE and EV/EBITDA of 19.6x and 12.5x, respectively. Though we expect the planned capex to boost growth, we will keep an eye on how execution pans out. Hence, we maintain 'HOLD'.

Chart 4: 1 year forward PE

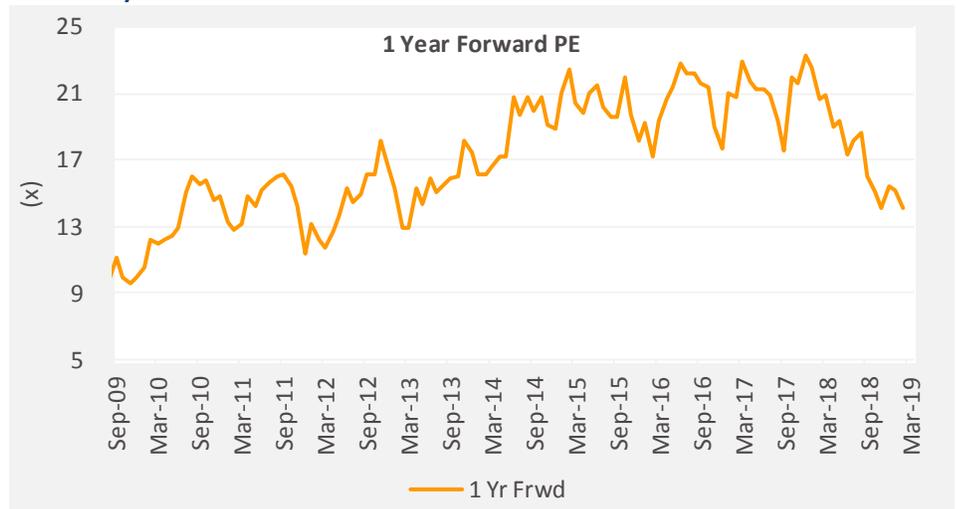
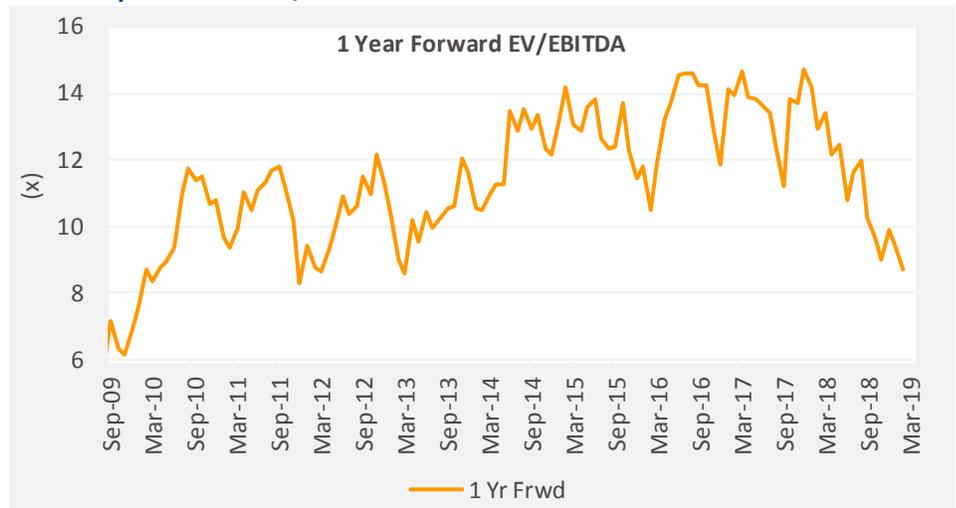


Chart 5: 1 year forward EV/EBITDA Chart



Source: Bloomberg, Edelweiss research

Company Description

Rallis is a Tata Group owned Agrochemical Company and a key player in India. Tata Chemicals holds 50.09% in Rallis India. Company has employee strength of 909 as on March 31, 2015 and have plants located at Akola, Ankaleshwar, Ratnagiri and Bharuch. Agrochemical and seed business constitute ~83% and ~17% in consolidated FY15 sales. Company acquired Bangalore based seed players Metahelix during FY11 and entered into an agreement to acquire 51% stake in 'Zero Waste Agro Organics' in April 2012. 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. These tie-ups enable it to offer a bouquet of specialty products, addressing varied crop protection needs.

