

# Viewpoint

## Book profits; Close to 90% gains in 8 months

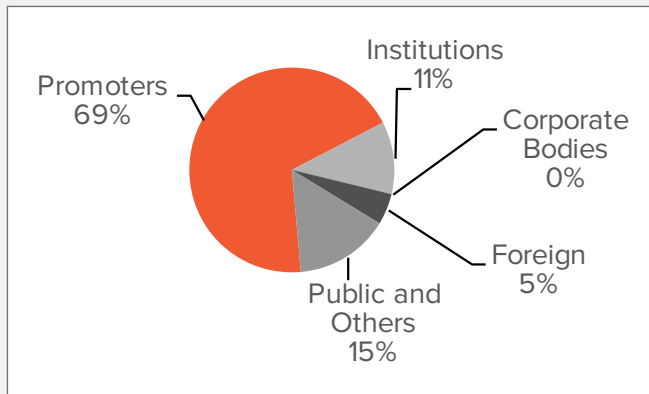
### Insecticides India

View: Book Profits | CMP: Rs952

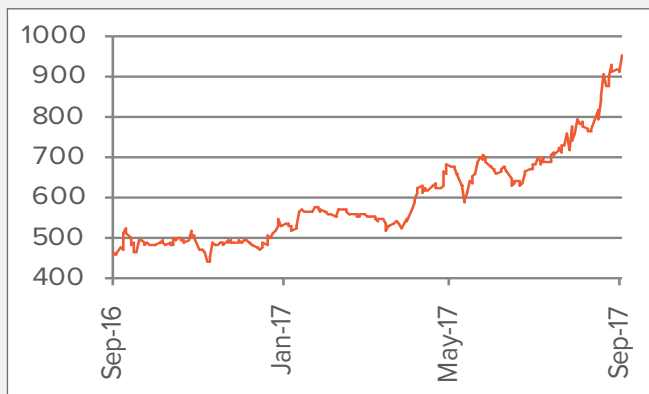
#### Company details

Market cap:	Rs1,967
52-week high/low:	Rs966/437
NSE volume: (No of shares)	53,477
BSE code:	532851
NSE code:	INSECTICID
Sharekhan code:	INSECTICID
Free float: (No of shares)	64.58 lakh

#### Shareholding pattern



#### Price chart



#### Price performance

(%)	1m	3m	6m	12m
Absolute	20.3	35.6	66.0	95.7
Relative to Sensex	16.6	30.3	47.8	70.2

#### Key points

- Exponential gains in a short time period:** We had initiated a viewpoint note on Insecticides India at a CMP of Rs.502 dated 4th January 2017. Subsequently, we had released an update at a CMP of Rs.740 dated 10th August 2017, retaining our positive view on the stock. The stock has delivered an impressive return of 90% (in 8 months) since our initiation note and a 29% return since our recent update dated 10th August 2017.
- Positives priced in; Limited scope for re-rating from here:** Our Positive stance was based on the management's aggressive product strategy for a sustainable and industry leading growth. This includes launch of 5-6 new products every year through a mix of tie-ups with partners and in-house R&D. Additionally, the company's strategy of focusing on off-patented products in the short term augurs well. Further, sustained traction for the existing products, especially green label (a rice-based herbicide), is likely to boost the company's revenue and enable Insecticides India to outpace industry growth. However, the recent surge in the stock price factors in the above positives and price-earnings multiples are close to 20x one-year forward earnings (average of FY2018/FY2019).
- Book profit with handsome gains (90% in 8 months and 29% in the last one month):** The recent run-up in Insecticides India's stock price is largely factoring in the key positive triggers and has substantially narrowed the valuation gap with its peers. At the CMP, the stock is trading at a multiple of 21x/18x its FY2018E/FY2019E earnings, respectively, which is higher than its historical average multiple and leaves limited scope for upside in the near term. Therefore, we recommend investors to book profits and wait for a better price point to re-enter the stock.

#### Valuations

Particulars	Rs cr			
	FY16	FY17	FY18E	FY19E
Net sales	988	1,107	1,283	1,504
Operating Profit	92	115	158	188
OPM(%)	9.3	10.4	12.3	12.5
Net Profit	40	58	92	112
EPS (Rs)	19	28	45	54
P/E (x)	49.7	33.7	21.3	17.5
P/BV (x)	3.0	2.6	2.3	2.0
EV/EBITDA (x)	14.7	11.8	8.6	7.2
RoCE (%)	12.5	14.9	19.6	22.5
RoE (%)	11.3	13.3	18.5	19.7

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by BNP PARIBAS

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