



Stellar growth in the Top-line for Q1, 12

Rallis recorded solid Top-line growth in the June quarter backed by robust performance in its newly acquired seeds company Metahelix. High growth in Sales was aided by steady progress of July monsoon which enabled improvement of sowing and crop acreage in cotton, groundnut and pulses meanwhile domestic business performance was further enhanced by successful product launches in both the crop protection and seeds space. Net Sales accelerated by 49% YoY and 33% QoQ to Rs 2916 Mln (Q1, 12), while on a standalone basis its growth stood at 19% YoY and 6% QoQ to Rs 2327 Mln (Q1, 12).

While the quarterly performance of Metahelix was firm, management commented that for the rest of the year, growth in seeds business will not be matching Q1 as seeds sales in India are highly seasonal and Q1 (Kharif season) contributes almost 60% of the full year revenues.

Better margins in Seeds business guide improvement in OPM's

With strong Sales growth, margins too saw significant improvement. On a cumulative basis OPM's stood at 14.6% (Q1, 12) whereas on standalone basis it improved by almost 200 bps to 13.1% (Q1, 12). Amelioration in margins was led by the newly acquired seeds business which managed OPM's of over 20% for the quarter under review. Total standalone operating expenses of the company gained 15% YoY and 5% QoQ to Rs 2069 Mln (Q1, 12) while on a consolidated scenario expenses moved up by 41% YoY and 29% QoQ to Rs 2540 Mln (Q1, 12). No doubt EBITDA saw stupendous growth (specifically on the cumulative basis) of 92% YoY to Rs 435 Mln (Q1, 12).

Bottom-line performance follows EBITDA

Rallis's Depreciation costs shot up by 52% YoY and 4% QoQ to Rs 54 Mln whereas its Interest expenses moved up from negative interest on a YoY comparison and rose 60% QoQ to 28 Mln (Q1, 12). Added to this, SEZ benefits resulted in substantial reduction in % tax outgo to 21.9% (Q1, 12) as against 31.3% (Q1, 11) and compared to 33.5% (Q4, 11). Its Net profit on a consolidated basis stepped up by 86% YoY and 46% QoQ to Rs 277 Crore (Q1, 12) and the NPM's too improved by over 200 bps YoY and 110 bps QoQ to 9.3% (Q1, 12).

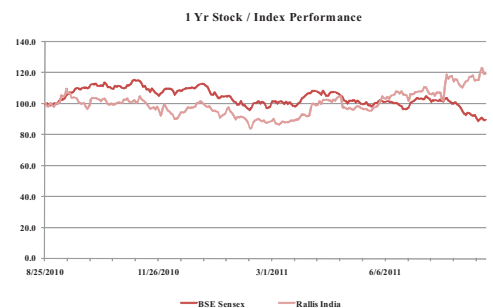
Following better than expected financial and operating numbers in Q1, 12; we have increased our Top-line estimates for FY 12 and also introduced FY 13 estimates. We anticipate Rallis to clock a 19% Revenue CAGR (between FY 11-13) to Rs 15153 Mln (FY 13) while sustained amelioration in operating performance will enhance OPM's to 19% levels by FY 13. Led by better margins, its EBITDA is expected to record a CAGR of 21% to Rs 2935 Mln (FY 13).

Backed by its state of art manufacturing facilities, solid distribution network, strong R&D; we maintain our bullish view on Rallis. Lately, the stock has witnessed healthy upmove and is currently trading above our initial Target of Rs 163 (Post Split). At the Trailing market price of Rs 167, Rallis is trading at 19.4X and 16.3X its FY 12E and FY 13E earnings which looks stretched. **We recommend an Accumulate on Declines strategy on the stock for a 12 Months Target of Rs 204.**



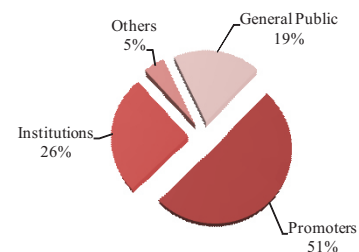
Industry: Agro-Chemicals

Current Price	167
Target Price	204
Market Cap (Cr.)	3248
52 Week H/L	179/117
FV	1
Book Value/Share	26
BSE Sensex	16285
NSE Nifty	4889
BSE Code	500355
NSE Code	RALLIS
Reuters Code	RALL.NS
Bloomberg Code	RALI:IN



