

May 31, 2023

Q4FY23 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	550		650	
Sales (Rs. m)	19,815	21,796	20,018	22,019
% Chng.	(1.0)	(1.0)		
EBITDA (Rs. m)	1,783	2,158	2,042	2,378
% Chng.	(12.7)	(9.3)		
EPS (Rs.)	36.2	45.6	42.1	50.1
% Chng.	(14.1)	(9.0)		

Key Financials - Standalone

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	15,040	18,013	19,815	21,796
EBITDA (Rs. m)	1,697	1,219	1,783	2,158
Margin (%)	11.3	6.8	9.0	9.9
PAT (Rs. m)	1,070	630	1,071	1,349
EPS (Rs.)	36.2	21.3	36.2	45.6
Gr. (%)	(20.0)	(41.1)	70.0	26.0
DPS (Rs.)	3.0	3.0	4.0	4.5
Yield (%)	0.7	0.7	0.9	1.0
RoE (%)	12.7	7.1	11.1	12.6
RoCE (%)	15.7	9.6	13.7	15.7
EV/Sales (x)	0.9	0.8	0.7	0.6
EV/EBITDA (x)	7.8	11.9	8.1	6.5
PE (x)	12.3	20.9	12.3	9.8
P/BV (x)	1.5	1.4	1.3	1.2

Key Data

ISIL.BO | INST IN

52-W High / Low	Rs.792 / Rs.420
Sensex / Nifty	62,622 / 18,534
Market Cap	Rs.13bn/ \$ 159m
Shares Outstanding	30m
3M Avg. Daily Value	Rs.10.84m

Shareholding Pattern (%)

Promoter's	72.16
Foreign	6.46
Domestic Institution	10.77
Public & Others	10.62
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(7.8)	(40.6)	(14.8)
Relative	(10.1)	(40.2)	(24.4)

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Dismal end to FY23; near term cautious outlook

Quick Pointers:

- Capex of Rs1.1bn largely behind; likely to reap benefits FY24 onwards.
- Product pipeline remains healthy; launch of 4-5 new products in FY24.

We trim our FY24/25E EPS estimates by 14%/9% and reduce TP to Rs550/share (earlier Rs650/share) based on 12XFY25 EPS (earlier 13XFY25 EPS), citing passive demand environment coupled with near term margin pressure. Insecticides India (INST) reported subdued results with EBITDA loss of Rs283mn largely led by high cost inventory provisioning coupled with M2M loss of Rs140mn in FY23. B2C/B2B/exports contribution stood at 51%/35%/14%, as against 65%/26%/9% in the same period last year. Further, Maharatna products contributed 52% of overall revenues in 4Q'23, as against 42% in 4Q'22.

Going forward, management remains confident on achieving revenue growth of 10-12% YoY in FY24E aided by a) commencement of new facilities; b) new product launches; and c) significant export registrations. However, remains cautious on margins (guided for 9-10% EBITDA margins) from trailing losses of high cost inventory provisions to be accrued in 1Q'24. Maintain 'Accumulate'.

High cost inventory provisions resulted in loss at EBITDA level: INST reported revenue /EBITDA /PAT growth of +9%/-184%/-230% YoY below our and consensus estimates. B2C/ B2B/ exports contributed 35%/51%/14% in 4QFY23. Gross margins declined by 1920bps YoY to 12.4% led by provisioning of high cost inventory and higher M2M losses of ~Rs140mn in FY23. Lower gross profits coupled with higher other expenses (+250bps YoY) have resulted in loss at EBITDA levels of Rs283mn.

New Launches gaining traction: Contribution of new product launches have been on the increasing trend to overall revenues. Products launched in FY23 recorded a revenue of Rs4.80bn (contributing to ~27% of the revenues) as compared to Rs2.15bn (contributing to ~14% of the revenues) in FY22. The company launched new product 'Mission' in 4QFY23 (taking it to total of 6 new product launched in FY23) and expects to launch 4-5 new products in FY24E.

