

CMP: INR 868

Rating: ACCUMULATE

Target Price: INR 1,027

Stock Info

BSE	500201
NSE	INDIAGLYCO
Bloomberg	IGLY:IN
Reuters	IGLY.NS
Sector	Chemicals
Face Value (Rs)	10
Equity Capital (Rs cr)	31
Mkt Cap (Rs cr)	2,687
52w H/L (INR)	1,153 / 465
Avg Yearly Volume (in 000')	352

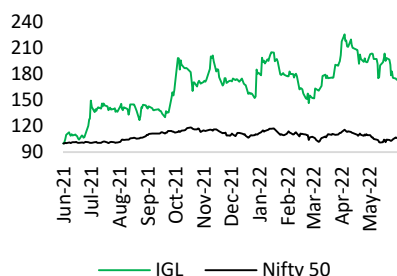
Shareholding Pattern %

(As on Mar, 2022)

Promoters	61.01
DII	4.61
FII	2.18
Public & Others	32.19

Stock Performance (%)	3m	6m	12m
IGL	13.8	0.6	73.7
NIFTY	-1.2	-2.3	6.5

IGL Vs Nifty



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India Glycols Ltd (IGL) reported modest numbers, Q4FY22 revenue stood at INR 642cr (-14.6% YoY/-19.2% QoQ); below our estimates of INR 785cr. Gross Profit stood at INR 280Cr (+33% YoY/+23.1% QoQ), Gross margins increased by 561 bps to 18.7% vs 13.1% in Q4FY21. The margin improvement mainly because of raw material cost decreased in terms of sales. The raw material cost in terms of sales stood at 56.4% vs 72% in Q4FY21. EBITDA stood at INR 80cr (-8.2% YoY/+43.6% QoQ); beats our estimates of INR 67cr. EBITDA margin improved by 86 bps to 12.4% vs 11.5% in Q4FY21. Adjusted PAT stood at INR 85cr (+15.8% YoY/290% QoQ); Adjusted PAT Margin improved by 349 bps to 13.3% vs 9.8% in Q4FY22.

Investment Rationale

Strong recovery in Bio-based Specialities and Performance Chemicals (BSPC): In Q4FY22, Bio-based Specialities and Performance Chemicals has de-grew by -17.3% YoY (-26.9% QoQ) to INR 429cr. However, In FY22 BSPC segment witnessed strong recovery (+32.3% YoY) driven by bounce back in sales across product levels, especially growth in Bio MEG with new customers.

Witnessed decent growth in Potable Spirits: In Q4FY22, Potable Spirits segment has de-grew by -9.6% YoY (+0.4% QoQ) to INR 176cr, However, In FY22 Potable spirits grew by +8.1% YoY to INR 686cr, driven by healthy sales in Ethyl Alcohol and ENA. The margins were impacted due to escalation in ENA costs. The company has launched Amazing Vodka, Single Reserva Whiskey in the IMFL segment. The company has launched Tejas Gold with sweet mango flavor In branded country liquor segment. The company has maintained leadership position in branded country liquor segment in UP and Uttarakhand and further targeting six states which include Chandigarh, Punjab and Rajasthan. There is no change in excise policy in Delhi which is a headwind for the IMFL segment.

Reduced dependence on thiocolchicoside in Ennature Biopharma: In Q4FY22, Ennature Biopharma segment has de-grew by -2.1% YoY (+14% QoQ) to INR 37cr, However, In FY22 Ennature Biopharma grew by +3.7% YoY to INR 156cr, driven by increase in API sales and reduced dependence on thiocolchicoside while maintaining market share.

Grain based distillery projects would reduce ethanol cost: The company has undertaken capex for ~INR 325cr for grain based distillery and other miscellaneous capex for FY23. The grain based distillery project is expected to be completed by the coming quarter. IGL is expected to meet 40% of its ethanol requirement through the grain based distilleries.

Outlook & Valuation: IGL has witnessed strong recovery across segments in FY22, Grain based distillery projects, Capex in new specialities, Capacity expansion for Nikotine, Setting up new R&D center, JV with clariant, Government initiatives for Biofuels and ethanol blending program and future scope of carbon smart products are expected to drive the business in going forward. At the CMP of INR 868 per share, the stock is trading at a P/E multiple of 17.9x/12.1x/8.9x its FY23E/FY24E/FY25E EPS of INR 48.5/71.6/97.8 respectively. We have a "ACCUMULATE" rating at a TP of INR 1,027 per share; valued at PE multiple 10.5x and its FY24E EPS of INR 97.8; an upside of 18.4%.

