

CMP: INR 905

Rating: BUY

Target Price: INR 1,286

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)	2,802
52w H/L (INR)	979 / 512
Avg Yearly Volume (in 000')	164.8

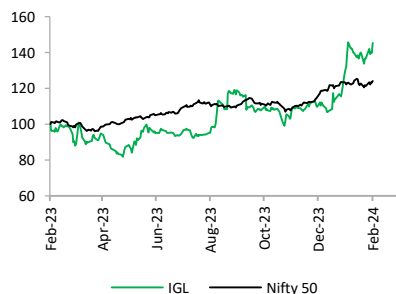
Shareholding Pattern %

(As on Dec, 2023)

Promoters	61.02
DII	0.11
FII	1.57
Public & Others	37.30

Stock Performance (%)	3m	6m	12m
IGL	33.6	52.5	45.4
NIFTY	12.6	11.9	24.1

IGL vs Nifty



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India Glycols Ltd reported strong numbers, Q3FY24 revenue stood at INR 904cr (+63.3% YoY/+16.7% QoQ); above our estimates of INR 766cr driven by strong performance across segments. Gross Profit stood at INR 287cr (+14.2% YoY/+3.4% QoQ); above our estimates of INR 264cr. Gross margins contracted by 1365 bps YoY (down by 410 bps QoQ) to 31.7% vs 45.3% in Q3FY23. 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 68.3% vs 54.7% in Q3FY23. EBITDA stood at INR 102cr (+47.9% YoY/+7.1% QoQ); above our estimates of INR 83cr. EBITDA margin contracted by 118 bps YoY (down by 102 bps QoQ) to 11.3% vs 12.5% in Q3FY23. PAT stood at INR 42cr (-16.8% YoY/+9.5% QoQ); above our estimates of INR 36cr. PAT margin contracted by 443 bps YoY (down by 30 bps QoQ) to 4.6% vs 9.0% in Q3FY23.

Key Highlights

Strong recovery witnessed in BSPC: Bio-based specialties and performance chemicals revenue stood at INR 609cr (+87.8% YoY/+20% QoQ); EBIT Stood at INR 38cr (+26.5% YoY/-9.4% QoQ). EBIT margin contracted by 301 bps YoY (down by 202 bps QoQ) to 6.2% vs 9.2% in Q3FY23. The growth is driven by biofuels, glycols, bio-polymers, and Industrial gases. The value-added chemicals, new specialty chemicals, and biofuels will drive the growth going forward. The company got an ethanol supply allocation contract of INR 1,164cr from oil companies. The supply is expected from Nov-23 to Oct-24 showing revenue visibility for 1 year.

Continued traction in Potable Spirits: Potable Spirits revenue stood at INR 244cr (+30.1% YoY/+10.7% QoQ); EBIT Stood at INR 41cr (+49.9% YoY/+4% QoQ). EBIT margin improved by 224 bps YoY (down by 109 bps QoQ) to 17% vs 14.7% in Q3FY23. The in-housing ENA and softening of packaging materials have improved the margins. Country Liquor sales witnessed traction in Uttara Pradesh, Uttara Khand. The company has expanded IMFL sales to the paramilitary segments across 13 states. The volume increase in IMFL was led by premiumization and improvement in distribution.

Thiocolchicoside and value-added products improved Ennature Biopharma: Ennature Biopharma revenue stood at INR 51cr (+21.8% YoY/+9.2% QoQ); EBIT Stood at INR 12cr (+16.2% YoY/+73.6% QoQ). EBIT margin contracted by 114 bps YoY (up by 878 bps QoQ) to 23.7% vs 24.8% in Q3FY23. Nicotine is under pressure on derivatives. The company is developing nicotine-based derivatives and got some orders from the local manufacturing of tobacco and nicotine-related companies. Nicotine is expected to recover from Q2FY25E onwards. Thiocolchicoside realizations are around INR 4.25 lakh per kg and Nicotine realizations are around INR 7,000 per kg. Thiocolchicoside margins are better in US markets and trying to recover nicotine through new derivatives. The value-added products have started yielding results from pharma customers.

Outlook & Valuation: India Glycols is doing a capex of INR 137cr for grain-based distilleries and INR 14cr for Bio-Fuel ethanol would mitigate ethanol costs and improve margins going forward. BSPC business is expected to be driven by Biofuels, and glycols, and the government target of a 20% blending program would improve going forward. The biofuel allocation contract of INR 1,164cr shows additional revenue visibility for 1 year. Potable Spirits witnessing traction backed by country liquor and IMFL and Para-military business is encouraging. Continued traction in thiocolchicoside, gradual recovery in 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 905 per share, we maintain our "BUY" rating at a TP of INR 1,286 per share; valued at a PE multiple of 12x and its FY26E EPS of INR 107.2; an upside of 42.1%.

