

CMP: INR 1,210

Rating: BUY

Target Price: INR 1,511

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)	3,746
52w H/L (INR)	1,275 / 611
Avg Yearly Volume (in 000')	211.2

Shareholding Pattern %

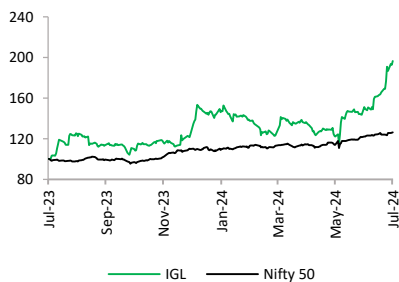
(As on Jun 2024)

Promoters	61.02
DII	0.09
FII	1.75
Public & Others	37.15

Stock Performance (%)

	3m	6m	12m
IGL	46.6	33.2	96.5
NIFTY	10.2	14.8	26.3

IGL vs Nifty



Abhishek Jain

abhishek.jain@arihantcapital.com
022-422548871

Balasubramanian A

bala@arihantcapital.com

India Glycols Ltd reported numbers, Q1FY25 revenue stood at INR 969cr (+40.6% YoY/+4.6% QoQ); below our estimates of INR 879cr. Gross Profit stood at INR 341cr (+17.4% YoY/+17.6% QoQ); above our estimates of INR 292cr. Gross margins contracted by 695 bps YoY (+390 bps QoQ) to 35.3% vs 42.2% in Q1FY24. The margin contraction mainly because of raw material cost increase in terms of sales. The raw material cost in terms of sales stood at 64.7% vs 57.8% in Q1FY24. EBITDA stood at INR 126cr (+25.5% YoY/+20.1% QoQ); above our estimates of INR 120cr. EBITDA margin contracted by 155 bps YoY (+167 bps QoQ) to 13% vs 14.5% in Q1FY24. PAT stood at INR 60cr (+18.1% YoY/+43% QoQ); above our estimates of INR 56cr. PAT margin contracted by 119 bps YoY (+168 bps QoQ) to 6.2% vs 7.4% in Q1FY24.

Key Highlights

Continued growth momentum in BSPC: Bio-based specialties and performance chemicals revenue stood at INR 393cr (+16.8% YoY/-10.4% QoQ); EBIT Stood at INR 39cr (+1.2% YoY/+14.2% QoQ). EBIT margin contracted by 152 bps YoY (+213 bps QoQ) to 9.9% vs 11.4% in Q1FY24. SU capex is nearing completion. The company has started commercial supply and volumes is around 150MT per month and expected to supply 400-500MT per month after it is fully commissioned. The new products are progress for oil & gas, crop care, paints & coatings, plastics & polymers etc. The company is targeting additional revenue of INR 200cr from new value-added products.

Potential visibility in Bio-fuels: Bio-fuel revenue stood at INR 239cr (+267.6% YoY/+29.5% QoQ); EBIT Stood at INR 19cr (+500.6% YoY/+40.9% QoQ). EBIT margin improved by 303 bps YoY (+63 bps QoQ) to 7.8% vs 4.8% in Q1FY24. The company supply progress is slightly lower than allocation and focused on achieving 90%-95% of allocation. The supply is based on logistics, sourcing, and operational efficiencies. The ethanol for blending is around 725cr liters with a blending rate of 14% in FY24. Around 1000cr liters with 15% blending in FY25E and 1,100cr liters with 18% blending are expected in FY26E. The company has a capacity of 25-26cr liters per annum and potential opportunity in the ethanol blending program.

Continued traction in Potable Spirits: Potable Spirits revenue stood at INR 280cr (+19.1% YoY/+13.1% QoQ), driven by country liquor and IMFL sales. The company has maintained a dominant position in the UP market for country liquor and increased sales in Uttarakhand. EBIT Stood at INR 49cr (+14.2% YoY/+22.7% QoQ). EBIT margin contracted by 75 bps YoY (+138 bps QoQ) to 17.5% vs 18.3% in Q1FY24. The in-house ENA partially offset RM costs and the softening of packaging materials led to margin improvement on QoQ basis.

Pricing pressure continued in Ennature Biopharma: Ennature Biopharma revenue stood at INR 57cr (+8.1% YoY/+2% QoQ); EBIT Stood at INR 6cr (-49.6% YoY/-6.9% QoQ). EBIT margin contracted by 1298 bps YoY (-109 bps QoQ) to 11.4% vs 24.3% in Q1FY24. Nicotine volumes were maintained despite pressure on prices. API sales witnessed traction and hold a strong position in API. The new Nutra facility is under planning to cater to regulated markets of US and Europe. The company is focused on RM risk mitigation and building value added products.

