Insecticides (India) Ltd

IIFL
INDIA PRIVATE CLIENTS

Operating leverage at play, compelling valuation

Insecticides (India) Ltd (IIL) is one of the fastest growing agrochemical companies in the country. It has established a strong position for itself in the industry on the back of (i) strategic brand acquisitions (ii) new innovative product launches (iii) close partnership with leading global agro chemical players (iv) aggressive branding and marketing strategies (v) strong pan-India distribution network (vi) well diversified product portfolio and (vii) experienced management with proven capabilities. Consequently, share of IIL in the domestic agrochemical market has risen from 1.9% in FY09 to 5.5% in FY15. During FY09-14, the company witnessed 26.8% revenue CAGR albeit on a lower base. We expect the revenue growth momentum to continue along with more than commensurate earnings growth as operating leverage comes through. We forecast ~20%/43% revenue/EPS CAGR over FY15-17E. Initiate with BUY and 12-month target of Rs1080 based on 12x FY17E EPS. Hostile weather conditions remain key risk.

Strategic acquisition of brands

IIL today is one of the fastest growing branded agrochemical player in the country due to its smart strategy to acquire 'high recall but off the shelf' brands. IIL carefully picked brands having high recall in the minds of farmers but which have been off-the-shelve since few years. With aggressive marketing, IIL successfully relaunched these brands in a short span of time. IIL acquired 21 brands from Montari Ind. (Ranbaxy group co.) including popular brands like Lethal, Victor and Milchor. In FY12, IIL also acquired Monocil from Nocil Ltd. Today, Lethal, Victor and Monocil are amongst the top 5 brands of IIL and the trio contributes ~13% to net sales and continue to grow at a robust rate.

Robust earnings growth available at attractive valuation

We forecast IIL's earnings CAGR at 42% over FY15-17E along with ~133bps margin expansion supported by increased contribution from specialty products, differentiated product offerings, and operating leverage from ramp up at Dahej facility. The stock looks attractive at current valuations of 9.3x FY17E which is at a steep discount to the peers (avg industry P/E 16x).

Financial summary

Y/e 31 Mar (Rs m)	FY14	FY15E	FY16E	FY17E
Revenues	8,641	9,832	11,643	14,263
yoy growth (%)	40.1	13.8	18.4	22.5
Operating profit	818	1,147	1,449	1,854
OPM (%)	9.5	11.7	12.4	13.0
Reported PAT	399	555	817	1,138
yoy growth (%)	13.1	38.9	47.2	39.3
EPS (Rs)	31.5	43.7	64.4	89.7
P/E (x)	26.5	19.1	12.9	9.3
Price/Book (x)	4.3	3.5	2.8	2.2
EV/EBITDA (x)	15.8	11.3	8.8	6.7
Debt/Equity (x)	1.0	0.9	0.7	0.5
ROE (%)	17.4	20.3	24.3	26.8
ROCE (%)	16.2	19.2	21.7	25.0

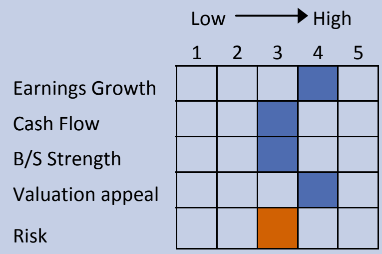
Source: Company, India Infoline Research

Rating:	BUY
Target:	Rs1,080
CMP:	Rs834
Upside:	29.1%

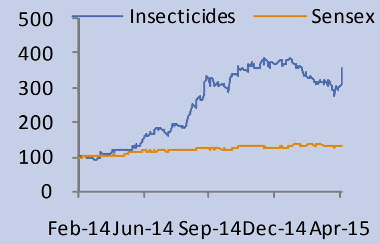
Sector:	Agrochemicals
Sector view:	Positive
Sensex:	28,516
52 Week h/l (Rs):	931 / 209
Market cap (Rscr) :	1058.3
6m Avg vol ('000Nos):	68.6
Bloomberg code:	INST IN
BSE code:	532851
NSE code:	INSECTICID
FV (Re):	10

Price as on April 07, 2015

Company rating grid



Share price trend



Share holding pattern

%	Jun-14	Sep-14	Dec-14
Promoters	74.7	74.7	74.7
Insti	8.5	10.4	10.6
Others	16.8	15.0	14.7

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April 08, 2015

Company Report

MNC tie-ups bolster product basket; JV to strengthen R&D

In the last few years, IIL has collaborated with some of the top MNC players to expand its product portfolio. Its first tie-up was with leading American agrochemical player AMVAC in 2006 for its popular brand Thimet. Thimet is a generic insecticide which finds application in many crops such as paddy, sugarcane, and groundnut. IIL received the technical and marketing rights for this product for 5 years which expired in 2011 and has been renewed for another 5 years. Thimet is one of the largest selling brands of IIL. In 2012, IIL was successful in securing another blockbuster product from AMVAC- Nuvan. Nuvan is an innovative insecticide having dichlorvos as its active ingredient and is effective for use in crops such as paddy, wheat, cotton and sugarcane.

