



SMC Ranking
 ★★☆☆☆ (2/5)

Issue Highlights

Industry	FMCG
Offer for sale (Shares)	66,153,846
Fresh Issue (Shares)	0
Net Offer to the Public	66,153,846
Issue Size (Rs. Cr.)	4068-4300
Price Band (Rs.)	615-650
Open Date	24-Mar-22
Close Date	28-Mar-22
Face Value	2
Lot Size	21

Issue Composition **In shares**

Total Issue for Sale	66,153,846
QIB	33,071,923
NIB	9,921,577
Retail	23,150,346

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	98.90%	76.54%
QIB	0.00%	11.18%
NIB	1.10%	4.46%
Retail	0.00%	7.83%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

The IPO aims to utilize the net proceed for the following objectives;

Repayment and/or prepayment of company's borrowings either partially or fully.

Funding working capital requirements.

General Corporate purposes.

Book Running Lead Manager

- SBI Capital Markets Limited
- Axis Capital Limited
- ICICI Securities Limited
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Name of the registrar

- Link Intime India Private Limited

About the Company:

Ruchi Soya Industries is a diversified FMCG and FMHG focused company, with strategically located manufacturing facilities and well recognized brands having pan India presence. The company 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. It has across the entire value chain in palm and soya segment, with a healthy mix of upstream and downstream business. It has been allocated zones, to undertake palm plantation, by the Government, which assists in backward integration of sourcing palm oil. Ruchi Soya is the largest player in terms of allocated zones. Its integration also extends downstream to the oleochemicals and other by-product and derivatives business. 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 Fiscal 2021. Further it has expanded its packaged food portfolio by acquiring the 'Patanjali' product portfolio of biscuits, cookies, rusks, noodles, and breakfast cereals. In Fiscal 2022, the company has forayed into a niche and a high growth FMHG segment with the launch of its Nutraceutical business. The company is also into the wind power generation business, where the renewable power generated is used for sale and for captive use. It would also help the company to offset its carbon footprint, to the extent possible. Besides, Ruchi Soya is the largest player in branded palm oil with a share of 12% of the branded palm oil market in terms of value followed by Adani Wilmar with a share of 11%. Ruchi Soya's 'Ruchi Gold' brand is the market leader in branded palm oil.

Strength

Strong promoter pedigree of Patanjali group: The company has benefitted from the strong promoter pedigree. Patanjali Ayurved Limited, one of its Promoters, has a proven track record of being involved in the FMCG sector in India. It leverages Patanjali Ayurved Limited's sourcing capabilities, technical know-how and benefit from the Patanjali Ayurved Limited's in-depth understanding of local markets, its brands, extensive experience in manufacturing of FMCG products and trading and advanced logistics network in India.

Upstream and downstream integration and one of the key players in Oil Palm Plantation: As The edible oil industry in India is fragmented wherein 13% of oil is sold as loose/unbranded and the consumers are shifting to branded oils, which presents a large market for its products. The company has developed relationships with some of the large oil suppliers in the world and supply chain is further bolstered, with the palm plantation business which works with farmers in a total aggregate area of 2,99,245 hectares of which 56,106 hectares is under cultivation across nine states, in certain specified areas. Its oilseed crushing and oil refining plants are strategically located in terms of access to raw materials. It has one of the largest refining capabilities (of 11,000 TPD) along with oleochem division that uses the by-products of oil

palm refining. (Source: Technopak Report). Its refining plants primarily use crude edible oil as a raw material, and this is typically imported by sea. All of its refining plants are therefore located at or near to ports. The location of its processing plants enables us to minimise its inward and outward inland transportation costs.

Effective strategy to procure the key raw materials and managing volatility in the commodity prices and foreign exchange markets: The company engages in transactions which are aimed at managing the risk through mechanisms like hedging, among others, to manage movement in the price of agricultural commodities within and outside India, changes in foreign exchange rates, interest rates and increases in freight costs. It considers the above aspects to be a core component of the business of the Company and understands that the Company's ability to identify and address such issues is central to achieving its corporate objectives of maximizing value for its stakeholders. In light of this and in compliance of the regulatory requirements, the Company has implemented a Central Risk Management Policy.

Strong brand recognition in the Indian market: There has been an increased preference for branded food products among retail consumers in India. It has strong portfolio of brands focused on various types of edible oils and soya foods. Its brand 'Nutrela' is synonymous with TSP and is a household and generic name. Its nutraceuticals brand Patanjali – Nutrela is focused on health and wellness and reaps the benefits of the association with a proven brand like, Patanjali. Its robust brands portfolio comprises of Nutrela, Mahakosh, Ruchi Gold, Ruchi Star, Sunrich, Soyumm and other brands, which are well positioned in the market. Its brand, Ruchi Gold has market leadership position on account of being India's highest selling palm oil brand. Its products strategically cater to the premium as well as popular market categories, which makes its products less susceptible to shifts in consumer preferences, market trends and risks of operating in a particular product category. Its products are also exported to 38 countries, as on March 31, 2021, across the world, which reflects the popularity of its brands across the globe.