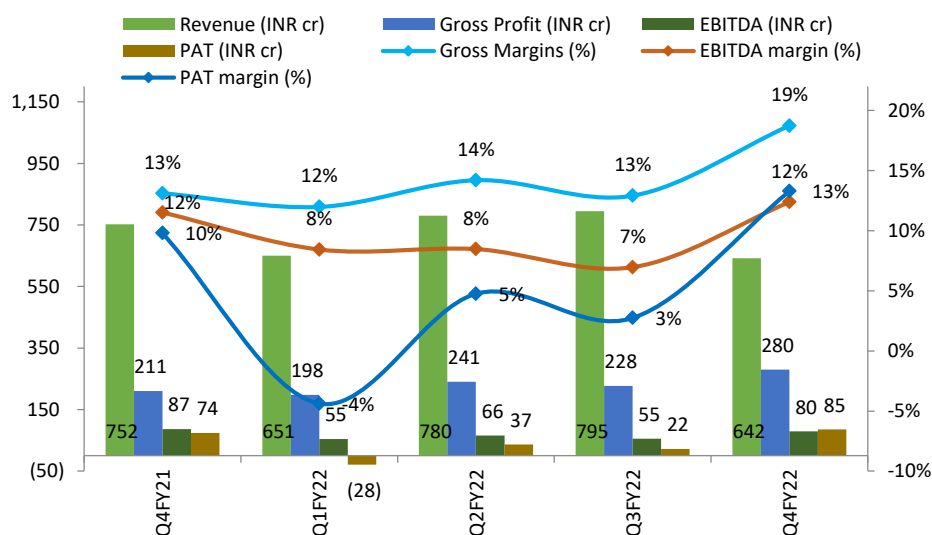
Q4FY22 Results

Income statement summary

Particular (INR cr)	Q4FY21	Q3FY22	Q4FY22	YoY (%)	QoQ (%)
Revenue	752	795	642	-14.6%	-19.2%
Net Raw Materials	541	568	362	-33.1%	-36.1%
Power & Fuel	49	81	120	143.8%	48.7%
Employee Cost	16	24	15	-3.7%	-36.7%
Other Expenses	59	67	65	10.3%	-3.6%
EBITDA	87	55	80	-8.2%	43.6%
EBITDA Margin (%)	11.5%	7.0%	12.4%	86 bps	542 bps
Depreciation	21	19	21	-2.0%	8.8%
Interest expense	21	15	18	-12.9%	22.8%
Other income	10	8	5		
Exceptional Items	-	-	(19)		
Share of profits associate & JV	1	-	5		
Profit before tax	56	29	32	-42.9%	8.9%
Taxes	(9)	7	(35)		
PAT	65	22	67	3.7%	206.4%
PAT Margin (%)	8.6%	2.8%	10.4%	184 bps	769 bps
PAT from discontinued operations	6	-	-		
Reported Netprofit	71	22	67	-5.5%	206.4%
Reported Netprofit Margin (%)	9.4%	2.8%	10.4%	100 bps	769 bps
Other Comprehensive income	3	0	(0)		
Net profit	74	22	67	-9.3%	205.5%
EPS (INR)	21	7	22		

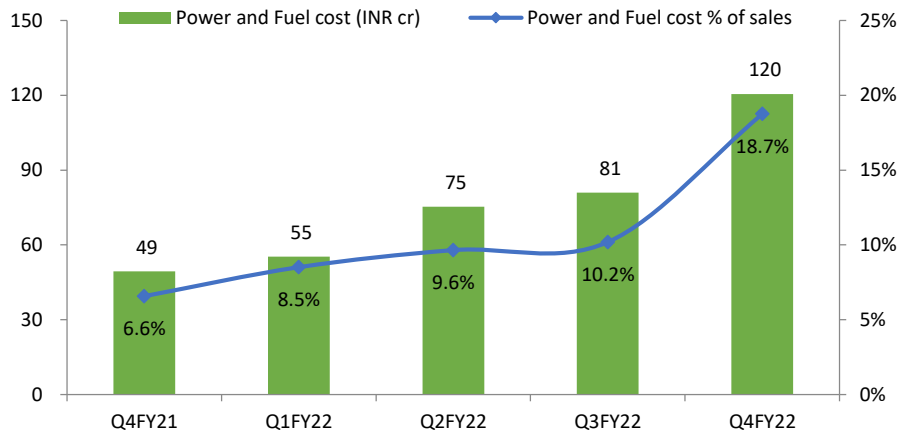
Source: Company Reports, Arianth Capital Research

