

Witnessed improvement on sequential basis.

CMP: INR 631

Rating: BUY

Target Price: INR 769

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)	1,954
52w H/L (INR)	978 / 512
Avg Yearly Volume (in 000')	105.9

Shareholding Pattern %

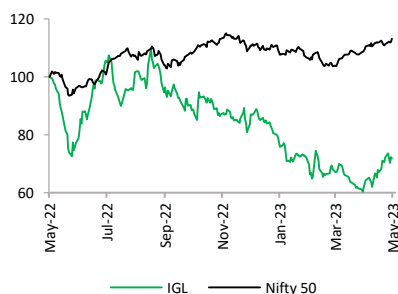
(As on Mar, 2023)

Promoters	61.02
DII	4.17
FII	1.17
Public & Others	33.64

Stock Performance (%)

	3m	6m	12m
IGL	3.2	-18.0	-28.2
NIFTY	5.4	-0.3	13.1

IGL vs Nifty



Abhishek Jain
abhishek.jain@arihantcapital.com
022-422548871

Balasubramanian A
bala@arihantcapital.com

India Glycols Ltd (IGL) reported numbers, Q4FY23 revenue stood at INR 619cr (-3.6% YoY/+11.9% QoQ); below our estimates of INR 635cr. Gross Profit stood at INR 295Cr (+5.5% YoY/+17.7% QoQ), above our estimates of INR 209cr. Gross margins increased by 413 bps YoY (up by 236 bps QoQ) to 47.7% vs 43.6% in Q4FY22. 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 52.3% vs 56.4% in Q4FY22. EBITDA stood at INR 96cr (+20.6% YoY/+38.8% QoQ); vs our estimates of INR 64cr. EBITDA margin improved by 311 bps YoY (up by 301 bps QoQ) to 15.5% vs 12.4% in Q4FY22. PAT stood at INR 40cr (-40.6% YoY/+20.4% QoQ); vs our estimates of INR 23cr. PAT margin contracted by 401 bps YoY (down by 204 bps QoQ) to 6.4% vs 10.4% in Q4FY22. The exceptional items of INR 28cr in Q3FY23 and INR -19cr in Q4FY22 are included.

Key Highlights

BSPC segment impacted due to discontinuation of low margin business: Bio-based specialties and performance chemicals revenue stood at INR 389cr (-9.3% YoY/+20% QoQ); EBIT Stood at INR 42cr (-2.3% YoY/+42% QoQ). EBIT margin improved by 79 bps YoY (up by 169 bps QoQ) to 10.9% vs 10.1% in Q4FY22. Revenue was impacted due to discontinued low-margin business and the company is focused on high-margin business. In the NSU project, one unit was commissioned successfully, and product & business development is in progress with several customers. In-house grain ENA would improve the margins going forward.

Price hikes will improve potable spirits segments: Potable Spirits revenue stood at INR 187cr (+6.1% YoY/-0.6% QoQ); EBIT Stood at INR 29cr (+28.5% YoY/+5.6% QoQ). EBIT margin improved by 272 bps YoY (up by 91 bps QoQ) to 15.6% vs 12.9% in Q4FY22. Amazing Votka received a good response and has a market share of 25%-27% market share, a 12% market share in UP, and a 17% market share in Delhi. UP government has given a price rise that would impact positively in FY24. Policy changes in Delhi have reverted government-controlled bodies. The stabilization of ENA prices will improve the margins in FY24.

Ennature Biopharma revenue backed by Thiocolchicoside: Ennature Biopharma revenue stood at INR 43cr (+16.7% YoY/+4.4% QoQ); EBIT Stood at INR 11cr (+12.6% YoY/+10.8% QoQ). EBIT margin contracted by 96 bps YoY (up by 151 bps QoQ) to 26.3% vs 27.3% in Q4FY22. The company has maintained a leadership position in Thiocolchicoside in a challenging market. The company is focused on building branded Nutraceuticals range by launching Xanthogree, Gingeren, and Turminova in various markets.

Cost reduction initiatives by Grain based plants and Captive power: The company has reached optimum utilization as per the plan in grain-based distillery plants. Grain-based distilleries are expected to reduce ethanol costs. The company has executed an agreement with Renew Green to procure captive wind and solar hybrid power. It's expected to start next 1 to 1.5 years and will result in cost savings as well as green energy strengthening sustainability.