Strong, established and extensive distribution network: It has gained access to Patanjali's well-developed pan-India distribution network consisting of around 3,409 Patanjali distributors, 3,326 arogya kendras, 1,301 Patanjali chikatsalya, 273 Patanjali mega stores and 126 Patanjali super distributors. Such, 126 Patanjali super distributors and 3,409 Patanjali distributors provide access to 5,45,849 customer touch points including approximately 47,316 pharmacies, chemists and medical stores, as of March 31, 2021.

Foray into health and wellness space with launch of Nutraceuticals: To capitalize on the demand related to health and wellness space, the company is in the process of broadening its offering capabilities in the products portfolio and enhancing its brand visibility. It has currently 18 nutraceutical products, in product basket, offering wide array of choice for its customer in sports, medical and general nutrition. Apart from fulfilling the nutritional needs, its nutraceutical products also cater to the demand for 100% vegetarian products. The company intends to further diversify its product base and include more value-added products which yield better margins. It will be leveraging the strong distribution network, economies of scale, in-house manufacturing, the research and development capabilities and the experience of Patanjali to scale up and strengthen its newly launched nutraceutical products

portfolio. Its association with Patanjali, that has been into the natural health and wellness space, for over a decade, will support its entry into the nutraceuticals space.

Pioneer and market leader in branded TSP space: The company is the market leader with a share of 40% in branded soya chunks. From introduction of this category in late 1980s, it has established its brand Nutrela by becoming a household name for soy chunks. Till date, Nutrela is used as a generic name for textured soy protein (TSP) in India. Soya chunks are said to have 52% protein, much higher than eggs and milk which range from 10-15% and are a great source of protein especially for vegetarians. Soya chunks are a highly profitable line of business for edible oil players, owing to the upstream integration. The growth in soya chunks is led by the eastern and northern regions of India. Its brand Nutrela is positioned well to tap the growing opportunity.

Presence across mass, value and premium segment: Its diversified product portfolio enables it to cater to a wide range of tastes, preferences, price points and consumer segments. As on March 31, 2021, its diversified product portfolio for its edible oil segment consists of 233 SKUs. The company will continue to expand its product portfolio within the existing product segments, focus on increasing sales realization and volumes, and strive to provide differentiated offerings to its consumers. Moreover, it seeks to leverage its extensive experience to strengthen its industry position, by developing new products to capitalise on emerging trends.

Strategy

Continue to leverage the Patanjali brand and enhance synergies with PAL's food portfolio: Its key strengths are being part of the Patanjali group and the strong brand equity generated by the "Patanjali" brand name. The management of the company believes that 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 and to increase its FMCG/ food product portfolio by continuous leveraging the strong brand equity of Patanjali and utilizing the strong distribution network, economies of scale, in-house manufacturing, the research and development capabilities and the experience of Patanjali group. The company also aspires to be a key FMCG player and therefore as a part of the Company's strategy evaluating the synergies with PAL's food portfolio through a business transfer in near future.

Enhance the high margin premium food portfolio through the Nutrela brand: It has entered the FMHG segment through the launch of nutraceuticals which are marketed under Nutrela and Patanjali joint branding. The management of the company believes that its ability to differentiate its brand and its products may factor in attracting consumers. It has also launched Nutrela's health portal www.nutrelahealth.com, in 2018 and the 'The Soya Cook Book', in July 2019, which contains multiple recipes with the soya products.

Focus on backward integration, by increasing the overall palm plantation area under cultivation: As an FMCG company, it intends to continue its focus on improving its ability to source raw materials required for its business from multiple sources in a timely and cost-effective manner, thereby reducing its dependence on third parties. As on September 30, 2021, the total aggregate area that is under palm oil cultivation at present pursuant to the Palm MOUs is 56,106 hectares (out of its total allocation of 2,99,245 hectares of potential land for development of palm plantation),

spread across nine states in India, which includes crops of varying maturities. The company aims to increase the overall area under palm plantation and increase the number of nurseries to support its palm plantation and also aims to increase its crushing capacity to benefit from the increase in availability of FFB, on account of its aforementioned activities.