Investment Theme

Rallis is an established agrochemical player in India. The company, with market share of ~10% is well placed to capture emerging opportunities in the domestic agrochemical market on back of healthy distribution network, branded farm solutions and launch of new products. The newly commissioned Dahej SEZ facility is anticipated to boost export sales, consequently reducing its domestic market dependence.

The organised hybrid seed market is expected to post 12-15% CAGR in the coming years. India has a dismal ~2mha of the total 40mha under hybrid seed in rice crop, thus leaving enough room for penetrating untapped markets. Post acquisitions of Metahelix, Rallis is well equipped to ride this surge armed with the former's formidable R&D capabilities and robust product pipeline.

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.

Financial Statements

Key Assumptions

Year to March	FY18	FY19	FY20E	FY21E
Macro				
GDP(Y-o-Y %)	7.1	7.1	7.2	7.3
Inflation (Avg)	3.7	4.0	5.9	4.5
Repo rate (exit rate)	6.3	5.8	7.5	5.8
USD/INR (Avg)	70.0	72.0	61.1	72.0
Company				
Raw Material (% net rev)	56.0	58.6	58.9	59.3
Domestic rev. growth (%)	3.0	13.0	14.0	14.0
Export rev growth (%)	8.6	23.0	15.0	15.0
Seeds revenue growth (%)	11.0	10.0	20.0	20.0
Org. manure rev grw. (%)	15.1	20.0	20.0	20.0
Other exp (% net rev)	20.1	19.3	18.4	18.2
Int (% of avg G.debt)	15.1	22.5	17.1	16.7
Employee cost (% of rev)	9.2	8.8	8.5	8.3
Capex (INR mn)	(515)	(700)	(1,300)	(1,300)
Net borrowings (INR mn)	(1,052)	(841)	(1,088)	(1,612)
Debtor days	68	75	74	76
Inventory days	176	179	161	147
Payable days	156	163	146	139
Cash conversion cycle	87	91	89	85
Dep. (% gross block)	10.2	9.2	9.4	9.5

Income statement

(INR mn)

Year to March	FY18	FY19	FY20E	FY21E
Net revenue	17,909	20,482	23,620	27,248
Materials costs	10,024	12,000	13,913	16,161
Gross profit	7,886	8,482	9,707	11,087
Employee costs	1,649	1,797	2,013	2,275
Other Expenses	3,592	3,951	4,346	4,955
Operating expenses	5,241	5,749	6,360	7,230
Total operating expenses	15,265	17,748	20,273	23,391
EBITDA	2,645	2,734	3,347	3,857
Depreciation	463	469	545	618
EBIT	2,182	2,264	2,802	3,239
Less: Interest Expense	43	45	30	25
Add: Other income	131.75	220.00	253.1	303.82
Profit Before Tax	2,270	2,439	3,025	3,518
Less: Provision for Tax	600	683	786	915
Less: Minority Interest	(6)	-	-	-
Reported Profit	1,676	1,756	2,238	2,604
Adjusted Profit	1,676	1,756	2,238	2,604
Shares o /s (mn)	195	195	195	195
Adjusted Basic EPS	8.6	9.0	11.5	13.4
Diluted shares o/s (mn)	195	195	195	195
Adjusted Diluted EPS	8.6	9.0	11.5	13.4
Adjusted Cash EPS	10.6	11.4	14.3	16.6
Dividend per share (DPS)	4.2	4.2	4.2	4.2
Dividend Payout Ratio(%)	49.1	46.7	36.6	31.5