Outlook & Valuation: India Glycols is doing a capex for grain-based distilleries and Biofuel ethanol which will be completed in Q2FY25E and would mitigate ethanol costs and improve margins going forward. The NPU capex bring additional revenue of INR 150-200cr in chemicals business. Bio-fuels revenue share stood at 19.9% in Q1FY25 and 20% ethanol blending target by the government will be potential opportunity for the company. Potable Spirits witnessing traction backed by country liquor, IMFL and Para-military business. Ennature Biopharma margins remain under pressure due to prices and the company is focused on value-added products. Capex in grain-based distilleries, 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 1,210 per share, we maintain our "BUY" rating at a TP of INR 1,511 per share; valued at a PE multiple of 13x and its FY26E EPS of INR 116.2; an upside of 24.9%.

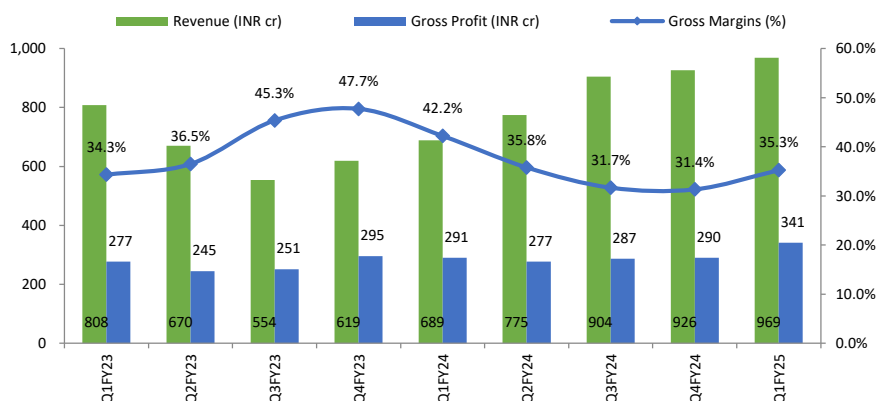
Q1FY25 Results

Income statement summary

Particular (INR cr)	Q1FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)
Revenue	689	926	969	40.6%	4.6%
Net Raw Materials	398	636	627	57.5%	-1.3%
Gross Profit	291	290	341	17.4%	17.6%
Gross Margin (%)	42.2%	31.4%	35.3%	-695 bps	+390 bps
Power & Fuel	95	72	89	-5.5%	23.8%
Employee Cost	23	30	31	34.4%	2.4%
Other Expenses	73	84	96	30.6%	14.6%
EBITDA	100	105	126	25.5%	20.1%
EBITDA Margin (%)	14.5%	11.3%	13.0%	-155 bps	+167 bps
Depreciation	21	26	28		
Interest expense	28	33	36		
Other income	6	5	3		
Share of profits associate & JV	6	5	11		
Profit before tax	64	56	76	18.7%	36.1%
Taxes	13	13	15		
Minorities and other	-	-	-		
PAT	51	42	60	18.1%	43.0%
PAT Margin (%)	7.4%	4.6%	6.2%	-119 bps	+168 bps
Other Comprehensive income	(0)	(0)	(0)		
Total Comprehensive income	51	42	60	18.4%	43.4%
EPS (INR)	16.5	13.6	19.5		

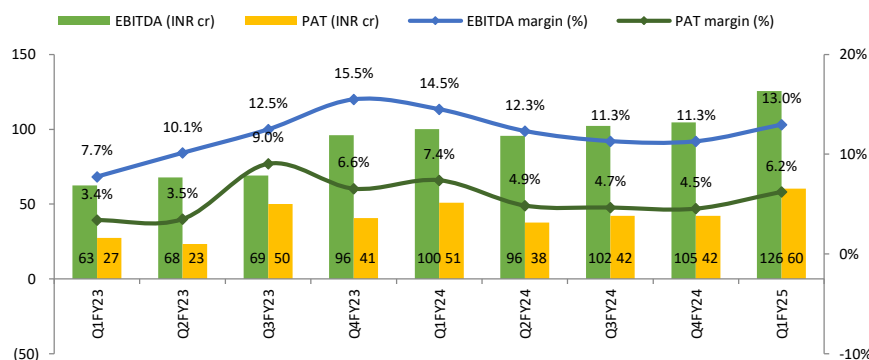
Source: Company Reports, Arianth Capital Research

Exhibit 1: Gross margins contracted by 695 bps YoY (+390 bps QoQ) to 35.3% in Q1FY25 due to increase in raw material costs.