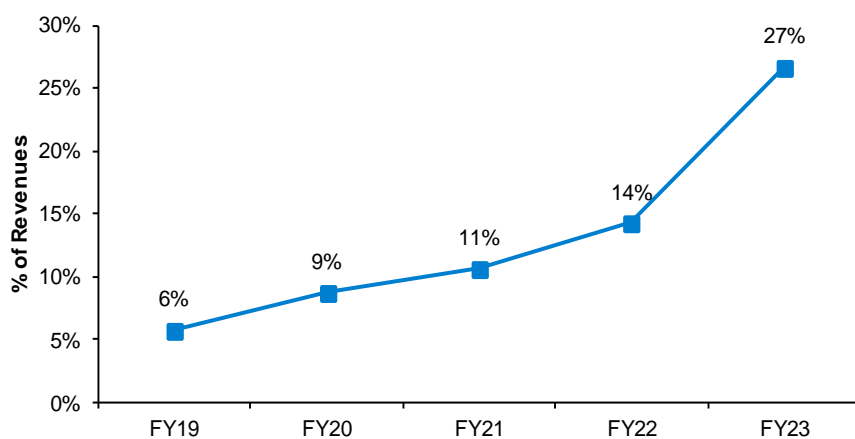
Capex largely behind; likely to reap benefits going forward: INST commenced a major capacity expansion program aimed at increasing capabilities at both technical and formulation units in Chopanki (Rajasthan) and Dahej- SEZ (Gujarat) with a budget of Rs1.1bn (revised amount of Rs1.62bn) and likely to contribute to the topline in subsequent quarters. Further, INST has bought additional land bank for further capacity additions (to be done in 3 phases) in Rajasthan for formulations followed by Bio-logical and then technical capacity expansions.

Guided 10-12% revenue growth with 9-10% EBITDAM for FY24E: With commencement of new facilities, new product launches and significant registrations in export market, mgnt. guided revenue growth of 10-12% in FY24E. But is cautious on near term high cost inventory provisions and its impact on margins in the subsequent quarter. Management expects EBITDA margins to stay within 9-10% range in FY24E.

Exhibit 1: Q4FY23 Result Overview (Rs mn)

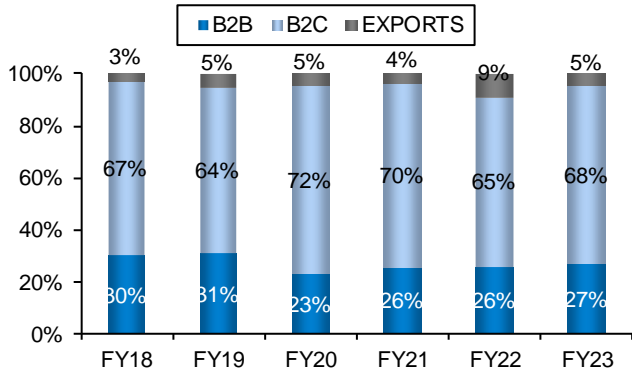
Y/e March	4QFY23	4QFY22	YoY gr. (%)	3QFY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Revenues	3,019	2,780	8.6	3,565	(15.3)	18,013	15,040	19.8
Raw material	2,644	1,902	39.1	2,682	(1.4)	13,856	11,075	25.1
Staff costs	217	202	7.2	229	(5.5)	984	866	13.5
Others	441	338	30.7	422	4.7	1,954	1,401	39.5
Total expenditure	3,302	2,441	35.3	3,333	(0.9)	16,794	13,343	25.9
EBITDA	(283)	338	(183.7)	233	(221.8)	1,219	1,697	(28.2)
Depreciation	66	68	(1.9)	64	3.3	261	263	(0.9)
EBIT	(350)	271	(229.2)	168	(307.9)	958	1,433	(33.2)
Less: Interest Expense	45	11	321.4	48	(7.7)	135	66	102.8
Add: Other income	4	21	(80.2)	4	10.2	13	43	(70.4)
Profit Before Tax	(390)	281	(238.9)	124	(415.7)	836	1,410	(40.7)
Less: Provision for Tax	(100)	57	(275.7)	31	(424.9)	206	339	(39.3)
Less: Minority Interest	0	0		0		-	-	NA
Adjusted Profit	(290)	224	(229.5)	93	(412.7)	630	1,070	(41.1)
Add: Exceptional items	-	-	NA	-	NA	-	-	NA
Reported profit	(290)	224	(229.5)	93	(412.7)	630	1,070	(41.1)
Minority interest	0	0	NA	0	NA			NA
No. of Diluted shares outstanding (mn)	296	197		296		296	296	
Adjusted Diluted EPS	(9.8)	11.3	(186.4)	3.1	(412.7)	21.3	36.2	(41.1)
As % of net revenues								
Raw material	87.6	68.4		75.2		76.9	73.6	
Staff expenses	7.2	7.3		6.4		5.5	5.8	
Other expenses	14.6	12.2		11.8		10.8	9.3	
EBITDA	(9.4)	12.2		6.5		6.8	11.3	
Net profit	(9.6)	8.1		2.6		3.5	7.1	