Common size metrics

Year to March	FY18	FY19	FY20E	FY21E
Gross margin	44.0	41.4	41.1	40.7
Operating expenses	29.3	28.1	26.9	26.5
Interest Expense	0.2	0.2	0.1	0.1
EBITDA margins	14.8	13.3	14.2	14.2
EBIT margins	12.2	11.1	11.9	11.9
Net Profit margins	9.3	8.6	9.5	9.6

Growth ratios (%)

Year to March	FY18	FY19	FY20E	FY21E
Revenues	7.7	14.4	15.3	15.4
EBITDA	0.3	3.4	22.4	15.2
Adjusted Profit	20.5	4.8	27.4	16.3
EPS	20.5	4.8	27.4	16.3

Balance sheet		(INR mn)			
As on 31st March	FY18	FY19	FY20E	FY21E	
Share capital	195	195	195	195	
Reserves & Surplus	11,711	12,648	14,067	15,851	
Shareholders' funds	11,906	12,843	14,262	16,046	
Minority Interest	11	-	-	-	
Long term borrowings	199	200	150	150	
Short term borrowings	2	-	-	-	
Total Borrowings	200	200	150	150	
Long Term Liabilities	219	219	219	219	
Def. Tax Liability (net)	(523)	(523)	(523)	(523)	
Sources of funds	11,813	12,739	14,108	15,892	
Gross Block	4,751	5,451	6,151	6,851	
Net Block	3,640	3,871	4,026	4,108	
Capital work in progress	123	123	723	1,323	
Intangible Assets	2,390	2,390	2,390	2,390	
Total net fixed assets	6,154	6,385	7,139	7,822	
Non current investments	94	94	94	94	
Cash and Equivalents	1,252	1,041	1,238	1,762	
Inventories	5,722	6,034	6,212	6,798	
Sundry Debtors	3,997	4,470	5,135	6,271	
Loans & Advances	94	94	94	94	
Other Current Assets	1,745	1,745	1,745	1,745	
Current Assets (ex cash)	11,558	12,343	13,186	14,908	
Trade payable	5,306	5,430	5,680	6,592	
Other Current Liab	1,938	1,693	1,870	2,102	
Total Current Liab	7,244	7,124	7,550	8,694	
Net Curr Assets-ex cash	4,314	5,219	5,636	6,214	
Uses of funds	11,813	12,739	14,108	15,892	
BVPS (INR)	61.2	66.0	73.3	82.5	

Free cash flow		(INR mn)			
Year to March	FY18	FY19	FY20E	FY21E	
Reported Profit	1,676	1,756	2,238	2,604	
Add: Depreciation	463	469	545	618	
Interest (Net of Tax)	29	30	20	17	
Others	(80)	(30)	(20)	(17)	
Less: Changes in WC	1,751	906	417	578	
Operating cash flow	337	1,320	2,367	2,643	
Less: Capex	515	700	1,300	1,300	
Free Cash Flow	(178)	620	1,067	1,343	

Cash flow metrics		FY18	FY19	FY20E	FY21E
Year to March					
Operating cash flow		337	1,320	2,367	2,643
Financing cash flow		(1,214)	(831)	(869)	(819)
Investing cash flow		922	(700)	(1,300)	(1,300)
Net cash Flow		46	(211)	197	524
Capex		(515)	(700)	(1,300)	(1,300)
Dividend paid		(877)	(819)	(819)	(819)

Profitability and efficiency ratios		FY18	FY19	FY20E	FY21E
Year to March					
ROAE (%)		14.5	14.2	16.5	17.2
ROACE (%)		19.6	19.7	22.3	23.2
Inventory Days		176	179	161	147
ROA		14.5	14.3	16.7	17.4
Debtors Days		68	75	74	76
Payable Days		156	163	146	139
Cash Conversion Cycle		87	91	89	85
Current Ratio		1.8	1.9	1.9	1.9
Debt/EBITDA (x)		0.1	0.1	-	-
Adjusted Debt/Equity		-	-	-	-
Net Debt/Equity		(0.1)	(0.1)	(0.1)	(0.1)
Interest Coverage Ratio		50.7	-	-	-
LT debt /Cap empl. (%)		1.7	1.6	1.1	0.9
Debt / Cap employed (%)		1.7	1.6	1.1	0.9

