

October 23, 2025

Multiple headwinds impact Q2, Gradual recovery expected ...

About the stock: Rallis India is a leading agrochemical company with a presence across agriculture input value chain and a strong, healthy pipeline of sustainable products.

- The company has a diversified portfolio, supported by a strong channel network of more than 6,900 dealers and 93,000 retailers
- In Q2FY26, crop care constitutes (88% of total revenue) while the seeds business constitutes (12% of the total revenue).

Investment Rationale:

- Rallis India Q2FY26: Weak topline performance, Margins remain stable** – Revenues stood at ₹861 crore, down 7.2% YoY on account of erratic and prolonged rains which impacted field activities and spray applications. The crop care business (88% of the revenues) reported a decline of 3% YoY at ₹760 crore, as growth in B2B business (14% YoY) was undone by 10% de-growth in B2C business due to weather disruptions. The seeds business (12% of the revenues) reported a decline of 28% YoY, at ₹101 crore. EBITDA for the quarter stood at ₹154 crore, down 7% YoY translating into margins of 18%, up ~220 bps QoQ/ flat YoY. EBITDA for the crop care business stood at ₹129 crore, translating into margins of 17%, flat YoY while for the seeds business, EBITDA stood at ₹25 crore and margins came at 25%, up ~300 bps YoY. PAT for the quarter stood at ₹102 crore, up 4% YoY.
- Weak performance across segments, Rabi season likely to better**– Given the extensive channel filling in Q1 due to early start of monsoon, Q2 was expected to be subdued but the numbers were still below-par, undone by erratic rainfall. As per management, the domestic crop protection industry witnessed higher sales return, loss of biologicals sales due to regulatory disruptions & crop damages due to floods. Moreover, the Seeds business saw a decline due to supply chain constraints. They also reiterated the Q1 commentary that the global Crop care market (for some products) is showing early signs of recovery with normalised inventory levels and stabilisation in prices. However, pricing pressure exists in the exports business due to competition from Chinese players as they continue to fill the global channels. The management expects a gradual recovery in H2FY26 on the back of a better-than-expected Rabi season. However, **on account of below-par Q2 numbers which got impacted by incessant rainfalls, we cut our FY26E/ FY27E sales, EBITDA and PAT estimates by 4%/ 6%, 10%/17% and 14%/21% respectively.**

Rating and Target price

- Our target price is ₹ 325 based on 14x FY27E EBITDA of ₹ 401 crore.

Key Financial Summary

(₹ Crore)	FY23	FY24	FY25	3 year CAGR (FY23-25)	FY26E	FY27E	2 year CAGR (FY25-27E)
Net Revenue	2,967.0	2,648.0	2,663.0	-5.3%	2,839.5	3,123.5	8.3%
EBITDA	218.3	311.0	282.2	13.7%	331.5	401.0	19.2%
EBITDA Margins (%)	7.4%	11.7%	10.6%		11.7%	12.8%	
Adj.PAT	91.5	147.2	120.5	14.8%	174.1	222.0	35.7%
Adj. EPS (₹)	4.7	7.6	6.2		9.0	11.4	
EV/EBITDA	23.0x	16.9x	17.8x		14.6x	11.6x	
P/E	58.8x	36.5x	44.6x		31.1x	24.4x	
ROE (%)	5.3	8.0	6.3		8.6	10.2	
ROCE (%)	7.5	10.9	9.9		11.6	13.6	

Source: Company, ICICI Direct Research



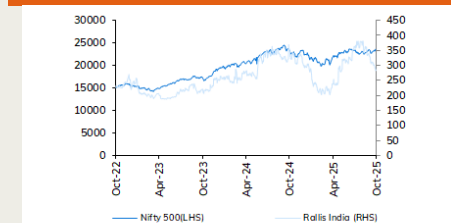
Particulars

Particular	Amount
Market cap (₹ Crore)	5,407
FY25 Total Debt (₹ Crore)	63
FY25 Cash & Inv (₹ Crore)	439
EV (₹ Crore)	5,031
52 Week H/L	385/196
Equity Capital (₹ Crore)	19.5
Face Value (₹)	1

Shareholding pattern

in %	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	55.1	55.1	55.1	55.1
FII	10.6	11.9	11.4	11.3
DII	13.8	13.3	13.8	13.8
Others	20.5	19.8	19.7	19.8

Price Chart



Key risks

- (i) Lower than expected Rabi prospects
- (ii) Continued weak momentum in the seeds business

Research Analyst

Siddhant Khandekar
siddhant.khandekar@icicisecurities.com

Shubh Mehta
shubh.mehta@icicisecurities.com

Deep Thosani
deep.thosani@icicisecurities.com

Q2FY26 Results / Conference call highlights

Crop Care Business-

- Abnormal and uneven rainfall distribution in Q2FY26 has led to significant crop losses in predominant consuming states, leading to a muted quarter.
- Globally there has been signs for recovery in the agrochemical sector in 2025 showing cautious optimism with gradual demand improvement.
- The management aims to focus on five key crops namely cotton, maize, millet, mustard and rice.
- The management highlighted that 70-80% of the cotton business comes from the North and South India and the rising problem of illegal ST seeds stems in the central India. Hence the company remains largely insulated from the same.
- Exports showed stability led by better realizations and improving demand traction from Latin America and Europe. Moreover, 85-90% gains in the exports have been achieved by volumes and some from efficiencies and price.