Expanding its 100% plant based and vegetarian nutraceutical products portfolio: Its nutraceutical products portfolio contains tremendous growth opportunities for the company. Further it is expected that the change in consumer lifestyle, increasing incidence of lifestyle diseases, awareness about preventive healthcare will result in increased demand for its nutraceuticals. It has 18 nutraceutical products, in its product basket, offering wide array of choice for its customer. It intends to further diversify its product base, by over twentyfive products, by leveraging its Nutrela brand and include more value-added products which yield better margins.

Expansion of its distribution network through diversification and supply chain optimization: It has strong distribution network in India, the company's focus is to further strengthen its pan India presence for its products by diversifying its distribution network. The company is focusing on expanding distribution network for increased penetration in metros, semi-urban and rural markets. The products 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 (general trade channel) in the urban, semi-urban and rural areas of the country in addition to its increasing focus on modern trade and e-commerce platforms like Big Basket. Its edible oil and soya products are also retailed through Wal-Mart India Private Limited, More Retail Private Limited and Spencer's Retail Limited. It has also access to Patanjali's well-developed pan-India distribution network consisting of 1,301 Patanjali chikatsalya, 3,326 arogya kendras and 273 Patanjali mega stores. Further, 126 Patanjali super distributors and 3,409 Patanjali distributors provide access to 5,45,849 customer touch points including over 47,316 pharmacies, chemists and medical stores, as of March 31, 2021.

Risk factor

- The business of the Company is affected by fluctuations in agricultural commodity prices and foreign currency exchange rates.
- The crushing business of the company is seasonal in nature with wide fluctuations in raw material availability, which, in turn is dependent on the monsoon, crop yields, minimum support prices and other variable factors.
- The edible oil refining business is dependent on imports for raw material whose prices exhibit a high degree of volatility. The business is also exposed to regulatory risks through frequent changes in rules and customs duty in India and exporting countries.
- Company generates business from its key brands. Any failure to maintain such brands can affect business.

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Britannia Inds.	13474.45	1509.27	62.69	51.63	43.24	74.86	1	3236.95	77967.86
Nestle India	14633.72	2144.86	240.66	74.21	82.61	216.2	10	17859.55	172194.13
ITC	57930.93	14802.44	12.01	20.35	4.95	49.42	1	244.4	301180.37
Agro Tech Foods.	917.38	21.24	8.72	95.83	4.54	184.05	10	835.65	2036.48
Dabur India	10707.66	1822.82	10.31	53.3	11.94	46.04	1	549.55	97152.55
Zydus Wellness	1954.02	308.7	48.51	30.54	2.01	736.39	10	1481.7	9428.37
Marico	9363	1194	9.34	53.98	16.53	30.5	1	504.15	65173.95
Godrej Agrovet	7672.56	336.89	18.07	26.13	4.36	108.36	10	472.15	9070.61
Ruchi Soya Limited*	22522.38	675.61	22.84	28.46	4.06	160.20	2.00	650.00	19229.67

* Financials are annualised FY22

**Peer companies financials are based on TTM

Valuation

Considering the P/E valuation on the upper price band of Rs.650, EPS and P/E of estimated annualised FY2022 are Rs.22.84 and 28.46 multiple respectively and at a lower price band of Rs. 615, P/E multiple is 26.93. Looking at the P/B ratio on the upper price band of Rs.650, book value and P/B of estimated annualised FY22 are Rs. 160.20 and 4.06 multiple respectively and at a lower price band of Rs. 615 P/B multiple is 3.84. No change in pre and post issue EPS and Book Value as the company is not making fresh issue of capital

Industry overview

Edible oils are indispensable to Indian cooking. Growing population, changing tastes and preferences of consumers, shifting consumption pattern towards branded oils and consistent marketing and distribution initiatives by leading edible oil brands is leading to rising consumption of edible oils in the country. The total consumption of edible oil in Indian in FY 2020 has been estimated to be 22 Mn MT. Out of the total requirement, it is estimated that ~10 Mn MT is produced domestically from primary (Soybean, Rapeseed & Mustard, Groundnut, Sunflower, Safflower & Niger) and secondary sources (Oil palm, Coconut, Rice Bran, Cotton seeds & Tree Borne Oilseeds) and remaining 60%, is met through import. Out of 10 Mn MT, almost 7 Mn MT is available for sale in B2B and B2C markets. (Source: Technopak Report). The Indian packaged food retail market, estimated at INR 6,00,000 Cr in FY 2020 contributes only 15% to the total food and grocery retail market estimated at INR 39,45,000 Cr in FY 2020. While the Indian food retail remains dominated by unbranded products such as fresh fruits and vegetables, loose staples, fresh unpackaged dairy and meat, however the packaged food market is growing at almost double the pace of the overall category and is expected to gain a market share of 20% by FY 2025. Health concerns and limitation in movement due to COVID -19 has accelerated the growth of packaged food products which offer consistent and assured quality along with convenience. Demand for packaged foods surged in the first quarter of FY 2021 as people stocked up in panic during the lockdown period. The shutting down of foodservice options also led to a rise in the eating occasions at home. While other sectors in retail are expected to contract by 30-35% during Financial Year 2021 due to the impact of COVID-19, the packaged food segment is expected to grow at an accelerated growth rate of 14%.

