

FPO Note: Ruchi Soya Industries Ltd.

Industry: FMCG
Reco: Subscribe
Date: March 24, 2022

Issue Snapshot		Issue Break up	
Company Name	Ruchi Soya Industries Ltd.	QIB ex Anchor	20% 13,228,769
Issue Opens	March 24, 2022 to March 28, 2022	Anchor Investor	30% 19,843,154
Price Band	Rs. 615 to Rs. 650	HNI	15% 9,921,577
Bid Lot	21 Equity Shares and in multiples thereof.	RII	35% 23,150,346
The Offer	Public issue of 66,153,846 Equity shares of Face value Rs. 2 each. (Comprising of Fresh Issue)	Total Public	100% 66,143,846
Issue Size	Rs. 4300.00 Crore	Employee Reservation	10,000
IPO Process	100% Book Building	Total	66,153,846
Face Value	Rs. 2.00	Equity Share Pre Issue (Nos. Cr.)	29.6
Exchanges	NSE & BSE	Fresh Share (Nos. Cr.)	6.6
BRLM	SBI Capital Markets Ltd; Axis Capital Ltd; ICICI Securities Ltd	Equity Share Post Issue (Nos. Cr.)	36.2
Registrar	Link Intime India Private Limited	Market Cap (Rs. Cr.)	23,529.7
		Equity Dilution	18.3%

Objects of the Offer

Fresh Issue

- Repayment and/ or prepayment of borrowings from consortium of lenders and PAL, one of the Promoters, in full or part, availed by the Company (Rs. 2663.8 crore);
- Funding incremental working capital requirements of the Company (Rs. 593.4 crore); and
- General corporate purposes

Company Highlights

- Ruchi Soya Industries Ltd. (RSIL), a part of Patanjali Group, is a diversified FMCG and FMHG focused company, with strategically located manufacturing facilities and well-recognized brands having a Pan India presence. It 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.
- Being the pioneers and largest manufacturers of soya foods has aided its brand 'Nutrela' in becoming a household and generic name in India. RSIL is across the entire value chain in the palm and soya segment, with a healthy mix of upstream and downstream business.
- Ruchi Soya is the largest player in terms of allocated zones, to undertake palm plantation, by the Government, which assists the company in backward integration of sourcing palm oil. The company integration also extends downstream to the oleo-chemicals and other by-product and derivatives business.
- The company is a pioneer in soya chunks which are associated with nutrition and good health. Leveraging upon the brand 'Nutrela', it has launched a range of premium edible oils and blended edible oils and 'Nutrela High Protein Chakki Atta' and 'Nutrela Honey' in FY21. Further, it has expanded its packaged food portfolio by acquiring the 'Patanjali' product portfolio of biscuits, cookies, rusks, noodles, and breakfast cereals.
- In FY22, RSIL forayed into a niche and a high growth FMHG segment with the launch of the Nutraceutical business. It is also into the wind power generation business, where the renewable power generated is used for the sale and for captive use. This also helps the company to offset its carbon footprint, to the extent possible.
- **Business Verticals:**
 - ❖ **Edible oil, its by-products and derivatives** - Robust brands portfolio of Mahakosh, Ruchi Gold, Ruchi Star, Sunrich, Soyumm, Tulsi, Ruchi No.1, Bakefat and Avanti.
 - ❖ **Oleochemicals** - By-products produced primarily from the edible oil refineries such as soap noodles, glycerine, distilled fatty acids as well as value-based products of castor oil, soya and palm-based derivatives.
 - ❖ **Edible Soya Flour and Textured Soya Protein (TSP)** - Launched soya chunks in the 1980's through 'Nutrela' throughout India with a 40% market share in branded TSP as on March 31, 2020.
 - ❖ **Honey and Atta (flour)** - Launched 'Nutrela High Protein Chakki Atta' and 'Nutrela Honey' in Fiscal 2021 which is a combination of wheat and soya flour, and contains 30% more protein than regular wheat atta. It is also fortified with iron, folic acid, and vitamin B12.

- ❖ **Oil Palm Plantation** – 'Ruchi Oil Palm' reckoned as one of the top players in this segment in India with the largest allocated zone of 2,99,245 hectares. Owns four palm mills, in close proximity to the palm plantations, with aggregate capacity of 125 MT/hr, which is used to crush palm fruit.
- ❖ **Biscuits, cookies and rusks** – Forayed into biscuits, cookies, rusk and other associated bakery products category in May 2021 by acquiring it from Patanjali Natural Biscuits Private Limited.
- ❖ **Noodles and breakfast cereals** – Acquired the breakfast cereals and atta (wheat) noodles product category, in June 2021, from PAL ("Patanjali Assignment Agreement").
- ❖ **Nutraceutical and Wellness Products** - Caters to all categories of dietary supplements nutraceuticals such as (a) Medical nutrition (b) Sports nutrition and (c) General nutrition.
- ❖ **Renewable Energy - Wind Power** - As on September 30, 2021, generated wind power at a total aggregate amount of 84.6MW across eleven locations and six states.