Exhibit 1: Improved in Margin levels



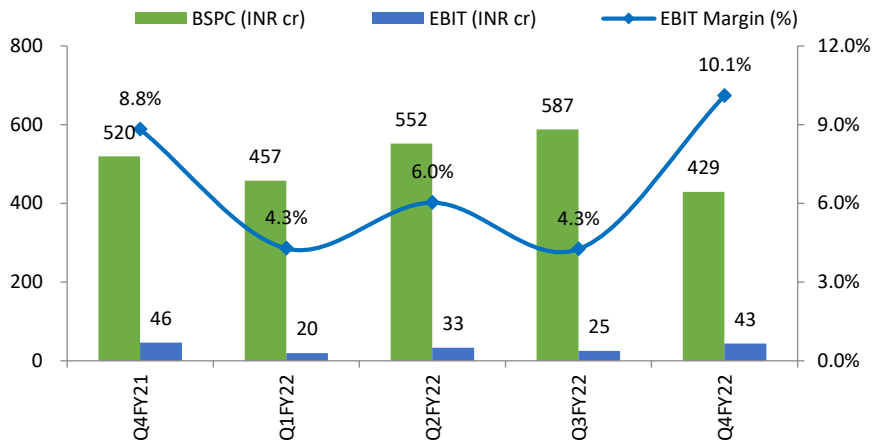
Source: Company Reports, Arianth Capital Research
Exceptional items are excluded

Exhibit 2: Power and Fuel cost substantially increased due to shortage of coal. The company procuring coal from private players.



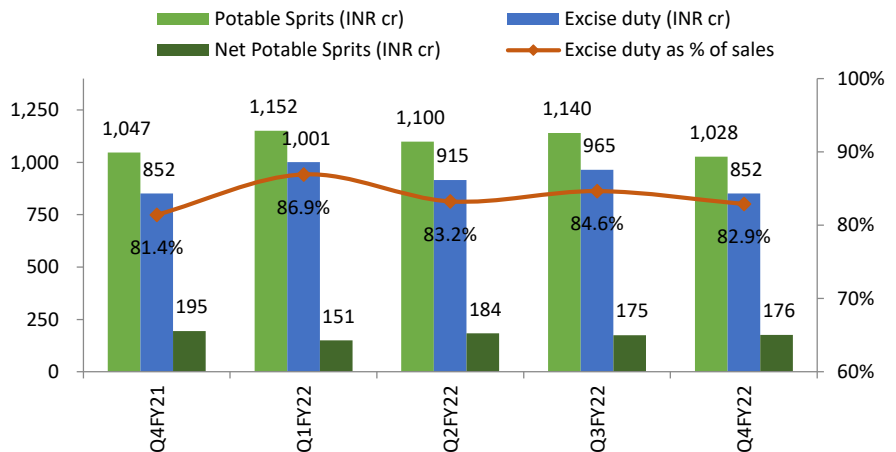
Source: Company Reports, Aриhant Capital Research

Exhibit 3: Strong bounce back in EBIT Margins.



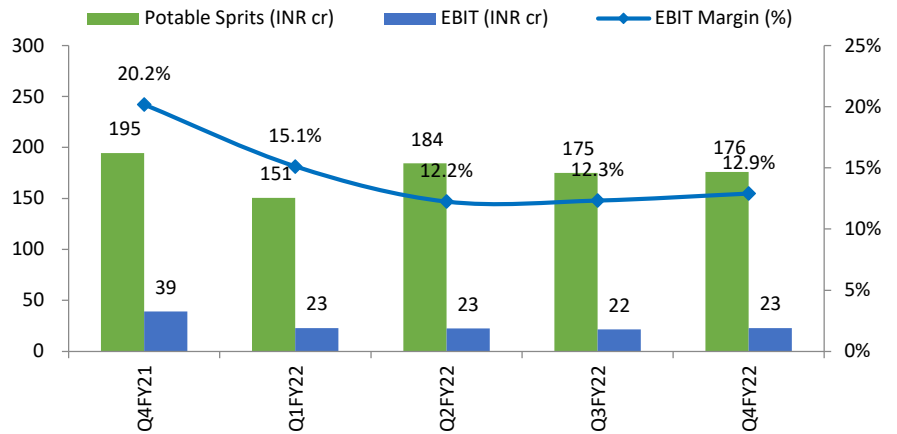
Source: Company Reports, Aриhant Capital Research
BSPC - Bio-based Specialities and Performance Chemicals

Exhibit 4: Excise duty remains elevated compared to Q4FY21.