Tie-up with leading MNC players like AMVAC and Nissan Chemicals has given access to popular brands like Thimet, Nuvan, Hakama and Pulsor

In the same year, IIL launched two more innovative products, Pulsor and Hakama, by entering into a marketing collaboration with Nissan Chemicals, Japan. Pulsor is a thifluzamide-based fungicide that is used for fighting sheath blight in rice. Hakama is a selective herbicide based on Nissan's very popular quizalofop-ethyl molecule and is used for combating small leaf weeds in broad leaf crops and vegetables like soybean, cotton, groundnut etc. Together, these four products contribute ~17-18% of the total revenues. Three out of the four products have only seen two full sowing seasons so far and as the brand attains maturity in the market the sales will increase incrementally. Going ahead, IIL expects to launch one more innovative product from Nissan in FY16 and is working on two unique molecules, which will be launched in 18-24 months.

We expect IIL to launch at least 2-3 innovative products through technical tie-ups

On the R&D front, IIL has entered into a JV with Japanese firm OAT Agrio Co Ltd., for research and development of new molecules to control pest, weeds and other diseases currently plaguing crops and for which no substantial cure is available in the market. A 25,000 sq ft state of the art R&D center has been setup at Chopanki, Rajasthan under the JV Company - OAT & IIL India Laboratories Pvt Ltd, for a capex of Rs400mn. This facility got operationalized in Q2 FY15 and currently employs 45 people including chemists and biologists. OAT holds 70% in the JV Company while IIL holds the remaining 30%. While OAT will provide technological know-how needed for carrying out research and inventing new molecules, IIL's expertise lies in knowledge of Indian climatic and soil conditions, cropping patterns and strong pan-India presence. The joint venture company aims to work on more than 7000 compounds each year and will apply for at least 10 basic patents in the next three years. It is hopeful of launching two-three novel molecules globally in 2-3 years. Both the JV partners will have the rights to manufacture and sell the molecules thus discovered in countries where they have presence.

JV with OAT Agrio will strengthen R&D capabilities and will help in developing new innovative molecules

Wide-ranging product portfolio supports strong revenue growth

One of the reasons behind IIL's above industry-average revenue growth has been its wide-ranging product portfolio wherein the company has been adding at least 3-4 new products every year. As of FY15, IIL boasts of owning more than 120 branded products in its portfolio catering to the complete spectrum of agrochemicals comprising plant protection products (herbicides, insecticides, fungicides) as well as specialty plant nutrient products and solutions. Contribution from insecticide remains high at ~65% of total revenues but has been reducing post the launch of novel products in other segments such as Hakama, Racer, Hijack (Herbicide) and Pulsor (Fungicide). Revenue contribution from these products, which were launched between FY10-13 have already shown good growth and are contributing 1-5% each. Going forward, as these products gain traction, their contribution will further increase.

New launches like Hakama, Racer, Pulsor etc are gaining traction and are expected to increase their contribution from 1-5% each to higher single digit in next 2-3 years.

Last year, the company entered into bio-product segment by launching Mycoraja, a mycorrhiza-based nutrient activating bio-fertilizer. It has been well accepted by the farmers in Rajasthan where it was initially launched and is being used for variety of crops such as cotton, rice, wheat, oilseeds and vegetables. Two more indigenously developed insecticides, Xplode and Logo were launched in FY14. The company is focused on launching more innovative products in these segments especially in herbicide category where the demand is very strong.

As of FY14, the top five products contributed ~27% while the top ten products contributed ~38% to the topline. As per the management, all these products are growing in double digits as demand remains robust.

