

Beats in all fronts and witnessed margin improvement.

CMP: INR 705

Rating: BUY

Target Price: INR 990

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)	2,183
52w H/L (INR)	832 / 512
Avg Yearly Volume (in 000')	110.2

Shareholding Pattern %

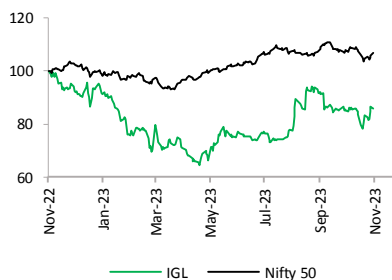
(As on Sep, 2023)

Promoters	61.02
DII	0.06
FII	1.29
Public & Others	37.63

Stock Performance (%)

	3m	6m	12m
IGL	10.8	20.4	-14.1
NIFTY	-0.9	6.3	6.6

IGL vs Nifty



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India Glycols Ltd reported numbers, Q2FY24 revenue stood at INR 775cr (+15.7% YoY/+12.4% QoQ); above our estimates of INR 753cr, backed by Bio-based specialties and performance chemicals and Potable Spirits. Gross Profit stood at INR 277Cr (+13.4% YoY/-4.6% QoQ); above our estimates of INR 260cr. Gross margins contracted by 71 bps YoY (down by 640 bps QoQ) to 35.8% vs 36.5% in Q2FY23. The margin contraction is mainly because of the raw material cost increase in terms of sales. The raw material cost in terms of sales stood at 64.2% vs 63.5% in Q2FY23. The in-house manufacturing of grain-based ethanol has helped to offset costs. EBITDA stood at INR 96cr (+40.8% YoY/-4.5% QoQ); above our estimates of INR 82cr. EBITDA margin improved by 220 bps YoY (down by 218 bps QoQ) to 12.3% vs 10.1% in Q2FY23. PAT stood at INR 38cr (+61.2% YoY/-25.7% QoQ); above our estimates of INR 35cr. PAT margin improved by 139 bps YoY (down by 252 bps QoQ) to 4.9% vs 3.5% in Q2FY23.

Key Highlights

BSPC witnessed decent growth: Bio-based specialties and performance chemicals revenue stood at INR 508cr (+14.8% YoY/+26.4% QoQ); EBIT Stood at INR 42cr (+46.4% YoY/+0.65% QoQ). EBIT margin improved by 177 bps YoY (down by 210 bps QoQ) to 8.2% vs 6.4% in Q2FY23. Grain-based ENA has resulted reduction in costs, a decrease in freight rates, and improved export realizations. Biofuels are expected to drive the topline growth in BSPC. The grain-based facility will lead to supply to a blended program. The government is targeting 20% blending by 2025. Biofuels contribution is around INR 100cr in Q2FY24. The company is focused on hedging and inventory management, rationalizing procurement costs, and making the right choice of customers for better realizations.

Moderation of packing and RM costs improved Potable Spirits margins: Potable Spirits revenue stood at INR 221cr (+26.1% YoY/-6% QoQ); EBIT Stood at INR 40cr (+72.6% YoY/-7.3% QoQ). EBIT margin improved by 487 bps YoY (down by 25 bps QoQ) to 18% vs 13.2% in Q2FY23. The usage of recycled packaging materials and in-house manufactured grain-based ethanols has improved the margins. Country Liquor witnessed growth in UP and Uttarakhand and IMFL witnessed growth in Delhi and Uttarakhand.

Nicotine sales impacted on Ennature Biopharma: Ennature Biopharma revenue stood at INR 46cr (-11.6% YoY/-11.9% QoQ); EBIT Stood at INR 7cr (-48.3% YoY/-46.1% QoQ). EBIT margin contracted by 1057 bps YoY (down by 943 bps QoQ) to 14.9% vs 25.5% in Q2FY23. Ennature biopharma was impacted due to price pressure on Nicotine sales. Nicotine is majorly used in Therapy and a large number of players are competing. Nicotine price erosion is around 15% to 20%. Thiocolchicoside realizations are better in the US and Europe. In ennature biopharma, Thiocolchicoside is in a better position and has better sourcing. H2FY24 is expected to be better than H1FY24.

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 expected to be driven by Biofuels and the government target of a 20% blending program would improve going forward. 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 705 per share, we maintain our "BUY" rating at a TP of INR 990 per share; valued at a PE multiple of 15x and its FY25E EPS of INR 66; an upside of 40.4%.