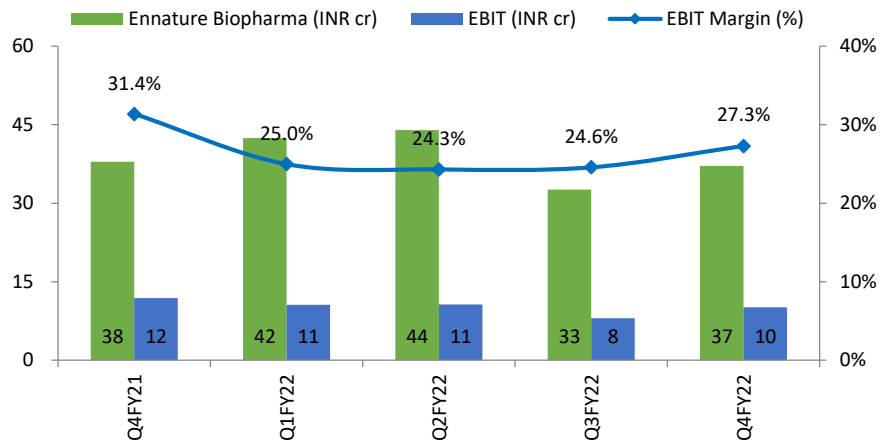
Source: Company Reports, Aриhant Capital Research

Exhibit 5: Margins remain under pressure due to sharp escalation in ENA costs.



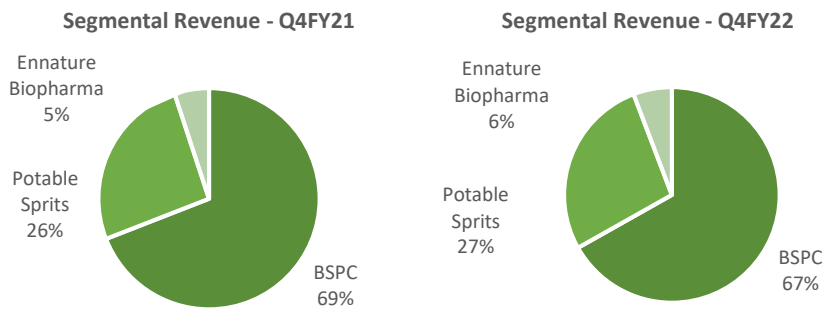
Source: Company Reports, Arianth Capital Research

Exhibit 6: Reduced dependence on Thiocolchicoside, margins under pressure on some exports.

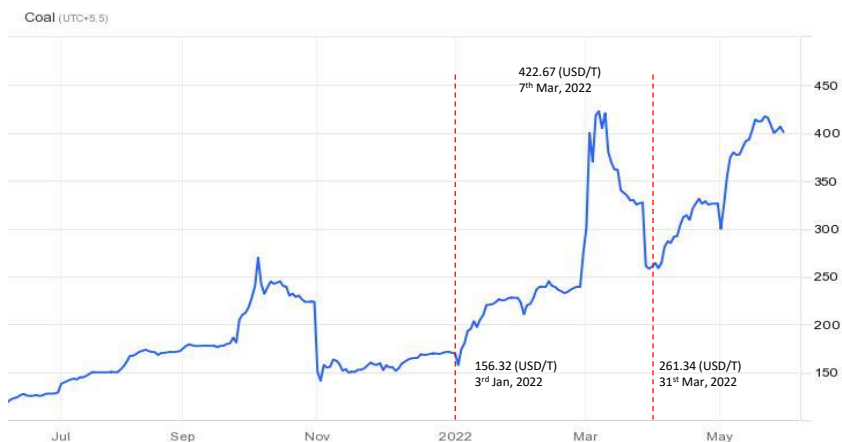


Source: Company Reports, Arianth Capital Research

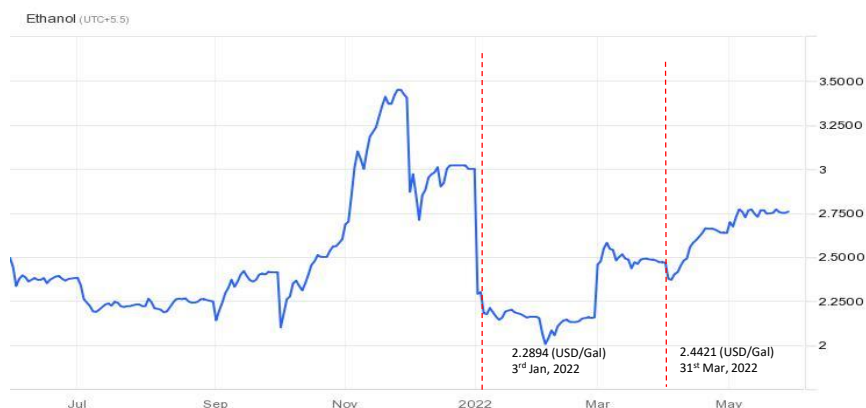
Exhibit 7: Segmental revenue xix



Source: Company Reports, Arianth Capital Research

Exhibit 8: Sharp spike in coal prices impacted EBITDA margins.

