

Witnessed improvement on sequential basis.

CMP: INR 680

Rating: BUY

Target Price: INR 831

Stock Info

BSE	500201
NSE	INDIAGLYCO
Bloomberg	IGLY:IN
Reuters	IGLY.NS
Sector	Chemicals
Face Value (INR cr)	10
Equity Capital (INR cr)	31
Mkt Cap (INR cr)	2,105
52w H/L (INR)	978 / 512
Avg Yearly Volume (in 000')	101.1

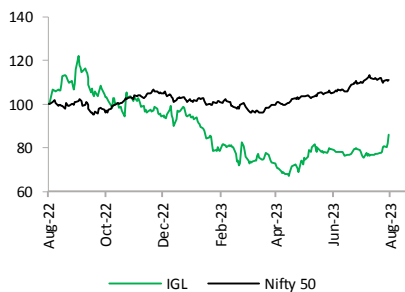
Shareholding Pattern %

(As on Jun, 2023)

Promoters	61.02
DII	1.97
FII	1.16
Public & Others	35.86

Stock Performance (%)	3m	6m	12m
IGL	18.8	9.5	-13.9
NIFTY	7.2	9.9	11.2

IGL vs Nifty



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India Glycols Ltd reported numbers, Q1FY24 revenue stood at INR 689cr (-14.7% YoY/+11.2% QoQ); In-line with our estimates of INR 691cr. Gross Profit stood at INR 291Cr (+4.8% YoY/-1.6% QoQ); above our estimates of INR 264cr. Gross margins increased by 787 bps YoY (down by 551 bps QoQ) to 42.2% vs 34.3% in Q1FY23. The margin improvement is mainly because of the raw material cost decrease in terms of sales. The raw material cost in terms of sales stood at 57.8% vs 65.7% in Q1FY23. EBITDA stood at INR 100cr (+59.9% YoY/+4.2% QoQ); above our estimates of INR 78cr. EBITDA margin improved by 678 bps YoY (down by 99 bps QoQ) to 14.5% vs 7.7% in Q1FY23. PAT stood at INR 51cr (+85.4% YoY/+28.4% QoQ); vs our estimates of INR 30cr. PAT margin improved by 401 bps YoY (up by 99 bps QoQ) to 7.4% vs 3.4% in Q1FY23.

Key Highlights

BSPC segment impacted due to discontinuation of low-margin business: Bio-based specialties and performance chemicals revenue stood at INR 401cr (-26.8% YoY/+3.1% QoQ); Revenue was impacted due to discontinued low-margin business and the company is focused on high-margin business. EBIT Stood at INR 41cr (+73.1% YoY/-2.3% QoQ). EBIT margin improved by 596 bps YoY (down by 57 bps QoQ) to 10.3% vs 4.4% in Q1FY23, grain ENA plant has helped to mitigate RM costs which helped for margin improvement. The crude-based products witnessing pressure due to the push for green products. The company is working on new application areas such as the Oil field, Brake Fluids and exploring collaboration for green solvents.

Moderation of packing and RM costs improved Potable Spirits margins: Potable Spirits revenue stood at INR 235cr (+14.7% YoY/+25.8% QoQ); driven by country liquor in Eastern UP & UK and IMFL in Delhi & UK. EBIT Stood at INR 43cr (+97.4% YoY/+47.3% QoQ). EBIT margin improved by 767 bps YoY (up by 266 bps QoQ) to 18.3% vs 10.6% in Q1FY23. The in-house manufacturing of grain-based ENA and stabilization of packaging costs led to margin improvement in Q1FY24. The branded country liquor maintained leadership positions in UP and Uttarakhand. The new para-military business witnessed traction in the UK, Tamil Nadu, and Delhi; the company is focused to expand the para-military business into Rajasthan, Manipur, West Bengal, Mizoram, Jammu, and Gujarat in Q2FY24.

Nicotine capacity doubled in Ennature Biopharma: Ennature Biopharma revenue stood at INR 53cr (-3.3% YoY/+21.2% QoQ); EBIT Stood at INR 13cr (-6% YoY/+12% QoQ). EBIT margin contracted by 71 bps YoY (down by 201 bps QoQ) to 24.3% vs 25% in Q1FY23. Nicotine production capacity doubled in the Kasipur plant and business development on value-added derivatives would improve the business going forward. The company is focused on building branded Nutraceuticals range by launching Xanthogree, Gingeren, and Turminova in various markets. The two clinical trials are expected to complete in FY24.