Outlook

The company is a diversified FMCG and FMHG focused company with having a wide range of products. The company is a pioneer in soya chunks which are associated with nutrition and good health. However, on valuation part, it looks expensive. The company plans to utilize the entire issue proceeds for furthering the company's business by repayment of certain outstanding loans, meeting its incremental working capital requirements, and other general corporate purposes. The meaning thereby is that the company is not in the expansionary mode and still trying to repay its existing debt. Along term investor may opt the issue.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
IPO Open Date	24-Mar-22
IPO Close Date	28-Mar-22
Basis of Allotment Date	31-Mar-22
Initiation of Refunds	4-Apr-22
Credit of Shares to Demat Account	5-Apr-22
IPO Listing Date	6-Apr-22

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended	Period ended	Period ended
	30-Sep-21 (6 Months)	31-Mar-21 (12 Months)	31-Mar-20 (12 Months)
Revenue from operations	11261.19	16318.63	13117.79
Total expenditure	10600.45	15364.61	12716.89
Operating Profit	660.74	954.03	400.89
OPM%	5.87	5.85	3.06
Other Income	45.80	64.34	57.58
PBDIT	706.54	1018.37	458.47
Depreciation	66.38	133.25	135.77
PBIT	640.16	885.12	322.70
Interest	181.07	370.72	112.31
Exceptional items	0	0	7490.23
PBT	459.09	514.40	7700.61
tax	121.28	-166.37	-14.00
PAT	337.81	680.77	7714.61

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Sep-21	As on 31-Mar-21	As on 31-Mar-20
Non-current assets			
Property, plant and equipment	3429.17	3438.59	3554.15
Capital work-in-progress	23.04	26.83	25.20
Goodwill	10.82	0.00	0.00
Other intangible assets	1519.07	1515.86	1515.85
Financial Assets			
Investments	22.34	18.63	7.38
Others	46.54	45.36	51.21
Deferred Tax Assets (Net)	45.20	166.37	0.00
Other assets	68.07	61.95	56.84
Non- current tax assets (net)	48.90	47.13	48.27
Total non-current assets	5213.15	5320.71	5258.90
Current assets			
Inventories	2623.61	2363.36	1354.61
Financial Assets	0.00	0.00	0.00
Investments	12.38	11.76	12.81
Trade receivables and contract assets	641.01	438.42	273.99
Cash and cash equivalents	32.10	46.27	153.80
Bank balance other than (c) above	349.21	340.42	301.46
Others	0.87	0.26	0.92
Other Assets	12.52	10.11	3.74
Current tax assets (net)	523.28	473.82	503.69
Total current assets	4194.98	3684.43	2605.03
Asset classified as held for sale	3.68	3.68	3.68
Total Assets	9411.80	9008.82	7867.61
Non-current liabilities			
Financial liabilities			
Lease Liabilities	0.01	0.02	0.02
Borrowings	2783.64	2879.85	2953.83
other financial liabilities	327.04	321.57	311.00
Other non-current liabilities	4.24	4.49	5.01
Provisions	11.53	9.24	8.99
Total financial liabilities	3126.46	3215.17	3278.85
Current liabilities			
Financial liabilities			
Borrowings	858.33	780.07	660.30
Lease liabilities	0.01	0.01	0.38
Trade payables	0.00	0.00	0.00
total outstanding dues of micro enterprises and small enterprises	3.97	2.16	4.03
total outstanding dues of creditors other than micro enterprises and small enterprises	646.95	654.44	160.86
Others	254.85	231.25	280.88
Other current liabilities	116.48	60.31	108.56
Provisions	1.48	1.28	1.11
Current tax liabilities (net)	0.00	0.00	0.00
Total current liabilities	1882.07	1729.51	1216.12
Liabilities directly associated with assets classified for sale	1.73	1.73	1.73
Total	5010.26	4946.41	4496.70
NET Worth	4401.54	4062.41	3370.90
Net worth represented by:			
Share capital	59.15	59.15	59.15
Other Equity	4342.39	4003.26	3311.75
Net Worth	4401.54	4062.41	3370.90

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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