View

- The company benefits from the strong promoter pedigree. Patanjali Ayurved Ltd, one of the Promoters, has a proven track record of being involved in the FMCG sector in India. The company leverages Patanjali Ayurved Ltd's sourcing capabilities, technical know-how and benefits from its in-depth understanding of local markets, its brands, extensive experience in manufacturing of FMCG products and trading and advanced logistics network in India.
- Currently, for edible oil and its derivatives business, Soya flour, TSP, and biscuits, 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 the oil crushing and refinery units, with an aggregate yearly oilseed crushing capacity of 3.71 MMT and an aggregate yearly oil refining capacity of 3.92 MMT and 1 biscuit manufacturing plant with yearly processing capacity of 27,900 MT. For the noodles and breakfast cereals business, the Patanjali Assignment Agreement has given the company ready access to 4 contract manufacturing units at Rajasthan, Uttarakhand and Haryana. The entire range of nutraceutical and wellness products of the company is manufactured by PAL at its modern and state of the art plant located at Patanjali Food and Herbal Park, Village Padartha, Laksar Road, Haridwar under a contract manufacturing agreement.
- Ruchi Soya has developed an extensive distribution network throughout India. The products of the company are sold through a pan India network of over 97 sale depots, 4,763 distributors who in turn reach out, directly to 4,57,788 retail outlets in the urban, semi-urban and rural areas of the country in addition to the increasing focus on modern trade and e-commerce platforms like Big Basket. Additionally, Ruchi Soya has significant indirect retail presence making it possibly to increase its overall reach as well availability of the company's products across India and catering to all segments of the society. The company's focus is to further strengthen the pan India presence for the products by diversifying the distribution network. The company is focusing on expanding distribution network for increased penetration in metros, semi-urban and rural markets.
- 'Nutrela' is the leading brand in TSP and enjoys a high brand 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. As a strategy, the company has expanded the 'Nutrela' brand portfolio from soya chunks to manufacture and sell Nutrela honey, Nutrela High Protein Atta and Nutrela Gold (blended oil) and will to launch new and premium products under the umbrella brand.
- Company's nutraceuticals products portfolio contains tremendous growth opportunities. To capitalise the demand, the company is in the process of broadening the offering capabilities in the products portfolio and enhancing the brand visibility. RSIL propose to strategically move along the production chain and diversify the product offerings beyond the existing range of nutraceuticals. Currently the company has 17 nutraceutical products, in the product basket, and intend to further diversify the product base, by over 25 products, by leveraging the Nutrela brand and include more value added products which yield better margins.
- On financial performance front, over FY18-21, it has reported a 346.6% CAGR growth in earnings on 13.2% CAGR growth in top-line. EBITDA margin during the period has improved from 1% in FY18 to 5.9% in H1FY22. Average RoCE and RoE stood at ~10% and ~7.5%, respectively, over FY18-21. Gross debt as of H1FY22 stood at Rs. 3642 crore, majority of which will be paid-off from the IPO proceeds.
- In terms of the valuations, on the higher price band, RSIL demands a P/E multiple of 34.8x based on H1FY22 annualized post issue fully diluted EPS vs industry average of 65x. Considering, RSIL's strong brand recall, wide distribution, better financial track record and healthy ROE, we have a positive view for the FPO. Hence, it is recommended to "SUBSCRIBE" the issue from the long term perspective.

Revenue from Operations - Product-wise

	FY19	FY20	FY21	H1FY22
Oil	10,751	11,192	14,505	9,666
Vanaspati	777	694	846	582
Seed Extraction	2,862	2,672	2,894	1,491
Food Products	511	544	481	705
Wind Turbine Power Generation	59	58	47	34
Others	130	158	160	356
Total	15,090	15,317	18,933	12,834
Less: Inter Segment Revenue	2,361	2,199	2,614	1,573
Income from Operations	12,729	13,118	16,319	11,261

Edible Oil Production Volume and Sales

	FY20		FY21		H1FY22	
	Production (in MT)	Sales (Rs Cr)	Production (in MT)	Sales (Rs Cr)	Production (in MT)	Sales (Rs Cr)
Vegetable Oil	1,493,487	10,368	1,558,840	13,353	681,066	8,896
Vegetable oils Crude	189,004	209	184,013	136	88,557	265
Vegetable oils Refined	1,304,483	10,158	1,374,827	13,217	592,508	8,632
Vanaspati and bakery fats	108,478	692	102,308	838	51,179	578
Vanaspati and bakery fats	108,478	692	102,308	838	51,179	578
By-products and derivatives	821,050	1,966	789,168	1,936	278,886	1,624
Textured Soya Protein	62,056	454	49,671	421	18,672	237
Oilseed meal	459,647	997	458,106	952	121,951	352
Edible soya flour	66,578	87	45,038	65	16,347	36
Others	232,768	429	236,353	497	121,915	999
Total	2,423,015	13,026	2,450,316	16,127	1,011,131	11,098