Outlook & Valuation: IGL revenue is expected to revamp backed by UP price hikes and high value-added business. NSU project unit-1 was commissioned and in progress as per plan which is expected to bring additional revenue going forward. The grain-based ingredients will bring down the ethanol costs, 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 631 per share, we maintain our "BUY" rating at a TP of INR 769 per share; valued at a PE multiple of 16x and its FY25E EPS of INR 48.1; an upside of 21.9%.

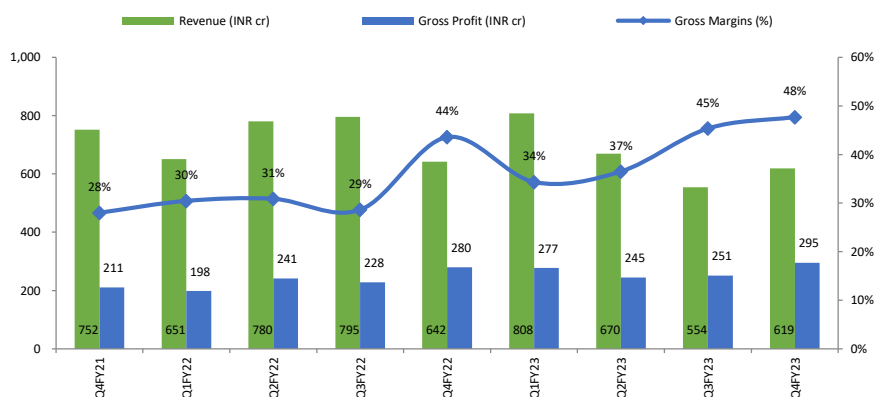
Q4FY23 Results

Income statement summary

Particular (INR cr)	Q4FY22	Q3FY23	Q4FY23	YoY (%)	QoQ (%)
Revenue	642	554	619	-3.6%	11.9%
Net Raw Materials	362	303	324	-10.6%	7.0%
Power & Fuel	120	94	103	-14.6%	9.4%
Employee Cost	15	23	26	74.3%	14.1%
Other Expenses	65	65	70	8.5%	8.4%
EBITDA	80	69	96	20.6%	38.8%
EBITDA Margin (%)	12.4%	12.5%	15.5%	+311 bps	+301 bps
Depreciation	21	21	30		
Interest expense	18	27	26		
Other income	5	7	4		
Exceptional Items	(19)	28	-		
Share of profits associate & JV	5	(2)	1		
Profit before tax	32	53	46	43.4%	-14.3%
Taxes	(35)	3	6		
Minorities and other	-	-	-		
PAT	67	50	40	-40.6%	-20.4%
PAT Margin (%)	10.4%	9.0%	6.4%	-401 bps	-260 bps
Other Comprehensive income	(0)	0	1		
Net profit	67	50	41	-39.3%	-19.0%
EPS (INR)	22	16	13		

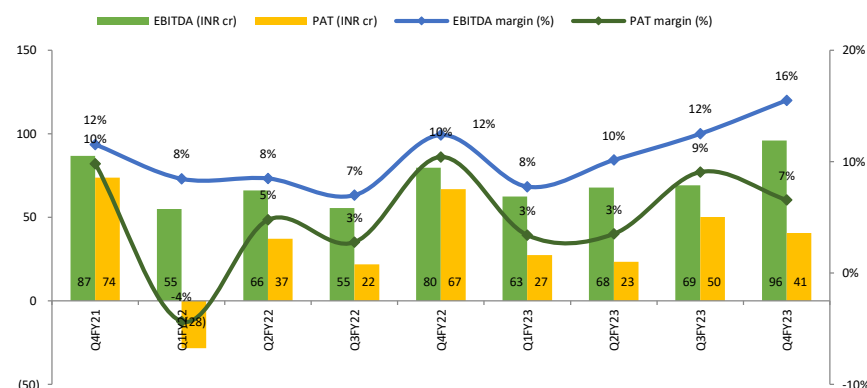
Source: Company Reports, Aриhant Capital Research

Exhibit 1: Margins were improved due to decrease in raw material costs.