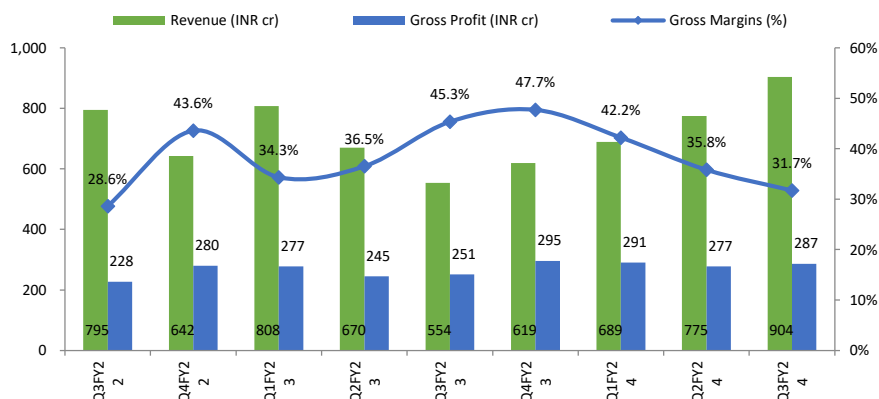
Q3FY24 Results

Income statement summary

Particular (INR cr)	Q3FY23	Q2FY24	Q3FY24	YoY (%)	QoQ (%)
Revenue	554	775	904	63.3%	16.7%
Net Raw Materials	303	497	618	104.1%	24.2%
Power & Fuel	94	83	79	-16.2%	-4.9%
Employee Cost	23	23	27	19.2%	18.4%
Other Expenses	65	76	78	20.4%	3.1%
EBITDA	69	96	102	47.9%	7.1%
EBITDA Margin (%)	12.5%	12.3%	11.3%	-118 bps	-102 bps
Depreciation	21	28	26		
Interest expense	27	29	31		
Other income	7	11	5		
Share of profits associate & JV	(2)	1	5		
Profit before tax	53	50	54	1.2%	7.6%
Taxes	3	12	12		
Minorities and other	-	-	-		
PAT	50	38	42	-16.8%	9.5%
PAT Margin (%)	9.0%	4.9%	4.6%	-443 bps	-30 bps
Other Comprehensive income	0	(0)	1		
Total Comprehensive income	50	38	42	-15.9%	12.0%
EPS (INR)	16.2	12.3	13.4		

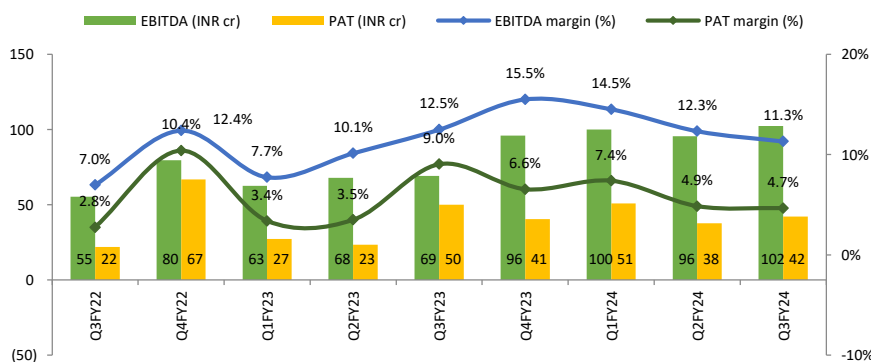
Source: Company Reports, Arihant Capital Research

Exhibit 1: Gross margins contracted by 1365 bps YoY (-410 bps QoQ) to 31.7% in Q3FY24 due to increase in raw material costs.



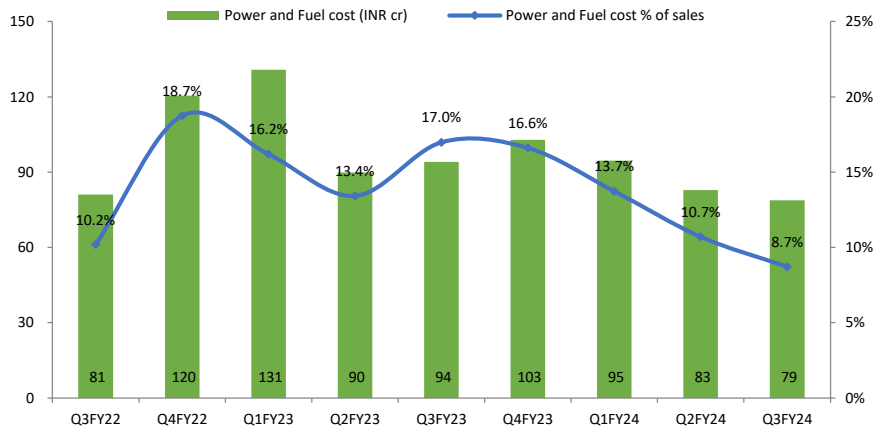
Source: Company Reports, Arihant Capital Research

Exhibit 2: EBITDA margin contracted by 118 bps YoY (-102 bps QoQ) to 11.3% in Q3FY24 due to impact on BSCP.