Installed Capacity, Actual Production and Capacity Utilization

	FY19	FY20	FY21	H1FY22
Consolidated Capacity (MTPA)				
Refining	3,925,500	3,925,500	3,925,500	3,925,500
Soya crushing	3,718,200	3,718,200	3,718,200	3,718,200
Mustard crushing	192,600	192,600	192,600	192,600
Palm crushing	900,000	900,000	900,000	900,000
TSP and Edible soya flour	185,000	185,000	185,000	185,000
Oleochemicals	134,600	134,600	134,600	134,600
Biscuits	-	-	-	27,900
Product wise Daily Capacity in MT				
Crushing Soya	12,394	12,394	12,394	12,394
Mustard Kolhu	642	642	642	642
Soya Meal	10,163	10,163	10,163	10,163
Refining, Vanaspati and bakery fats	13,085	13,085	13,085	13,085
TSP and Edible soya flour	617	617	617	617
Palm fruit crushing	3,000	3,000	3,000	3,000
Biscuits	-	-	-	93

Financial Statement

(In Rs. Cr)	FY19	FY20	FY21	H1FY22
Share Capital	65.3	59.2	59.2	59.2
Net Worth	(4520.8)	3370.9	4062.4	4401.5
Long Term Borrowings	16.1	2953.8	2879.8	2783.6
Other Long Term Liabilities	12.3	325.0	335.3	342.8
Short-term borrowings	7854.6	660.3	780.1	858.3
Other Current Liabilities	4530.4	555.8	949.4	1023.7
Fixed Assets	5250.9	5095.2	4981.3	4982.1
Non Current Assets	5401.2	163.7	339.4	231.1
Current Assets	2489.4	2605.0	3684.4	4195.0
Total Assets	7894.3	7867.6	9008.8	9411.8
Revenue from Operations	12729.2	13117.8	16318.6	11261.2
Revenue Growth (%)		3.1	24.4	
EBITDA	121.9	400.9	954.0	660.7
EBITDA Margin (%)	1.0	3.1	5.8	5.9
Net Profit	34.1	7714.6	680.8	337.8
Net Profit Margin (%)	0.3	58.8	4.2	3.0
Earnings Per Share (Rs.)	104.5	876.9	23.0	11.4
Return on Networth (%)	(0.5)	4950.6	78.6	27.7
Net Asset Value per Share (Rs.)	(13847.5)	383.2	137.4	148.8

Source: RHP, Ashika Research

Cash Flow Statement

(In Rs. Cr)	FY19	FY20	FY21	H1FY22
Cash flow from Operations Activities	237.6	(60.9)	243.3	251.9
Cash flow from Investing Activities	(111.8)	(25.8)	(44.0)	(81.1)
Cash flow from Financing Activities	(4.8)	82.4	(306.8)	(184.9)
Net increase/(decrease) in cash and cash equivalents	121.0	(4.2)	(107.5)	(14.2)
Cash and cash equivalents at the beginning of the year	37.0	158.0	153.8	46.3
Cash and cash equivalents at the end of the year	158.0	153.8	46.3	32.1

Source: RHP

Comparison with listed industry peers

Co Name	Net Sales (Rs. Cr.)	OPM (%)	D/E (x)	ROCE (%)	RONW (%)	P/E (x)	P/BV (x)	EV/EBIDTA (x)	MCap/Sales (x)	Market Cap (Rs. Cr.)
Ruchi Soya Industries Ltd.	16318.6	5.8	0.1	10.2	7.8	34.8	2.7	25.7	1.4	23529.7
ITC Ltd.	49272.8	37.0	0.0	28.7	22.0	20.8	4.7	14.0	4.9	307834.9
Nestle India Ltd.	14709.4	24.5	0.0	147.9	104.5	78.3	80.6	45.1	11.4	167914.2
Dabur India Ltd.	9546.6	22.0	0.1	27.3	24.1	51.9	10.9	36.0	8.8	94430.1
Britannia Industries Ltd.	13136.1	20.5	0.6	45.3	46.9	50.5	35.1	32.9	5.6	76053.0
Marico Ltd.	8048.0	19.0	0.1	44.9	38.7	53.1	14.8	35.8	6.8	63629.1
Zydus Wellness Ltd.	1866.7	17.6	0.1	3.9	3.0	30.6	2.0	26.9	4.8	9374.9
Godrej Agrovet Ltd.	6267.6	9.4	0.5	16.2	15.3	26.5	4.2	16.1	1.2	8935.2
Agro Tech Foods Ltd.	892.5	7.1	0.0	10.5	7.7	94.2	4.4	38.4	2.2	2009.5

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