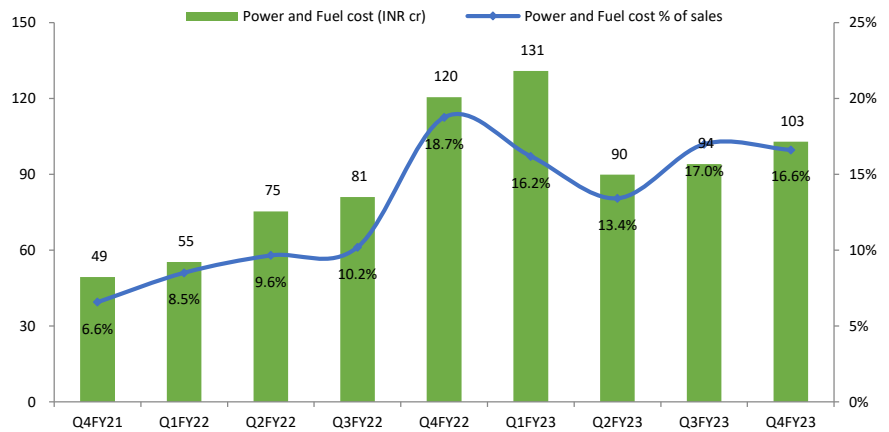
Source: Company Reports, Aриhant Capital Research

Exhibit 2: Margin expansion witnessed at EBITDA levels, however power & fuel costs remain elevated.



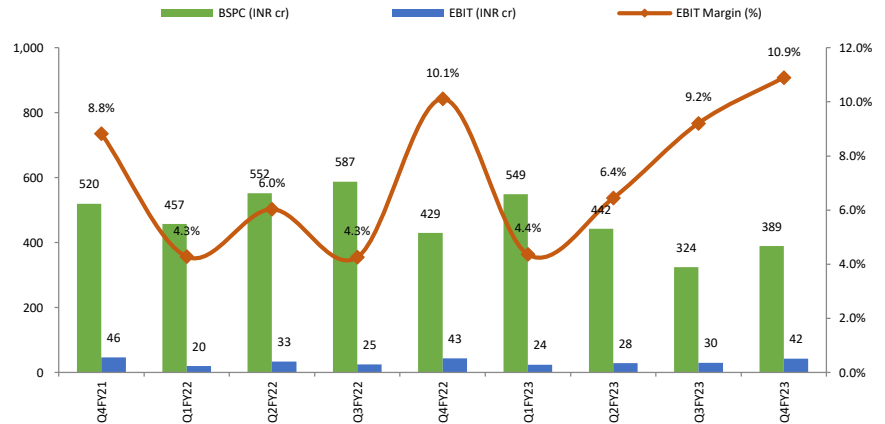
Source: Company Reports, Aриhant Capital Research

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



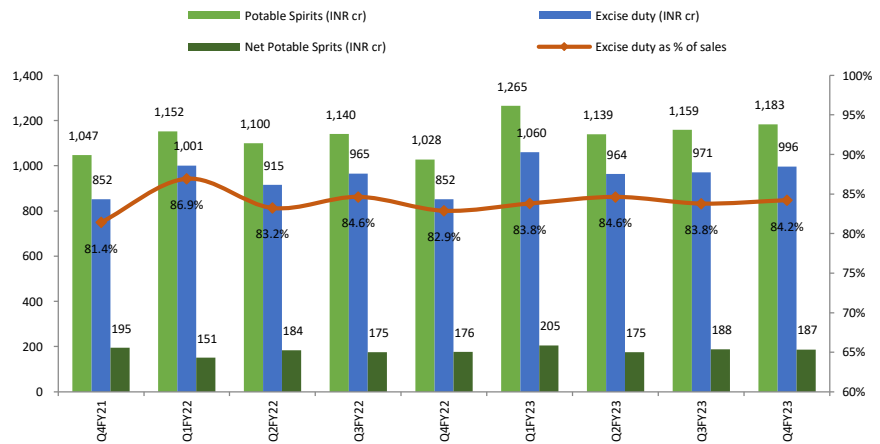
Source: Company Reports, Arianth Capital Research

Exhibit 4: Margins were improved and grain based distilleries would reduce the ethanol costs going forward.