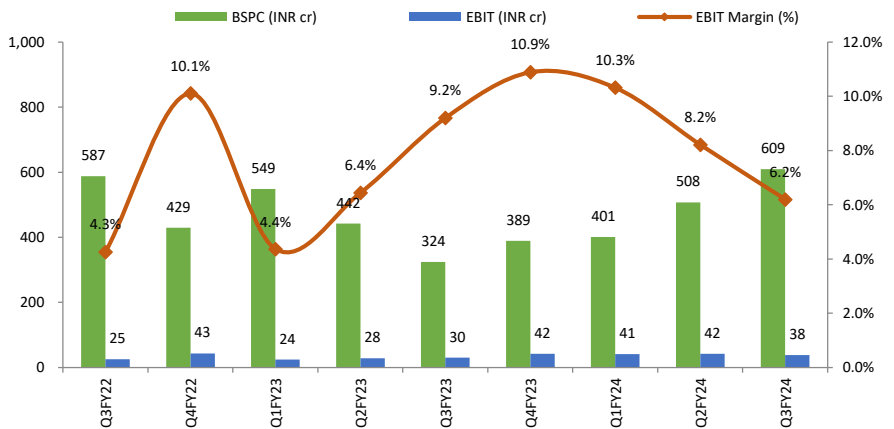
Source: Company Reports, Arihant Capital Research

Exhibit 3: Power & fuel costs moderated on QoQ basis. The company signed agreement with Renew Green to procure captive wind and solar hybrid power. The power supply is expected from FY25E onwards. It will reduce power cost going forward.



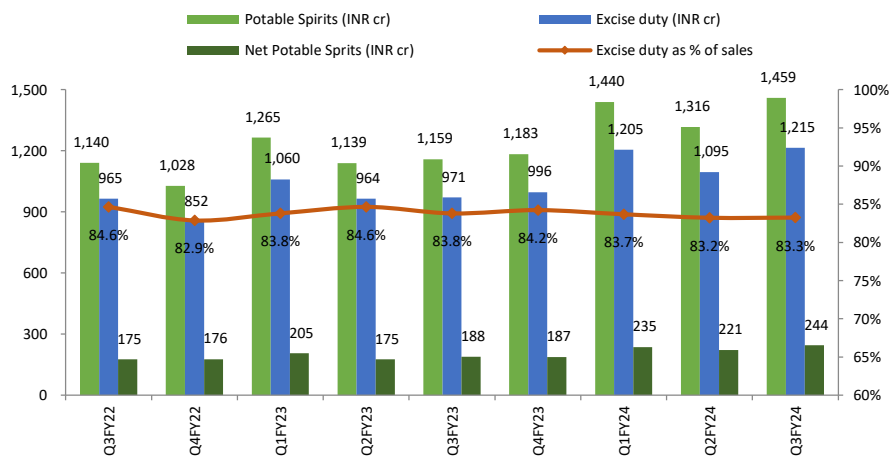
Source: Company Reports, Arianth Capital Research

Exhibit 4: Margins contracted by 301 bps YoY (-202 bps QoQ) to 6.2% in Q3FY24 and grain based distilleries would reduce the ethanol costs going forward.



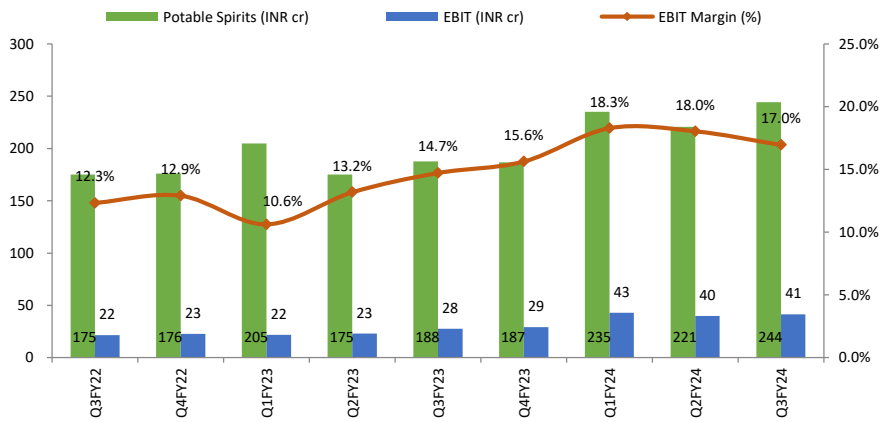
Source: Company Reports, Arianth Capital Research
BSPC - Bio-based Specialities and Performance Chemicals

Exhibit 5: Excise duty remain elevated.