Source: Company, PL

Exhibit 2: ITI Index- New Product launches gaining traction


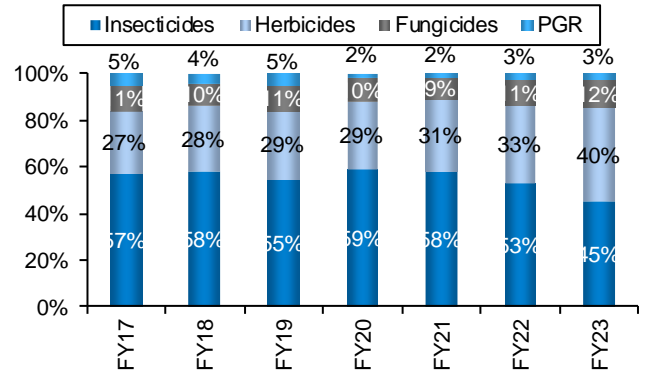
Source: Company, PL

Exhibit 3: Demand fluctuations impacting exports

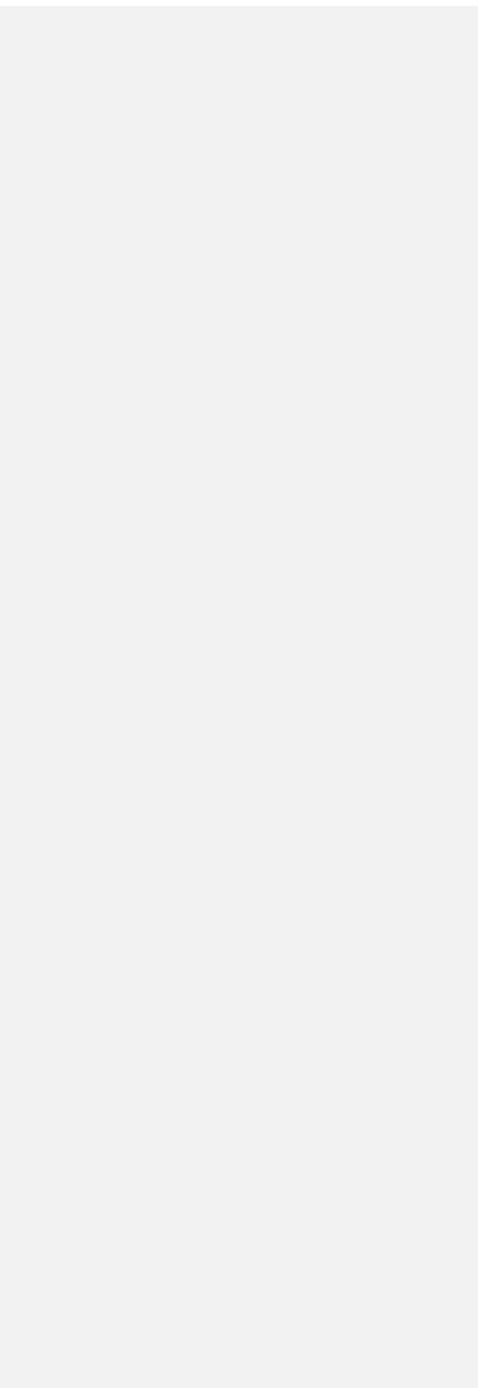


Source: Company, PL

Exhibit 4: Insecticides & Herbicides contribute >80%



Source: Company, PL



Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	15,040	18,013	19,815	21,796
YoY gr. (%)	5.9	19.8	10.0	10.0
Cost of Goods Sold	11,075	13,856	15,000	16,282
Gross Profit	3,965	4,157	4,815	5,514
Margin (%)	26.4	23.1	24.3	25.3
Employee Cost	866	984	1,110	1,221
Other Expenses	-	-	-	-
EBITDA	1,697	1,219	1,783	2,158
YoY gr. (%)	11.4	(28.2)	46.3	21.0
Margin (%)	11.3	6.8	9.0	9.9
Depreciation and Amortization	263	261	268	283
EBIT	1,433	958	1,516	1,875
Margin (%)	9.5	5.3	7.6	8.6
Net Interest	66	135	121	115
Other Income	43	13	14	15
Profit Before Tax	1,410	836	1,409	1,774
Margin (%)	9.4	4.6	7.1	8.1
Total Tax	339	206	338	426
Effective tax rate (%)	24.1	24.7	24.0	24.0
Profit after tax	1,070	630	1,071	1,349
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,070	630	1,071	1,349
YoY gr. (%)	14.5	(41.1)	70.0	26.0
Margin (%)	7.1	3.5	5.4	6.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,070	630	1,071	1,349
YoY gr. (%)	14.5	(41.1)	70.0	26.0