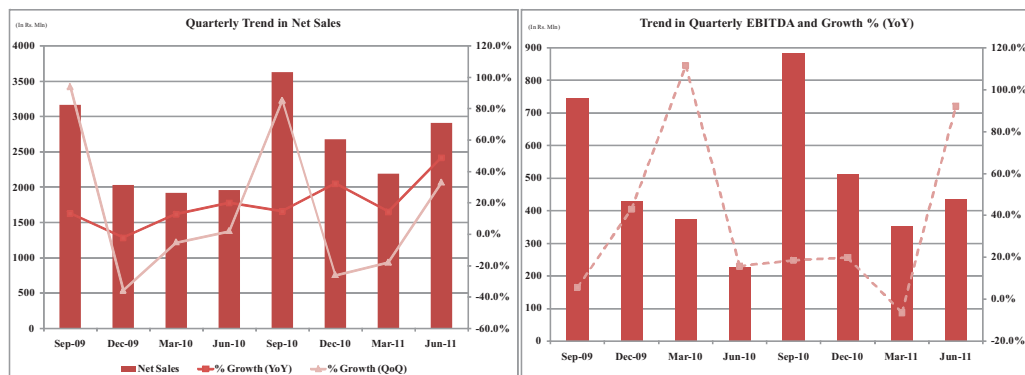
Stock/Index Performance %	3 M	6 M	12 M
Rallis India Ltd.	24.4%	35.2%	19.0%
BSE Sensex	-8.8%	-8.0%	-10.4%
NSE Nifty	-8.6%	-7.8%	-10.5%

Share Holding Pattern as on Jun 30, 2011

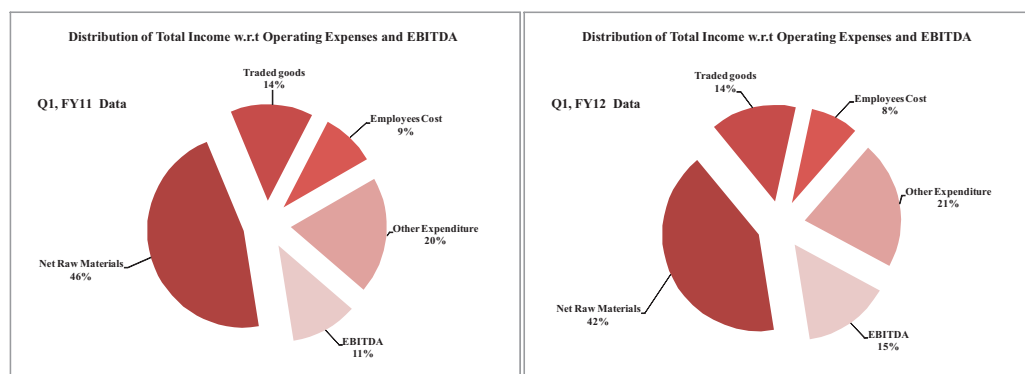


Particulars (In Rs. Mln)	FY 10	FY 11	FY 12E	FY 13E
Net Sales	8786.8	10657.0	13115.6	15153.0
Operating Exp	7255.6	8943.6	10889.4	12493.1
EBITDA	1749.6	1990.7	2501.2	2934.9
OPM	19.4%	18.2%	18.7%	19.0%
Depreciation	152.3	174.8	218.8	234.7
Interest	22.7	25.1	87.5	71.4
Adj Net Profit	1014.9	1260.4	1672.4	1993.4
NPM	11.2%	11.5%	12.4%	12.9%

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Source: Company Data, JRG Research



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Quarterly Financials - Rallis India Ltd.

Units: Rs. Mln	Jun 11	% Growth	Jun 10	% Growth	Mar 11
Net Sales	2915.9	48.7%	1960.4	32.8%	2195.1
Other Oper Income	59.2	-12.3%	67.5	-52.9%	125.8
Operating Income	2975.1	46.7%	2027.9	28.2%	2320.9
Stock in trade & WIP	-388.7	81.9%	-213.7	-2640.5%	15.3
Raw Materials	1624.6	41.0%	1151.8	37.5%	1181.5
Net Raw Materials	1235.9	31.7%	938.1	3.3%	1196.8
% of Sales	41.5%	-	46.3%	-	51.6%
Traded goods	428.1	52.6%	280.5	160.1%	164.6
% of Sales	14.4%	-	13.8%	-	7.1%
Employees Cost	239.7	30.1%	184.3	67.4%	143.2
Other Expenditure	636.6	59.7%	398.5	36.7%	465.7
% of Sales	21.4%	-	19.7%	-	20.1%
Operating Expenses	2540.3	41.0%	1801.4	28.9%	1970.3
EBITDA	434.8	92.0%	226.5	24.0%	350.6
OPM	14.6%	-	11.2%	-	15.1%
Other Income	2.1	-87.2%	16.40	-55.3%	4.7
Depreciation	54.4	52.0%	35.8	3.8%	52.4
EBIT	382.5	84.7%	207.1	26.3%	302.9
Interest	28.3	-414.4%	-9.0	59.9%	17.7
Profit Before Tax	354.2	63.9%	216.1	24.2%	285.2
Tax Expense	77.7	14.8%	67.7	-18.6%	95.4
% of Tax	21.9%	-	31.3%	-	33.5%
Adjusted Net Profit	276.5	86.3%	148.4	45.7%	189.8
NPM	9.3%	-	7.3%	-	8.2%

Note: All Q1, 12 Data Incl Fin from New Subsidiary Metahelix

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