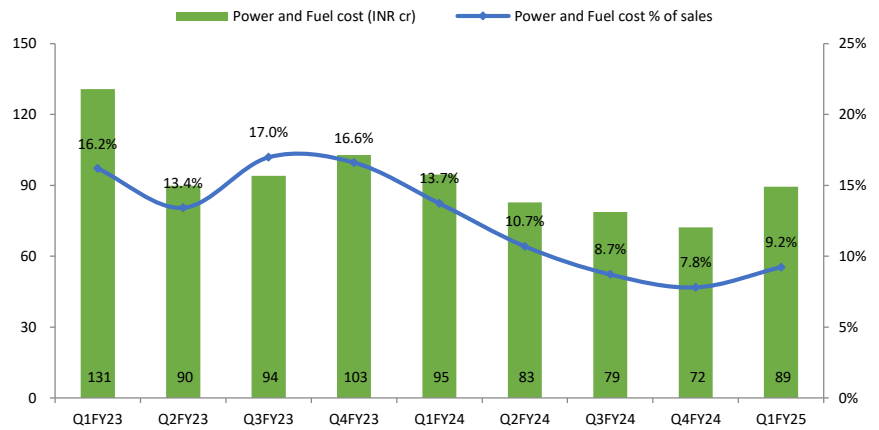
Source: Company Reports, Arianth Capital Research

Exhibit 2: EBITDA margin contracted by 155 bps YoY (+167 bps QoQ) to 13% in Q1FY25 due to raw material impact and partially off-set by employee and other expenses.



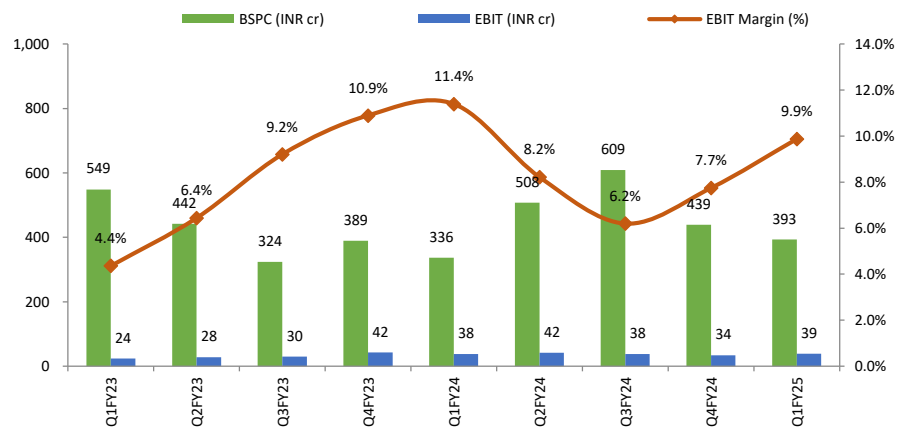
Source: Company Reports, Arianth Capital Research

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



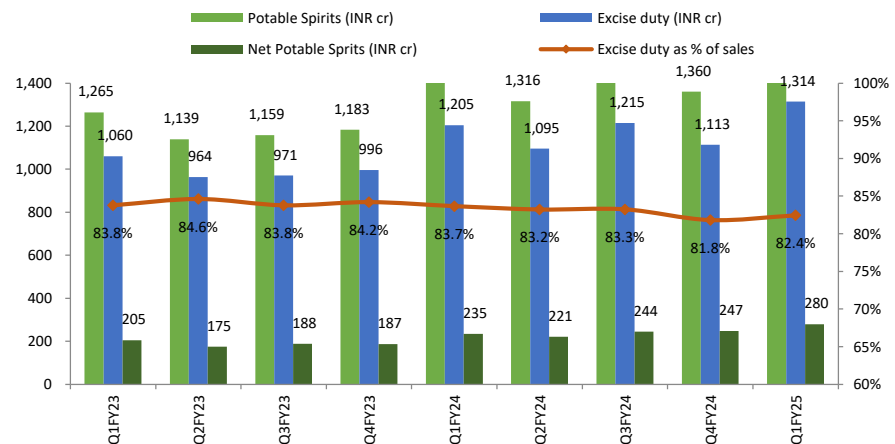
Source: Company Reports, Arianth Capital Research

Exhibit 4: EBIT margin contracted by 152 bps YoY (+213 bps QoQ) to 9.9% in Q1FY25. International ethanol prices impacted the margins, however softened from higher levels.



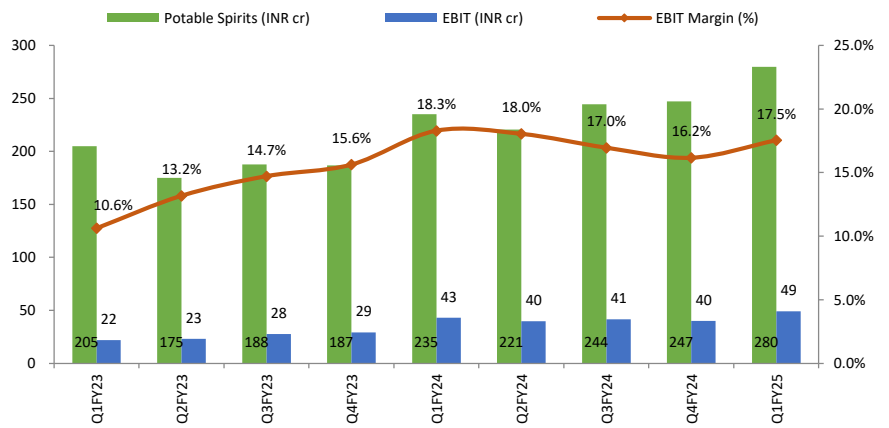
Source: Company Reports, Arianth Capital Research
 BSPC - Bio-based Specialities and Performance Chemicals
 Bio-fuels revenue excluded in Q1FY24, Q4FY24 and Q1FY25.