Outlook & Valuation: The capex of INR 160cr for grain-based capacity from 300 KLPD to 500 KLPD would mitigate ethanol costs and improve margins going forward. BSPC business is witnessing challenges due discontinuation of low-margin business and green push and is expected to continue short term. Potable Spirits witnessing traction backed by country liquor and IMFL and Para-military business is encouraging. Doubling the capacity of Nicotine and focusing on nutraceuticals would improve Ennature Biopharma. Capex in new specialties, setting up new R&D centers, new product launches, government initiatives for biofuels and ethanol blending program, and future scope of carbon smart products are expected to drive the business going forward. At the CMP of INR 680 per share, we maintain our "BUY" rating at a TP of INR 831 per share; valued at a PE multiple of 15x and its FY25E EPS of INR 55.4; an upside of 22.2%.

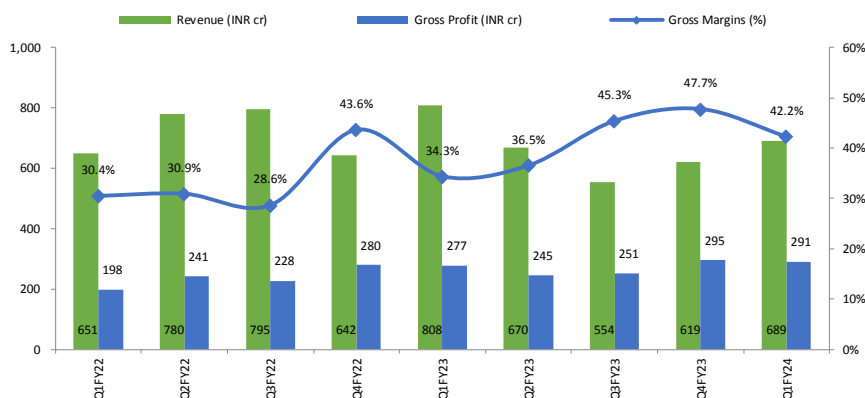
Q1FY24 Results

Income statement summary

Particular (INR cr)	Q1FY23	Q4FY23	Q1FY24	YoY (%)	QoQ (%)
Revenue	808	619	689	-14.7%	11.2%
Net Raw Materials	531	324	398	-24.9%	23.0%
Power & Fuel	131	103	95	-27.7%	-8.0%
Employee Cost	19	26	23	19.0%	-13.1%
Other Expenses	65	70	73	13.0%	4.3%
EBITDA	63	96	100	59.9%	4.2%
EBITDA Margin (%)	7.7%	15.5%	14.5%	678 bps	-99 bps
Depreciation	21	30	21		
Interest expense	22	26	28		
Other income	6	4	6		
Exceptional Items	-	-	-		
Share of profits associate & JV	9	1	6		
Profit before tax	35	46	64	83.7%	39.6%
Taxes	7	6	13		
Minorities and other	-	-	-		
PAT	28	40	51	85.4%	28.4%
PAT Margin (%)	3.4%	6.4%	7.4%	401 bps	99 bps
Other Comprehensive income	(0)	1	(0)		
Net profit	27	41	51	86.3%	25.6%
EPS (INR)	8.9	12.9	16.5		

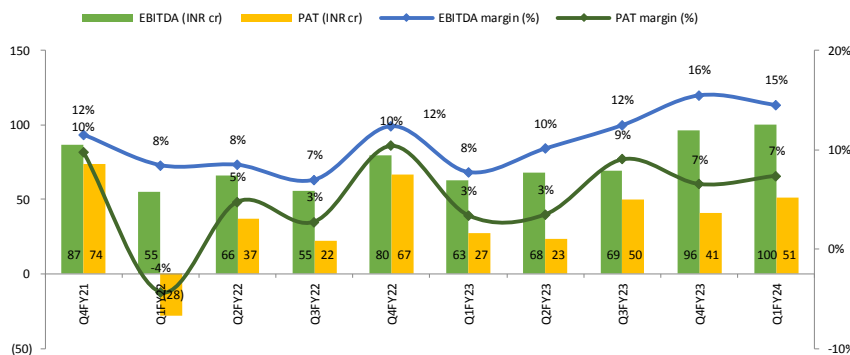
Source: Company Reports, Arihant Capital Research

Exhibit 1: Margins were improved by 787 bps to 42.2% due to decrease in raw material costs.