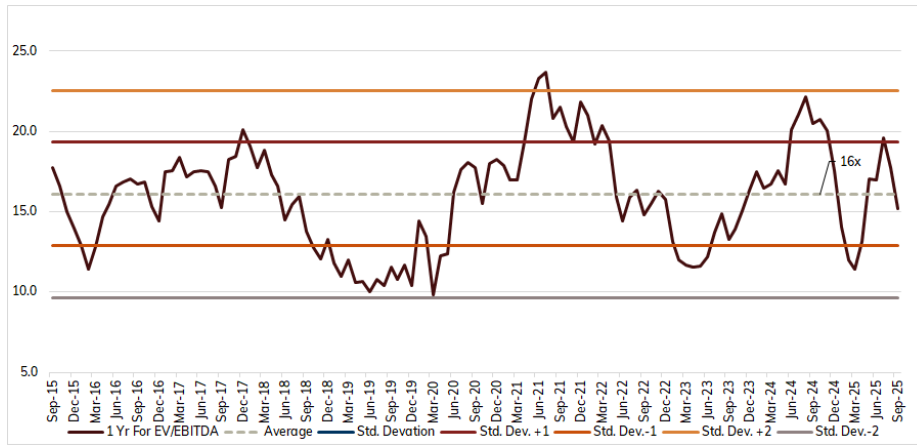
Seeds Business –

- There were significant supply chain constraints for seeds in Tamil Nadu and neighbouring states in Q2FY26
- The management has highlighted that they have planned significant volume expansion for the cotton seeds and towards the end of Q3FY26 more clarity will emerge on the same.
- Management indicated renewed focus on Rabi crop portfolio, especially mustard and wheat, where product placement has been strengthened post a weak Kharif season.
- The company plans to maintain ~23-25% EBITDA margins in its seeds business.
- Bajra seeds have the highest margins among seed products, while cotton, maize and rice margins are similar and impacted by government price controls.

Other Aspects –

- The company expects capex spending of ~₹50 crore with an R&D budget of ₹60-70 crore.
- The management expects Industry growth to be in low to mid-single digits for H1FY26.
- The company faces competition in export markets primarily from Chinese players and domestic players, with their main markets being US, Brazil, China, and Bangladesh.
- Industry margins are under pressure due to rising competition and US restrictions on Chinese agrochemical imports
- In the biostimulants market, new regulations are expected to reduce competition from unorganized players and benefit organized companies.
- The company launched 8 new products year-to-date, including two new products in Q2 2026: Deeweet (herbicide) and Dodrio (fungicide).
- The company remains largely insulated from the US tariffs impact as 85% of the US sales comprises of technicals which are out of tariffs purview.
- CSM revenues contribute less than 5% to the total exports revenue and has reported degrowth in H1 basis due to customer specific issues. However, the margins for the business remained stable.
- Cash on book was ₹ 454 crore

Exhibit 2: 1-year forward EV/EBITDA band



Source: Bloomberg, Company Estimates, ICICI Direct Research

Financial Tables

Exhibit 3: Profit and loss statement ₹ crore

Year end March	FY24	FY25	FY26E	FY27E
Total Operating Income	2,648.0	2,663.0	2,839.5	3,123.5
Growth (%)	-10.8	0.6	6.6	10.0
Raw Material Expenses	1,577.0	1,584.8	1,732.1	1,874.1
Gross Profit	1,071.0	1,078.2	1,107.4	1,249.4
Employee Cost	262.0	275.0	298.1	328.0
Other Operating Expenses	498.0	521.0	477.7	520.4
EBITDA	311.0	282.2	331.5	401.0
Growth (%)	42.4	-9.3	17.5	20.9
Other Income	16.0	32.0	32.0	32.0
EBITDA, including OI	327.0	314.2	363.5	433.0
Depreciation	114.0	120.0	124.9	133.0
Net Interest Exp.	18.0	12.0	6.5	4.0
Other exceptional items	1.0	1.0	0.0	0.0
PBT	196.0	183.2	232.2	296.0
Total Tax	48.0	62.0	58.0	74.0
Tax Rate	24.5%	33.8%	25.0%	25.0%
PAT	148.0	121.2	174.1	222.0
Adj. PAT after Minority interest	147.2	120.5	174.1	222.0
Adj. EPS (₹)	7.6	6.2	9.0	11.4
Shares Outstanding	19.5	19.5	19.5	19.5

