

## Subscribe

Issue Details	
Price Band (Rs)	Rs.615 - 650
Face Value (Rs)	2
Issue Size (Rs)	4300Cr
Issue Type	Book Building
Minimum lot	21 Shares
Issue Opens	March 24, 2022
Issue Closes	March 28, 2022
Listing on	BSE, NSE

Indicative Timeline	On or before
Finalization of Basis of Allotment	March 31, 2022
Unblocking of Funds	April 04, 2022
Credit of shares to Demat Account	April 05, 2022
Listing on exchange	April 06, 2022

Other Detail	
Book Running Lead Managers	SBI Capital Markets Limited, Axis Capital Limited, ICICI Securities Limited
Registrar	Link Intime India Private Limited

# Ruchi Soya Industries Limited

## Company Background

**Ruchi Soya Industries Limited ("Ruchi Soya")** was incorporated on 6th 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. Till June 2021, Ruchi Soya owns 22 manufacturing units with a total refining capacity of 11000 tonnes per day, currently, 16 plants are operational. It has a strong network distribution of 100 sale depots, 4763 distributors, and 457,788 retail outlets.

## Issue Details

The offer comprises Fresh Issue of Equity shares aggregating upto Rs.4300Cr.

## Issue Objectives

1. Repayment and/or prepayment, in full or part, of certain borrowings availed by the company: Rs.2,664Cr.
2. Funding incremental working capital requirements of the company: Rs.593.42Cr.
3. General corporate purposes: Rs.1042.58Cr.

## IPO share allotment pattern

Category	Allocation	Number of Shares at Rs.615	Number of Shares at Rs.650	Issue Size (Rs.Cr)
QIB	50%	3,49,54,350	3,30,71,923	2,149.68
Non-Institutional	15%	1,04,86,305	99,21,577	644.90
Retail	35%	2,44,68,045	2,31,50,346	1,504.77
Employee		10,000	10,000	0.65
<b>Total</b>		<b>6,99,18,699</b>	<b>6,61,53,846</b>	<b>4,300.00</b>

Source: Company RHP, ACMIIL Research

## Outlook and Valuations

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. Pursuant to completion of the Corporate Insolvency Resolution Process and upon implementation of the Patanjali Resolution Plan, the company was acquired by Patanjali group. It will utilise the FPO proceeds for debt reduction, which will reduce its interest expense substantially. Moreover, there is no capex in the short term as the company is focusing on maximising utilization, which we believe will be the revenue driver for the company going forward. At the upper price band of Rs.650/-, stock is priced at 34.8x its FY22E EPS of Rs.18.66/- (based annualize latest earnings and on fully diluted post issue equity). **We recommend subscribing to the issue from a listing gain perspective.**

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## Competitive Strengths

### Continue to leverage the Patanjali brand and enhance synergies

One of the key strengths is being part of the Patanjali group and the strong brand equity generated by the "Patanjali" brand name. The Patanjali brand commands a recall amongst the consumers in India due to its image and goodwill established over the years. The company intends to leverage the brand equity that they enjoy as a result of their relationship with the Patanjali group.

### Enhance the high margin premium food portfolio through the Nutrela brand

'Nutrela' is the leading brand in TSP and enjoys a high recall amongst consumers. Due to Indians being predominantly vegetarian, protein levels are lower and Nutrela fits into the taste and nutritional requirements of the Indian consumer. The company will continue to expand their product portfolio within the existing product segments, focus on increasing sales realisation and volumes, and strive to provide differentiated offerings to their consumers.

### Intend to increase the market share by deeper penetration in existing markets and expanding the footprints in newer markets

The company intends to expand their sales and marketing efforts into regions where they do not have a strong presence. They also intend to expand their sales and marketing efforts into rural markets. As part of their distribution strategy, they have divided their sales efforts into different segments based on the nature of the product and the primary customer target group.

### To continue the focus on backward integration, by increasing the overall palm plantation area under cultivation

As an FMCG company, they intend to continue their focus on improving their ability to source raw materials required for their business from multiple sources in a timely and cost-effective manner, thereby reducing their dependence on third parties. As a first step towards reducing their import dependence and increasing their self-reliance, they have secured potential procurements right for FFBs that may be cultivated by farmers in potential areas.