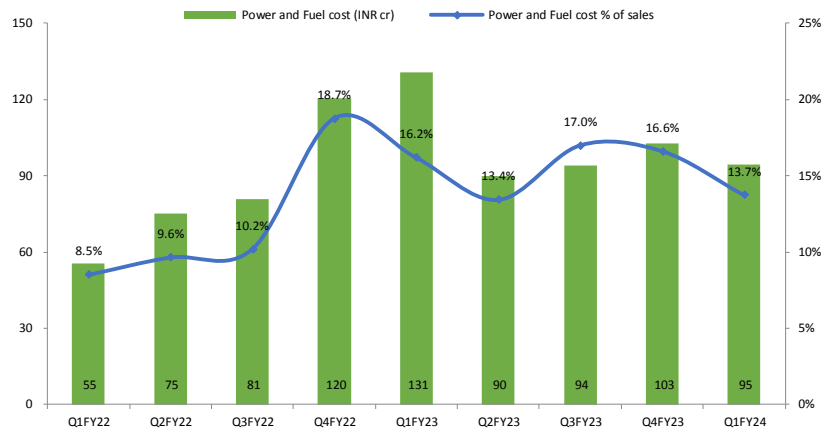
Source: Company Reports, Arihant Capital Research

Exhibit 2: Margin expansion witnessed at EBITDA levels, however employee cost and other expenses elevated in Q1FY24.



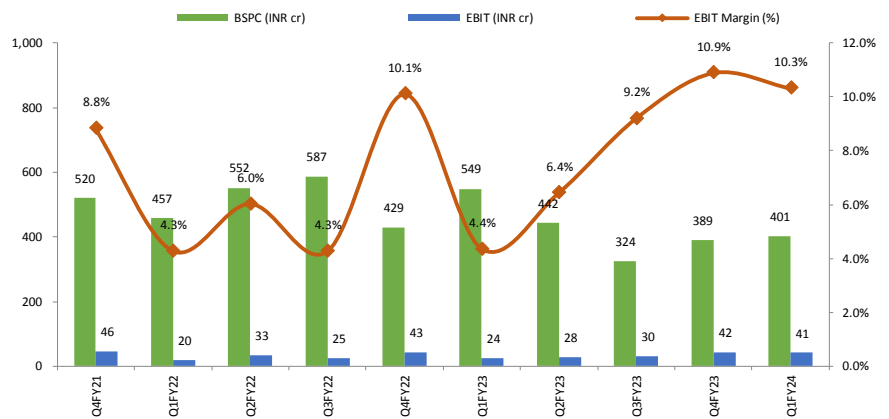
Source: Company Reports, Arihant Capital Research

Exhibit 3: Power & fuel costs moderated on QoQ basis. The company signed agreement with Renew Green to procure captive wind and solar hybrid power. It will reduce power cost going forward.



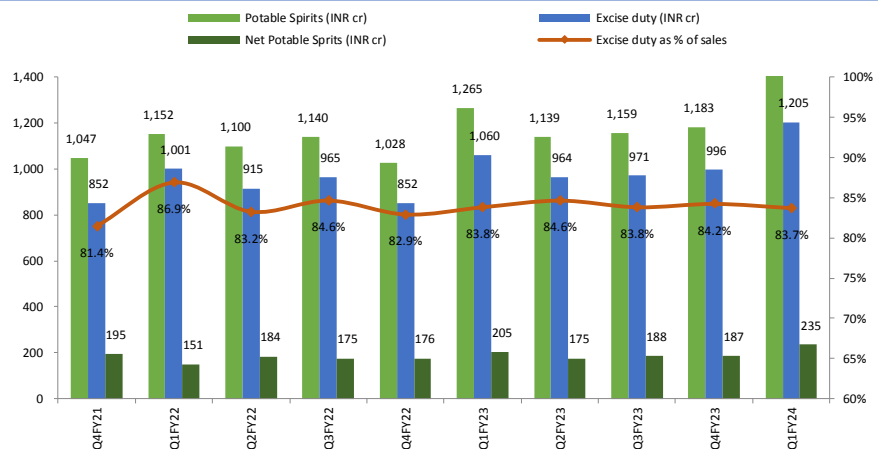
Source: Company Reports, Aриhant Capital Research

Exhibit 4: Margins were improved by 767 bps YoY to 10.3% in Q1FY24 and grain based distilleries would reduce the ethanol costs going forward.



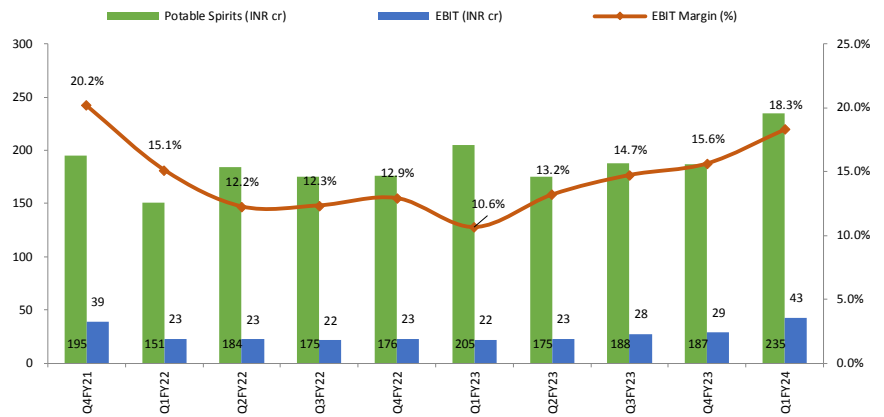
Source: Company Reports, Aриhant Capital Research
BSPC - Bio-based Specialities and Performance Chemicals

Exhibit 5: Excise duty remain elevated.