Exhibit 5: Excise duty remain elevated.



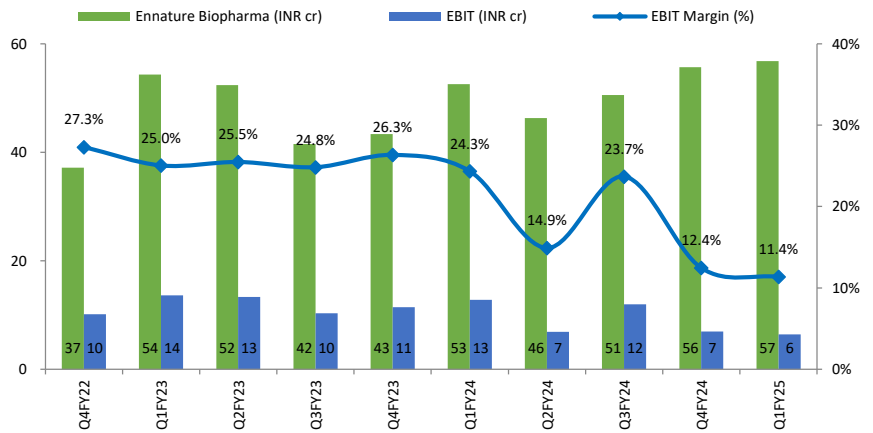
Source: Company Reports, Arianth Capital Research

Exhibit 6: EBIT margin contracted by 75 bps YoY (+138 bps QoQ) to 17.5% in Q1FY25. In-house ENA production and softening of packaging materials led margin up-tick on a QoQ basis.



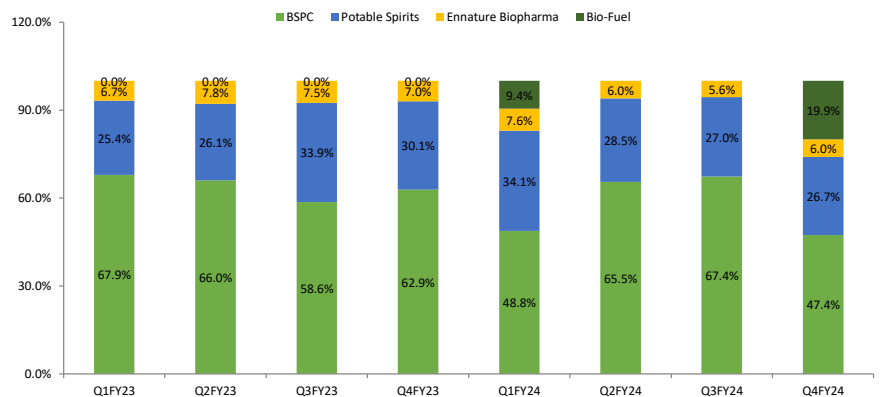
Source: Company Reports, Arianth Capital Research

Exhibit 7: EBIT margin contracted by 1298 bps YoY (-109 bps QoQ) to 11.4% in Q1FY25 due to price erosion of thiocolchicoid and nicotine.



Source: Company Reports, Arianth Capital Research

Exhibit 8: Bio-fuel revenue share is around 20% in Q1FY25.



Source: Company Reports, Arianth Capital Research

Q1FY25 Concall Highlights**Capex**

- In Gorakhpur, grain-based distillery capex of INR 133cr for capacity addition of 180 KLPD which is expected to be completed by Q2FY25E. Overall, Gorakhpur's grain-based capacity is expected to reach 290 KLPD.
- In Kashipur, the grain-based distillery capacity addition of 100 KLPD is expected to be completed by Q2FY25E. Overall, Kashipur's grain-based capacity is expected to reach 500 KLPD.
- In Gorakhpur, Bio-based ethanol capex of INR 4cr for capacity addition of 90 KLPD which is expected to be completed by Q2FY25E. Overall, Gorakhpur's bio-based ethanol capacity is expected 190 KLPD.
- In Kashipur, Bio-based ethanol capacity stood at 410 KLPD, and capacity addition of 180 KLPD which is expected to be completed by Q2FY25E. Overall, Kashipur's bio-based ethanol capacity is expected 590 KLPD.
- The additional 50% grain-based capacity will be available from 2nd half of Nov-24 onwards.

NSU

- In NSU capex is nearing completion. The company has started commercial supply and volumes is around 150MT per month and expected to supply 400-500MT per month after it is fully commissioned. The customers are from oilfields and carbon smart spaces.
- The new products are progress for oil & gas, crop care, paints & coatings, plastics & polymers etc.
- The company is targeting additional revenue of INR 200cr from new value-added products.