Revenue Share of Top Ten Products

Product Name	Technical	Launch	Category	Revenue Share	Type
Thimet	Phorate 10% CG	FY07	Insecticide	8.3%	Generic- Tie up with AMVAC
Monocil	Monocrotophos 36% SL	FY12	Insecticide	6.0%	Generic- Inhouse
Nuvan	Dichlorvos 76% EC (DDVP)	FY13	Insecticide	5.9%	Specialty- Tie up with AMVAC
Hijack	Glyphosate 41% SL	FY10	Herbicide	4.0%	Generic- Inhouse
Lethal	Chlorpyriphos 50% EC	FY06	Insecticide	2.7%	Generic- Inhouse
Victor	Imidacloprid 17.8% SL	FY06	Insecticide	3.4%	Generic- Inhouse
Hakama	Quizalofop-ethyl 5% E.C.	FY13	Herbicide	2.6%	Specialty- Tie up with Nissan
Milquat	Paraquate Dichloride 24% SL	FY07	Herbicide	1.9%	Generic- Inhouse
Racer	Pretilachlor 50% EC	FY05	Herbicide	1.6%	Generic- Inhouse
Pulsor	Thifluzamide 24% SC	FY13	Fungicide	1.6%	Specialty- Tie up with Nissan

Source: Company, India Infoline Research

Backward integration into technicals

From a pure formulator of agrochemicals, IIL revamped its business model by venturing into technical manufacturing. Technicals are the active ingredients which are added with other ingredients to formulate the pesticide into the final product for sale. This enables control over supply chain. IIL manufactures off-patented technicals of which ~56-60% is consumed in-house for manufacturing formulations while the remaining is sold in the open market. Its pays to run an integrated model since integrated operations assure availability of technicals and lead to lower margin volatility and higher operating margins. IIL started manufacturing technicals in FY08 from its Chopanki unit. In FY13, a new unit was setup at Dahej taking the total capacity to 11,800MT. After facing initial teething problems at Dahej, operations have stabilized. The company is expected to scale up productions as its sees increased captive demand as well as demand from exports. Currently, the company has more than 40 technical grade chemicals some of the popular ones are glyphosate, imidacloprid, acetamiprid, dichlorovos, lambdacyhalothrin, methsulfuron methyl, sulfosulfuron, bifenthrin, chlorpyriphos, fipronil and thiamethoxam.

IIL consumes ~56-58% of the technical it manufactures, thus ensuring availability of technical and lead to lower margin volatility and higher operating margins

Manufacturing and R&D Facilities

Formulation Location	Operational From	Key Products
Chopanki (Rajasthan)	FY03	Lethal
Samba (J&K)	FY04	Nuvan, Victor, Hijack
Dahej (Gujarat)	FY12	Monocil
Udhampur (J&K)	FY12	Hakama

Technicals Location	Operational From	Key Products
Chopanki (Rajasthan)	FY08	Glyphosate
Dahej (Gujarat)	FY13	Thiamoxam

R&D Location	Operational From	Key Products
Chopanki (Rajasthan)	FY06	Backward Integrated Process Research
Chopanki (JV with OAT)	FY15	Backward Integrated Process Research

Source: Company, India Infoline Research

Distribution and Marketing initiatives assist market share gains

IIL's strong rural brand equity among millions of Indian farmers has been the result of its aggressive marketing initiatives and its pan-India distribution network that covers more than 60,000 retail points that are serviced by 4,800 distributors and 25 depots present across all major agricultural states in the country. Wider retail presence has also helped the company in attracting MNC agrochemical giants who have no presence or less presence in India. IIL has been leveraging on its distribution might to secure distribution rights for many novel products from these MNCs. As the distribution network continues to increase, we are confident the company will be able to rope in many more such exclusive marketing and distribution tie-ups.

Pan-India distribution network has enabled IIL to enter into marketing tie-ups with leading global agro-players for their novel products in India.

IIL has been very aggressive in using conventional as well as non conventional advertising and marketing strategies to build a brand which is fast becoming a household name within the farmer community. It has appointed Bollywood stars such as Suniel Shetty and Aman Verma as its brand ambassador. The company has also employed a team of techno-commercial people who directly interact with the farmers and educate them on various issues of farming. This has helped in building trust and faith in the company and its products and acted as an indirect way of marketing.