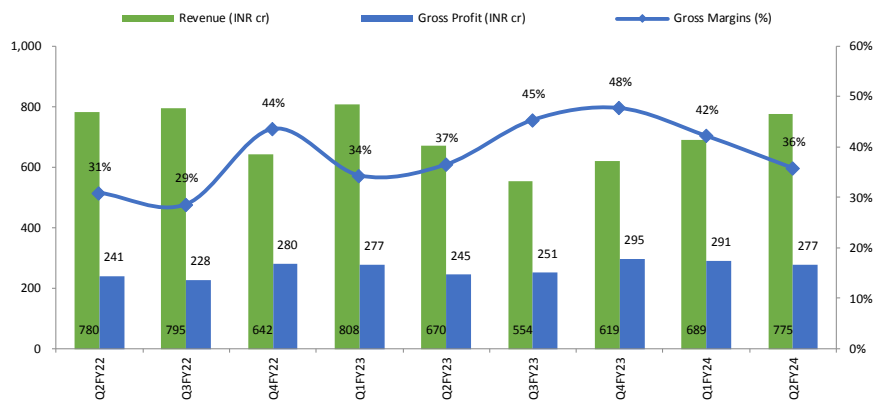
Q2FY24 Results

Income statement summary

Particular (INR cr)	Q2FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)
Revenue	670	689	775	15.7%	12.4%
Net Raw Materials	425	398	497	16.9%	24.9%
Power & Fuel	90	95	83	-7.8%	-12.4%
Employee Cost	20	23	23	13.9%	1.6%
Other Expenses	67	73	76	14.0%	3.3%
EBITDA	68	100	96	40.8%	-4.5%
EBITDA Margin (%)	10.1%	14.5%	12.3%	+220 bps	-218 bps
Depreciation	21	21	28		
Interest expense	24	28	29		
Other income	6	6	11		
Share of profits associate & JV	3	6	1		
Profit before tax	31	64	50	59.5%	-21.4%
Taxes	8	13	12		
Minorities and other	-	-	-		
PAT	24	51	38	61.2%	-25.7%
PAT Margin (%)	3.5%	7.4%	4.9%	+139 bps	-252 bps
Other Comprehensive income	(0)	(0)	(0)		
Total Comprehensive income	23	51	38	60.8%	-26.2%
EPS (INR)	7.6	16.5	12.3		

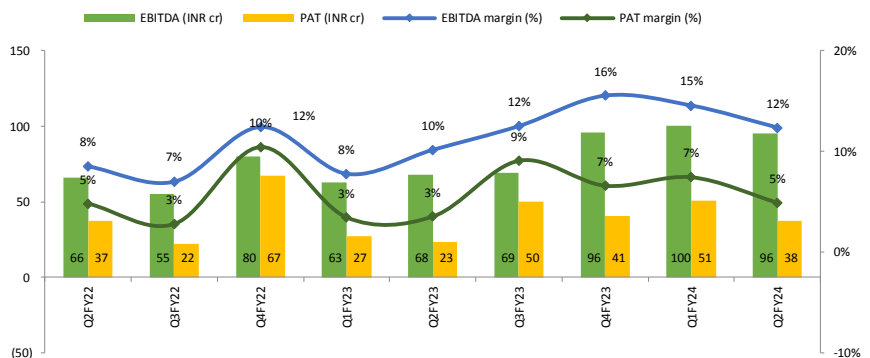
Source: Company Reports, Aриhant Capital Research

Exhibit 1: Margins were impacted by 71bps YoY to 35.8% in Q2FY24 due to increase in raw material costs.



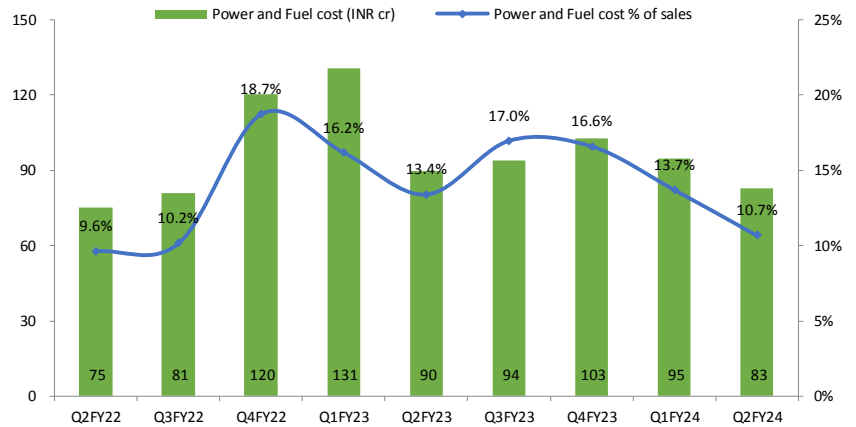
Source: Company Reports, Aриhant Capital Research

Exhibit 2: EBITDA margin expansion backed by decrease in power and other expenses in-terms of sales in Q2FY24.