Operating ratios		FY18	FY19	FY20E	FY21E
Year to March					
Total Asset Turnover		1.6	1.7	1.8	1.8
Fixed Asset Turnover		3.0	3.3	3.7	4.2
Equity Turnover		1.6	1.7	1.7	1.8

Valuation parameters		FY18	FY19	FY20E	FY21E
Year to March					
Adj. Diluted EPS (INR)		8.6	9.0	11.5	13.4
Y-o-Y growth (%)		20.5	4.8	27.4	16.3
Adjusted Cash EPS (INR)		10.6	11.4	14.3	16.6
Diluted P/E (x)		18.5	17.7	13.9	11.9
P/B (x)		2.6	2.4	2.2	1.9
EV / Sales (x)		1.7	1.5	1.3	1.1
EV / EBITDA (x)		11.3	11.1	9.0	7.6
Dividend Yield (%)		2.6	2.6	2.6	2.6

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
		FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
Rallis India	414	16.7	13.1	10.4	8.5	14.2	16.5
Bayer Cropscience	2,078	26.2	30.2	16.8	18.6	21.8	16.3
Dhanuka Agritech	288	17.5	15.0	13.1	10.1	17.6	18.6
PI Industries	1,810	30.8	24.4	22.6	17.7	19.9	21.1
UPL	6,243	19.7	14.5	11.7	8.1	22.3	21.1
Median	-	19.7	15.0	13.1	10.1	19.9	18.6
AVERAGE	-	22.2	19.5	14.9	12.6	19.1	18.7

Source: Edelweiss research

Additional Data

Directors Data

Mr. Bhaskar Bhat	Chairman	Mr. V Shankar	Managing Director & CEO
Mr. Prakash R Rastogi	Director	Mr. Bharat Vasani	Director
Mr. R Mukundan	Director	Dr. Y. S. P.Thorat	Director
Dr. Punita Kumar Sinha	Director	Mrs. Padmini Khare Kaicker	Director
C.V. Natraj	Director		

Auditors - Deloitte Haskins & Sells

**as per last available data*

Holding Top -10

	Perc. Holding		Perc. Holding
HDFC Life Insurance Co Ltd	3.61	SBI MAGNUM	1.29
Tata Asset Management Ltd	2.53	Invesco Asset Management India Pvt	1.28
Franklin Templeton India Pte Ltd	2.15	Aditya Birla Sun Life Trustee Co P	1.2
SBI Funds Management Pvt Ltd	2.08	BlackRock Inc	1.12
Sundaram Asset Management Co Ltd	1.48	HDFC Asset Management Co Ltd	1.09

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
No Data Available				

**as per last available data*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
No Data Available			

**as per last available data*

Edelweiss Securities Limited, Edelweiss House, off C.S.T. Road, Kalina, Mumbai – 400 098.
Board: (91-22) 4009 4400, Email: research@edelweissfin.com

Aditya Narain
Head of Research
aditya.narain@edelweissfin.com

Coverage group(s) of stocks by primary analyst(s): Midcap Agri

Bayer Cropscience, Dhanuka Agritech, Jain Irrigation, PI Industries, Rallis India, Sharda Cropchem, UPL

Recent Research

Date	Company	Title	Price (INR)	Recos
28-Feb-19	Agri Inputs	Domestic remains under weather; global bright; <i>Sector Update</i>		
12-Feb-19	PI Industries	Growth back with a bang; <i>Result Update</i>	884	Buy
12-Feb-19	Dhanuka Agritech	Lackluster performance; <i>Result Update</i>	377	Buy

