

Insecticides India (INST IN)

Rating: BUY | CMP: Rs421 | TP: Rs595

November 10, 2020

Q2FY21 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	595		612	
Sales (Rs. m)	15,162	16,375	15,162	16,375
% Chng.	-	-	-	-
EBITDA (Rs. m)	1,971	2,129	2,017	2,178
% Chng.	(2.3)	(2.3)	-	-
EPS (Rs.)	59.5	64.7	61.2	66.5
% Chng.	(2.7)	(2.7)	-	-

Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	13,632	13,575	15,162	16,375
EBITDA (Rs. m)	1,559	1,629	1,971	2,129
Margin (%)	11.4	12.0	13.0	13.0
PAT (Rs. m)	851	974	1,230	1,337
EPS (Rs.)	41.2	47.1	59.5	64.7
Gr. (%)	(30.5)	14.5	26.2	8.7
DPS (Rs.)	4.0	2.0	3.0	3.2
Yield (%)	1.0	0.5	0.7	0.8
RoE (%)	12.2	13.0	14.6	13.8
RoCE (%)	14.1	14.9	18.1	17.5
EV/Sales (x)	0.7	0.7	0.6	0.5
EV/EBITDA (x)	6.3	5.6	4.3	3.7
PE (x)	10.2	8.9	7.1	6.5
P/BV (x)	1.2	1.1	0.9	0.8

Key Data

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52-W High / Low	Rs.589 / Rs.206
Sensex / Nifty	43,278 / 12,631
Market Cap	Rs.9bn/ \$ 117m
Shares Outstanding	21m
3M Avg. Daily Value	Rs.89.24m

Shareholding Pattern (%)

Promoter's	68.89
Foreign	4.22
Domestic Institution	12.65
Public & Others	14.24
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(8.2)	7.0	(23.6)
Relative	(14.1)	(21.8)	(28.8)

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An uneventful quarter

Quick Pointers:

- Aggressive product launch pipeline
- New capacities to aid topline growth in FY22

INST reported yet another quarter with subdued performance. Topline decline of 9% (PLe 8%) was due to adverse weather situation across various states leading to lower sprays and higher sales return. INST did a commendable job with ~28% decline in receivables due to focus on cash sales and quick collections. The management is hopeful of recovery 2H onwards driven by its pipeline of new launches and commencement of new capacities. We lower our EBITDA/APAT estimates by 2%/3% for each of FY22E and FY23E to factor marginal rise in marketing cost due to several new launches. Maintain Buy with revised TP of Rs 595 (Previous 612) based on 10x FY22 EPS of Rs 59.5.

Disappointing performance continues: Our channel checks indicated high sales return of Bispyribac Sodium for the industry due to adverse weather situation in several states. While the market leaders saw normal sales return, second rung players like INST saw higher sales return which impacted its performance. INST has been a severely underperforming industry for past 5 quarters due to factors like export ban in certain geographies, distress sale of generic products, scarcity of raw materials, etc.

INST's aggressive launch pipeline hinges on regulatory approvals: The company plans to launch 10 new molecules in the next 12-18 months, mostly in 9(3). They are awaiting approvals for some molecules. CIB also plans to clear files of pending 9(3) approvals for promoting Make in India, which augurs well for INST. The management is hopeful of making up the revenue loss of Nuvan (banned from 31st December) with these new molecules. INST plans to complete sale of Nuvan by November while it is already exhausted with the stocks of Thimet.

Brownfield expansion at Dahej Technical facility: INST plans to invest Rs1bn in FY21-22E on capex (FY20- Rs 280 mn). The company plans to commence a new EOU in SEZ for export markets and is also expanding technical capacity at Chopanki and Dahej, in phases. Commercial production at Phase 1 of EOU has already commenced, while new facility at Chopanki will commence by 4Q'21. Production at Phase 1 of new plant in Dahej will commence in FY22. INST's capex plans have been delayed due to COVID.