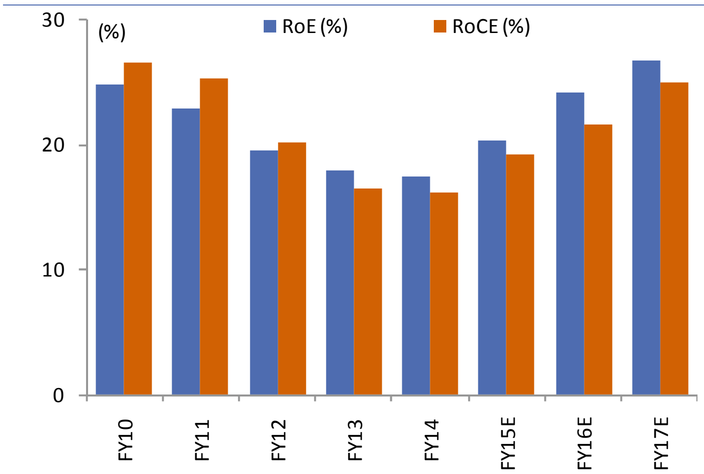
By roping in Bollywood celebrities, IIL has been able to increase its visibility in the rural pesticide market

No major capex in coming years; focus on increasing utilization

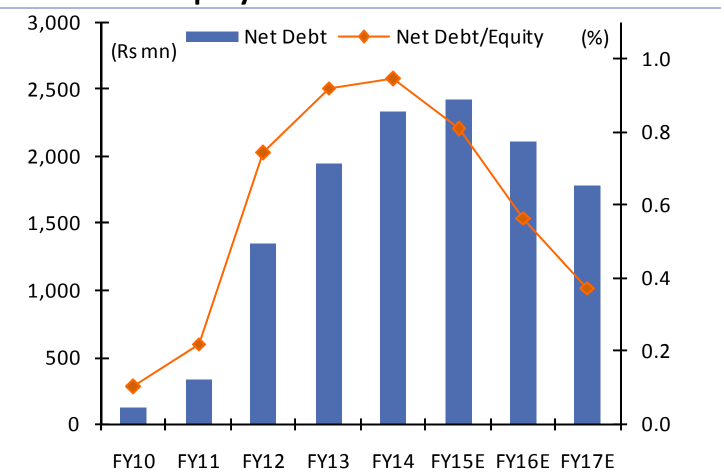
Post completion of Dahej facility, IIL does not envisage any major capex for setting up new manufacturing/R&D units. Over the last five years, the company invested Rs2bn in setting up green field formulation as well technical facility at Dahej. This project was largely funded by debt. Consequently, net debt/equity ratio ballooned from 0.1x to 0.9x over FY10-14. Similarly, RoCE deteriorated from 26.6% in FY10 to 16.2% in FY14. Currently, this new unit is operating at sub-optimal utilization levels of 35-40%. At peak capacity utilization, this facility can generate revenues of ~Rs5-6bn, as per the management. By the end of FY16, the management expects to ramp up production and achieve 75% utilization levels. As operating leverage kicks in, margins as well as operating cashflows will improve, which should improve the net debt to equity position of the company. We expect return ratios to inch back towards FY10 levels by the end of FY17.

With no further capex, operating leverage should help improve free cash flows and reduce debt.

Return ratios to stabilize at FY10 levels



Net Debt to Equity ballooned to 0.9x in FY14



Source: Company, India Infoline Research

Revenue CAGR highest amongst peers; to maintain same pace over FY15-17E

Over FY10-14, IIL has managed to outpace its peers on the revenue growth front. While the agrochemical industry has seen ~17% CAGR, IIL has clocked 23% during the same period. Even when we look at 9M FY15 which was a weak period for all the companies due to deficient monsoon, IIL's revenues saw 10% yoy increase while the industry average stood at 9%. This outperformance can be attributed to its aggressive marketing and brand building strategy. Being a fairly new player in the agrochemical space, IIL was faced with the challenge of gaining a foothold in the industry which is largely dominated by major MNCs like Bayer, BASF, Monsanto, etc., and domestic stalwarts like Rallis, UPL, Dhanuka etc. As per industry estimates, market leader Bayer commands 18% market share while UPL is close second with 16%. Rallis is distant third with 9%. IIL's strategy to grow by acquiring well-known brands and launching new innovative products through collaboration with foreign innovators has paid-off well. The company has managed to increase its market share from 1.9% in FY09 to 5.5% in FY15. Recent launches like Hakama, Pulsor, Nuvan are likely to gain further traction while the older established brands like Thimet, Monocil, Lethal, Victor etc will continue to dominate in their respective segments. Also, foray into technical manufacturing is expected to further strengthen growth prospects in the coming years. We envisage 30% revenue CAGR during FY15-17E from the technical manufacturing segment. Overall, we estimate the company to post ~20% CAGR.

