

## INSECTICIDES (INDIA) LTD.

**BUY**

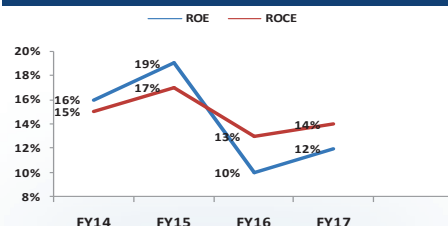
24-Oct-17

Bloomberg Code: INST IN  
INDUSTRY - Agrochemicals  
BSE Code - 532851  
NSE Code - INSECTICID  
NIFTY - 10184.85

### Company Data

CMP	901
Target Price	1038
Previous Target Price	1038
Upside	15%
52wk Range H/L	965.60/437.45
Mkt Capital (Rs Cr)	1,863
Av. Volume (,000)	20

### Return Ratios

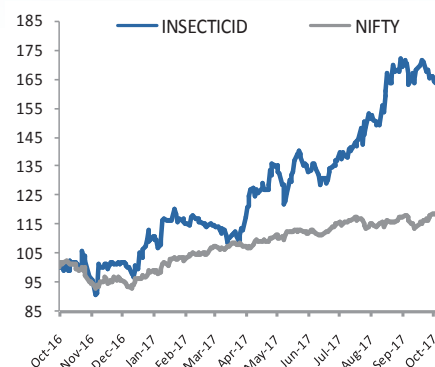


### Shareholding Patterns %

	1QFY18	4QFY17	3QFY17
Promoters	68.8	68.8	68.8
Public	31.3	31.3	31.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

### Stock Performance %

	1Mn	3Mn	1Yr
Absolute	(1.4)	29.1	84.0
Rel.to Nifty	(1.7)	27.3	67.3



### Management Update:

Recently we had a concall with the management and these are the key take-aways:

- ☑ **Current Kharif Season:** Management has indicated a slow kharif season sales pick up this year due to deficient rainfall in certain parts of India.
- ☑ **Guidance related to Margins intact, Topline growth to be muted:** Sales will be hampered as company has not sold the generic product despite of the demand so as to encourage new products launched by them. This should impact Sales though Margins should
- ☑ **Comittment towards reducing debt:** As per the management there is regular payment of Debt and company expect to be debt free by end of FY19.
- ☑ **Neutral Impact Of GST:** The implementation of GST has not affected the business due to input Credit Benefit on certain raw materials that were not covered previously.
- ☑ **New product launches slow :** Management indicated that its plans to launch five new products ,one being a 9(3) product , and the other four will be of internal formulations, has been slowed down.

Financials/Valu	FY15	FY16	FY17	FY18E	FY19E
Net Sales	964	988	1,107	1,220	1,467
EBITDA	111	91	114	155	168
EBIT	97	75	98	137	150
PAT	55	39	58	86	94
EPS (Rs)	43	19	28	42	46
EPS growth (%)	37%	-56%	49%	48%	11%
ROE	19%	10%	12%	16%	17%
ROCE	17%	13%	14%	18%	20%
BV	230	198	226	258	307
P/B (X)	2.1	1.6	2.3	3.6	3.0
P/E (x)	11.0	16.8	18.8	22.0	23.0

### View & Valuation:-

Recently, we had a concall with Company's Top management and that gave us the confidence of Margin improvement for the company. Though the company hinted of flat growth in sales due to current Kharif season Sales being a little low on account of deficient rainfall in certain parts of the country. However, the company's continuous focus on sales of new product launches gives us confidence on increase in EBITDA Margin going forward. Considering this, we expect Sales growth for FY18E should be 10% and EBITDA growth should be 36% though we keep our FY19E Sales and Pat assumptions intact before Q2FY18 quarterly results. We remain Buy on Insecticides India with target price of Rs1038 as we roll forward our valuation multiple to FY19, by valuing the stock at 23x FY19E EPS.

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## Financials Snap Shot

Income Statement				
Rs in Crores				
Y/E March	FY15	FY16	FY17	FY18E
Revenue from Operation	964	988	1,107	1,220
Change (%)	12%	2%	12%	10%
EBITDA	111	91	114	155
Change (%)	36%	-18%	25%	36%
Margin (%)	12%	9%	10%	13%
Dep & Amortization	14	16	16	17
EBIT	97	75	98	137
Interest & other finance cost	33	26	19	17
Other Income	-	1	1	2
EBT	64	50	80	122
Exceptional Item	-	-	-	-
Tax	9	11	22	36
Minority Int & P/L share of Ass.	-	-	-	-
Reported PAT	55	39	58	86
Adjusted PAT	55	39	58	86
Change (%)	37%	-28%	48%	48%
Margin(%)	6%	4%	5%	7%

Key Ratios				
Y/E March	FY15	FY16	FY17	FY18E
ROE	19%	10%	12%	16%
ROCE	17%	13%	14%	18%
Asset Turnover	1.0	1.1	1.1	1.1
Debtor Days	63	77	71	71
Inventory Days	148	130	140	140
Payable Days	80	78	65	65
Interest Coverage	0.34	0.35	0.19	0.12
P/E	11	17	19	22
Price / Book Value	2.1	1.6	2.3	3.6
EV/EBITDA	20	21	16	17
FCF per Share	183	97	111	135
Dividend Yield	0.40	0.30	0.70	1.50

Balance Sheet				
Rs in Crores				
Y/E March	FY15	FY16	FY17	FY18E
Share Capital	13	21	21	21
Reserves	279	388	446	532
Networth	292	409	467	553
Debt	295	180	222	220
Other Non Current Liab	20	24	27	27
Total Capital Employed	587	589	689	773
Net Fixed Assets (incl CWIP)	242	245	242	272
Non Current Investments	11	11	11	11
Other Non Current Assets	8	8	7	7
Non Current Assets	262	264	260	290
Inventory	391	351	426	469
Debtors	167	208	215	236
Cash & Bank	7	9	9	14
Other Current Assets	83	99	93	107
Current Assets	659	673	748	853
Creditors	210	211	197	217
Provisions	27	28	20	23
Other Current Liabilities	78	84	77	101
Curr Liabilities	315	323	293	355
Net Current Assets	344	350	455	498
Total Assets	921	936	1,008	1,114

Cash Flow Statement				
Rs in Crores				
Y/E March	FY15	FY16	FY17	FY18E
PBT	64	50	80	120
(inc)/Dec in Working Capital	102	86	113	137
Non Cash Op Exp	14	16	17	17
Interest Paid (+)	24	21	16	17
Tax Paid	(8)	(14)	(17)	(35)
others	-	-	-	-
CF from Op. Activities	(6)	85	1	81
(inc)/Dec in FA & CWIP	(33)	(20)	(15)	(47)
Free Cashflow	(39)	65	(14)	34
(Pur)/Sale of Investment	-	-	-	-
others	1	1	-	-
CF from Inv. Activities	(33)	(19)	(14)	(47)
inc/(dec) in NW	0	81	-	-
inc/(dec) in Debt	65	(112)	30	(8)
Interest Paid	(24)	(21)	(16)	(17)
Dividend Paid (inc tax)	(5)	(11)	(6)	(6)
others				
CF from Fin. Activities	36	(63)	14	(30)
Inc(Dec) in Cash	(2)	3	-	4
Add: Opening Balance	9	7	12	9
Closing Balance	7	10	12	13