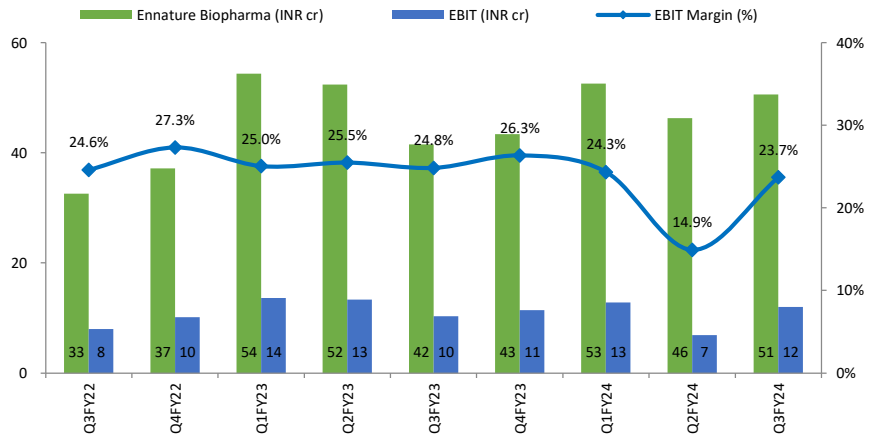
Source: Company Reports, Arianth Capital Research

Exhibit 6: EBIT margin improved by 224 bps YoY (-109 bps QoQ) to 17% in Q3FY24 due to in-house ENA production and softening of packaging materials.



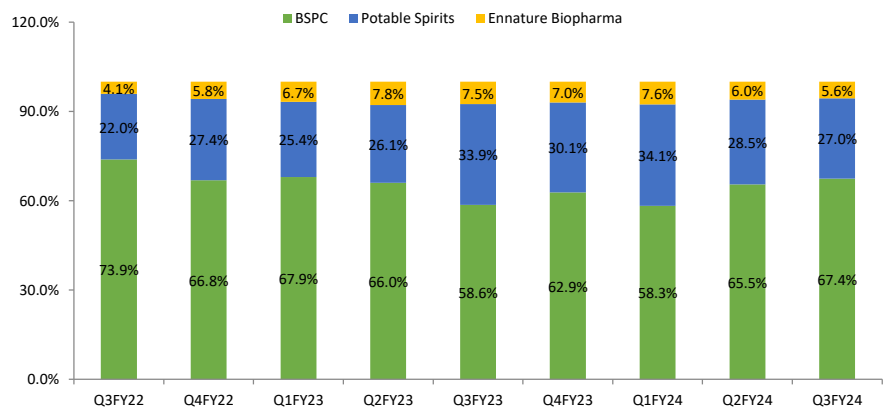
Source: Company Reports, Aриhant Capital Research

Exhibit 7: Nicotine has impacted Ennature Biopharma in Q3FY24. The company is focused on thicolchicoside in key exports markets.



Source: Company Reports, Aриhant Capital Research

Exhibit 8: Segmental revenue mix



Source: Company Reports, Aриhant Capital Research

Q3FY24 Concall Highlights**Revenue**

- Net revenue is expected around INR 5,000cr over the next 2 years.

Capex

- In Gorakhpur, grain-based distillery capex of INR 133cr for capacity addition of 180 KLPD which is expected to be completed by Q2FY25E.
- In Gorakhpur, Bio-based ethanol capex of INR 4cr for capacity addition of 90 KLPD which is expected to be completed by Q2FY25E.
- In Kashipur, Bio-based ethanol capex of INR 10cr for capacity addition of 450 KLPD which is expected to be completed by Q4FY24 (270 KLPD) and Q1FY25 (180 KLPD).

NSU

- In NSU, part of the commissioning is done, and the remaining is expected to be completed by Q1FY25E. The company has started commercial supply and volumes is around 150MT per month. The customers are from oilfields and carbon smart spaces.
- Significant volume is expected to come from the new specialty unit in FY25E.

Ethanol order

- The company got an ethanol supply allocation contract of INR 1,164cr from oil companies. The supply is expected from Nov-23 to Oct-24 showing revenue visibility for 1 year.

JV

- The Clariant JV caters to consumer markets, which include personal care, coatings, and polymers. The price difference between bio-based materials and crude is coming down. The JV is expected to grow with the end market.

BSPC

- In BSPC, the growth is driven by biofuels, glycols, bio-polymers, and Industrial gases. The value-added chemicals, new specialty chemicals, and biofuels will drive the growth going forward.
- Earlier, bio-based glycols were sold to one customers (Coca-Cola) and are now diversified with 15 customers.