IIL's superior revenue growth is attributable to its ability to acquire popular brands and sell them through aggressive marketing strategies

Peer Comparison

	Yoy Revenue Growth (%)				4yr
Company	FY11	FY12	FY13	FY14	CAGR (%)
Bayer CropScience	24.0	6.3	19.9	19.1	17.1
Dhanuka Agritech	20.3	7.8	10.0	26.8	16.0
Excel Crop Care	12.8	-6.7	13.0	26.2	11.0
Insecticides (India)	**19.3**	**15.9**	**18.2**	**40.1**	**23.0**
PI Industries	37.5	22.6	8.9	21.5	22.2
Rallis India	23.6	17.4	14.4	19.8	18.7
United Phosphorus	5.5	33.2	19.7	17.3	18.5
Industry Average					17.0

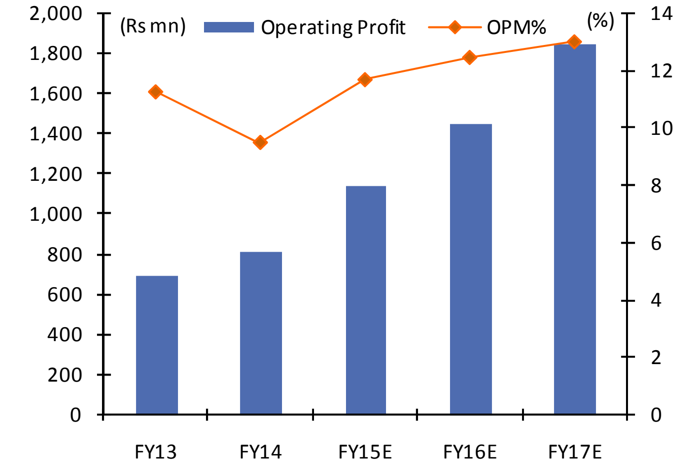
Source: Company, India Infoline Research

Earnings to accelerate over FY15-17E led by OPM expansion

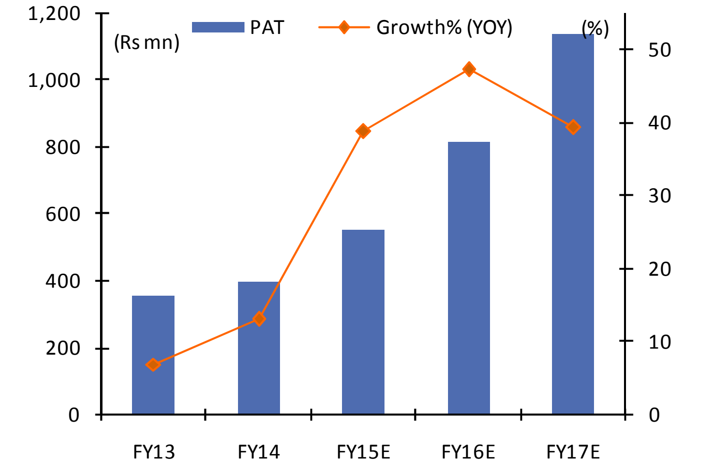
In spite of above average revenue growth, IIL's margins have been much below industry average. Its product portfolio has always been skewed towards generics products which are essentially low margin. Moreover, in order to gain a foothold in the industry, the company has been offering higher discounts and rebates (~8% of sales v/s industry average of 2-4%). These factors have weighed in on the OPM over the years. However, in the coming 2-3 years OPM should expand by ~110bps on the back of higher contribution from top ten brands that command superior margins, higher capacity utilization from Dahej plant leading to higher operating leverage and lower discounts to distributors. We expect operating profit to register ~27% CAGR during FY15-17E. Improvement in operating profit would accelerate the earnings over the next two years with compounded growth of ~43% v/s ~14% over FY09-14.