Bio-fuel

- Biofuel margins stood at 7.8% in Q1FY25. The margins are based on grain prices, energy costs, conversion costs, and procurements.

Ethanol blending

- There is no blending in 2014 and 5% blending in FY19. The ethanol blending stood at 12% in FY23 and is expected to reach 20% going forward.
- The ethanol for blending is around 725cr liters with a blending rate of 14% in FY24. Around 1000cr liters with 15% blending in FY25E and 1,100cr liters with 18% blending are expected in FY26E.
- The company has a capacity of 25-26cr liters per annum. Overall, there is a shortage of ethanol capacity.

Q1FY25 Concall Highlights**JV**

- Clariant JV witnessed significant margin improvement in Q1FY25.

Ethanol allocation supply

- The company got an ethanol supply allocation contract of INR 1,164cr from oil companies. The supply started and is expected to be completed in FY25E.
- The company supply progress is slightly lower than allocation and focused on achieving 90%-95% of allocation. The supply is based on logistics, sourcing, and operational efficiencies.

Ennature Biopharma

- Ennature Biopharma witnessed a healthy topline, however, Nicotine and Thiocolchicoside prices remain under pressure.

Potable Spirits

- IMFLs are made through grain-based ethanol. Country liquors are made through grain and maize-based molasses.
- The company has a dominant position for country liquor in Uttarakhand and UP.

Other highlights

- The government started promoting Maize. The company also started farming in Gorakpur and Kashipur. Around 20%-25% procurement through captive and the remaining 70%-80% from farmers.
- Net Debt stood at INR 1,000cr and Clariant money is expected Mar-25.
- The company is consideration for fund-raising for working capital requirements and debt repayments etc.
- Sugar season starts from Nov-Apr.

Financial Statements

Income statement summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Revenue	2,735	2,317	2,868	2,651	3,294	4,190	4,963
Net Raw Materials	1,846	1,499	1,921	1,582	2,149	2,711	3,211
Power & Fuel	250	214	332	417	328	335	387
Employee Cost	93	83	89	89	103	129	154
Other Expenses	267	253	444	267	311	473	546
EBITDA	279	268	81	296	402	542	665
EBITDA Margin (%)	10.2%	11.6%	2.8%	11.1%	12.2%	12.9%	13.4%
Depreciation	(78)	(80)	(80)	(94)	(101)	(104)	(111)
Interest expense	(97)	(83)	(70)	(100)	(121)	(121)	(113)
Other income	9	15	22	24	26	36	40
Exceptional Items	-	-	221	28	-	-	-
Share of profits associate & JV	(0)	1	21	11	17	13	-
Profit before tax	113	120	195	165	223	366	480
Taxes	(38)	(11)	(39)	(24)	(50)	(81)	(121)
PAT	75	109	156	141	173	285	360
PAT from discontinued operations	40	22	10	-	-	-	-
PAT	115	132	166	141	173	285	360
PAT Margin (%)	4.2%	5.7%	5.8%	5.3%	5.3%	6.8%	7.3%
Other Comprehensive income	(1)	3	(0)	0	(0)	-	-
Net profit	113	135	166	141	173	285	360
EPS (INR)	36.6	43.5	53.5	45.7	55.8	92.2	116.2

Source: Company Reports, Arihant Capital Research

Balance sheet summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity capital	31	31	31	31	31	31	31
Reserves	1,003	1,138	1,761	1,870	2,020	2,266	2,575
Net worth	1,034	1,169	1,792	1,901	2,051	2,297	2,606
Minority Interest	-	-	(19)	-	-	-	-
Provisions	14	9	8	7	8	6	7
Debt	1,335	1,444	1,367	1,479	1,763	1,423	1,403
Other non-current liabilities	613	619	527	475	401	754	868
Total Liabilities	2,996	3,241	3,675	3,863	4,223	4,479	4,884
Fixed assets	2,201	2,171	2,303	2,690	3,171	3,256	3,410
Capital Work In Progress	172	126	243	125	84	80	86
Other Intangible assets	2	2	2	2	2	2	2
Investments	83	83	456	370	384	503	496
Other non current assets	33	27	19	25	31	38	45
Net working capital	354	684	362	368	286	394	606
Inventories	682	610	693	754	1,106	1,151	1,319
Sundry debtors	569	362	399	430	384	517	571
Loans & Advances	26	26	26	0	1	42	50
Other current assets	167	564	201	179	189	287	299
Sundry creditors	(722)	(581)	(642)	(752)	(1,099)	(1,099)	(1,236)
Other current liabilities & Prov	(369)	(297)	(314)	(244)	(295)	(503)	(397)
Cash	92	98	102	113	138	123	151
Other Financial Assets	60	51	188	170	127	84	89
Total Assets	2,996	3,241	3,675	3,863	4,223	4,479	4,884