Potable Spirits

- The company is looking to expand liquor brands in TFT, Paramilitary, and Rajasthan.
- The company has expanded IMFL business to 13 states.

Q2FY24 Concall Highlights**Ennature Biopharma**

- Nicotine is under pressure on derivatives. The company is developing nicotine-based derivatives and got some orders from the local manufacturing of tobacco and nicotine-related companies. Nicotine is expected to recover from Q2FY25E onwards.
- Thiocolchicoside realizations are around INR 4.25 lakh per kg and Nicotine realizations are around INR 7,000 per kg.
- Thiocolchicoside margins are better in US markets and trying to recover nicotine through new derivatives.

Debt

- The net term loan for working capital is around INR 650cr.
- The company is expected to receive INR 90cr from JV, which will be used for debt repayments in FY24E.

Solar and wind power

- The company has commissioned solar and wind plants and supply is expected from FY25E onwards. The company is reviewing the policy changes.

Other highlights

- The ethanol prices went above INR 60 per liter and softened gradually.
- Grain-based ethanol is mainly for in-house captive and imported ethanol used for chemicals.
- The company has discontinued some non-profitable businesses.
- The company is focused on new value-added products and specialties.
- The UP government has increased raw material reservation from 19% to 26%.
- Ethanol blending is expected to reach from 12% to 20% by FY25E.

Financial Statements

Income statement summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue	2,735	2,317	2,868	2,651	3,307	3,817	4,486
Net Raw Materials	1,846	1,499	1,921	1,582	2,137	2,454	2,871
Power & Fuel	250	214	332	417	337	389	453
Employee Cost	93	83	89	89	102	118	135
Other Expenses	267	253	444	267	311	359	422
EBITDA	279	268	81	296	420	496	606
EBITDA Margin (%)	10.2%	11.6%	2.8%	11.1%	12.7%	13.0%	13.5%
Depreciation	(78)	(80)	(80)	(94)	(101)	(108)	(111)
Interest expense	(97)	(83)	(70)	(100)	(118)	(90)	(83)
Other income	9	15	22	24	29	31	31
Exceptional Items	-	-	221	28	-	-	-
Share of profits associate & JV	(0)	1	21	11	13	-	-
Profit before tax	113	120	195	165	243	329	443
Taxes	(38)	(11)	(39)	(24)	(53)	(83)	(111)
PAT	75	109	156	141	189	247	332
PAT from discontinued operations	40	22	10	-	-	-	-
PAT	115	132	166	141	189	247	332
PAT Margin (%)	4.2%	5.7%	5.8%	5.3%	5.7%	6.5%	7.4%
Other Comprehensive income	(1)	3	(0)	0	-	-	-
Net profit	113	135	166	141	189	247	332
EPS (INR)	36.6	43.5	53.5	45.7	61.1	79.6	107.2

Source: Company Reports, Arihant Capital Research

Balance sheet summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity capital	31	31	31	31	31	31	31
Reserves	1,003	1,138	1,761	1,870	2,041	2,273	2,588
Net worth	1,034	1,169	1,792	1,901	2,072	2,303	2,619
Minority Interest	-	-	(19)	-	-	-	-
Provisions	14	9	8	7	5	5	6
Debt	1,335	1,444	1,367	1,479	1,089	1,069	929
Other non-current liabilities	613	619	527	475	595	668	763
Total Liabilities	2,996	3,241	3,675	3,863	3,760	4,045	4,316
Fixed assets	2,201	2,171	2,303	2,690	2,819	2,965	2,959
Capital Work In Progress	172	126	243	125	69	74	77
Other Intangible assets	2	2	2	2	2	2	2
Investments	83	83	456	370	397	382	449
Other non current assets	33	27	19	25	20	23	27
Net working capital	354	684	362	368	318	485	565
Inventories	682	610	693	754	878	975	1,062
Sundry debtors	569	362	399	430	408	439	492
Loans & Advances	26	26	26	0	33	38	45
Other current assets	167	564	201	179	226	230	246
Sundry creditors	(722)	(581)	(642)	(752)	(830)	(892)	(1,010)
Other current liabilities & Prov	(369)	(297)	(314)	(244)	(397)	(305)	(269)
Cash	92	98	102	113	69	45	162
Other Financial Assets	60	51	188	170	66	69	76
Total Assets	2,996	3,241	3,675	3,863	3,760	4,045	4,316

