

March 22, 2022

Ruchi Soya Industries Ltd

Incorporated in 1986, Ruchi Soya Industries Ltd (RSIL), a part of Patanjali Group, is one of the leading FMCG brands in the Indian edible oil sector. It is the largest manufacturers of soya foods with a presence across the entire value chain in upstream and downstream businesses with secured palm plantations. The firm operates in different verticals such as Edible oil and by-products, Oleochemicals, Textured Soya protein (TSP), Honey and Atta, Oil Palm Plantation, Biscuits, Cookies, and Rusks, Noodles and Breakfast cereals, Nutraceuticals and wellness, and Renewable energy wind power. Currently, it is leveraging its brand "Neutrela" with a range of premium products like "Neutrela High Protein Chakki Aata" and "Neutrela Honey". Ruchi Soya owns 23 manufacturing units (17 plants are operational) across India. It has a strong network distribution of 97 sale depots, 4763 distributors, and 457,788 retail outlets.

Positives: (a) Strong promoter pedigree of Patanjali group, a leading FMCG and wellness-oriented brand (b) Strong brand recognition of the products in the Indian market (c) Upstream and downstream integration and one of the key players in Oil Palm Plantation (d) RSIL has strong, established and extensive distribution network (e) An effective strategy to procure the key raw materials required for the business and have a track record of managing volatility in the commodity prices and foreign exchange markets.

Investment concerns: Volatility in raw material prices and increase in competition could impact the profitability of the company.

Outlook & Valuation: In terms of valuations, the post-issue FPO TTM P/E works out to 26.6x (at the upper end of the issue price band), which is low compared to its peers Adani Wilmar (TTM PE -57.8x). Further, RSIL has strong brand recall, wide distribution, healthy ROE (FY21). Considering all the positive factors, we believe this valuation is at reasonable levels. **Thus, we recommend a subscribe rating on the issue.**

Key Financials

Y/E March (₹ cr)	FY2019	FY2020	FY2021	9MFY22
Net Sales	12,729	13,118	16,319	17,542
% chg	-	3.1	24.4	
Net Profit	77	224	681	572
% chg	-	192.5	203.4	
OPM (%)	1.0	3.1	5.8	6.2
EPS (Rs)	2.1	6.2	18.8	15.8
P/E (x)	306.7	104.9	34.6	-
P/BV (x)	(5.3)	6.7	5.6	-
RoE (%)	(1.7)	6.4	16.1	-
RoCE (%)	(0.5)	3.8	10.6	-
EV/Sales (x)	2.4	2.0	1.6	-
EV/EBITDA (x)	254.1	66.2	27.9	-

Angel Research; Note: Valuation ratios based on post-issue shares and at ₹650 per share.

Subscribe

Issue Open: March 24, 2022

Issue Close: March 28, 2022

Issue Details

Face Value: ₹2

Present Eq. Paid up Capital: ₹59.2cr

Fresh issue: ₹4,300cr

Post Eq. Paid up Capital: ₹72.4cr

Issue size (amount): ₹4,300cr

Price Band: ₹615-650

Lot Size: 21 shares

Post-issue mkt.cap: ₹22,263* – 23,530cr**

Promoter holding Pre-Issue: 98.9%

Promoter holding Post-Issue: 80.8%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	50%
Non-Institutional	15%
Retail	35%

Post Issue Shareholding Pattern

Promoters	80.8%
Public	19.2%

Amarjeet S Maurya

Amarjeet.maurya@angelbroking.com

+022 4000 3600, Extn: 6810

Company background

Ruchi Soya Industries Limited (“Ruchi Soya”) was incorporated on 6 th January, 1986. Pursuant to completion of the Corporate Insolvency Resolution Process and upon implementation of the Patanjali Resolution Plan, the company was acquired by its current promoters.