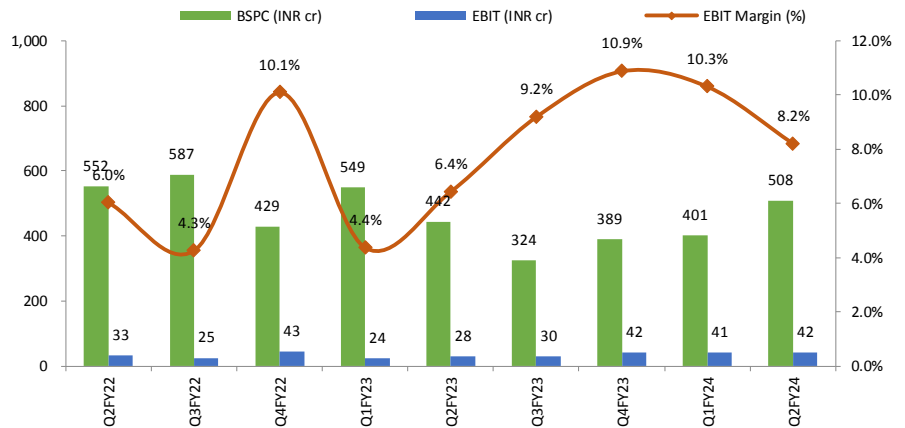
Source: Company Reports, Aриhant Capital Research

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.



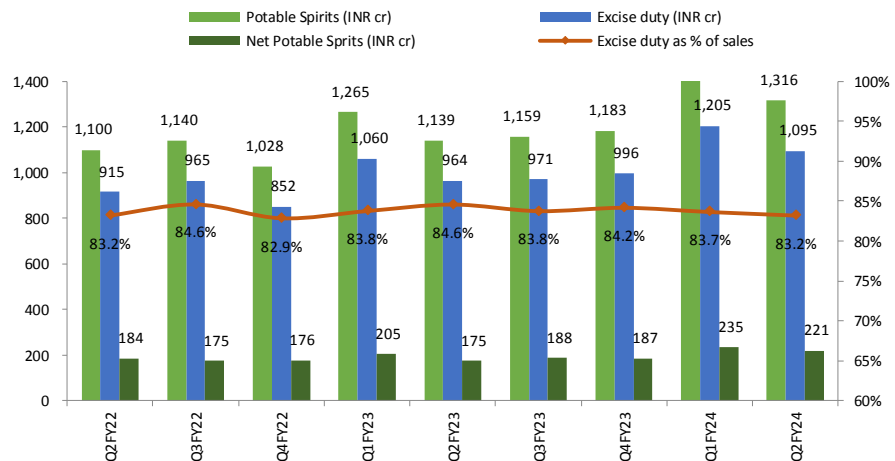
Source: Company Reports, Aриhant Capital Research

Exhibit 4: Margins were improved by 177bps YoY (-210bps QoQ) to 8.2% in Q2FY24 and grain based distilleries would reduce the ethanol costs going forward.



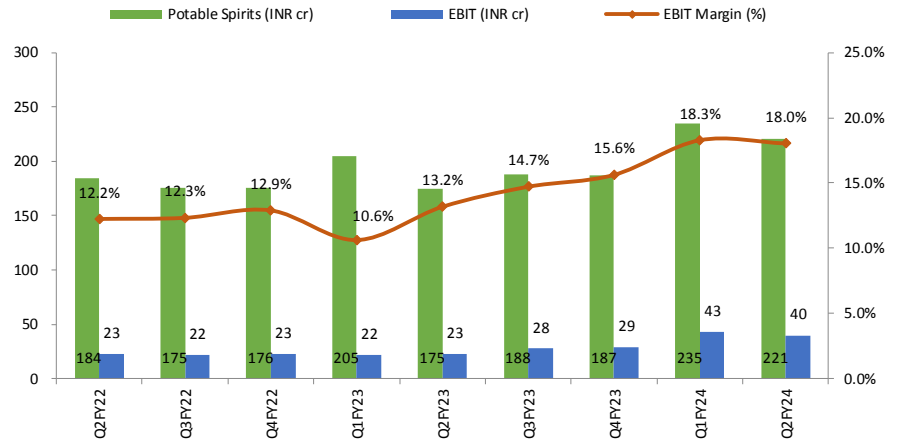
Source: Company Reports, Aриhant Capital Research
BSPC - Bio-based Specialities and Performance Chemicals