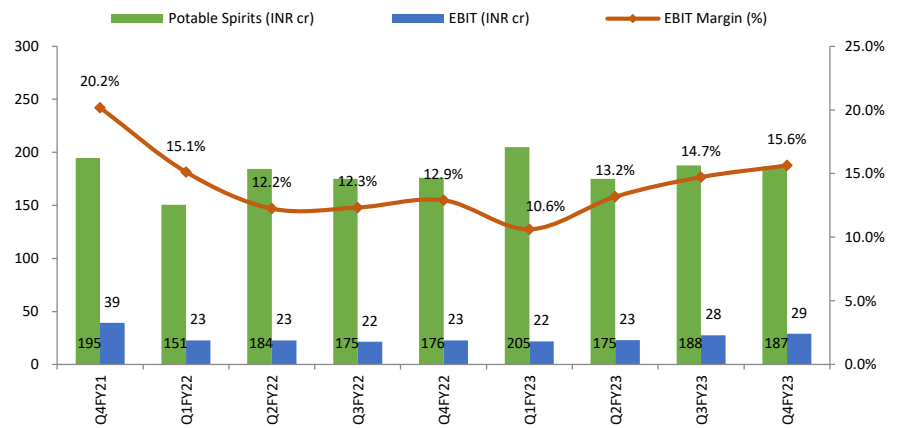
Source: Company Reports, Arianth Capital Research
BSPC - Bio-based Specialities and Performance Chemicals

Exhibit 5: Excise duty remain elevated.



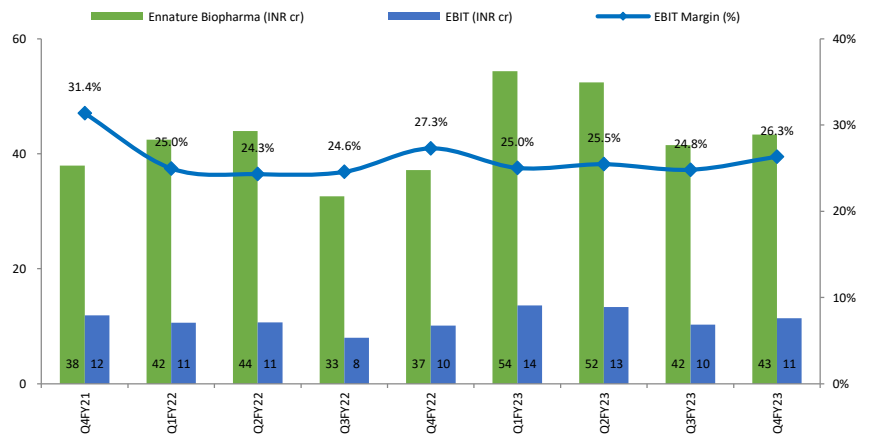
Source: Company Reports, Arianth Capital Research

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



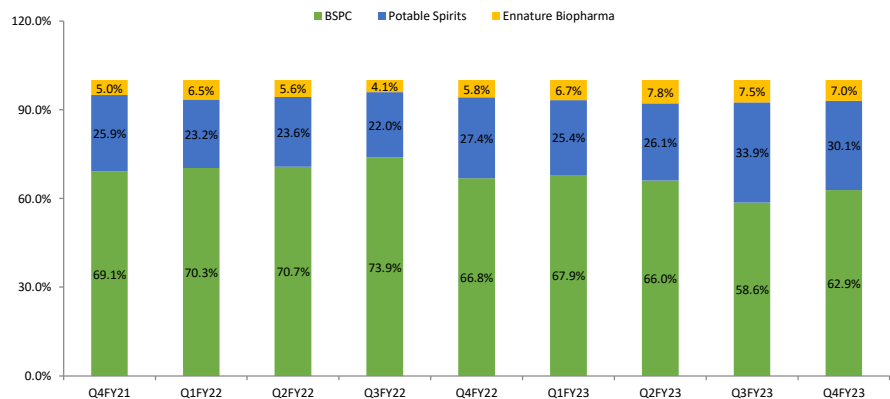
Source: Company Reports, Arianth Capital Research

Exhibit 7: Healthy growth backed by Thiocolchicosides, and margins were improved.