Distribution of Ratings / Market Cap

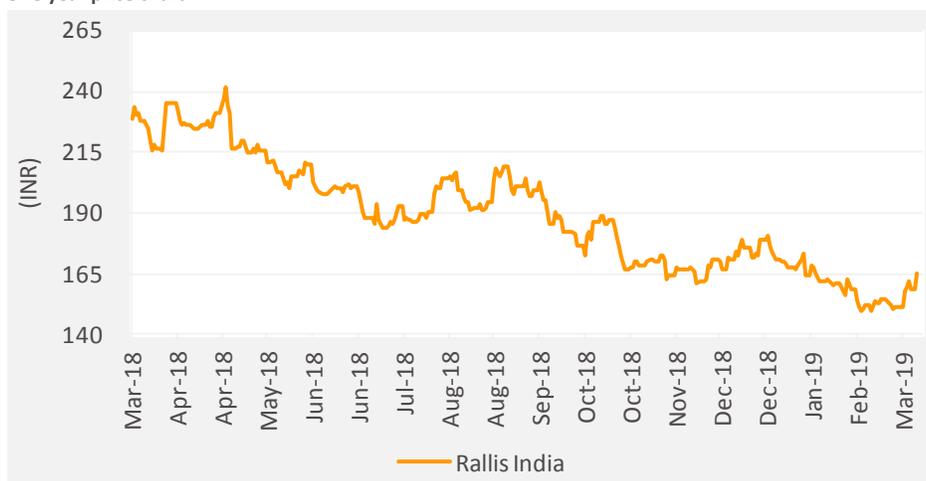
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



DISCLAIMER

Edelweiss Securities Limited (“ESL” or “Research Entity”) is regulated by the Securities and Exchange Board of India (“SEBI”) and is licensed to carry on the business of broking, depository services and related activities. The business of ESL and its Associates (list available on www.edelweissfin.com) are organized around five broad business groups – Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance.

This Report has been prepared by Edelweiss Securities Limited in the capacity of a Research Analyst having SEBI Registration No. INH200000121 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 includes Financial Instruments and Currency Derivatives. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in Securities referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ESL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. ESL reserves the right to make modifications and alterations to this statement as may be required from time to time. ESL or any of its associates / group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. ESL is committed to providing independent and transparent recommendation to its clients. Neither ESL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The information provided in these reports remains, unless otherwise stated, the copyright of ESL. All layout, design, original artwork, concepts and other Intellectual Properties, remains the property and copyright of ESL and may not be used in any form or for any purpose whatsoever by any party without the express written permission of the copyright holders.

ESL shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, break down of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of the ESL to present the data. In no event shall ESL be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by the ESL through this report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.

ESL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the Securities, mentioned herein or (b) be engaged in any other transaction involving such Securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance. ESL may have proprietary long/short position in the above mentioned scrip(s) and therefore should be considered as interested. The views provided herein are general in nature and do not consider risk appetite or investment objective of any particular investor; readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with ESL.

ESL or its associates may have received compensation from the subject company in the past 12 months. ESL or its associates may have managed or co-managed public offering of securities for the subject company in the past 12 months. ESL or its associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. ESL or its associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. ESL or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Research analyst or his/her relative or ESL's associates may have financial interest in the subject company. ESL and/or its Group Companies, their Directors, affiliates and/or employees may have interests/ positions, financial or otherwise in the Securities/Currencies and other investment products mentioned in this report. ESL, its associates, research analyst and his/her relative may have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: (i) exchange rates can be volatile and are subject to large fluctuations; (ii) the value of currencies may be affected by numerous market factors, including world and national economic, political and regulatory events, events in equity and debt markets and changes in interest rates; and (iii) currencies may be subject to devaluation or government imposed exchange controls which could affect the value of the currency. Investors in securities such as ADRs and Currency Derivatives, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Research analyst has served as an officer, director or employee of subject Company: No

ESL has financial interest in the subject companies: No

ESL's Associates may have actual / beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report.

