

Insecticides (India) Ltd

Q3FY12 first cut – Earnings impacted by forex losses

Fundamental Grade	3/5 (Good fundamentals)
Valuation Grade	3/5 (CMP is aligned)
Industry	Chemicals

Insecticides (India) Ltd's (Insecticides') Q3FY12 revenues and earnings were below CRISIL Research's expectations. While the revenues underperformed our projections due to deficient monsoons which affected pesticides demand in key markets (Andhra Pradesh, Maharashtra and Karnataka), profitability was adversely impacted primarily due to foreign exchange loss of Rs 49 mn incurred on account of raw material imports. We may revise our earnings estimates post detailed interaction with the management. We maintain our fundamental grade of **3/5**.

Q3FY12 result analysis

- Insecticides' Q3FY12 revenues grew by 7.5% y-o-y to Rs 1,055 mn. Revenues from the formulations business grew by 14% while the technical segment's revenues declined by 33% (excluding inter-segment sales) over Q3FY11 as the company used higher proportion technical grade pesticides in-house.
- EBITDA margin was 7.5%, lower by 315 bps over Q3FY11 primarily due to forex loss of Rs 49 mn (included in other expenses). Other expenses were also higher by due to higher fixed costs from the Dahej plant as well as increase in promotion costs. Raw material as a percentage of sales declined by 337 bps y-o-y on account of higher in-house consumption of technical pesticides.
- The company reported PAT of Rs 48 mn against Rs 69 mn in Q3FY11, down by 30.8% y-o-y on account of lower operating profits. PAT margin remained also contracted by 252 bps y-o-y at 4.6% compared to Q3FY11.

Valuation: Current market price is aligned

We maintain the fair value of Rs 385 per share for Insecticides. Based on the current market price, we assign a valuation grade of **3/5**.

KEY FORECAST

(Rs mn)	FY09	FY10	FY11	FY12E	FY13E
Operating income	2,634	3,775	4,501	5,839	8,246
EBITDA	281	340	438	620	901
Adj PAT	208	282	323	432	605
Adj EPS-Rs	16.4	22.3	25.5	34.0	47.7
EPS growth (%)	45.3	35.7	14.4	33.7	40.1
Dividend yield (%)	0.5	0.5	0.6	0.7	1.0
RoCE (%)	26.3	25.7	25.3	27.4	29.2
RoE (%)	23.6	25.7	23.6	25.4	28.1
PE (x)	24.6	18.2	15.9	11.9	8.5
P/BV (x)	5.3	4.2	3.4	2.7	2.1
EV/EBITDA (x)	18.0	15.3	12.5	9.2	6.6

NM: Not meaningful; CMP: Current market price

Source: Company, CRISIL Research estimate

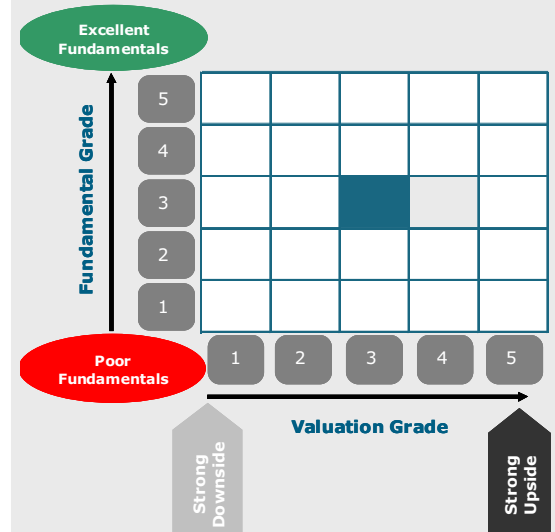


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Fair Value Rs 385

CMP Rs 404

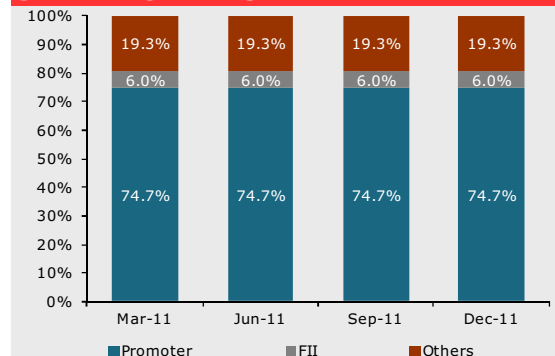
CFV MATRIX



KEY STOCK STATISTICS

NIFTY / SENSEX	5532/18202
NSE / BSE ticker	INSECTICID
Face value (Rs per share)	10
Shares outstanding (mn)	12.7
Market cap (Rs mn)/(US\$ mn)	5,128/104
Enterprise value (Rs mn)/(US\$ mn)	5,716/115
52-week range (Rs) (H/L)	477/225
Beta	1.1
Free float (%)	25.3%
Avg daily volumes (30-days)	75,934
Avg daily value (30-days) (Rs mn)	30.9

SHAREHOLDING PATTERN



PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
INSECTICIDES	-7%	-9%	4%	64%
NIFTY	11%	7%	7%	-1%

ANALYTICAL CONTACT

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