Source: Company Reports, Arihant Capital Research

Exhibit 9: Gross margins were improved due to cooling off ethanol prices. In Q4FY22, The raw material cost in terms of sales stood at 56.4% vs 72% in Q4FY21.

Source: Company Reports, Arihant Capital Research

Exhibit 10: DII shareholding has increased in last three quarters.

Shareholding (%)	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Promoters	61.01	61.01	61.01	61.01	61.01
FII's	1.30	1.15	1.15	2.19	2.18
DII's	0.26	0.25	1.87	4.39	4.61
- PGIM India Mid Cap Opportunities Fund	-	-	1.73	3.00	3.35
- Aditya Birla Sun Life Insurance Company Ltd	-	-	-	1.35	1.23
Public	37.43	37.58	35.97	32.41	32.19

Source: Company Reports, Arihant Capital Research

Concall Highlights

- Bio based MEG witnessed strong growth, Coca cola share reduced to 20% due ESG mandate and remaining 80% from other players. This segment commands higher margins. The company remains focused on south Asian markets such as Taiwan, Japan, Korea etc.
- The coal prices increased more than 3.5x which resulted in pressure on EBITDA margin levels.
- The government is pushing to make ethanol and encouraging blending. The higher production of ethanol leads to lower prices in Q3FY22.
- The demand for bio-fuels from oil & gas companies. The company supplies bio-fuels to oil & gas and engineering companies.
- The company focused on changing the value added proposition.
- There is no change in Delhi excise policy which would impact on IMFL business. In Jun, 2022, The government is expected to make a decision on excise policy. Delhi markets remain good play and new launches are expected to command premiums.
- The company focused on increasing the foot print in UP and Uttarakhand. The company further targets six states which include Chandigarh, Punjab and Rajasthan.
- The company is working on several products which includes specialities amines.
- The company is yet to receive ~INR 190cr from JV. The JV is already serving the interest payments.
- The company has undertaken capex for ~INR 325cr for grain based distillery and other miscellaneous capex for FY23. The grain based distillery project is expected to be completed by the coming quarter. The capex for the new specialities unit has been approved. In the ennature biopharma segment, The company focused on increasing the capacity for nicotine from 60MT to 100MT. The total capex is expected around ~INR 400cr for FY23.
- The company focused on improving digitization.
- The current vodka market share around 5% and focused to increase upto 15%.
- The net debt is around ~1,000cr. Long term debt is around ~INR 3,00cr and remaining for working capital requirements. The cost of funds is around 8%.

Financial Statements

Income statement summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Revenue	2,735	2,317	2,868	3,271	3,759	4,375
Net Raw Materials	1,846	1,499	1,921	2,168	2,466	2,857
Power & Fuel	250	214	332	360	402	459
Employee Cost	93	83	89	95	105	118
Other Expenses	267	253	270	307	342	385
EBITDA	279	268	255	340	444	556
EBITDA Margin (%)	10.2%	11.6%	8.9%	10.4%	11.8%	12.7%
Depreciation	(78)	(80)	(80)	(85)	(91)	(98)
Interest expense	(97)	(83)	(70)	(69)	(67)	(65)
Other income	9	15	22	20	19	22
Exceptional Items	-	-	221	-	-	-
Share of profits associate & JV	(0)	1	21	-	-	-
Profit before tax	113	120	369	206	304	415
Taxes	(38)	(11)	(39)	(56)	(82)	(112)
Minorities and other	-	-	-	-	-	-
PAT	75	109	330	150	222	303
PAT from discontinued operations	40	22	10	-	-	-
PAT	115	132	340	150	222	303
PAT Margin (%)	4.2%	5.7%	11.8%	4.6%	5.9%	6.9%
Other Comprehensive income	(1)	3	(0)	-	-	-
Net profit	113	135	339	150	222	303
EPS (INR)	37	43	110	48	72	98