Exhibit 1: Subdued results due to high sales return

Y/e March	Q2FY21	Q2FY20	YoY gr. (%)	Q1FY21	QoQ gr. (%)	1HFY21	1HFY20	YoY gr. (%)
Net Sales	4,930	5,031	(2.0)	4,096	20.4	9,026	8,615	4.8
Expenditure								
Raw Materials	3,747	3,734	0.3	3,149	19.0	6,896	6,242	10.5
<i>% of Net Sales</i>	<i>76.0</i>	<i>74.2</i>		<i>76.9</i>		<i>76.4</i>	<i>72.5</i>	
Employee Cost	256	247	3.7	195	31.4	452	419	7.7
<i>% of Net Sales</i>	<i>5.2</i>	<i>4.9</i>		<i>4.8</i>		<i>5.0</i>	<i>4.9</i>	
Other Expenses	296	329	(10.1)	260	13.7	556	602	(7.6)
<i>% of Net Sales</i>	<i>6.0</i>	<i>6.5</i>		<i>6.4</i>		<i>6.2</i>	<i>7.0</i>	
Total Expenditure	4,299	4,311	(0.3)	3,604	19.3	7,903	7,263	8.8
EBITDA	631	720	(12.4)	492	28.3	1,123	1,352	(16.9)
<i>Margin (%)</i>	<i>12.8</i>	<i>14.3</i>		<i>12.0</i>		<i>12.4</i>	<i>15.7</i>	
Depreciation	68	60	13.3	61	11.2	129	119	8.6
EBIT	563	661	(14.7)	431	30.7	994	1,233	(19.3)
Interest	25	57	(56.3)	22	11.3	47	126	(62.3)
Other Income	11	18	(36.2)	11	0.1	22	29	(23.3)
PBT	550	621	(11.5)	420	30.9	969	1,136	(14.7)
Tax	138	133	4.2	79	75.2	218	289	(24.7)
<i>Tax Rate (%)</i>	<i>25.2</i>	<i>21.4</i>		<i>18.8</i>		<i>22.4</i>	<i>25.4</i>	
RPAT	411	488	(15.8)	341	20.6	752	847	(11.3)
APAT	411	488	(15.8)	341	20.6	752	847	(11.3)
Adj EPS	19.9	23.6	(15.8)	16.5	20.6	36.4	41.0	(11.3)

Source: Company, PL

Exhibit 2: Product Freshness Index

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
New products	5	5	3	2	5	5	8	8
<i>% of rev from Operations</i>	<i>7.1%</i>	<i>19.9%</i>	<i>22.9%</i>	<i>30.3%</i>	<i>37.9%</i>	<i>43.1%</i>	<i>44.9%</i>	<i>41.9%</i>
Total	440	1,720	2,210	2,990	4,200	4,780	5,360	5,400
<i>YoY%</i>		<i>290.9%</i>	<i>28.5%</i>	<i>35.3%</i>	<i>40.5%</i>	<i>13.8%</i>	<i>12.1%</i>	<i>-</i>
	440	1,030	1,310	1,660	1,720	1,550	1,920	1,950
<i>YoY%</i>		<i>134.1%</i>	<i>27.2%</i>	<i>26.7%</i>	<i>3.6%</i>	<i>-9.9%</i>	<i>23.9%</i>	<i>-</i>
	-	690	600	890	660	650	410	500
<i>YoY%</i>			<i>-13.0%</i>	<i>48.3%</i>	<i>-25.8%</i>	<i>-1.5%</i>	<i>-36.9%</i>	<i>-</i>
	-	-	300	330	380	340	450	450
<i>YoY%</i>				<i>10.0%</i>	<i>15.2%</i>	<i>-10.5%</i>	<i>32.4%</i>	<i>-</i>
	-	-	-	110	130	100	90	90
<i>YoY%</i>					<i>18.2%</i>	<i>-23.1%</i>	<i>-10.0%</i>	<i>-</i>
	-	-	-	-	1,310	1,480	900	920
<i>YoY%</i>						<i>13.0%</i>	<i>-39.2%</i>	<i>-</i>
	-	-	-	-	-	660	890	590
<i>YoY%</i>							<i>34.8%</i>	<i>-</i>
	-	-	-	-	-	-	700	900
<i>YoY%</i>								<i>-</i>
								300