Exhibit 5: Excise duty remain elevated.



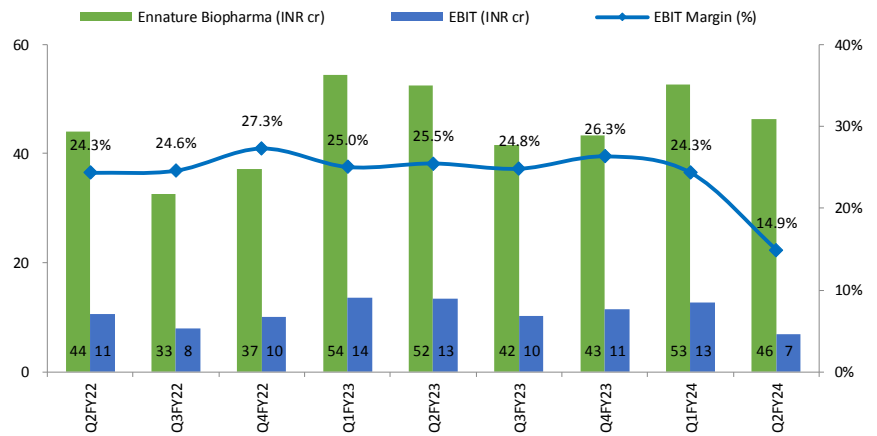
Source: Company Reports, Aриhant Capital Research

Exhibit 6: Margins were stabilized in Q2FY24 due to grain based ethanol and recycled packaging materials.



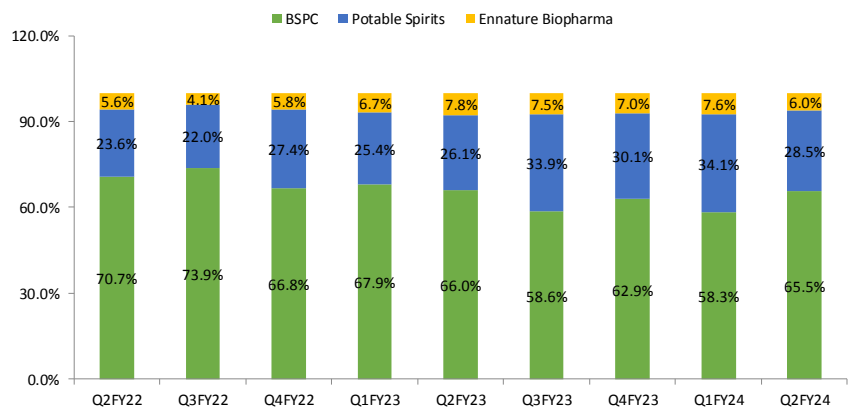
Source: Company Reports, Arianth Capital Research

Exhibit 7: Price erosion in Nicotine has impacted Ennature Biopharma in Q2FY24. Thiocolchicoside remain maintained leadership position and witnessed growth in exports.



Source: Company Reports, Arianth Capital Research

Exhibit 8: Segmental revenue mix



Source: Company Reports, Arianth Capital Research

Q2FY24 Concall Highlights**Revenue**

- The company targeting a net turnover of INR 3,500cr in FY24E.

Capex

- The company has completed 300 KLPD grain-based facility in Kashipur. The company has a Capex plan of ~INR 160cr for expanding the grain capacity in Kashipur to 500 KLPD (vs 300 KLPD currently). The facility is expected to complete 400 KLPD by Dec-23 and 500 KLPD by the end of Mar-24.

BSPC

- Industrial gas grew by 35% YoY driven by higher demand in steel sectors and others. Industrial gas is a small segment and has better pricing.
- Bio-Polymer grew by 2% YoY in Q2FY24 and better growth is expected going forward.