Ruchi soya is one of the largest FMCG companies in the Indian edible oil sector and one of the largest fully integrated edible oil refining companies in India. They are the pioneers and largest manufacturers of soya foods under their brand ‘Nutrela’. They have launched a range of premium edible oils and blended edible oils and ‘Nutrela High Protein Chakki Atta’ and ‘Nutrela Honey’ in Fiscal 2021. Further they have expanded their packaged food portfolio by acquiring the ‘Patanjali’ product portfolio of biscuits, cookies, rusks, noodles, and breakfast cereals.

Ruchi Soya has a total of 23 processing plants (of which 17 are currently operational) across India, out of which 10 such processing plants form their oil crushing and refinery units, and 1 biscuit manufacturing plant with yearly processing capacity of 27,900 MT.

The company has pan India network of over 97 sale depots, 4,763 distributors who in turn reach out, directly to 457,788 retail outlets in the urban, semiurban and rural areas of the country.

Issue details

Ruchi Soya Industries FPO is raising ₹4,300cr through fresh issue in the price band of ₹615-650.

Exhibit 1: Pre and post FPO shareholding pattern

No of shares	(Pre-issue)	%	(Post-issue)	%
Promoter	29,25,76,619	98.90%	29,25,76,619	80.82%
Public	32,64,708	1.10%	6,94,18,554	19.18%
Total	29,58,41,327	100.00%	36,19,95,173	100.00%

Source: Source: RHP, Note: Calculated on upper price band

Objectives of the Offer

- Repayment and/or prepayment, in full or part, of certain borrowings availed by the company -₹2,664cr
- Repayment/prepayment of borrowings – ₹593cr and
- General corporate purposes.

Exhibit 2: Profit & Loss Statement

Y/E March (₹ cr)	FY2019	FY2020	FY2021	9MFY22
Net Sales	12,729	13,118	16,319	17,542
% chg		3.1	24.4	7.5
Total Expenditure	12,607	12,717	15,365	16,461
Raw Material	11,415	11,595	14,167	15,373
Personnel	151	153	140	136
Others Expenses	1,041	969	1,058	951
EBITDA	122	401	954	1,081
% chg		228.8	138.0	13.3
(% of Net Sales)	1.0	3.1	5.8	6.2
Depreciation & Amortisation	138	136	133	100
EBIT	(16)	265	821	981
% chg		(1,724.6)	209.6	19.6
(% of Net Sales)	(0.1)	2.0	5.0	5.6
Interest & other Charges	7	112	371	269
Other Income	100	7,505	64	67
(% of PBT)	130.4	98.0	12.5	8.5
Recurring PBT	77	7,658	514	779
% chg		9,883.1	(93.3)	51.4
Tax	-	(14)	(166)	207
(% of PBT)	-	(0.2)	(32.3)	26.6
PAT (reported)	77	7,672	681	572
Extraordinary Items	-	7,448	-	-
ADJ. PAT	77	224	681	572
% chg		192.5	203.4	(16.0)
(% of Net Sales)	0.6	1.7	4.2	3.3
Basic EPS (₹)	2.1	6.2	18.8	15.8
% chg		192.5	203.4	(16.0)

Balance Sheet

Y/E March (₹ cr)	FY2019	FY2020	FY2021
SOURCES OF FUNDS			
Equity Share Capital	67	207	221
Reserves & Surplus	(4,543)	3,312	4,003
Shareholders Funds	(4,477)	3,518	4,225
Total Loans	7,914	3,467	3,494
Deferred Tax Liability	-	-	-
Total Liabilities	3,437	6,985	7,718
APPLICATION OF FUNDS			
Net Block	5,224	5,070	4,954
Capital Work-in-Progress	27	25	27
Investments	31	20	30
Current Assets	2,655	2,752	3,831
Inventories	1,261	1,355	2,363
Sundry Debtors	262	274	438
Cash	430	455	387
Loans & Advances	566	512	488
Other Assets	136	156	154
Current liabilities	4,500	883	1,290
Net Current Assets	(1,845)	1,870	2,540
Deferred Tax Asset	-	-	166
Total Assets	3,437	6,985	7,718