Margin (%)	7.1	3.5	5.4	6.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,070	630	1,071	1,349
Equity Shares O/s (m)	30	30	30	30
EPS (Rs)	36.2	21.3	36.2	45.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	3,545	3,904	4,204	4,504
Tangibles	-	-	-	-
Intangibles	-	-	-	-
Acc: Dep / Amortization	1,275	1,536	1,804	2,087
Tangibles	-	-	-	-
Intangibles	-	-	-	-
Net fixed assets	2,270	2,368	2,400	2,417
Tangibles	2,270	2,368	2,400	2,417
Intangibles	-	-	-	-
Capital Work In Progress	1,169	1,480	1,480	1,480
Goodwill	-	-	-	-
Non-Current Investments	133	156	157	157
Net Deferred tax assets	(128)	(127)	(127)	(127)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	26	-	-	-
Inventories	6,302	8,617	9,246	10,126
Trade receivables	2,889	2,962	3,529	3,881
Cash & Bank Balance	361	194	24	115
Other Current Assets	787	1,159	1,159	1,159
Total Assets	13,938	16,937	17,994	19,335
Equity				
Equity Share Capital	296	296	296	296
Other Equity	8,376	8,861	9,813	11,028
Total Network	8,672	9,157	10,109	11,324
Non-Current Liabilities				
Long Term borrowings	19	19	19	19
Provisions	-	-	-	-
Other non current liabilities	16	18	18	18
Current Liabilities				
ST Debt / Current of LT Debt	475	1,572	1,322	1,072
Trade payables	3,238	4,483	4,726	4,907
Other current liabilities	1,390	1,562	1,674	1,869
Total Equity & Liabilities	13,938	16,937	17,994	19,335