Biofuels

- Biofuels are expected to drive the topline growth in BSPC. The grain-based facility will lead to supply to a blended program. The government is targeting 20% blending by 2025.
- Biofuels contribution is around INR 100cr in Q2FY24.
- The industry is adding more capacities of grain-based distilleries because demand is exceeding the supply. Most of the ethanol is used for Biofuels.

Potable Spirits

- The usage of recycled packaging materials and in-house manufactured grain-based ethanols has improved the margins.
- Country Liquor witnessed growth in UP and Uttarakhand and IMFL witnessed growth in Delhi and Uttarakhand

Ennature Biopharma

- Ennature biopharma was impacted due to price pressure on Nicotine sales. Nicotine is majorly used in Therapy and a large number of players are competing. Nicotine price erosion is around 15% to 20%.
- Thiocolchicoside realizations are better in the US and Europe.
- The company is looking for a tie-up for ennature biopharma.
- In ennature biopharma, Thiocolchicoside is in a better position and has better sourcing. H2FY24 is expected to be better than H1FY24.

Carbon smart products

- The company is working with Lanza Tech for carbon smart products to supply customers like HUL.
- Carbon smart feedstocks are available in India and costs are expected to come down going forward.

Ethanol prices and impact

- Ethanol prices went from INR 34/liter to INR 64/liter and are expected to maintain high levels going forward.
- The imported ethanol price is around INR 50/liter. Imported ethanol is mainly used for chemicals.

Other highlights

- Grain-based ethanol has reduced costs for potable spirits and chemical segments.
- The company has sold non-performing assets of Sahumbari Sugar. The company is not interested in running a sugar mill.
- Working capital in progress is related to green projects, NSU projects, and some maintenance capex.

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	2,988	3,254
Net Raw Materials	1,846	1,499	1,921	1,582	1,808	1,962
Power & Fuel	250	214	332	417	374	405
Employee Cost	93	83	89	89	99	107
Other Expenses	267	253	444	267	305	330
EBITDA	279	268	81	296	403	449
EBITDA Margin (%)	10.2%	11.6%	2.8%	11.1%	13.5%	13.8%
Depreciation	(78)	(80)	(80)	(94)	(100)	(105)
Interest expense	(97)	(83)	(70)	(100)	(113)	(97)
Other income	9	15	22	24	27	26
Exceptional Items	-	-	221	28	-	-
Share of profits associate & JV	(0)	1	21	11	-	-
Profit before tax	113	120	195	165	217	273
Taxes	(38)	(11)	(39)	(24)	(46)	(68)
PAT	75	109	156	141	171	204
PAT from discontinued operations	40	22	10	-	-	-
PAT	115	132	166	141	171	204
PAT Margin (%)	4.2%	5.7%	5.8%	5.3%	5.7%	6.3%
Other Comprehensive income	(1)	3	(0)	0	-	-
Total Comprehensive income	113	135	166	141	171	204
EPS (INR)	36.6	43.5	53.5	45.7	55.3	66.0

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	2,024	2,217
Net worth	1,034	1,169	1,792	1,901	2,055	2,248
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	538	569
Total Liabilities	2,996	3,241	3,675	3,863	3,826	3,940
Fixed assets	2,201	2,171	2,303	2,690	2,814	2,859
Capital Work In Progress	172	126	243	125	69	72
Other Intangible assets	2	2	2	2	2	2
Investments	83	83	456	370	359	325
Other non current assets	33	27	19	25	18	20
Net working capital	354	684	362	368	339	431
Inventories	682	610	693	754	768	779
Sundry debtors	569	362	399	430	368	374
Loans & Advances	26	26	26	0	30	33
Other current assets	167	564	201	179	205	196
Sundry creditors	(722)	(581)	(642)	(752)	(673)	(692)
Other current liabilities & Prov	(369)	(297)	(314)	(244)	(359)	(260)
Cash	92	98	102	113	165	173
Other Financial Assets	60	51	188	170	60	59
Total Assets	2,996	3,241	3,675	3,863	3,826	3,940

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	217	273
Depreciation	78	80	80	94	100	105
Tax paid	(38)	(11)	(39)	(24)	(46)	(68)
Working capital Δ	(41)	(330)	322	(6)	28	(91)
Operating cashflow	111	(141)	558	229	300	218
Capital expenditure	(148)	(4)	(330)	(362)	(169)	(152)
Free cash flow	(37)	(145)	228	(133)	130	66
Equity raised	41	26	486	(8)	-	-
Investments	(3)	0	(374)	86	12	33
Others	(20)	14	(128)	12	117	(0)
Debt financing/disposal	81	110	(97)	131	(250)	(110)
Dividends paid	(44)	(0)	(18)	(23)	(17)	(12)
Other items	(40)	1	(93)	(53)	59	32
Net Δ in cash	(24)	6	4	12	52	8
Opening Cash Flow	116	92	98	102	113	165
Closing Cash Flow	92	98	102	113	165	173