Source: Company Reports, Arihant Capital Research

Financial Statements

Cashflow summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Profit before tax	113	120	195	165	223	366	480
Depreciation	78	80	80	94	101	104	111
Tax paid	(38)	(11)	(39)	(24)	(50)	(81)	(121)
Working capital Δ	(41)	(330)	322	(6)	81	(108)	(212)
Operating cashflow	111	(141)	558	229	355	282	259
Capital expenditure	(148)	(4)	(330)	(362)	(541)	(185)	(271)
Free cash flow	(37)	(145)	228	(133)	(186)	96	(11)
Equity raised	41	26	486	(8)	(0)	0	-
Investments	(3)	0	(374)	86	(14)	(119)	7
Others	(20)	14	(128)	12	37	37	(12)
Debt financing/disposal	81	110	(97)	131	284	(340)	(20)
Dividends paid	(44)	(0)	(18)	(23)	(23)	(40)	(50)
Other items	(40)	1	(93)	(53)	(74)	351	115
Net Δ in cash	(24)	6	4	12	25	(15)	28
Opening Cash Flow	116	92	98	102	113	138	123
Closing Cash Flow	92	98	102	113	138	123	151

Source: Company Reports, Arianth Capital Research

Ratio analysis

Y/e 31 Mar	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Growth matrix (%)							
Revenue growth	-18.5%	-15.3%	23.8%	-7.6%	24.3%	27.2%	18.4%
Op profit growth	-33.1%	-3.9%	-69.6%	263.3%	36.1%	34.6%	22.8%
Net profit growth	-13.5%	14.8%	26.1%	-15.0%	22.7%	65.0%	26.1%
Profitability ratios (%)							
OPM	10.2%	11.6%	2.8%	11.1%	12.2%	12.9%	13.4%
Net profit margin	4.2%	5.7%	5.8%	5.3%	5.3%	6.8%	7.3%
RoCE	6.1%	7.4%	0.6%	5.9%	9.8%	11.5%	13.4%
RoNW	7.5%	9.9%	10.5%	7.6%	13.1%	14.7%	16.9%
RoA	2.5%	3.4%	4.2%	3.7%	6.4%	7.4%	9.0%
Per share ratios (INR)							
EPS	36.6	43.5	53.5	45.7	55.8	92.2	116.2
Dividend per share	14.3	0.1	5.9	7.4	7.4	12.9	16.3
Cash EPS	49.2	61.1	76.2	75.9	88.4	125.9	152.1
Book value per share	333.9	377.4	578.8	614.2	662.5	741.8	841.7
Valuation ratios (x)							
P/E	33.1	27.8	22.6	26.5	21.7	13.1	10.4
P/CEPS	24.6	19.8	15.9	15.9	13.7	9.6	8.0
P/B	3.6	3.2	2.1	2.0	1.8	1.6	1.4
EV/EBITDA	17.6	18.7	56.0	16.0	12.4	8.4	6.8
Payout (%)							
Dividend payout	59.2%	0.4%	11.8%	16.3%	13.3%	14.0%	14.0%
Tax payout	33.6%	9.4%	20.2%	14.5%	22.5%	22.0%	25.1%
Liquidity ratios							
Debtor days	59	73	48	57	45	39	40
Inventory days	131	157	124	167	158	152	140
Creditor days	109	116	80	108	117	110	99
WC Days	82	115	92	116	86	81	81
Leverage ratios (x)							
Interest coverage	2.1	2.3	0.0	2.0	2.5	3.6	4.9
Net debt / equity	1.2	1.2	0.7	0.7	0.8	0.6	0.5
Net debt / op. profit	4.5	5.0	15.6	4.6	4.0	2.4	1.9

Source: Company Reports, Arianth Capital Research

Story in Charts

Exhibit 9: Steady growth Potable spirits and chemicals and traction in Biofuels will drive the growth going forward.

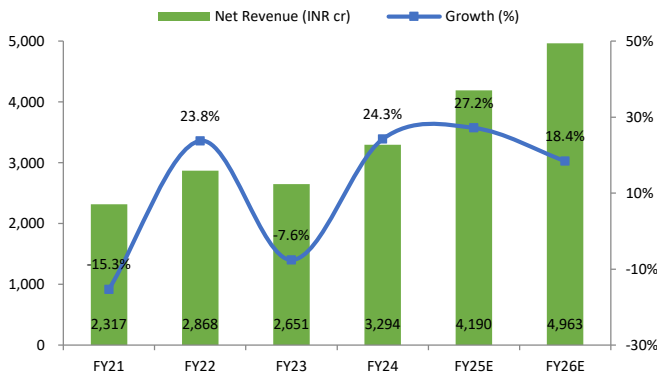


Exhibit 10: The capex for grain based ethanol plant would reduce raw material costs and improve gross margin levels.