Source: Company Reports, Arihant Capital Research

Financial Statements

Cashflow summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	113	120	195	165	243	329	443
Depreciation	78	80	80	94	101	108	111
Tax paid	(38)	(11)	(39)	(24)	(53)	(83)	(111)
Working capital Δ	(41)	(330)	322	(6)	49	(167)	(80)
Operating cashflow	111	(141)	558	229	339	187	363
Capital expenditure	(148)	(4)	(330)	(362)	(174)	(259)	(107)
Free cash flow	(37)	(145)	228	(133)	165	(72)	257
Equity raised	41	26	486	(8)	0	0	-
Investments	(3)	0	(374)	86	(26)	15	(67)
Others	(20)	14	(128)	12	109	(6)	(12)
Debt financing/disposal	81	110	(97)	131	(390)	(20)	(140)
Dividends paid	(44)	(0)	(18)	(23)	(19)	(15)	(17)
Other items	(40)	1	(93)	(53)	117	74	96
Net Δ in cash	(24)	6	4	12	(44)	(24)	117
Opening Cash Flow	116	92	98	102	113	69	45
Closing Cash Flow	92	98	102	113	69	45	162

Source: Company Reports, Aриhant Capital Research

Ratio analysis

Y/e 31 Mar	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Growth matrix (%)							
Revenue growth	-18.5%	-15.3%	23.8%	-7.6%	24.7%	15.4%	17.5%
Op profit growth	-33.1%	-3.9%	-69.6%	263.3%	42.0%	18.2%	22.0%
Net profit growth	-13.5%	14.8%	26.1%	-15.0%	34.1%	30.4%	34.6%
Profitability ratios (%)							
OPM	10.2%	11.6%	2.8%	11.1%	12.7%	13.0%	13.5%
Net profit margin	4.2%	5.7%	5.8%	5.3%	5.7%	6.5%	7.4%
RoCE	6.1%	7.4%	0.6%	5.9%	8.3%	9.6%	11.4%
RoNW	7.5%	9.9%	10.5%	7.6%	9.5%	11.3%	13.5%
RoA	2.5%	3.4%	4.2%	3.7%	5.0%	6.1%	7.7%
Per share ratios (INR)							
EPS	36.6	43.5	53.5	45.7	61.1	79.6	107.2
Dividend per share	14.3	0.1	5.9	7.4	6.1	4.8	5.4
Cash EPS	49.2	61.1	76.2	75.9	93.7	114.5	143.0
Book value per share	333.9	377.4	578.8	614.2	669.1	744.0	845.8
Valuation ratios (x)							
P/E	24.7	20.8	16.9	19.8	14.8	11.4	8.4
P/CEPS	18.4	14.8	11.9	11.9	9.7	7.9	6.3
P/B	2.7	2.4	1.6	1.5	1.4	1.2	1.1
EV/EBITDA	14.2	15.2	44.4	12.8	8.2	6.9	5.2
Payout (%)							
Dividend payout	59.2%	0.4%	11.8%	16.3%	10.0%	6.0%	5.0%
Tax payout	33.6%	9.4%	20.2%	14.5%	22.0%	25.1%	25.1%
Liquidity ratios							
Debtor days	59	73	48	57	46	40	38
Inventory days	131	157	124	167	139	138	129
Creditor days	109	116	80	108	100	95	89
WC Days	82	115	92	116	86	84	78
Leverage ratios (x)							
Interest coverage	2.1	2.3	0.0	2.0	2.7	4.3	6.0
Net debt / equity	1.2	1.2	0.7	0.7	0.5	0.4	0.3
Net debt / op. profit	4.5	5.0	15.6	4.6	2.4	2.1	1.3

Source: Company Reports, Aриhant Capital Research

Story in Charts

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

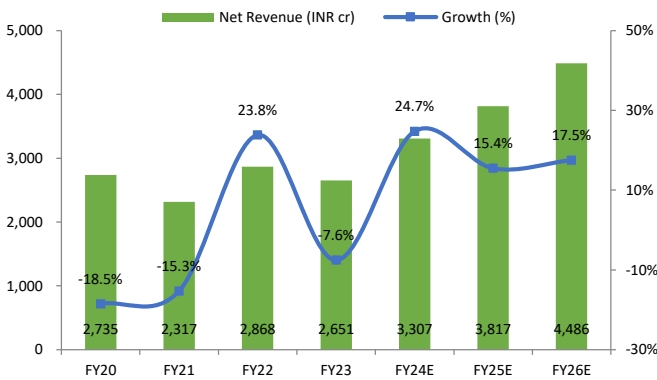


Exhibit 10: The capex for grain based ethanol plant would reduce raw material costs and improve gross margin levels.