Source: Company Reports, Arianth Capital Research

Balance sheet summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Equity capital	31	31	31	31	31	31
Reserves	1,003	1,138	1,761	1,896	2,104	2,392
Net worth	1,034	1,169	1,792	1,927	2,135	2,423
Minority Interest	-	-	(19)	-	-	-
Provisions	14	9	8	4	5	6
Debt	1,335	1,444	1,367	1,267	1,217	1,087
Other non-current liabilities	613	619	527	589	658	744
Total Liabilities	2,996	3,241	3,675	3,787	4,015	4,260
Fixed assets	2,201	2,171	2,303	2,862	3,023	3,190
Capital Work In Progress	172	126	243	153	164	176
Other Intangible assets	2	2	2	2	2	2
Investments	83	83	456	392	376	437
Other non current assets	33	27	19	20	23	26
Net working capital	354	684	362	228	288	263
Inventories	682	610	693	683	709	704
Sundry debtors	569	362	399	403	432	479
Loans & Advances	26	26	26	33	38	44
Other current assets	167	564	201	224	227	240
Sundry creditors	(722)	(581)	(642)	(723)	(817)	(942)
Other current liabilities & Prov	(369)	(297)	(314)	(392)	(301)	(262)
Cash	92	98	102	65	72	91
Other Financial Assets	60	51	188	65	68	74
Total Assets	2,996	3,241	3,675	3,787	4,015	4,260

Source: Company Reports, Arianth Capital Research

Financial Statements

Cashflow summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Profit before tax	113	120	369	206	304	415
Depreciation	78	80	80	85	91	98
Tax paid	(38)	(11)	(39)	(56)	(82)	(112)
Working capital Δ	(41)	(330)	322	134	(60)	25
Operating cashflow	111	(141)	732	369	253	426
Capital expenditure	(148)	(4)	(330)	(553)	(264)	(276)
Free cash flow	(37)	(145)	402	(184)	(11)	149
Equity raised	41	26	312	-	-	-
Investments	(3)	0	(374)	64	17	(62)
Others	(20)	14	(128)	122	(5)	(10)
Debt financing/disposal	81	110	(97)	(81)	(50)	(130)
Dividends paid	(44)	(0)	(18)	(15)	(13)	(15)
Other items	(40)	1	(93)	58	70	87
Net Δ in cash	(24)	6	4	(36)	7	19
Opening Cash Flow	116	92	98	102	65	72
Closing Cash Flow	92	98	102	65	72	91

Source: Company Reports, Arianth Capital Research

Ratio analysis

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Growth matrix (%)						
Revenue growth	-18.5%	-15.3%	23.8%	14.0%	14.9%	16.4%
Op profit growth	-33.1%	-3.9%	-4.8%	33.3%	30.4%	25.3%
Net profit growth	-13.5%	14.8%	158.2%	-55.8%	47.8%	36.6%
Profitability ratios (%)						
OPM	10.2%	11.6%	8.9%	10.4%	11.8%	12.7%
Net profit margin	4.2%	5.7%	11.8%	4.6%	5.9%	6.9%
RoCE	6.1%	7.4%	6.1%	6.3%	8.3%	10.2%
RoNW	7.5%	9.9%	22.3%	8.1%	10.9%	13.3%
RoA	2.5%	3.4%	9.0%	4.0%	5.5%	7.1%
Per share ratios (INR)						
EPS	36.6	43.5	109.6	48.5	71.6	97.8
Dividend per share	14.3	0.1	5.9	4.8	4.3	4.9
Cash EPS	49.2	61.1	132.4	75.9	101.2	129.5
Book value per share	333.9	377.4	578.8	622.4	689.7	782.7
Valuation ratios (x)						
P/E	23.7	20.0	7.9	17.9	12.1	8.9
P/CEPS	17.6	14.2	6.6	11.4	8.6	6.7
P/B	2.6	2.3	1.5	1.4	1.3	1.1
EV/EBITDA	13.8	14.7	13.7	10.3	7.8	5.8
Payout (%)						
Dividend payout	59.2%	0.4%	5.6%	10.0%	6.0%	5.0%
Tax payout	33.6%	9.4%	10.7%	27.0%	27.0%	27.0%
Liquidity ratios						
Debtor days	59	73	48	45	41	38
Inventory days	131	157	124	116	103	90
Creditor days	109	116	85	85	85	84
WC Days	82	115	87	76	59	44
Leverage ratios (x)						
Interest coverage	2.1	2.3	2.5	3.7	5.2	7.1
Net debt / equity	1.2	1.2	0.7	0.6	0.5	0.4
Net debt / op. profit	4.5	5.0	5.0	3.5	2.6	1.8

Source: Company Reports, Arianth Capital Research

Story in Charts

Exhibit 11: Strong recovery in FY22.

