

August 11, 2023

Q1FY24 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	550		550	
Sales (Rs. m)	19,815	21,796	19,815	21,796
% Chng.	-	-	-	-
EBITDA (Rs. m)	1,783	2,158	1,783	2,158
% Chng.	-	-	-	-
EPS (Rs.)	36.2	45.6	36.2	45.6
% Chng.	-	-	-	-

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 (%)	0.6	0.6	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	0.8	0.7
EV/EBITDA (x)	8.3	12.6	8.5	6.9
PE (x)	13.0	22.1	13.0	10.3
P/BV (x)	1.6	1.5	1.4	1.2

Key Data

ISIL.BO | INST IN

52-W High / Low	Rs.792 / Rs.410
Sensex / Nifty	65,323 / 19,428
Market Cap	Rs.14bn/ \$ 168m
Shares Outstanding	30m
3M Avg. Daily Value	Rs.13.82m

Shareholding Pattern (%)

Promoter's	72.16
Foreign	6.02
Domestic Institution	10.53
Public & Others	11.30
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	7.0	(21.0)	(31.4)
Relative	7.5	(26.6)	(37.7)

Himanshu Binani

himanshubinani@plindia.com | 91-22-66322232

Insecticides India (INST IN)

Rating: ACCUMULATE | CMP: Rs470 | TP: Rs550

Subdued results; all hopes pinned on 2Q'24

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.

Insecticides India (INST) reported subdued results largely led by lower price realizations coupled with high cost inventory provisioning in 1QFY24. B2C/B2B/exports contribution stood at 66%/31%/3%, as against 66%/29%/5% in the same period last year. Further, Maharatna products contributed 61% of overall revenues in 1Q'24 as against 55% in 1Q'23. 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 and guided for 9-10% EBITDA margins. We largely keep our estimates unchanged for FY24/25E. Maintain 'Accumulate' rating on the stock with an unchanged TP of Rs550/share based on 12XFY25 EPS.

High cost inventory provisions resulted in EBITDA margin contraction: INST reported Revenue/EBITDA/PAT growth of +14%/-22%/-24% YoY in-line with our estimates. B2C/B2B/exports contributed 66%/31%/3% in 1QFY24. Gross margins declined by 320bps YoY to 20.8% led by lower price realizations coupled with provisioning of high cost inventory in 1QFY24. Lower gross margins have in turn resulted into EBITDA margin contraction of 330bps YoY to 7.1%(Ple 7.7%). PAT declined by 24% YoY to INR290mn in-line with our estimates of Rs284mn.

New launches gaining traction: Contribution of new product launches have been on an increasing trend to overall revenues (40% of overall revenues in 1QFY24). New products launched in 1QY24 recorded a revenue of Rs2.6bn (contributing to ~40% of the revenues) as compared to Rs1.6bn (contributing to ~28% of the revenues) in 1QFY23. During the quarter, company launched liquid version of Mission- insecticide. INST expects to launch 3 new herbicides under section 9(3) and 1insecticide under section 9(4) in Q2'24 and Q3'24. Further, the management alluded that focused Maharatna products like Torry, Hachiman, Shinwa, Green Label, Izuki, Dominant and Kunoichi will likely contribute around Rs6bn of revenues going forward with Shinwa to lead the pack.

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 from 2HFY24. Expansion at Dahej facility is delayed and expected to be operational by November 2023. 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. Company is looking to invest around Rs1.5bn over next two years.

Maintains cautious stance on exports: Exports revenue declined by 32% YoY to Rs192mn primarily led by subdued demand in key export regions like NAFTA, LATAM and African countries. However, company is observing encouraging developments in export market, including the reception of numerous orders from dealers. For FY24E company is expecting revenue of Rs1.5bn (Previous guidance Rs2bn) from export market. However, higher channel inventory coupled with pricing pressure will likely persist over near-medium term in the exports market.