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%	12.7%	8.9%
Op profit growth	-33.1%	-3.9%	-69.6%	263.3%	36.5%	11.3%
Net profit growth	-13.5%	14.8%	26.1%	-15.0%	21.3%	19.4%
Profitability ratios (%)						
OPM	10.2%	11.6%	2.8%	11.1%	13.5%	13.8%
Net profit margin	4.2%	5.7%	5.8%	5.3%	5.7%	6.3%
RoCE	6.1%	7.4%	0.6%	5.9%	7.8%	8.3%
RoNW	7.5%	9.9%	10.5%	7.6%	8.6%	9.5%
RoA	2.5%	3.4%	4.2%	3.7%	4.5%	5.2%
Per share ratios (INR)						
EPS	36.6	43.5	53.5	45.7	55.3	66.0
Dividend per share	14.3	0.1	5.9	7.4	5.5	4.0
Cash EPS	49.2	61.1	76.2	75.9	87.7	99.9
Book value per share	333.9	377.4	578.8	614.2	663.9	725.9
Valuation ratios (x)						
P/E	19.3	16.2	13.2	15.4	12.8	10.7
P/CEPS	14.3	11.5	9.2	9.3	8.0	7.1
P/B	2.1	1.9	1.2	1.1	1.1	1.0
EV/EBITDA	12.0	12.9	36.8	10.8	7.2	6.2
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	49	42
Inventory days	131	157	124	167	154	144
Creditor days	109	116	80	108	101	89
WC Days	82	115	92	116	102	97
Leverage ratios (x)						
Interest coverage	2.1	2.3	0.0	2.0	2.7	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	2.6	2.1

Source: Company Reports, Arianth Capital Research

Story in Charts

Exhibit 9: Steady growth Potable spirits and recovery in BSPC will drive the growth going forward.

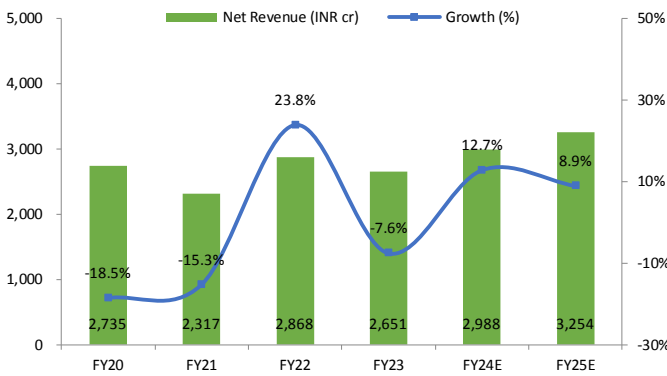


Exhibit 10: The capex of INR 160cr for grain based ethanol plant would reduce raw material costs and improve gross margin levels.

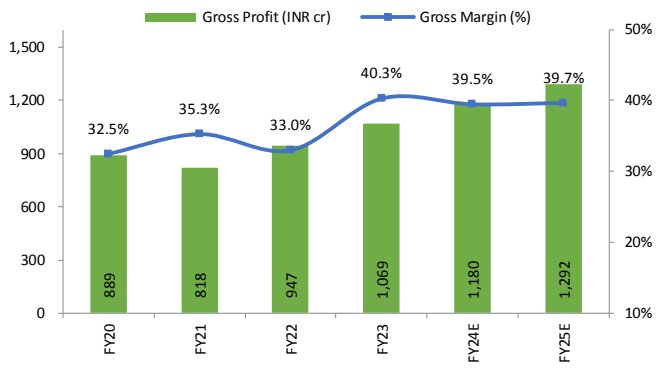


Exhibit 11: The company is signed agreement with Renew Green to procure captive wind and solar hybrid power will reduce costs going forward.