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement ₹ crore

Year end March	FY24	FY25	FY26E	FY27E
PBT & Extraordinary	196.0	187.0	232.2	296.0
Depreciation	114.0	120.0	124.9	133.0
After other adjustments				
(Inc) / Dec in Working Capital	-10.0	72.0	41.6	-43.7
Taxes	-60.0	-55.0	-58.0	-74.0
Others	29.0	-29.0	6.5	4.0
CF from operating activities	269.0	295.0	347.1	315.3
Purchase of Fixed Assets	-82.0	-74.0	-100.0	-75.0
Others	-20.0	-140.0	0.0	0.0
CF from investing activities	-102.0	-214.0	-100.0	-75.0
Proceeds from issue of shares	0.0	0.0	0.0	0.0
Borrowings (Net)	-101.0	0.0	-20.0	-20.0
Others	-83.0	-80.0	-64.8	-62.4
CF from financing activities	-184.0	-80.0	-84.8	-82.4
Net cash flow	-17.0	1.0	162.3	157.9
Effects of foreign currency translation	0.0	0.0	0.0	0.0
Opening Cash	46.1	32.0	31.0	193.3
Closing Cash	32.0	31.0	193.3	351.2

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet ₹ crore

Year end March	FY24	FY25	FY26E	FY27E
Liabilities				
Share Capital	19.5	19.5	19.5	19.5
Reserves	1,810.2	1,884.6	2,000.3	2,163.9
Total Shareholders Funds	1,829.7	1,904.0	2,019.8	2,183.4
Minority Interest	0.0	0.0	0.0	0.0
Long Term Borrowings	113.0	51.0	31.0	11.0
Net Deferred Tax liability	3.0	9.0	9.0	9.0
Other long term liabilities	1.0	1.0	9.5	10.5
Long term provisions	41.0	44.0	28.7	31.6
Current Liabilities and Provisions				
Short term borrowings	20.0	12.0	12.0	12.0
Trade Payables	600.0	541.0	933.5	1,026.9
Other Current Liabilities	385.0	400.0	264.9	291.4
Short Term Provisions	11.0	12.0	7.1	7.8
Total Current Liabilities	1,016.0	965.0	1,217.6	1,338.1
Total Liabilities	3,003.7	2,974.0	3,315.6	3,583.6
Assets				
Net Block	811.7	708.0	698.1	640.1
Capital Work in Progress	19.0	25.0	10.0	10.0
Intangible assets under devl.	42.0	27.0	27.0	27.0
Goodwill on Consolidation	196.0	196.0	196.0	196.0
Non-current investments	4.0	4.0	4.0	4.0
Deferred tax assets	96.0	98.0	98.0	98.0
Long term loans and advances	16.0	16.0	11.8	13.0
Other Non Current Assets	39.0	35.0	185.5	204.0
Current Assets, Loans & Advances				
Current Investments	247.0	408.0	408.0	408.0
Inventories	808.0	751.0	933.5	1,026.9
Sundry Debtors	579.0	541.0	466.8	513.4
Cash and Bank	32.0	31.0	193.3	351.2
Loans and Advances	0.0	0.0	0.0	0.0
Other Current assets	114.0	134.0	83.6	92.0
Current Assets	1,780.0	1,865.0	2,085.2	2,391.5
Total Assets	3,003.7	2,974.0	3,315.6	3,583.6

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

Year end March	FY24	FY25	FY26E	FY27E
Per share data (₹)				
Adj. EPS	7.6	6.2	9.0	11.4
Adj. Cash EPS	13.5	12.4	15.4	18.2
BV	94.1	97.9	103.8	112.3
DPS	3.0	3.0	3.0	3.0
Operating Ratios (%)				
Gross Margin (%)	40.4	40.5	39.0	40.0
EBITDA Margin (%)	11.7	10.6	11.7	12.8
PAT Margin (%)	5.6	4.5	6.1	7.1
Debtor Days	65	60	60	60
Inventory Days	130	120	120	120
Creditor Days	105	120	120	120
Cash Conversion Cycle	90	60	60	60
Return Ratios (%)				
Return on Assets (%)	4.9	4.1	5.3	6.2
RoCE (%)	10.9	9.9	11.6	13.6
Core RoIC (%)	11.7	10.6	14.1	18.5
RoE (%)	8.0	6.3	8.6	10.2
Solvency Ratios				
Total Debt / Equity	0.1	0.0	0.0	0.0
Interest Coverage	11.8	16.2	36.8	74.2
Current Ratio	1.8	1.9	1.7	1.8
Quick Ratio	1.0	1.2	0.9	1.0
Asset Turnover	1.9	1.9	1.9	2.0
Valuation Ratios (x)				
EV/EBITDA	16.9	17.8	14.6	11.6
P/E	36.5	44.6	31.1	24.4
P/B	3.0	2.8	2.7	2.5
EV/Sales	2.0	1.9	1.7	1.5

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 **E-mail Address:** complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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