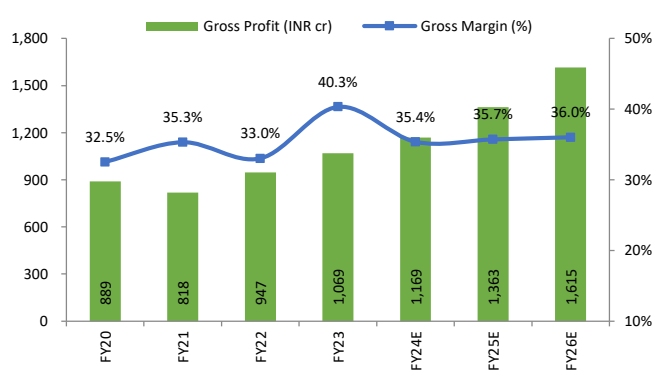


Exhibit 11: The captive wind and solar hybrid power will reduce costs going forward.

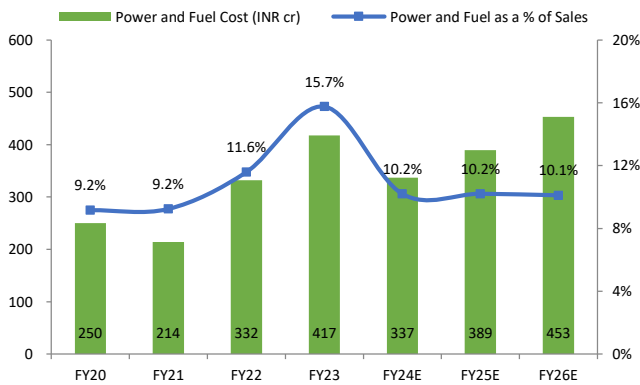


Exhibit 12: Growth in EBITDA & PAT levels.

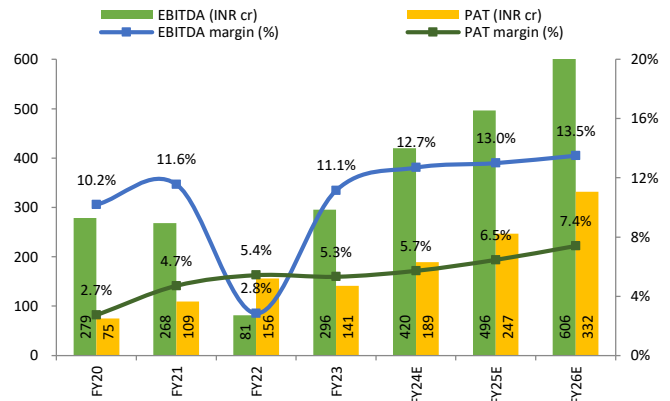


Exhibit 13: Working capital days to be improve

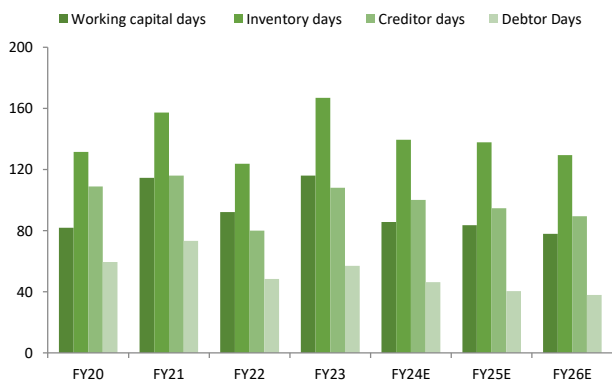
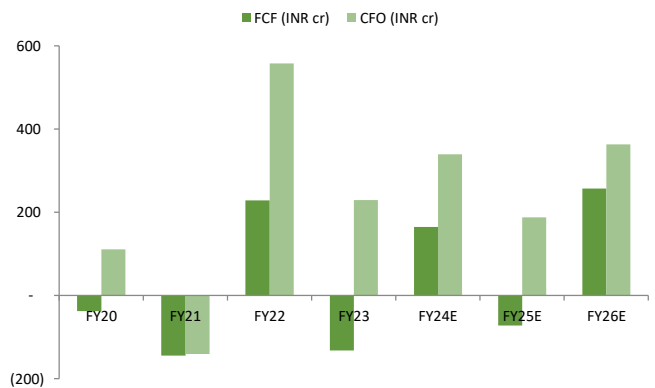


Exhibit 14: Cash flows to be improve



Source: Company Reports, Arianth Capital Research

Story in Charts

Exhibit 15: Return ratios to be improve.

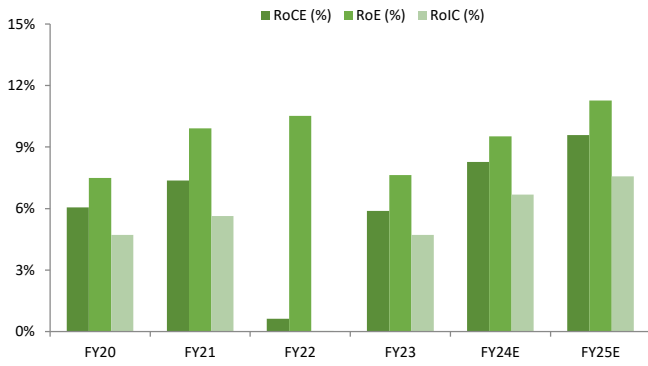


Exhibit 16: Working capital is expected to be below 15% in terms of sales going forward.