Higher discounts and generic product portfolio has weighed in on margins; however we expect OPM to expand ~133bps over FY15-17E

OPM to improve ~133bps over FY15-17E

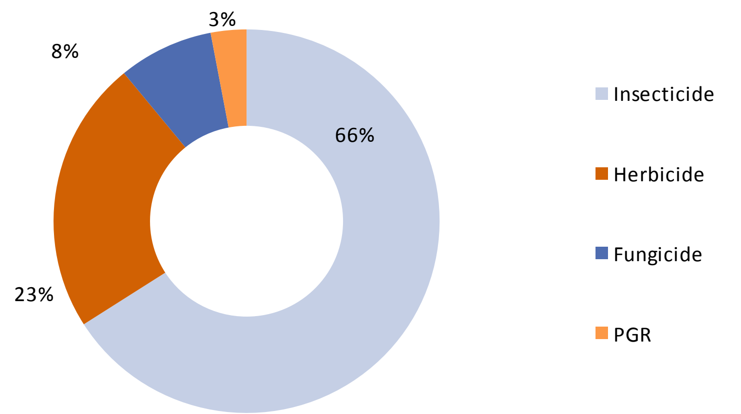


PAT to accelerate over FY15-17E



Source: Company, India Infoline Research

Revenue Breakup – Segment wise (FY14)



Source: Company, India Infoline Research

Robust earnings growth available at attractive valuation

Indian agrochemical companies have seen multiple phases of valuation re-rating in the past 12-15 months. The industry has seen a healthy growth of 12-15% during FY11-14 and is expected to grow at the similar rate in the coming 3-5 years. We forecast IIL's revenue and earnings CAGR at ~20% and ~43% respectively over FY15-17E along with ~133bps margin expansion bolstered by increased contribution from specialty products, differentiated product offerings, strong distribution network, operating leverage from ramp up at Dahej facility and new product launches from international collaborations. IIL is also focusing on increasing its exports by venturing into new geographies like Middle East, Africa, and South Asia and expects exports to contribute 20% to the topline in next 2-3 years. Currently, exports form less than 1% of total revenues. Dahej facility will also be used to build the highly lucrative CRAMS business. How well the management is able to ramp up CRAMS remains a key monitorable though.

Exports to support revenue growth, while ramp up in CRAMS business remains key monitorable

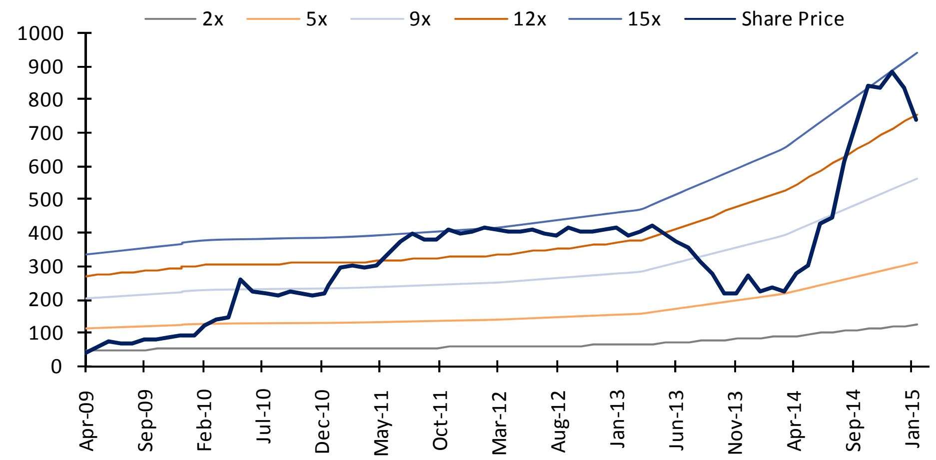
IIL trades at 9.3x FY17E PE and given the robust growth envisaged, we expect the stock to re-rate from current levels. This would be supported by improving return ratios and margins, positive free cashflows and easing leverage post the completion of capex. We initiate coverage with BUY rating and 12-month target of Rs1080, based on 12x FY17E EPS.

Valuation snapshot

		MCap	FY17E		EPS cagr(%)	PE	
Company	CMP (Rs)	(Rs Bn)	OPM (%)	RoE (%)	FY15-17E	FY16E	FY17E
Bayer CropScience*	3310.0	121.2	14.9	20.0	19.6	26.7	22.4
Dhanuka Agritech	626.0	31.3	17.6	29.5	27.3	24.1	18.6
Excel Crop Care*	966.0	10.6	11.0	24.6	20.3	10.6	8.8
Insecticides (India)	**834.0**	**10.6**	**12.2**	**26.5**	**42.3**	**12.9**	**9.3**
PI Industries	638.0	87.1	20.9	29.3	27.2	28.2	22.1
Rallis India*	230.0	44.7	16.5	24.3	24.3	21.6	17.6
United Phosphorus*	472.5	202.5	19.5	20.1	17.9	14.5	12.4

*Source: Companies, India Infoline Research; *Bloomberg estimates*

IIL 1-yr fwd PE bands



Source: Company, India Infoline Research

Key Risks

- **Erratic monsoon –** Timely and normal rainfall is essential for agrochemical companies to post good performance. Deficient and delayed monsoon will negatively impact growth. Besides, unseasonal rainfall can cause significant damage to standing crops resulting in losses to farmer's income.