Source: Company Reports, Arianth Capital Research

Exhibit 8: Segmental revenue mix



Source: Company Reports, Arianth Capital Research

Q4FY23 Concall Highlights**Market Share**

- The company has 3 flavors of Votka and received good responses from consumers.
- In branded country liquor segment, UP's market share is around 25%-27%, and Uttarakhand's market share is around 50%-55%.
- Amazing Votka received a good response and has a market share of 25%-27% market share, a 12% market share in UP, and a 17% market share in Delhi.
- The whiskey segment is difficult and competitive due to international players. Money-making is difficult in this segment.

Price hike

- Delhi government has reverted back to govt bodies for the removal of excise duty.
- UP government has allowed a price hike, and potable sprits segments are expected to witness stronger.

BSPC

- In BSPC, the company has discontinued the low-margin business.
- The company has reached optimum utilization as per the plan in grain-based distillery plants.
- In MEG and Bio-MEG, Around 5 years back, 95% of revenue comes from one customer, and currently, around 15 customers are there. The customers are from Japan, Korea, and Taiwan.
- In the exports, The Butyl and Propyl prices in the glycols ether space have come down which put pressure on pricing.

Potable Spirits

- Zumba black spiced rum is a new innovation in the market and is targeted at youngsters. Citrus Zumba is targeted in the summer season in north areas.
- In IMFL, good opportunities for newcomers, MNCs are not approved and working capital is high. The government payment cycle is around 30 days.

Power

- The company signed an agreement with Renew Green to procure captive wind and solar hybrid power. The commission is expected to complete in 1-1.5 years. It will reduce power costs going forward.

Raw Materials

- Cost pressure remain to continue, commodity prices started stabilizing.
- In Potable sprits, packaging costs are stabilizing.
- Ukraine is impacted by Russia's Invasion. Ukraine is the major supplier of Wheat (10%), Corn (15%), and Barley (13%).
- Gas prices started declining in Europe.
- ENA costs are around INR 49-52 per liter and Grain costs are around INR 20-21.
- Acetic Acid is coming down, however, it's a smaller part of RM.

Debt

- Term loan is around INR 621cr and Repayment loan is around INR 150cr. Debt is expected to come down gradually.

Other highlights

- The company has sold its entire stake in Sakumbari Sugar.
- The company has successfully completed the EU-GMP audit conducted by the EDQM at the EB plant to certify API is in line with the required European standards of quality.
- In the NSU project, one unit was commissioned successfully, and product & business development is in progress with several customers.

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	2,762	2,968
Net Raw Materials	1,846	1,499	1,921	1,582	1,704	1,829
Power & Fuel	250	214	332	417	401	427
Employee Cost	93	83	89	89	83	89
Other Expenses	267	253	444	267	263	279
EBITDA	279	268	81	296	312	344
EBITDA Margin (%)	10.2%	11.6%	2.8%	11.1%	11.3%	11.6%
Depreciation	(78)	(80)	(80)	(94)	(91)	(87)
Interest expense	(97)	(83)	(70)	(100)	(95)	(82)
Other income	9	15	22	24	25	24
Exceptional Items	-	-	221	28	-	-
Share of profits associate & JV	(0)	1	21	11	-	-
Profit before tax	113	120	195	165	151	199
Taxes	(38)	(11)	(39)	(24)	(32)	(50)
PAT	75	109	156	141	119	149
PAT from discontinued operations	40	22	10	-	-	-
PAT	115	132	166	141	119	149
PAT Margin (%)	4.2%	5.7%	5.8%	5.3%	4.3%	5.0%
Other Comprehensive income	(1)	3	(0)	0	-	-
Net profit	113	135	166	141	119	149
EPS (INR)	36.6	43.5	53.5	45.7	38.4	48.1