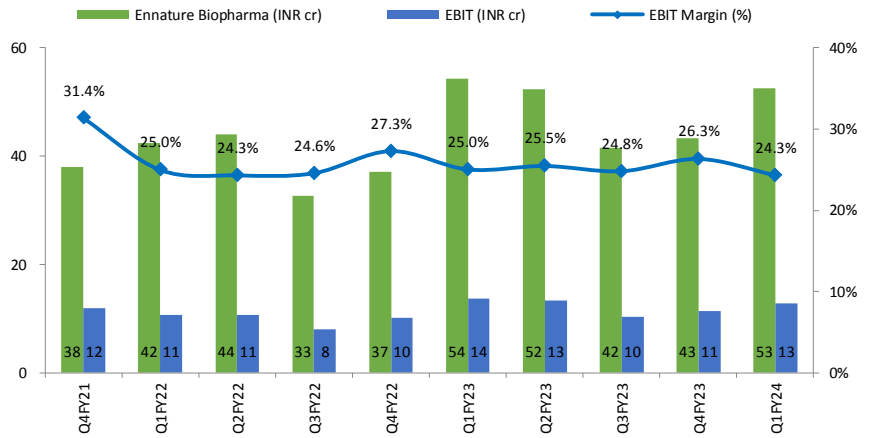
Source: Company Reports, Aриhant Capital Research

Exhibit 6: Margins were improved due to improved due to stabilization of packing costs and ENA costs.



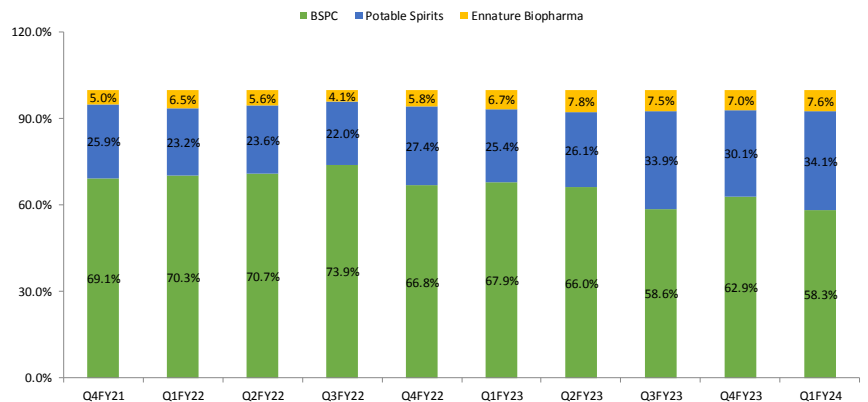
Source: Company Reports, Arianth Capital Research

Exhibit 7: Doubling of nicotine production capacity and focus on nutraceuticals will drive Ennature Biopharma going forward. Margins remain above 20% in Q1FY24.



Source: Company Reports, Arianth Capital Research

Exhibit 8: Segmental revenue mix



Source: Company Reports, Arianth Capital Research

Q1FY24 Concall Highlights

Revenue and Margins

- Revenue is expected around INR 2,500cr with EBITDA margins of 13% in FY24.

RM Prices

- Despite an increase in ethanol prices, the company was able to improve margins due to commissioning of its grain-based ethanol which was completely used for internal consumption reducing the RM costs.
- The company is witnessing a softening in ethanol prices for the past 1.5 months but is unsure of the trend going forward due to volatility.
- The packaging costs are stable now and are expected to remain the same.

Capex

- Currently, the company is operating at 100% capacity.
- The company has a Capex plan of ~INR 160cr for expanding the grain capacity in Kashipur to 500 KLPD (vs 300 KLPD currently).
- The NSU project is expected to be commissioned by the end of the year.

Bio-based specialties and performance chemicals (BSPC)

- The company has discontinued low-margin products which lowered sales.

Potable Spirits

- The company was able to recover margins in the segment due to better RM pricing and packaging costs.