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	1,410	836	1,409	1,774
Add. Depreciation	263	261	268	283
Add. Interest	66	135	121	115
Less Financial Other Income	43	13	14	15
Add. Other	35	(18)	(14)	(15)
Op. profit before WC changes	1,774	1,213	1,783	2,158
Net Changes-WC	(20)	(1,013)	(841)	(857)
Direct tax	(406)	(306)	(338)	(426)
Net cash from Op. activities	1,348	(106)	605	875
Capital expenditures	(663)	(856)	(300)	(300)
Interest / Dividend Income	-	-	-	-
Others	756	(11)	14	15
Net Cash from Inv. activities	93	(867)	(286)	(285)
Issue of share cap. / premium	(592)	(132)	(121)	(115)
Debt changes	(469)	1,097	(250)	(250)
Dividend paid	-	(148)	(118)	(133)
Interest paid	-	-	-	-
Others	(86)	(20)	-	-
Net cash from Fin. activities	(1,146)	797	(489)	(498)
Net change in cash	295	(176)	(171)	91
Free Cash Flow	679	(965)	305	575

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	36.2	21.3	36.2	45.6
CEPS	45.1	30.1	45.2	55.1
BVPS	293.0	309.4	341.5	382.6
FCF	23.0	(32.6)	10.3	19.4
DPS	3.0	3.0	4.0	4.5
Return Ratio(%)				
RoCE	15.7	9.6	13.7	15.7
ROIC	12.4	7.4	10.4	12.1
RoE	12.7	7.1	11.1	12.6
Balance Sheet				
Net Debt : Equity (x)	0.0	0.2	0.1	0.1
Net Working Capital (Days)	144	144	148	152
Valuation(x)				
PER	12.3	20.9	12.3	9.8
P/B	1.5	1.4	1.3	1.2
P/CEPS	9.9	14.8	9.8	8.1
EV/EBITDA	7.8	11.9	8.1	6.5
EV/Sales	0.9	0.8	0.7	0.6
Dividend Yield (%)	0.7	0.7	0.9	1.0

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Revenue	5,607	5,822	3,565	3,019
YoY gr. (%)	19.7	31.1	13.6	8.6
Raw Material Expenses	4,265	4,265	2,682	2,644
Gross Profit	1,342	1,557	884	375
Margin (%)	23.9	26.7	24.8	12.4
EBITDA	585	685	233	(283)
YoY gr. (%)	10.1	6.7	25.2	(183.7)
Margin (%)	10.4	11.8	6.5	(9.4)
Depreciation / Depletion	66	64	64	66
EBIT	518	621	168	(350)
Margin (%)	9.2	10.7	4.7	(11.6)
Net Interest	14	27	48	45
Other Income	2	3	4	4
Profit before Tax	506	596	124	(390)
Margin (%)	9.0	10.2	3.5	(12.9)
Total Tax	126	149	31	(100)
Effective tax rate (%)	24.9	25.1	24.9	25.7
Profit after Tax	380	447	93	(290)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	380	447	93	(290)
YoY gr. (%)	9.5	7.0	13.8	(229.5)
Margin (%)	6.8	7.7	2.6	(9.6)
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	380	447	93	(290)
YoY gr. (%)	9.5	7.0	13.8	(229.5)
Margin (%)	6.8	7.7	2.6	(9.6)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	380	447	93	(290)
Avg. Shares O/s (m)	296	296	296	296
EPS (Rs)	12.8	15.1	3.1	(9.8)

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Apr-23	Accumulate	700	491
2	14-Feb-23	Accumulate	700	583
3	05-Jan-23	Hold	700	715
4	08-Nov-22	Hold	700	739
5	04-Oct-22	Hold	920	701
6	17-Aug-22	Hold	920	1,008
7	04-Jul-22	Hold	680	881

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bayer Cropscience	Accumulate	4,720	4,118
2	Chambal Fertilizers & Chemicals	Hold	300	286
3	Coromandel International	BUY	1,310	962
4	Dhanuka Agritech	BUY	950	720
5	Godrej Agrovet	Hold	420	423
6	Insecticides India	Accumulate	700	491
7	P.I. Industries	BUY	4,560	3,274
8	Rallis India	Hold	200	191
9	Sharda Cropchem	BUY	640	497
10	Sumitomo Chemical India	BUY	550	386
11	UPL	BUY	850	715

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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