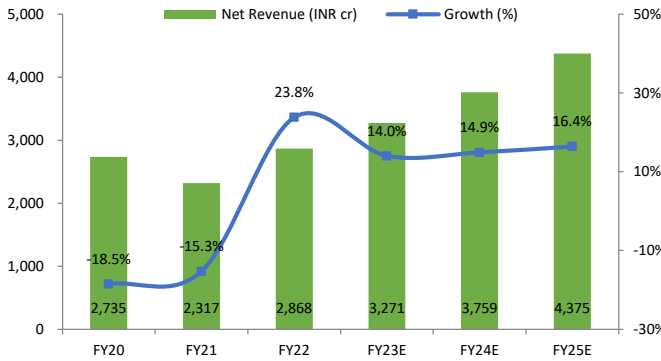


Exhibit 12: Input prices impacted gross margins.

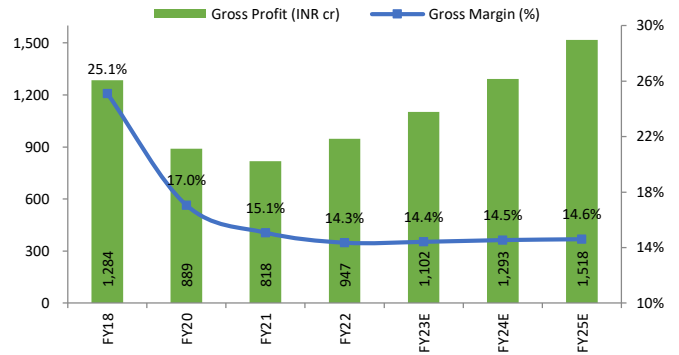


Exhibit 13: Sharp escalation in coal prices led to higher power & fuel cost.

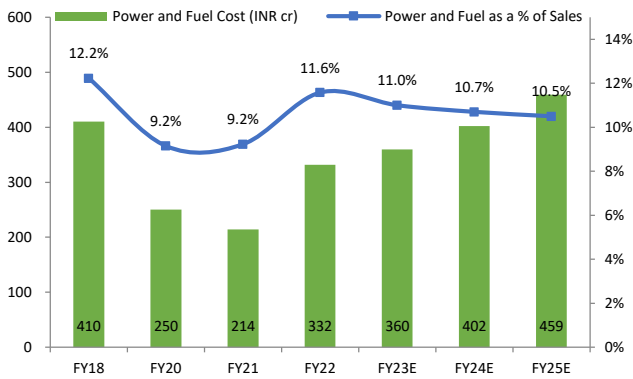


Exhibit 14: Growth in EBITDA & PAT levels.