Ennature Biopharma

- Nicotine capacity at Kashipur has been doubled.
- The margins suffered due to nicotine sales pressure from international markets.
- Blended nutraceuticals like Ginger and Curcumin are seeing good traction in US markets.

FCI Ban

- The FCI has stopped the supplies of grain ENAs to distilleries.
- The company reports no shortage in grain supply and believes this to be a temporary hold.
- The government blending program of ethanol is progressing as planned.
- As per the management, the increase in prices of grains from INR 21.5 - INR 22 to INR 24.5 was offset by the government increasing ethanol prices by INR 4.75 to INR 60.

Pipeline

- Currently, there are 30 products in the pipeline out of which pilot plant and sampling has been completed on more than half of them.

Other Highlights

- On the premiumization front, the company's premium vodka is available across 4 states i.e., Delhi, Uttarakhand, UP, and Rajasthan. 2 more states are currently in the pipeline.
- The company is bullish on country liquor as it is recording ~25% MoM growth in volumes after the opening of the Uttarakhand market.
- The company received INR 24.8cr for selling its stake in its subsidiary Shakumbari Sugar and Allied Industries Limited (SSAIL).
- Net debt stands at INR 650cr.
- The cost of funds is at 9.2%.

Financial Statements

Income statement summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23	FY24E	FY25E
Revenue	2,735	2,317	2,868	2,651	2,563	2,785
Net Raw Materials	1,846	1,499	1,921	1,582	1,529	1,657
Power & Fuel	250	214	332	417	367	387
Employee Cost	93	83	89	89	85	92
Other Expenses	267	253	444	267	252	270
EBITDA	279	268	81	296	332	379
EBITDA Margin (%)	10.2%	11.6%	2.8%	11.1%	12.9%	13.6%
Depreciation	(78)	(80)	(80)	(94)	(92)	(90)
Interest expense	(97)	(83)	(70)	(100)	(95)	(82)
Other income	9	15	22	24	23	22
Exceptional Items	-	-	221	28	-	-
Share of profits associate & JV	(0)	1	21	11	-	-
Profit before tax	113	120	195	165	168	229
Taxes	(38)	(11)	(39)	(24)	(36)	(57)
PAT	75	109	156	141	132	172
PAT from discontinued operations	40	22	10	-	-	-
PAT	115	132	166	141	132	172
PAT Margin (%)	4.2%	5.7%	5.8%	5.3%	5.2%	6.2%
Other Comprehensive income	(1)	3	(0)	0	-	-
Net profit	113	135	166	141	132	172
EPS (INR)	36.6	43.5	53.5	45.7	42.7	55.4

Source: Company Reports, Arianth Capital Research

Balance sheet summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity capital	31	31	31	31	31	31
Reserves	1,003	1,138	1,761	1,870	1,989	2,151
Net worth	1,034	1,169	1,792	1,901	2,020	2,182
Minority Interest	-	-	(19)	-	-	-
Provisions	14	9	8	7	4	4
Debt	1,335	1,444	1,367	1,479	1,229	1,119
Other non-current liabilities	613	619	527	475	461	487
Total Liabilities	2,996	3,241	3,675	3,863	3,714	3,791
Fixed assets	2,201	2,171	2,303	2,690	2,803	2,862
Capital Work In Progress	172	126	243	125	69	72
Other Intangible assets	2	2	2	2	2	2
Investments	83	83	456	370	308	278
Other non current assets	33	27	19	25	15	17
Net working capital	354	684	362	368	278	358
Inventories	682	610	693	754	649	658
Sundry debtors	569	362	399	430	316	320
Loans & Advances	26	26	26	0	26	28
Other current assets	167	564	201	179	176	168
Sundry creditors	(722)	(581)	(642)	(752)	(581)	(593)
Other current liabilities & Prov	(369)	(297)	(314)	(244)	(308)	(223)
Cash	92	98	102	113	188	152
Other Financial Assets	60	51	188	170	51	50
Total Assets	2,996	3,241	3,675	3,863	3,714	3,791

Source: Company Reports, Arianth Capital Research

Financial Statements

Cashflow summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23	FY24E	FY25E
Profit before tax	113	120	195	165	168	229
Depreciation	78	80	80	94	92	90
Tax paid	(38)	(11)	(39)	(24)	(36)	(57)
Working capital Δ	(41)	(330)	322	(6)	90	(80)
Operating cashflow	111	(141)	558	229	314	181
Capital expenditure	(148)	(4)	(330)	(362)	(149)	(152)
Free cash flow	(37)	(145)	228	(133)	165	29
Equity raised	41	26	486	(8)	(0)	-
Investments	(3)	0	(374)	86	63	29
Others	(20)	14	(128)	12	128	(0)
Debt financing/disposal	81	110	(97)	131	(250)	(110)
Dividends paid	(44)	(0)	(18)	(23)	(13)	(10)
Other items	(40)	1	(93)	(53)	(18)	26
Net Δ in cash	(24)	6	4	12	75	(36)
Opening Cash Flow	116	92	98	102	113	188
Closing Cash Flow	92	98	102	113	188	152