### Expanding the 100% plant based and vegetarian nutraceuticals products portfolio

Company's nutraceuticals products portfolio contains tremendous growth opportunities for them. To capitalise the demand, they are in the process of broadening their offering capabilities in the products portfolio and enhancing their brand visibility. Currently they have 17 nutraceutical products, in their product basket, and intend to further diversify their product base, by over 25 products, by leveraging their Nutrela brand and include more value added products which yield better margins.

### Expansion of the distribution network through diversification and supply chain optimization

Ruchi Soya focuses to further strengthen their pan India presence for their products by diversifying their distribution network. They are focusing on expanding their distribution network for increased penetration in metros, semi-urban and rural markets. They can strengthen their presence in other regions by leveraging their existing business in modern trade channels where they enjoy strong business relations and collaborating with certain regional players.

### Continue to improve operational efficiency through enhanced usage of various software and technology

Company's ability to increase their sales will be strengthened by their continued focus on offering a wide range of innovative products across all their business verticals. Their presence in key-agricultural verticals provides them with significant business inter-linkages and they intend to improve their overall operating efficiencies by leveraging strengths from their different businesses as well as benefit from the economies of scale.

## Financial Snapshot

Particulars (Rs.Mn)	FY19	FY20	FY21	6MFY22
Equity share capital	653	592	592	592
Net worth	(45,208)	33,709	40,624	44,015
Revenue from Operations	127,292	131,178	163,186	112,612
EBITDA	2,220	4,585	10,184	7,065
EBITDA Margin	1.74%	3.49%	6.24%	6.27%
Net Profit	341	77,146*	6,808	3,378
Net Profit Margin	0.27%	58.8%	4.17%	3%
Diluted EPS (Rs)	104.54	876.88	23.02	11.42^
ROE(%)	--	4950.60%*	78.60%	27.72%
Debt to Equity Ratio	(1.72)	1.12	0.96	0.88

^ Not annualized\* Exceptional items (net) amounting to Rs. 74,902 Mn and Rs. (426) Mn is included in Net Profit after Tax of the F.Y. March 31, 2020 and March 31, 2019 respectively. Source: Company RHP, ACMIL Research

## Comparison with Listed Peers

Company	Standalone/ Consolidated	Revenue Including other Income FY21 (Rs.Mn)	EPS	NAV	P/E	ROE(%)
Ruchi Soya Industries Limited	Restated	163,830	23.02	137.35	34.80^	78.60%
Dabur India Limited	Consolidated	98,870	9.58	43.36	52.81	22.12%
Britannia Industries Limited	Consolidated	134,490	77.43	147.38	40.73	52.16%
Nestle India Limited	Standalone	148,295	222.46	216.20	77.96	102.90%
Agro Tech Foods Limited	Consolidated	8,934	13.21	182	63.38	7.26%
Zydus Wellness Limited	Consolidated	18,756	19.55	752.01	76.18	2.60%
Godrej Agrovet Limited	Consolidated	63,062	16.34	106.79	28.90	16.95%
Marico Limited	Consolidated	81,420	9.08	25.11	53.07	37.01%
ITC Limited	Consolidated	557,876	10.7	49.06	21.02	22.18%

All financial information is sourced from financial results or annual report of the company for the year ended March 31, 2021 except for Nestle India Ltd whose standalone annual report is as on December 31, 2021. P/E Ratio has been computed based on the closing market price as on March 07, 2022. ^P/E Ratio has been computed based on the issue price and annualize September 2022 earnings.

## Risks and concerns

- The company depend almost entirely on third-party suppliers in respect of availability of our raw materials(Oil Seeds). An interruption in the supply of such products and price volatility could adversely affect their business, results of operations and financial condition. Due to the prolonged conflict between Ukraine and Russia, an increase in edible oil costs as well as a supply deficit seem to be on the horizon, at least in the short term.
- Certain of company's Promoters had pledged their Equity Shares and entered into an unattested share pledge agreement in favour of a common security trustee appointed by the consortium of lenders, which have been released temporarily to permit lock-in in terms of SEBI ICDR Regulations. Any exercise of such pledge by any lender forming part of such consortium or enforcement of such pledge could dilute the shareholding of the Promoters, which may adversely affect their business and future prospects.

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