- **Lower incidences of pest infestation -** Consumption of pesticides also depends on degree and type of pest infestation. Reduced incidence of pest infestation will hamper pesticide off-takes.

- **Delay in getting approvals -** Registration of pesticides is a long and tedious process in India. It can take anywhere between 4-6 years to launch a new novel molecule. Any delay can push the likely benefits from that product further.

- **Forex fluctuations -** Imported raw materials constitute 30% of the total raw materials thus exposing it to fluctuations in foreign exchange. However, management plans to increase exports (20% of total revenues by FY17 from the present 1%) which will act as a natural hedge.

- **Lower prices of commodities -** Fall in prices of agricultural commodities or lower MSP (minimum support price) will reduce the income of farmers. Unlike fertilizers, prices of agrochemicals are not subsidized by the government and farmers may choose to decrease their purchases of agrochemicals to lower their cost of production.

Company Background

IIL is one of the fastest growing agrochemical companies in the country with presence across the entire spectrum of agrochemical category. The company was incorporated in 1996 and was involved only in trading of agrochemicals in the country. In 2002, IIL started manufacturing operations by commissioning its first formulation facility in Chopanki in Rajasthan. Currently, the company operates 4 manufacturing plants with an overall formulation capacity of 59250MT and technical capacity of 11800MT. With two state of the art R&D centers, IIL is working on more than 10 process patent. It has received 1 process patent and has filed for 8 more.

From an agrochemical trading company in 1996, today IIL runs 4 manufacturing plants and 2 R&D centers

IIL is run by experienced management team headed by Mr. Hari Chand Aggarwal who is the chairman of the board. He has more than three decades of experience in the field of agrochemicals. He has held prestigious position at various industry bodies. He was the President of North Indian Pesticides Manufacturing Association for five terms and was also the director of Crop Care Federation of India. His son, Mr Rajesh Aggarwal, is the managing director of the company and is responsible for day to day activities of the company.

Board Details

Name	Designation
Hari Chand Aggarwal	Chairman
Rajesh Aggarwal	Managing Director
Nikunj Aggarwal	Whole Time Director
Navin Shah	Independent Non-Executive Director
Navneet Goel	Independent Non-Executive Director
Anil Kumar Singh	Independent Non-Executive Director
Virjesh Kumar Gupta	Independent Non-Executive Director
Gopal Chandra Agarwal	Independent Non-Executive Director

Source: Company, India Infoline Research

Financials

Income statement

Y/e 31 Mar (Rs m)	FY14	FY15E	FY16E	FY17E
Revenue	8641	9832	11643	14263
Operating profit	**818**	**1147**	**1449**	**1854**
Depreciation	(67)	(91)	(91)	(101)
Interest expense	(269)	(350)	(317)	(301)
Other income	5	5	6	7
Profit before tax	**487**	**711**	**1047**	**1459**
Taxes	(87)	(156)	(230)	(321)
Adj. profit	**399**	**555**	**817**	**1138**
Exceptional items	-	-	-	-
Net profit	**399**	**555**	**817**	**1138**

Balance sheet

Y/e 31 Mar (Rs m)	FY14	FY15E	FY16E	FY17E
Equity capital	127	127	127	127
Reserves	2,339	2,873	3,608	4,635
Net worth	**2,466**	**3,000**	**3,735**	**4,762**
Debt	2,426	2,829	2,688	2,553
Other LT Liabilities	43	43	43	43
Def.tax liability	133	133	133	133
Total liabilities	**5,068**	**6,004**	**6,598**	**7,491**
Fixed assets	2,243	2,402	2,561	2,710
Investments	111	111	111	111
Net working capital	**2,623**	**3,094**	**3,352**	**3,900**
Inventories	3,117	3,450	3,910	4,760
Sundry debtors	1,279	1,482	1,595	1,758
Other current assets	1,074	808	957	1,172
Sundry creditors	(2,036)	(2,261)	(2,653)	(3,230)
Other curr liabilities	(810)	(386)	(457)	(561)
Cash	90	398	575	770
Total assets	**5,068**	**6,004**	**6,598**	**7,491**