Research analyst or his/her relative has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

ESL has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

Subject company may have been client during twelve months preceding the date of distribution of the research report.

There were no instances of non-compliance by ESL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years except that ESL had submitted an offer of settlement with Securities and Exchange commission, USA (SEC) and the same has been accepted by SEC without admitting or denying the findings in relation to their charges of non registration as a broker dealer.

A graph of daily closing prices of the securities is also available at www.nseindia.com

Analyst Certification:

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Additional Disclaimers

Disclaimer for U.S. Persons

This research report is a product of Edelweiss Securities Limited, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Edelweiss Securities Limited only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Edelweiss Securities Limited has entered into an agreement with a U.S. registered broker-dealer, Edelweiss Financial Services Inc. ("EFSI"). Transactions in securities discussed in this research report should be effected through Edelweiss Financial Services Inc.

Disclaimer for U.K. Persons

The contents of this research report have not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000 ("FSMA").

In the United Kingdom, this research report is being distributed only to and is directed only at (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 (the "Order"); (b) persons falling within Article 49(2)(a) to (d) of the Order (including high net worth companies and unincorporated associations); and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons").

This research report must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this research report relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this research report or any of its contents. This research report must not be distributed, published, reproduced or disclosed (in whole or in part) by recipients to any other person.

Disclaimer for Canadian Persons

This research report is a product of Edelweiss Securities Limited ("ESL"), which is the employer of the research analysts who have prepared the research report. The research analysts preparing the research report are resident outside the Canada and are not associated persons of any Canadian registered adviser and/or dealer and, therefore, the analysts are not subject to supervision by a Canadian registered adviser and/or dealer, and are not required to satisfy the regulatory licensing requirements of the Ontario Securities Commission, other Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and are not required to otherwise comply with Canadian rules or regulations regarding, among other things, the research analysts' business or relationship with a subject company or trading of securities by a research analyst.

This report is intended for distribution by ESL only to "Permitted Clients" (as defined in National Instrument 31-103 ("NI 31-103")) who are resident in the Province of Ontario, Canada (an "Ontario Permitted Client"). If the recipient of this report is not an Ontario Permitted Client, as specified above, then the recipient should not act upon this report and should return the report to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any Canadian person.

ESL is relying on an exemption from the adviser and/or dealer registration requirements under NI 31-103 available to certain international advisers and/or dealers. Please be advised that (i) ESL is not registered in the Province of Ontario to trade in securities nor is it registered in the Province of Ontario to provide advice with respect to securities; (ii) ESL's head office or principal place of business is located in India; (iii) all or substantially all of ESL's assets may be situated outside of Canada; (iv) there may be difficulty enforcing legal rights against ESL because of the above; and (v) the name and address of the ESL's agent for service of process in the Province of Ontario is: Bamac Services Inc., 181 Bay Street, Suite 2100, Toronto, Ontario M5J 2T3 Canada.

Disclaimer for Singapore Persons

In Singapore, this report is being distributed by Edelweiss Investment Advisors Private Limited ("EIAPL") (Co. Reg. No. 201016306H) which is a holder of a capital markets services license and an exempt financial adviser in Singapore and (ii) solely to persons who qualify as "institutional investors" or "accredited investors" as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Pursuant to regulations 33, 34, 35 and 36 of the Financial Advisers Regulations ("FAR"), sections 25, 27 and 36 of the Financial Advisers Act, Chapter 110 of Singapore shall not apply to EIAPL when providing any financial advisory services to an accredited investor (as defined in regulation 36 of the FAR. Persons in Singapore should contact EIAPL in respect of any matter arising from, or in connection with this publication/communication. This report is not suitable for private investors.

Copyright 2009 Edelweiss Research (Edelweiss Securities Ltd). All rights reserved