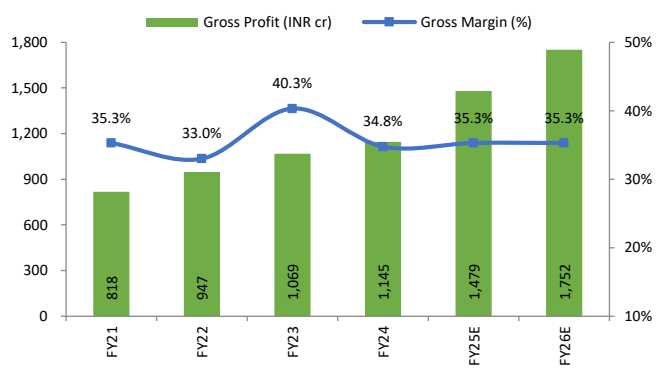


Exhibit 11: The captive wind and solar hybrid power will reduce costs going forward.

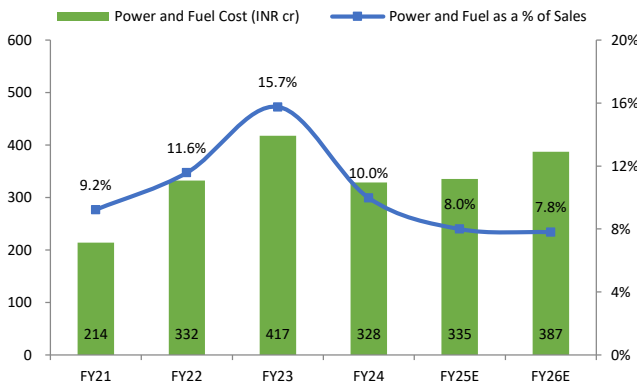


Exhibit 12: Growth in EBITDA & PAT levels.

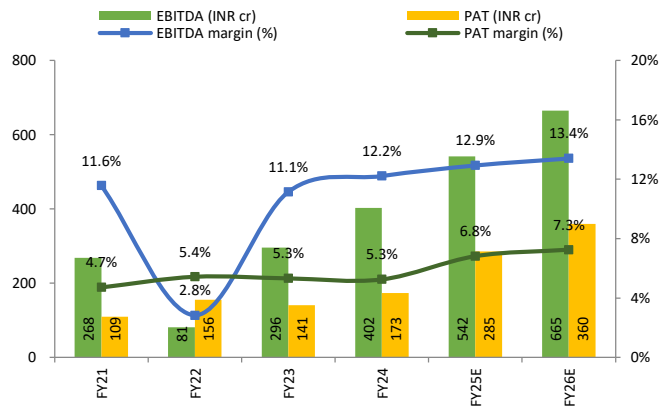


Exhibit 13: Working capital days to be improve

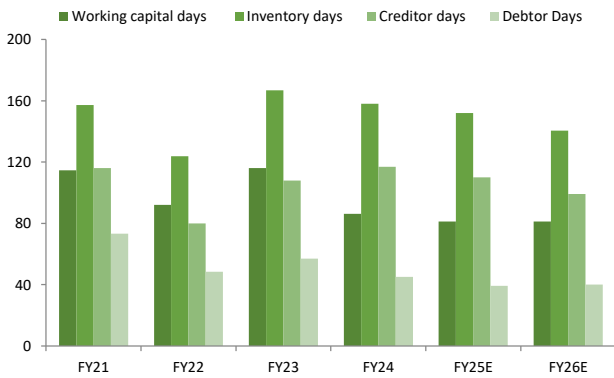
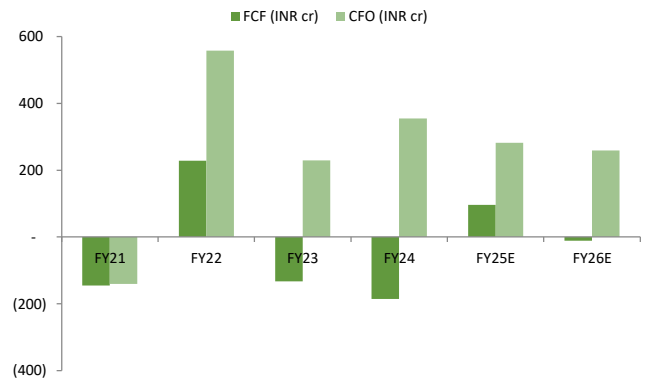


Exhibit 14: Cash flows to be improve



Source: Company Reports, Arianth Capital Research

Story in Charts

Exhibit 15: Return ratios to be improve.

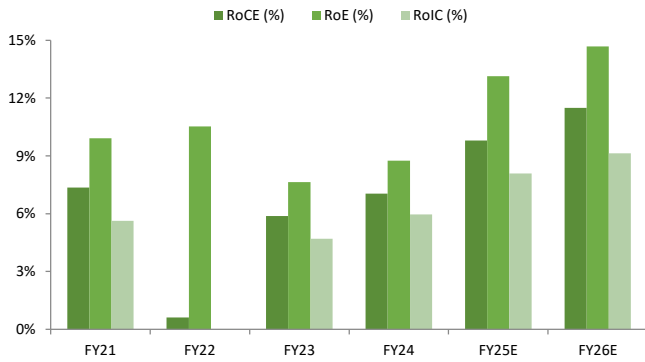


Exhibit 16: Working capital is expected to be below 15% in terms of sales going forward.