Cash flow statement

Y/e 31 Mar (Rs m)	FY14	FY15E	FY16E	FY17E
Profit before tax	487	711	1,047	1,459
Depreciation	67	91	91	101
Tax paid	(87)	(156)	(230)	(321)
Working capital Δ	(244)	(471)	(258)	(548)
Operating cashflow	222	175	650	691
Capital expenditure	(457)	(250)	(250)	(250)
Free cash flow	**(235)**	**(75)**	**400**	**441**
Equity raised	-	-	-	-
Investments	(111)	-	-	-
Debt fin/disposal	426	403	(141)	(134)
Dividends paid	(45)	(59)	(82)	(111)
Other items	8	39	-	-
Net Δ in cash	**43**	**307**	**177**	**195**

Key ratios

Y/e 31 Mar	FY14	FY15E	FY16E	FY17E
Growth matrix (%)				
Revenue growth	40.1	13.8	18.4	22.5
Op profit growth	18.0	40.3	26.3	27.9
EBIT growth	18.5	40.5	28.6	29.0
Net profit growth	13.1	38.9	47.2	39.3
Profitability ratios (%)				
OPM	9.5	11.7	12.4	13.0
EBIT margin	8.7	10.8	11.7	12.3
Net profit margin	4.6	5.6	7.0	8.0
RoCE	16.2	19.2	21.7	25.0
RoNW	17.4	20.3	24.3	26.8
RoA	5.6	6.7	8.9	10.8
Per share ratios				
EPS	31.5	43.7	64.4	89.7
Dividend per share	3.0	4.0	5.5	7.5
Cash EPS	36.7	50.9	71.6	97.7
Book value per share	194.4	236.5	294.5	375.5
Valuation ratios (x)				
P/E	23.2	16.7	11.3	8.1
P/CEPS	19.9	14.4	10.2	7.5
P/B	3.8	3.1	2.5	1.9
EV/EBIDTA	14.2	10.2	7.9	6.0
Payout (%)				
Dividend payout	11.1	10.7	10.0	9.8
Tax payout	17.9	22.0	22.0	22.0
Liquidity ratios				
Debtor days	54	55	50	45
Inventory days	145	145	140	140
Creditor days	95	95	95	95
Leverage ratios				
Interest coverage	2.8	3.0	4.3	5.8
Net debt / equity	0.9	0.8	0.6	0.4
Net debt / op. profit	2.9	2.1	1.5	1.0

Du-Pont Analysis

Y/e 31 Mar (Rs m)	FY14	FY15E	FY16E	FY17E
Tax burden (x)	0.82	0.78	0.78	0.78
Interest burden (x)	0.64	0.67	0.77	0.83
EBIT margin (x)	0.09	0.11	0.12	0.12
Asset turnover (x)	1.21	1.19	1.27	1.36
Financial leverage (x)	3.10	3.03	2.73	2.47
RoE (%)	**17.4**	**20.3**	**24.3**	**26.8**

‘Best Broker of the Year’ – by Zee Business for contribution to broking

Nirmal Jain, Chairman, IIFL, received the award for The Best Broker of the Year (for contribution to broking in India) at India's Best Market Analyst Awards 2014 organised by the Zee Business in Mumbai. The award was presented by the guest of Honour Amit Shah, president of the Bharatiya Janata Party and Piyush Goel, Minister of state with independent charge for power, coal new and renewable energy.

'Best Equity Broker of the Year' – Bloomberg UTV, 2011

IIFL was awarded the 'Best Equity Broker of the Year' at the recently held Bloomberg UTV Financial Leadership Award, 2011. The award presented by the Hon'ble Finance Minister of India, Shri Pranab Mukherjee. The Bloomberg UTV Financial Leadership Awards acknowledge the extraordinary contribution of India's financial leaders and visionaries from January 2010 to January 2011.

'Best Broker in India' – Finance Asia, 2011

IIFL has been awarded the 'Best Broker in India' by Finance Asia. The award is the result of Finance Asia's annual quest for the best financial services firms across Asia, which culminated in the Country Awards 2011

Other awards

Recommendation parameters for fundamental reports:

Buy – Absolute return of over +15%

Accumulate – Absolute return between 0% to +15%

Reduce – Absolute return between 0% to -10%

Sell – Absolute return below -10%

Call Failure - In case of a Buy report, if the stock falls 20% below the recommended price on a closing basis, unless otherwise specified by the analyst; or, in case of a Sell report, if the stock rises 20% above the recommended price on a closing basis, unless otherwise specified by the analyst

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