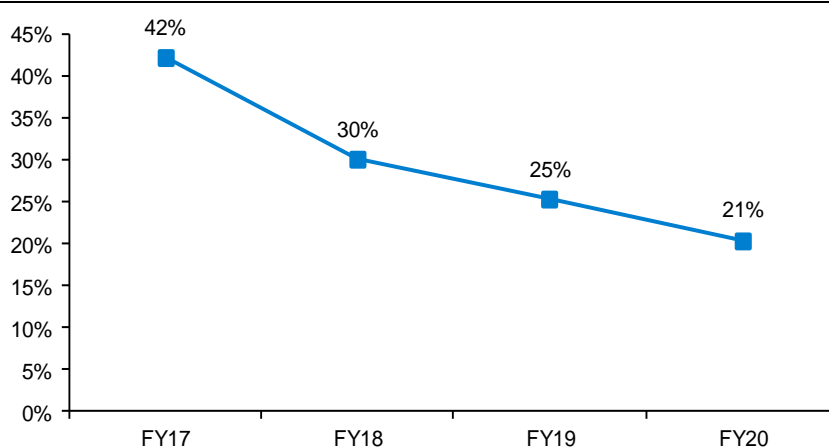
Source: Company, PL

Exhibit 3: Product launch timeline

FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Hakama	Xplode	Myocraja	Prime Gold	Green Label	Kayakalp	Encounter	Super Racer
Nuvan	Logo/ Gama	Blaster	Focus	Suzuka	Bhima	Aikido	Lethal Gold
Pulsor	Selector	Lethal Advance		Glusto	Hijack Super	Sofia	Chaperone
Wego Super	Trick			Victor Gold	Green Mix	Hercules	Kunoichi
Hawk	Profit Super			Agrospred Max	Root bead	Durion	Uno
						Durion Tech	Tozo
						Athelete	Rockstar
						Stroke	Bhima Super