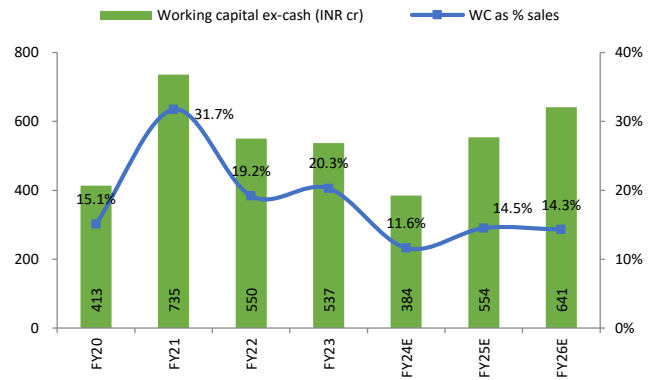


Exhibit 17: Cash conversion cycle to be reduce.

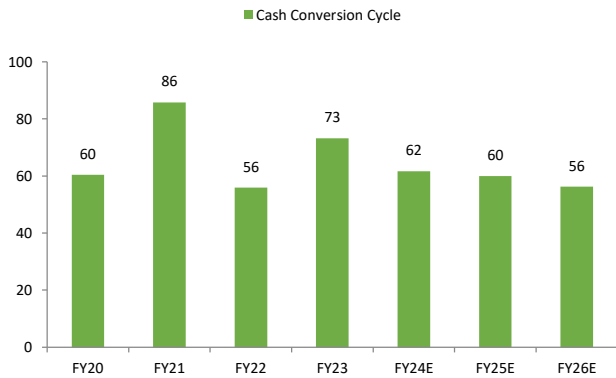


Exhibit 18: Net debt reduction is expected going forward.

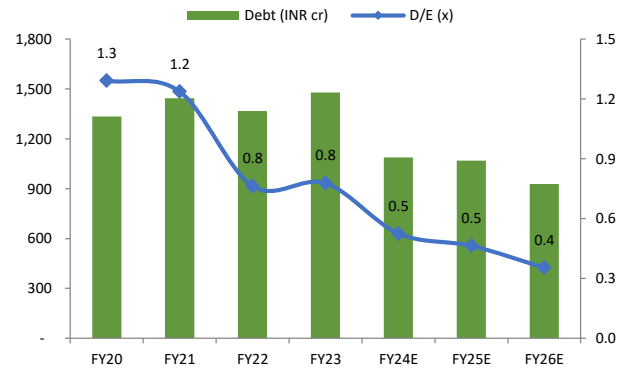


Exhibit 19: BSPC is expected to be driven by Bio-fuels and Potable Spirits is expected to drive by IMFL and Country Liquors.

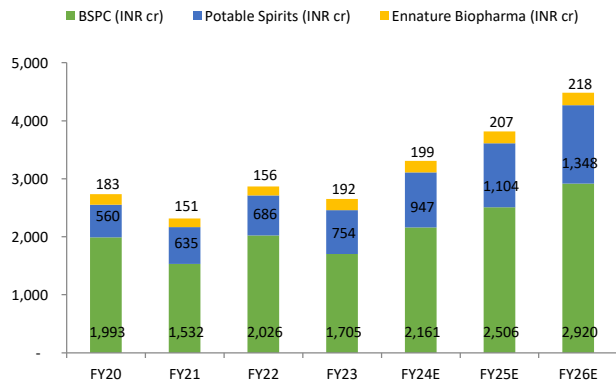
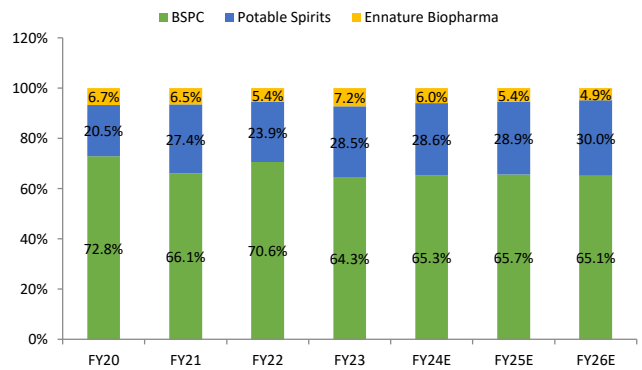


Exhibit 20: Potable spirits revenue share is expected to increase going forward.



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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