Source: Company Reports, Arianth Capital Research

Ratio analysis

Y/e 31 Mar	FY20	FY21	FY22	FY23	FY24E	FY25E
Growth matrix (%)						
Revenue growth	-18.5%	-15.3%	23.8%	-7.6%	-3.3%	8.6%
Op profit growth	-33.1%	-3.9%	-69.6%	263.3%	12.2%	14.2%
Net profit growth	-13.5%	14.8%	26.1%	-15.0%	-6.4%	29.9%
Profitability ratios (%)						
OPM	10.2%	11.6%	2.8%	11.1%	12.9%	13.6%
Net profit margin	4.2%	5.7%	5.8%	5.3%	5.2%	6.2%
RoCE	6.1%	7.4%	0.6%	5.9%	6.2%	7.1%
RoNW	7.5%	9.9%	10.5%	7.6%	6.7%	8.2%
RoA	2.5%	3.4%	4.2%	3.7%	3.6%	4.5%
Per share ratios (INR)						
EPS	36.6	43.5	53.5	45.7	42.7	55.4
Dividend per share	14.3	0.1	5.9	7.4	4.3	3.3
Cash EPS	49.2	61.1	76.2	75.9	72.4	84.4
Book value per share	333.9	377.4	578.8	614.2	652.5	704.6
Valuation ratios (x)						
P/E	18.6	15.6	12.7	14.9	15.9	12.3
P/CEPS	13.8	11.1	8.9	9.0	9.4	8.1
P/B	2.0	1.8	1.2	1.1	1.0	1.0
EV/EBITDA	11.7	12.6	35.8	10.5	8.6	7.4
Payout (%)						
Dividend payout	59.2%	0.4%	11.8%	16.3%	10.0%	6.0%
Tax payout	33.6%	9.4%	20.2%	14.5%	21.2%	25.1%
Liquidity ratios						
Debtor days	59	73	48	57	53	42
Inventory days	131	157	124	167	167	144
Creditor days	109	116	80	108	109	89
WC Days	82	115	92	116	112	97
Leverage ratios (x)						
Interest coverage	2.1	2.3	0.0	2.0	2.5	3.5
Net debt / equity	1.2	1.2	0.7	0.7	0.5	0.4
Net debt / op. profit	4.5	5.0	15.6	4.6	3.1	2.6

Source: Company Reports, Arianth Capital Research

Story in Charts

Exhibit 9: Gradual recovery is expected on revenue, backed by Potable spirits and stabilization of BSPC.

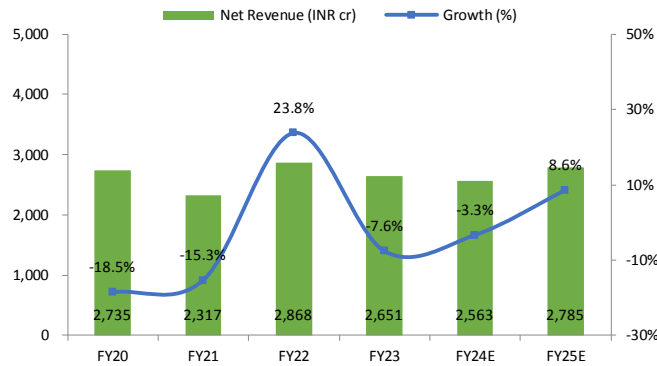


Exhibit 10: The capex of INR 160cr for grain based ethanol plant would reduce raw material costs and improve gross margin levels.

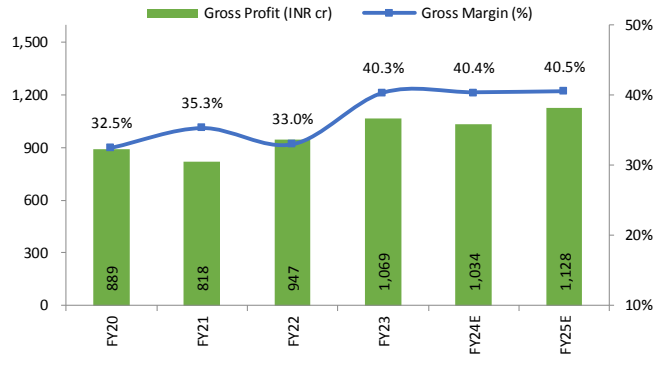


Exhibit 11: The company is signed agreement with Renew Green to procure captive wind and solar hybrid power will reduce costs going forward.