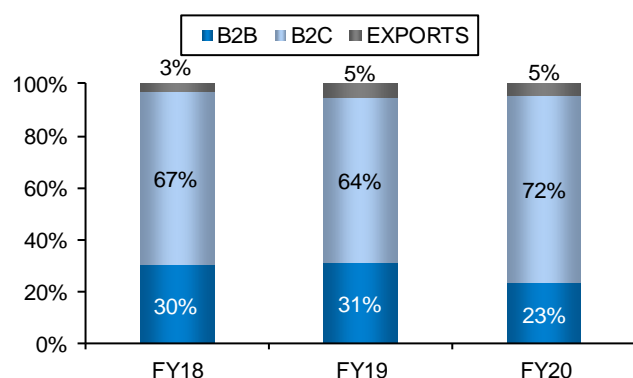
Source: Company, PL

Exhibit 4: ITI is expected to inch up going forward with rich product pipeline



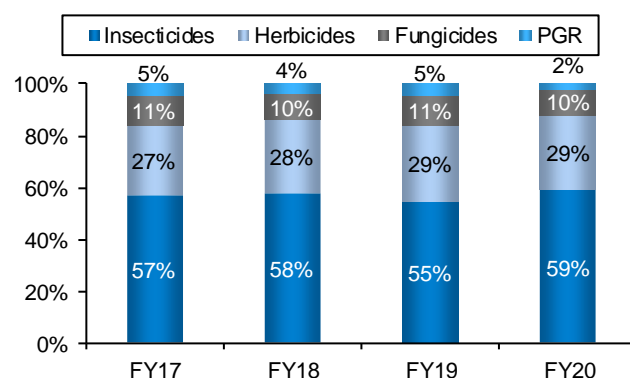
Source: Company, PL

Exhibit 5: Share of B2B sales has declined in FY20



Source: Company, PL

Exhibit 6: Insecticides & Herbicides contribute +85% of Rev



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	13,632	13,575	15,162	16,375
YoY gr. (%)	14.2	(0.4)	11.7	8.0
Cost of Goods Sold	10,093	9,910	10,841	11,708
Gross Profit	3,539	3,665	4,321	4,667
Margin (%)	26.0	27.0	28.5	28.5
Employee Cost	747	719	834	901
Other Expenses	1,233	1,317	1,516	1,637
EBITDA	1,559	1,629	1,971	2,129
YoY gr. (%)	(16.7)	4.5	21.0	8.0
Margin (%)	11.4	12.0	13.0	13.0
Depreciation and Amortization	241	271	322	364
EBIT	1,318	1,358	1,649	1,765
Margin (%)	9.7	10.0	10.9	10.8
Net Interest	239	100	65	38
Other Income	26	45	60	60
Profit Before Tax	1,105	1,303	1,644	1,787
Margin (%)	8.1	9.6	10.8	10.9
Total Tax	254	328	414	450
Effective tax rate (%)	23.0	25.2	25.2	25.2
Profit after tax	851	974	1,230	1,337
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	851	974	1,230	1,337
YoY gr. (%)	(30.5)	14.5	26.2	8.7
Margin (%)	6.2	7.2	8.1	8.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	851	974	1,230	1,337
YoY gr. (%)	(30.5)	14.5	26.2	8.7
Margin (%)	6.2	7.2	8.1	8.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	851	974	1,230	1,337
Equity Shares O/s (m)	21	21	21	21
EPS (Rs)	41.2	47.1	59.5	64.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	2,904	3,633	4,133	4,633
Tangibles	2,852	3,568	4,059	4,550
Intangibles	52	65	74	83
Acc: Dep / Amortization	765	1,036	1,358	1,722
Tangibles	742	1,005	1,318	1,671
Intangibles	23	31	41	52
Net fixed assets	2,139	2,597	2,775	2,911
Tangibles	2,110	2,563	2,741	2,879
Intangibles	29	34	34	32
Capital Work In Progress	641	416	416	416
Goodwill	-	-	-	-
Non-Current Investments	120	118	119	120
Net Deferred tax assets	(187)	(187)	(187)	(187)
Other Non-Current Assets	245	217	243	262
Current Assets				
Investments	-	-	-	-
Inventories	5,193	5,170	5,774	6,236
Trade receivables	3,199	3,013	3,240	3,499
Cash & Bank Balance	742	650	608	1,342
Other Current Assets	563	747	834	901
Total Assets	12,930	13,077	14,175	15,868
Equity				
Equity Share Capital	207	207	207	207
Other Equity	7,096	7,816	9,070	10,423
Total Network	7,302	8,023	9,277	10,630
Non-Current Liabilities				
Long Term borrowings	19	19	19	19
Provisions	10	10	10	10
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	1,835	1,000	400	400
Trade payables	2,466	2,715	3,032	3,275
Other current liabilities	1,093	1,105	1,232	1,329
Total Equity & Liabilities	12,929	13,077	14,175	15,868