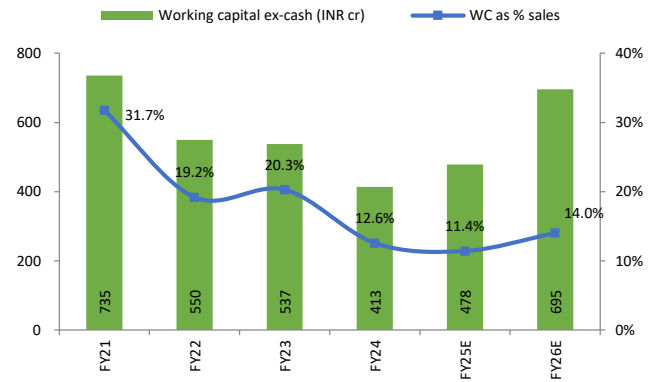


Exhibit 17: Cash conversion cycle to be reduce.

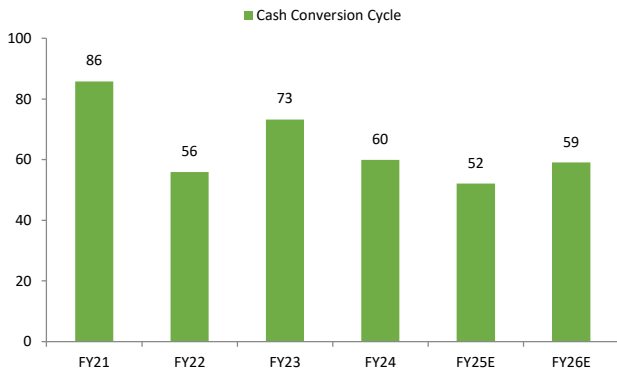


Exhibit 18: Net debt reduction is expected going forward.

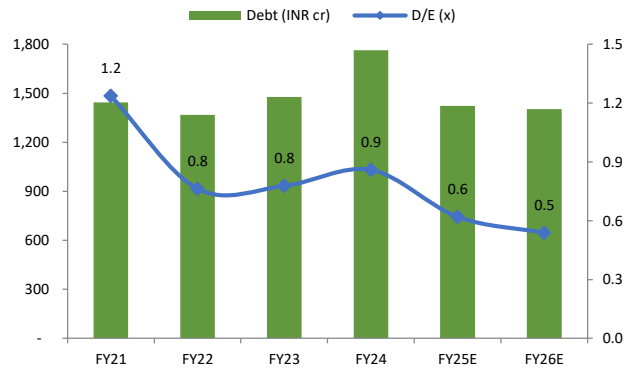


Exhibit 19: Bio-fuel revenue share stood at 15.5% of sales in FY24. Ethanol blending and continued growth in BSPC and Potable Sprits will drive growth.

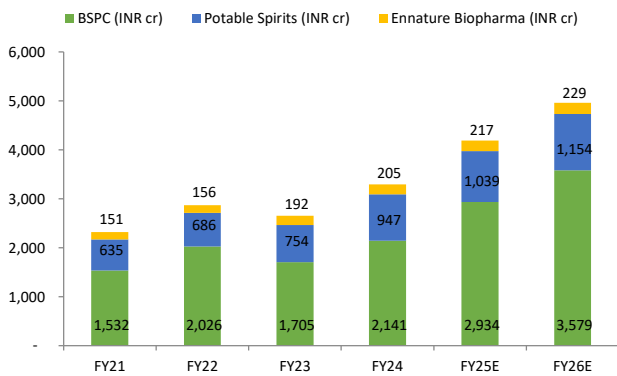
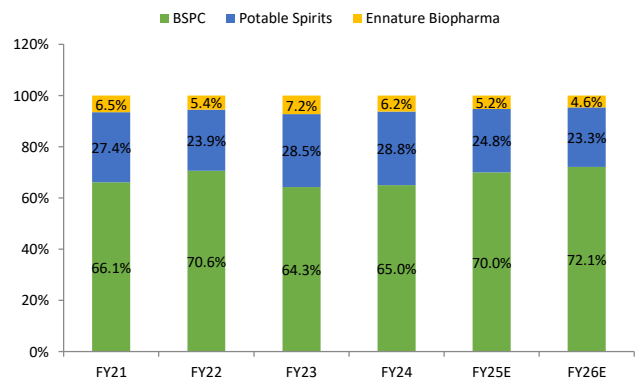


Exhibit 20: Segment wise mix



Source: Company Reports, Arianth Capital Research
Bio-fuels revenue included in BSPC

Arihant Research DeskEmail: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

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%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	instresearch@arihantcapital.com

Disclaimer: This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880