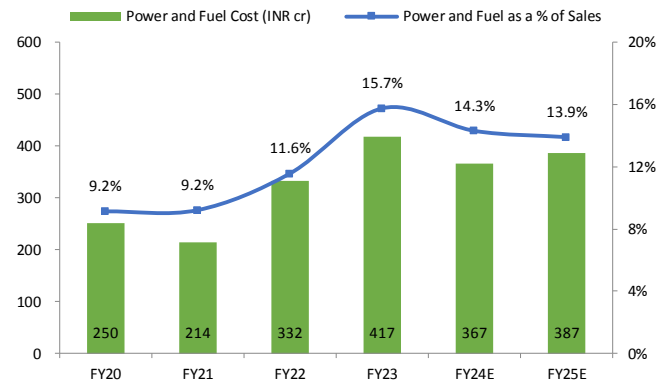


Exhibit 12: Growth in EBITDA & PAT levels.

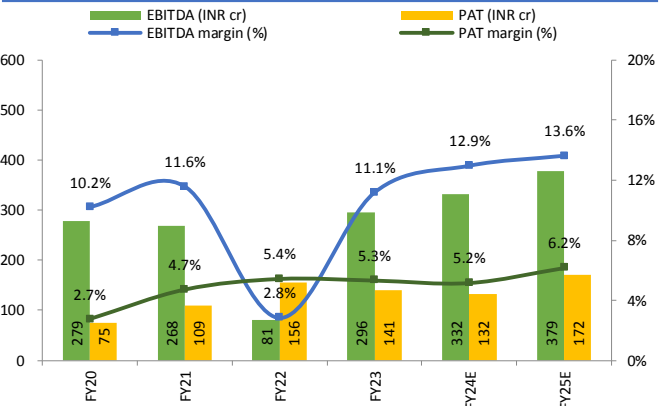


Exhibit 13: Working capital days to be improve

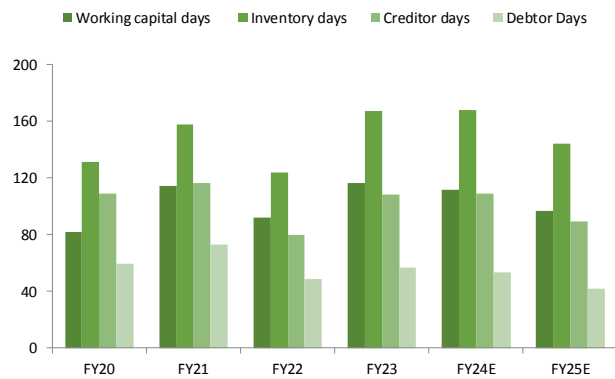
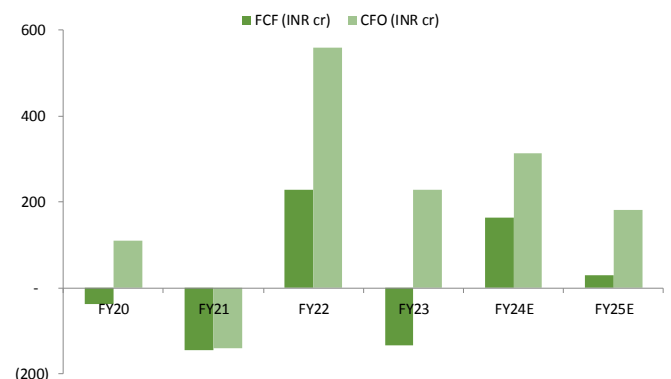


Exhibit 14: Cash flows to be improve



Source: Company Reports, Arianth Capital Research

Story in Charts

Exhibit 15: Return ratios to be improve.

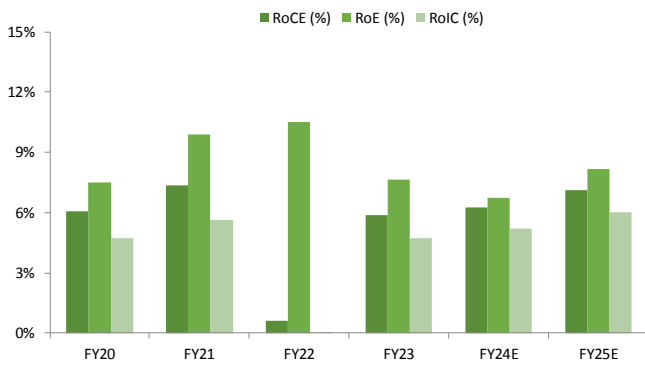


Exhibit 16: Working capital is expected to reduce in terms of sales going forward.