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	1,105	1,303	1,644	1,787
Add. Depreciation	241	271	322	364
Add. Interest	(14)	(45)	(60)	(60)
Less Financial Other Income	26	45	60	60
Add. Other	258	100	65	38
Op. profit before WC changes	1,589	1,629	1,971	2,129
Net Changes-WC	1,151	233	(487)	(458)
Direct tax	(321)	(312)	(393)	(427)
Net cash from Op. activities	2,419	1,550	1,091	1,243
Capital expenditures	(284)	(729)	(500)	(500)
Interest / Dividend Income	10	45	60	60
Others	33	-	-	-
Net Cash from Inv. activities	(241)	(684)	(440)	(440)
Issue of share cap. / premium	-	-	-	-
Debt changes	(1,177)	(835)	(600)	-
Dividend paid	(150)	(42)	(62)	(67)
Interest paid	(247)	(100)	(65)	(38)
Others	(16)	-	-	-
Net cash from Fin. activities	(1,590)	(951)	(726)	(105)
Net change in cash	588	(91)	(76)	699
Free Cash Flow	2,129	821	591	743

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Net Revenue	2,629	2,387	4,096	4,930
YoY gr. (%)	21.8	20.0	14.3	(2.0)
Raw Material Expenses	1,945	1,906	3,149	3,747
Gross Profit	683	481	947	1,183
Margin (%)	26.0	20.1	23.1	24.0
EBITDA	230	(25)	492	631
YoY gr. (%)	(28.2)	(108.6)	(22.0)	(12.4)
Margin (%)	8.7	(1.0)	12.0	12.8
Depreciation / Depletion	61	61	61	68
EBIT	169	(86)	431	563
Margin (%)	6.4	(3.6)	10.5	11.4
Net Interest	62	51	22	25
Other Income	8	(9)	11	11
Profit before Tax	115	(147)	420	550
Margin (%)	4.4	(6.1)	10.2	11.1
Total Tax	29	(73)	79	138
Effective tax rate (%)	25.1	50.1	18.8	25.2
Profit after Tax	86	(73)	341	411
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	86	(73)	341	411
YoY gr. (%)	(48.8)	(125.6)	(5.2)	(15.8)
Margin (%)	3.3	(3.1)	8.3	8.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	86	(73)	341	411
YoY gr. (%)	(48.8)	(125.6)	(5.2)	(15.8)
Margin (%)	3.3	(3.1)	8.3	8.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	86	(73)	341	411
Avg. Shares O/s (m)	21	21	21	21
EPS (Rs)	4.2	(3.5)	16.5	19.9

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	41.2	47.1	59.5	64.7
CEPS	52.8	60.3	75.1	82.3
BVPS	353.3	388.2	448.9	514.3
FCF	103.0	39.7	28.6	36.0
DPS	4.0	2.0	3.0	3.2
Return Ratio(%)				
RoCE	14.1	14.9	18.1	17.5
ROIC	11.8	12.0	14.5	15.0
RoE	12.2	13.0	14.6	13.8
Balance Sheet				
Net Debt : Equity (x)	0.2	0.0	0.0	(0.1)
Net Working Capital (Days)	159	147	144	144
Valuation(x)				
PER	10.2	8.9	7.1	6.5
P/B	1.2	1.1	0.9	0.8
P/CEPS	8.0	7.0	5.6	5.1
EV/EBITDA	6.3	5.6	4.3	3.7
EV/Sales	0.7	0.7	0.6	0.5
Dividend Yield (%)	1.0	0.5	0.7	0.8

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	10-Oct-20	BUY	612	458
2	25-Aug-20	BUY	612	526
3	17-Aug-20	BUY	612	471
4	7-Jul-20	BUY	612	417
5	28-Jun-20	BUY	612	466
6	16-Apr-20	BUY	730	401
7	10-Feb-20	BUY	896	488
8	3-Jan-20	BUY	948	472
9	14-Nov-19	BUY	948	547

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bayer Cropscience	Accumulate	6,090	5,680
2	Coromandel International	Reduce	676	733
3	Dhanuka Agritech	Accumulate	868	735
4	Godrej Agrovet	Accumulate	587	511
5	Insecticides India	BUY	612	458
6	P.I. Industries	Hold	2,026	2,161
7	Rallis India	Hold	275	262
8	Sharda Cropchem	BUY	358	270
9	Sumitomo Chemical India	Hold	284	277
10	UPL	BUY	606	453

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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