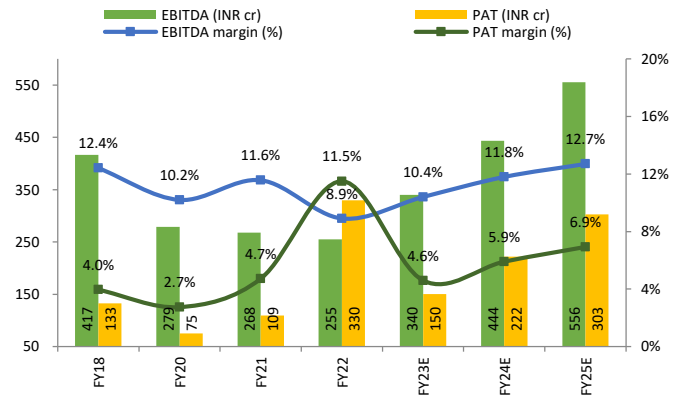


Exhibit 15: Working capital days to be improve

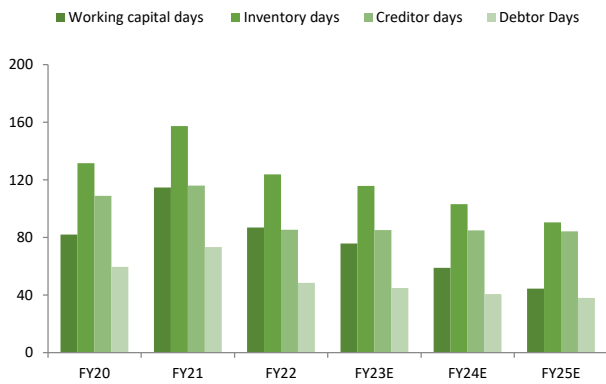
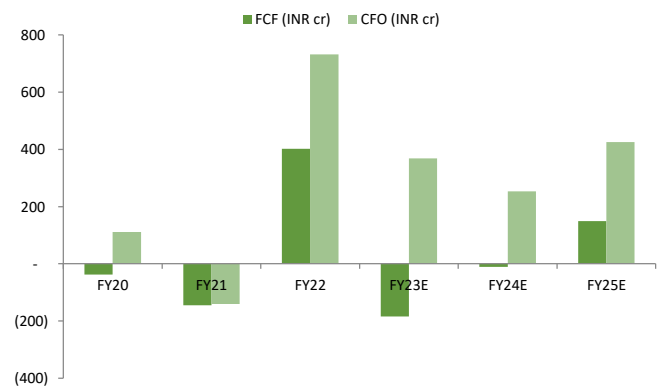


Exhibit 16: Cash flows to be improve



Source: Company Reports, Arianth Capital Research

Story in Charts

Exhibit 17: Return ratios to be improve.

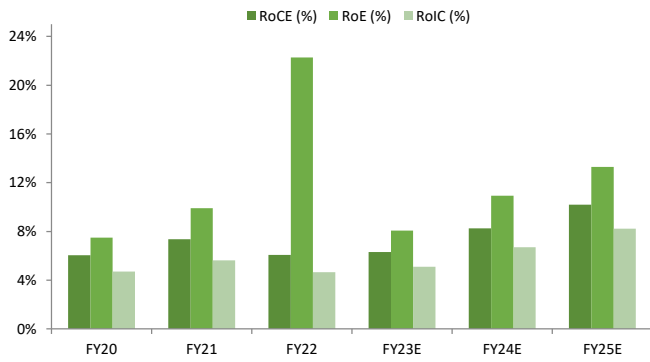


Exhibit 18: Working capital has reduced in terms of sales.

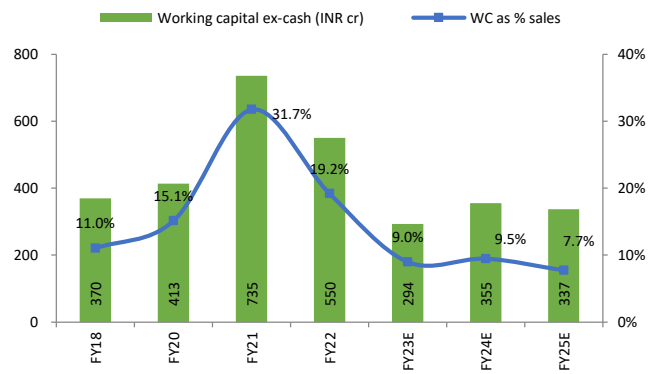


Exhibit 19: Cash conversion cycle to be reduce.

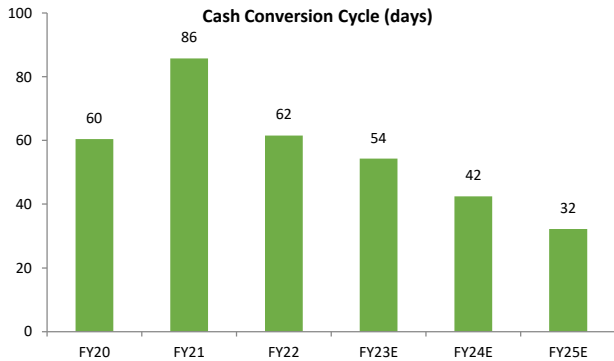
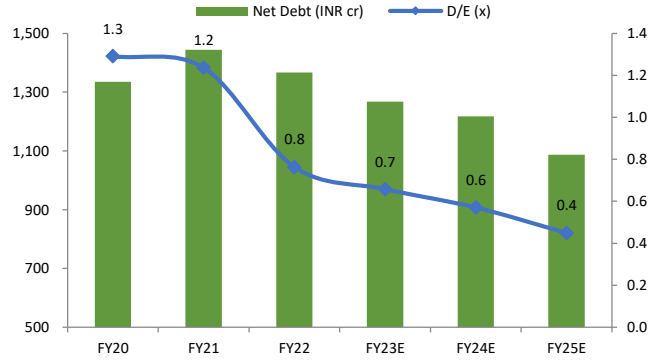


Exhibit 20: Net debt reduction is expected going forward.



Analyst Coverage



Date	Report Type	Recom Price (INR)	Target Price (INR)	Rating	Report
02-Mar-22	IC	763	1,071	Buy	https://bit.ly/3M7PstE

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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