

Pick of the week



Rallis India Ltd

Recommendation

Buy

Time Period

12 Months

Current Price

₹269

Target Price

₹310

Potential Upside

15%

Investment Argument

- Rallis reported healthy gross margin expansion of 144bps and a similar increase in operating (EBITDA) margins to 15.6%, which drove earnings growth in 9MFY21.
- The international business showed signs of recovery in Q3FY21 led by a sequential increase in Metribuzin pricing and higher volumes for AIs (Active Ingredients) leading to 35% qoq growth to Rs210 cr.
- Rallis management indicated that the domestic agrichemical industry growth is anticipated to remain at 10-11% in Fy21.
- The company maintained its guidance of launching two new 9(3) registration products every year for the next few years.
- We expect the company to deliver robust earnings growth over the next few years driven by near-term recovery in the international business and medium-term capacity-led growth across segments. We value the stock based on 18X December 22E EPS.