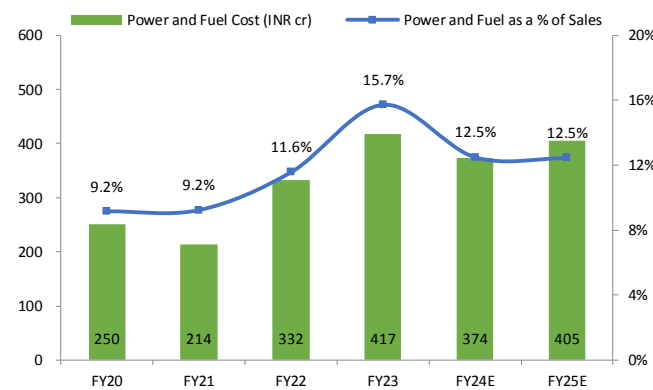


Exhibit 12: Growth in EBITDA & PAT levels.

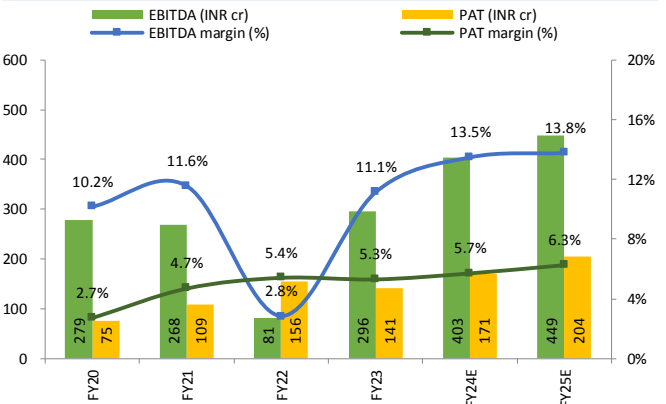


Exhibit 13: Working capital days to be improve

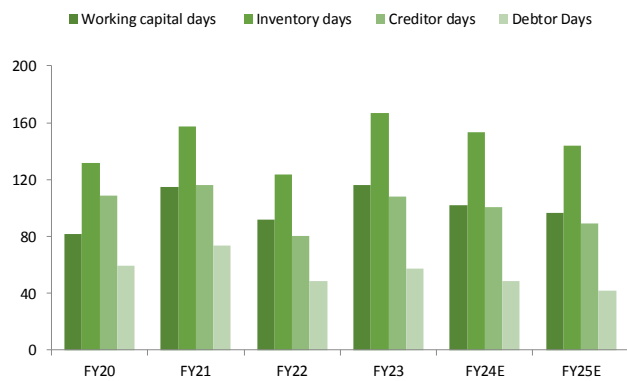
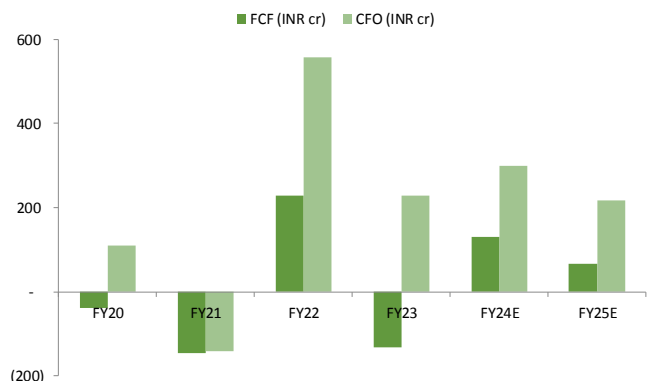


Exhibit 14: Cash flows to be improve



Source: Company Reports, Arianth Capital Research

Story in Charts

Exhibit 15: Return ratios to be improve.

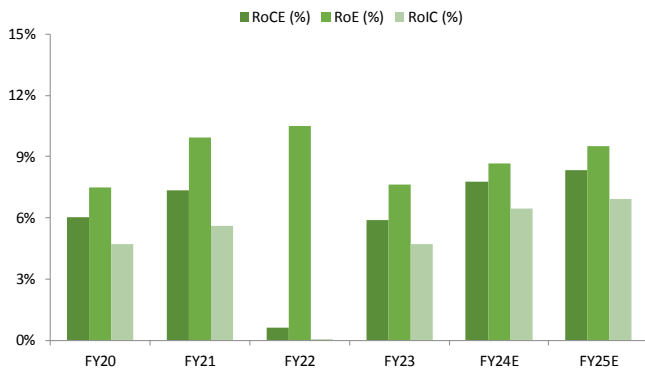


Exhibit 16: Working capital is expected to reduce in terms of sales going forward.