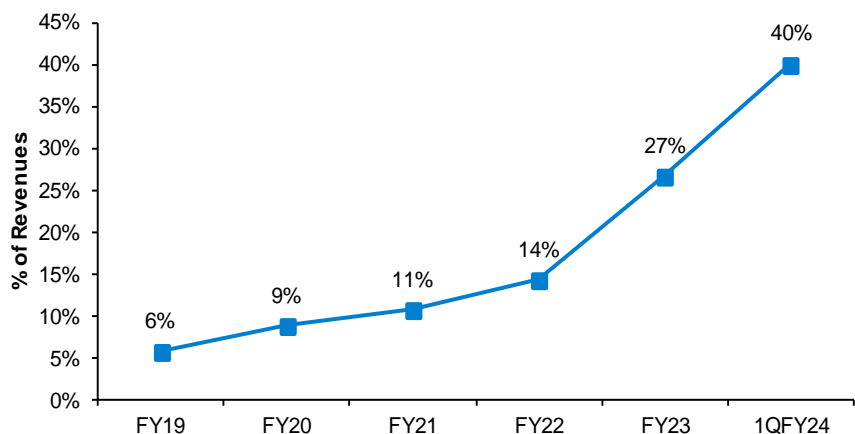
Guided 10-12% revenue growth with 9-10% EBITDA margin for FY24E: Commencement of new facilities coupled with new product introductions (combination molecules with higher margin profile as compared to generic molecules with lower margin profile) and significant registrations in export market management has guided revenue growth of 10-12% in FY24E. However, they remain cautious on the margin profile in near term led by high cost inventory provisions in the subsequent quarter. Management expects EBITDA margins to stay within the range of 9-10% in FY24E.

Exhibit 1: Q1FY24 Result Overview (Rs mn)

Y/e March	1QFY24	1QFY23	YoY gr. (%)	4QFY23	QoQ gr. (%)	FY24E	FY23	YoY gr. (%)
Revenues	6,400	5,607	14.1	3,019	112.0	19,815	18,013	10.0
Raw material	5,069	4,265	18.9	2,644	91.7	15,000	13,856	8.3
Staff costs	296	250	18.5	217	36.9	1,110	984	12.8
Others	577	507	13.8	441	30.8	1,922	1,954	(1.7)
Total expenditure	5,943	5,022	18.3	3,302	80.0	18,031	16,794	7.4
EBITDA	456	585	(21.9)	-283	NA	1,783	1,219	46.3
Depreciation	69	66	3.9	66	3.5	268	261	2.5
EBIT	388	518	(25.2)	-350	NA	1,516	958	58.2
Less: Interest Expense	32	14	125.0	45	(29.1)	121	135	(10.0)
Add: Other income	39	2	1,907.9	4	NA	14	13	10.0
Profit Before Tax	395	506	(22.0)	-390	NA	1,409	836	68.5
Less: Provision for Tax	105	126	(17.1)	-100	NA	338	206	64.0
Less: Minority Interest	0	0		0		-	-	NA
Adjusted Profit	290	380	(23.6)	-290	NA	1,071	630	70.0
Add: Exceptional items	-	-	NA	-	NA	-	-	NA
Reported profit	290	380	(23.6)	-290	NA	1,071	630	70.0
Minority interest	0	0	NA	0	NA			NA
No. of Diluted shares outstanding (mn)	296	296		296		296	296	
Adjusted Diluted EPS	9.8	12.8	(23.6)	(9.8)	(200.1)	36.2	21.3	70.0
As % of net revenues								
Raw material	79.2	76.1		87.6		75.7	76.9	
Staff expenses	4.6	4.5		7.2		5.6	5.5	
Other expenses	9.0	9.1		14.6		9.7	10.8	
EBITDA	7.1	10.4		(9.4)		9.0	6.8	
Net profit	4.5	6.8		(9.6)		5.4	3.5	