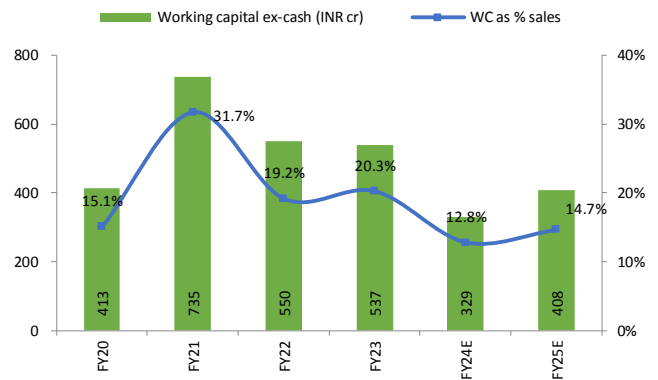


Exhibit 17: Cash conversion cycle to be reduce.

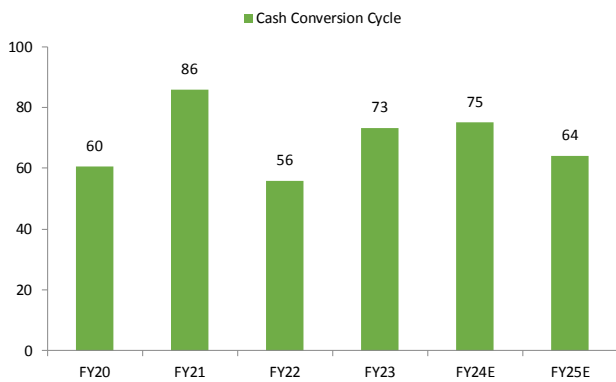


Exhibit 18: Net debt reduction is expected going forward.

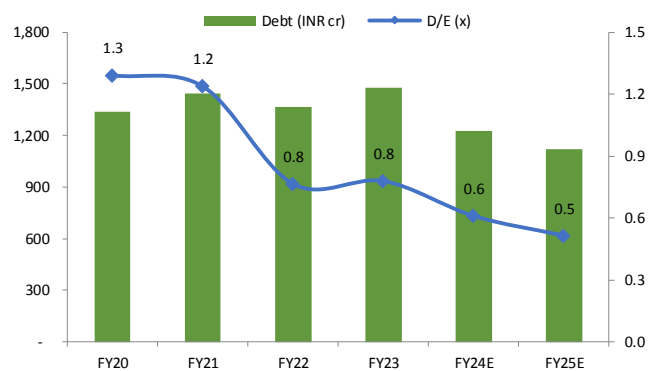


Exhibit 19: Potable spirits is expected to grow double digit rate backed by Country Liquor, IMFL and Para-military business.

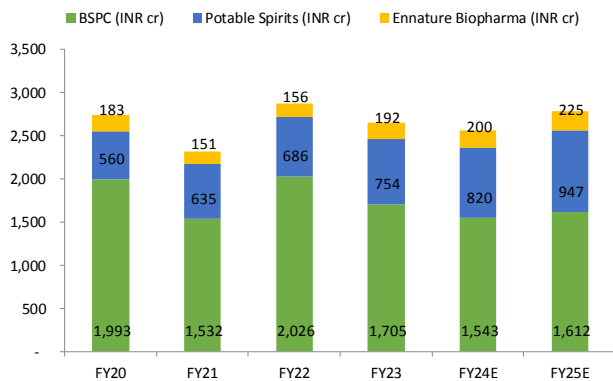
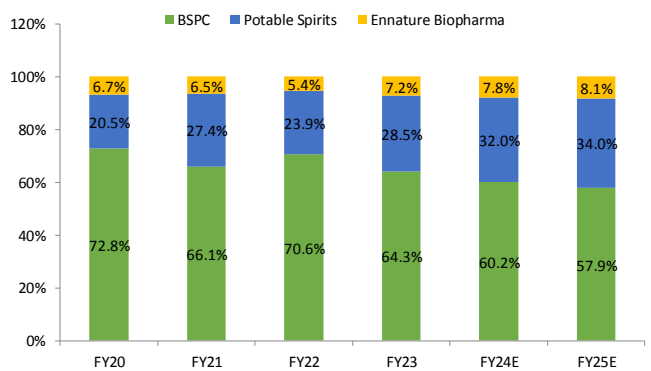


Exhibit 20: Potable spirits revenue share is expected to increase going forward.



Source: Company Reports, Arianth Capital Research

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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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