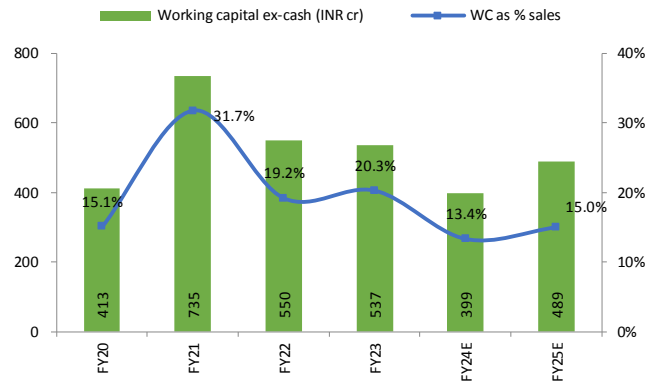


Exhibit 17: Cash conversion cycle to be reduce.

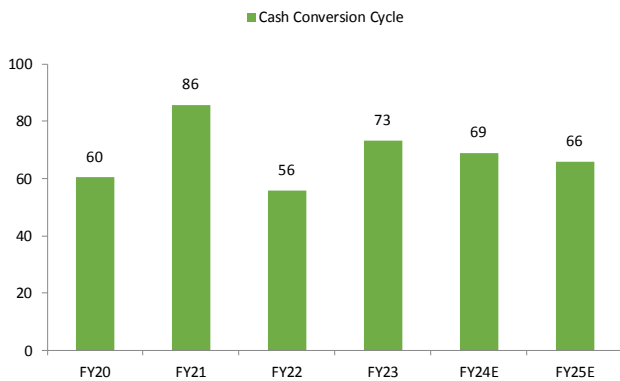


Exhibit 18: Net debt reduction is expected going forward.

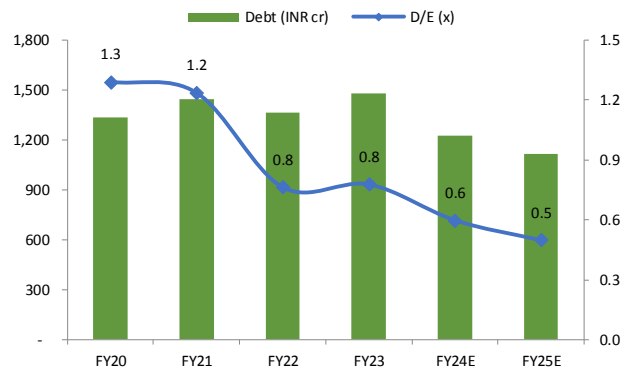


Exhibit 19: Potable spirits is expected to grow double digit rate backed by Country Liquor, IMFL and Para-military business.

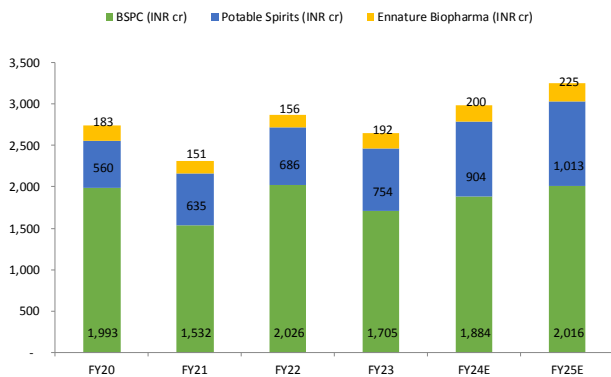
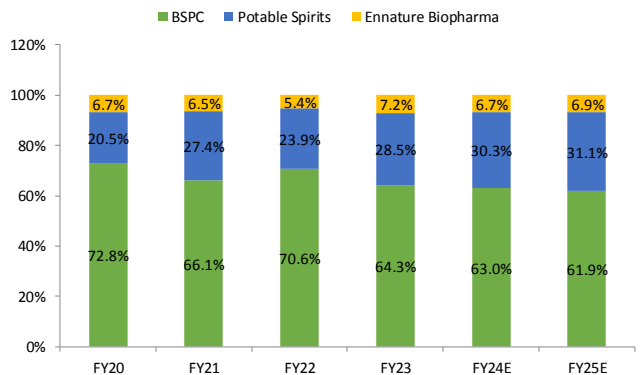


Exhibit 20: Potable spirits revenue share is expected to increase going forward.



Source: Company Reports, Arihant 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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