Source: Company, Angel Research

Exhibit 3: Cash Flow Statement

Y/E March (₹ cr)	FY2019	FY2020	FY2021
Profit before tax	77	7658	514
Depreciation	138	136	133
Change in Working Capital	32	(516)	(732)
Interest / Dividend (Net)	(5)	80	333
Direct taxes paid	19	(3)	(5)
Others	(22)	(7415)	3
Cash Flow from Operations	240	(61)	247
(Inc.)/ Dec. in Fixed Assets	(7)	(19)	(20)
(Inc.)/ Dec. in Investments	(105)	(6)	(24)
Cash Flow from Investing	(112)	(26)	(44)
Issue of Equity	0	205	0
Inc./(Dec.) in loans	0	(497)	26
Dividend Paid (Incl. Tax)	0	0	0
Interest / Dividend (Net)	(7)	374	(336)
Cash Flow from Financing	(7)	82	(311)
Inc./(Dec.) in Cash	121	(4)	(108)
Opening Cash balances	37	158	154
Closing Cash balances	158	154	46

Source: Company, Angel Research

Key Ratios

Y/E March	FY2019	FY2020	FY2021
Valuation Ratio (x)			
P/E (on FDEPS)	306.7	104.9	34.6
P/CEPS	109.5	65.3	28.9
P/BV	(5.3)	6.7	5.6
EV/Sales	2.4	2.0	1.6
EV/EBITDA	254.1	66.2	27.9
EV / Total Assets	9.0	3.8	3.4
Per Share Data (₹)			
EPS (Basic)	2.1	6.2	18.8
EPS (fully diluted)	2.1	6.2	18.8
Cash EPS	5.9	9.9	22.5
Book Value	(123.7)	97.2	116.7
Returns (%)			
ROCE	(0.5)	3.8	10.6
Angel ROIC (Pre-tax)	(0.5)	4.1	11.2
ROE	(1.7)	6.4	16.1
Turnover ratios (x)			
Asset Turnover (Net Block)	2.1	2.2	2.7
Inventory / Sales (days)	36	38	53
Receivables (days)	8	8	10
Payables (days)	64	5	15
Working capital cycle (ex-cash) (days)	(20)	41	48

Source: Company, Angel Research

Research Team Tel: 022 - 40003600

E-mail: research@angelbroking.comWebsite: www.angelone.in

DISCLAIMER

Angel One Limited (hereinafter referred to as "Angel") is a registered Member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited and Metropolitan Stock Exchange Limited. It is also registered as a Depository Participant with CDSL and Portfolio Manager and investment advisor with SEBI. It also has registration with AMFI as a Mutual Fund Distributor. Angel One Limited is a registered entity with SEBI for Research Analyst in terms of SEBI (Research Analyst) Regulations, 2014 vide registration number INH000000164. Angel or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities Market.

This document is solely for the personal information of the recipient, and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment.

Angel or its associates or research analyst or his relative may have actual/beneficial ownership of 1% or more in the securities of the subject company at the end of the month immediately preceding the date of publication of the research report. Neither Angel or its associates nor Research Analysts or his relative has any material conflict of interest at the time of publication of research report.

Angel or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business. Angel or its associates did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with the research report. Neither Angel nor its research analyst entity has been engaged in market making activity for the subject company.

Reports based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals. Investors are advised to refer the Fundamental and Technical Research Reports available on our website to evaluate the contrary view, if any.

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true, but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. Angel One Limited or any of its affiliates/ 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. Angel One Limited has not independently verified all the information contained within this document. Accordingly, we cannot testify, nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document. While Angel One Limited endeavors to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This document is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly.

Neither Angel One Limited, nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information. Angel or its associates or Research Analyst or his relative might have financial interest in the subject company. Research analyst has not served as an officer, director or employee of the subject company.