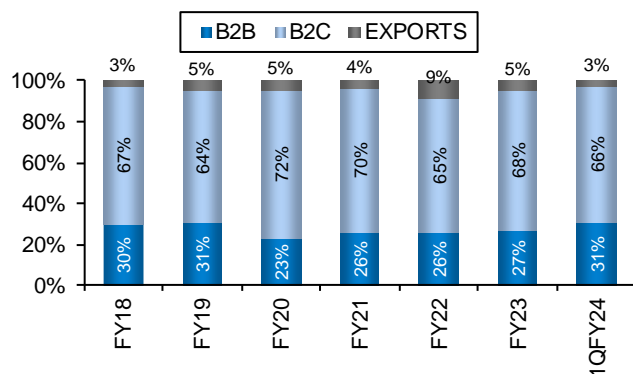
Source: Company, PL

Exhibit 2: ITI Index- New Product launches gaining traction



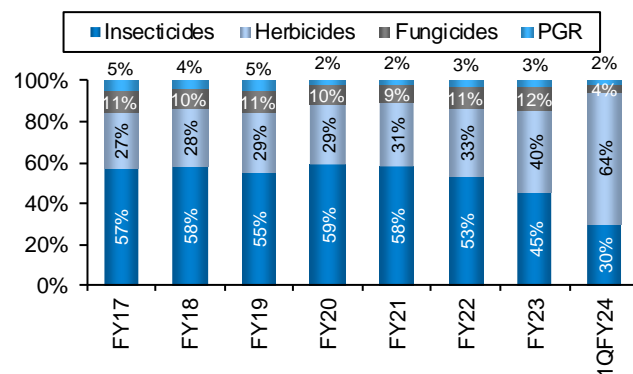
Source: Company, PL

Exhibit 3: Demand fluctuations impacting exports



Source: Company, PL

Exhibit 4: Insecticides & Herbicides contribute >90%



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 Invst. 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	13.0	22.1	13.0	10.3
P/B	1.6	1.5	1.4	1.2
P/CEPS	10.4	15.6	10.4	8.5
EV/EBITDA	8.3	12.6	8.5	6.9
EV/Sales	0.9	0.8	0.8	0.7
Dividend Yield (%)	0.6	0.6	0.9	1.0

Source: Company Data, PL Research

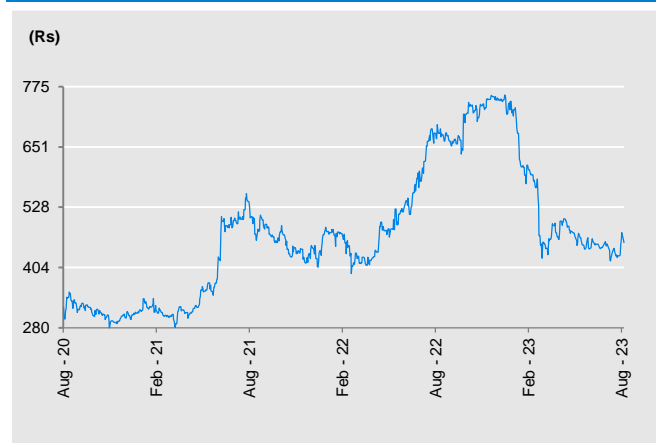
Quarterly Financials (Rs m)

Y/e Mar	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Net Revenue	5,822	3,565	3,019	6,400
YoY gr. (%)	31.1	13.6	8.6	14.1
Raw Material Expenses	4,265	2,682	2,644	5,069
Gross Profit	1,557	884	375	1,330
Margin (%)	26.7	24.8	12.4	20.8
EBITDA	685	233	(283)	456
YoY gr. (%)	6.7	25.2	(183.7)	(21.9)
Margin (%)	11.8	6.5	(9.4)	7.1
Depreciation / Depletion	64	64	66	69
EBIT	621	168	(350)	388
Margin (%)	10.7	4.7	(11.6)	6.1
Net Interest	27	48	45	32
Other Income	3	4	4	39
Profit before Tax	596	124	(390)	395
Margin (%)	10.2	3.5	(12.9)	6.2
Total Tax	149	31	(100)	105
Effective tax rate (%)	25.1	24.9	25.7	26.5
Profit after Tax	447	93	(290)	290
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	447	93	(290)	290
YoY gr. (%)	7.0	13.8	(229.5)	(23.6)
Margin (%)	7.7	2.6	(9.6)	4.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	447	93	(290)	290
YoY gr. (%)	7.0	13.8	(229.5)	(23.6)
Margin (%)	7.7	2.6	(9.6)	4.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	447	93	(290)	290
Avg. Shares O/s (m)	296	296	296	296
EPS (Rs)	15.1	3.1	(9.8)	9.8

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jul-23	Accumulate	550	448
2	31-May-23	Accumulate	550	445
3	11-Apr-23	Accumulate	700	491
4	14-Feb-23	Accumulate	700	583
5	05-Jan-23	Hold	700	715
6	08-Nov-22	Hold	700	739
7	04-Oct-22	Hold	920	701
8	17-Aug-22	Hold	920	1,008

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bayer Cropscience	Accumulate	4,720	4,593
2	Chambal Fertilizers & Chemicals	Hold	300	275
3	Coromandel International	BUY	1,330	980
4	Dhanuka Agritech	BUY	950	746
5	Godrej Agrovet	Hold	420	464
6	Insecticides India	Accumulate	550	448
7	P.I. Industries	BUY	4,850	3,877
8	Rallis India	Reduce	180	221
9	Sharda Cropchem	Accumulate	540	481
10	Sumitomo Chemical India	BUY	500	413
11	UPL	Hold	650	625

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

ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Himanshu Binani- MBA Finance Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

(US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

DISCLAIMER

Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com.

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is a registered with SEBI under the SEBI (Research Analysts) Regulation, 2014 and having registration number INH000000271.

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Himanshu Binani- MBA Finance Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

www.plindia.com