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	1,977	2,117
Net worth	1,034	1,169	1,792	1,901	2,008	2,148
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	497	519
Total Liabilities	2,996	3,241	3,675	3,863	3,738	3,790
Fixed assets	2,201	2,171	2,303	2,690	2,754	2,765
Capital Work In Progress	172	126	243	125	68	70
Other Intangible assets	2	2	2	2	2	2
Investments	83	83	456	370	331	297
Other non current assets	33	27	19	25	17	18
Net working capital	354	684	362	368	312	392
Inventories	682	610	693	754	724	726
Sundry debtors	569	362	399	430	341	342
Loans & Advances	26	26	26	0	28	30
Other current assets	167	564	201	179	189	179
Sundry creditors	(722)	(581)	(642)	(752)	(638)	(647)
Other current liabilities & Prov	(369)	(297)	(314)	(244)	(331)	(237)
Cash	92	98	102	113	199	194
Other Financial Assets	60	51	188	170	55	53
Total Assets	2,996	3,241	3,675	3,863	3,738	3,790

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	151	199
Depreciation	78	80	80	94	91	87
Tax paid	(38)	(11)	(39)	(24)	(32)	(50)
Working capital Δ	(41)	(330)	322	(6)	56	(80)
Operating cashflow	111	(141)	558	229	265	156
Capital expenditure	(148)	(4)	(330)	(362)	(98)	(100)
Free cash flow	(37)	(145)	228	(133)	167	56
Equity raised	41	26	486	(8)	-	-
Investments	(3)	0	(374)	86	39	35
Others	(20)	14	(128)	12	123	1
Debt financing/disposal	81	110	(97)	131	(250)	(110)
Dividends paid	(44)	(0)	(18)	(23)	(12)	(9)
Other items	(40)	1	(93)	(53)	18	23
Net Δ in cash	(24)	6	4	12	86	(5)
Opening Cash Flow	116	92	98	102	113	199
Closing Cash Flow	92	98	102	113	199	194

Source: Company Reports, Aриhant 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%	4.2%	7.5%
Op profit growth	-33.1%	-3.9%	-69.6%	263.3%	5.5%	10.5%
Net profit growth	-13.5%	14.8%	26.1%	-15.0%	-15.7%	25.1%
Profitability ratios (%)						
OPM	10.2%	11.6%	2.8%	11.1%	11.3%	11.6%
Net profit margin	4.2%	5.7%	5.8%	5.3%	4.3%	5.0%
RoCE	6.1%	7.4%	0.6%	5.9%	5.8%	6.5%
RoNW	7.5%	9.9%	10.5%	7.6%	6.1%	7.2%
RoA	2.5%	3.4%	4.2%	3.7%	3.2%	3.9%
Per share ratios (INR)						
EPS	36.6	43.5	53.5	45.7	38.4	48.1
Dividend per share	14.3	0.1	5.9	7.4	3.8	2.9
Cash EPS	49.2	61.1	76.2	75.9	67.7	76.3
Book value per share	333.9	377.4	578.8	614.2	648.7	693.9
Valuation ratios (x)						
P/E	17.2	14.5	11.8	13.8	16.4	13.1
P/CEPS	12.8	10.3	8.3	8.3	9.3	8.3
P/B	1.9	1.7	1.1	1.0	1.0	0.9
EV/EBITDA	11.2	12.0	34.0	10.0	8.5	7.5
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	51	42
Inventory days	131	157	124	167	158	145
Creditor days	109	116	80	108	103	89
WC Days	82	115	92	116	106	97
Leverage ratios (x)						
Interest coverage	2.1	2.3	0.0	2.0	2.3	3.1
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	3.3	2.7

Source: Company Reports, Aриhant Capital Research

Story in Charts

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

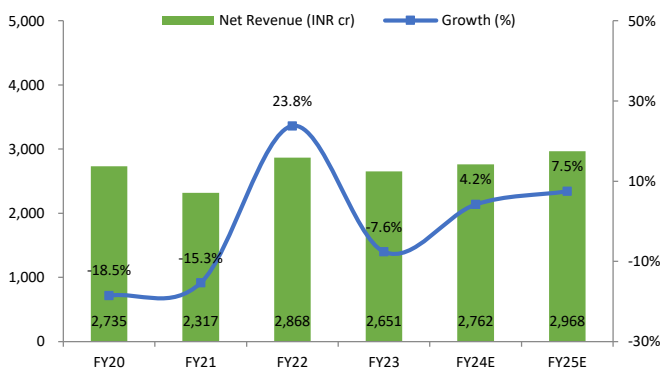


Exhibit 10: Ethanol prices remain elevated, Stabilization of raw material costs would maintain gross margin levels.

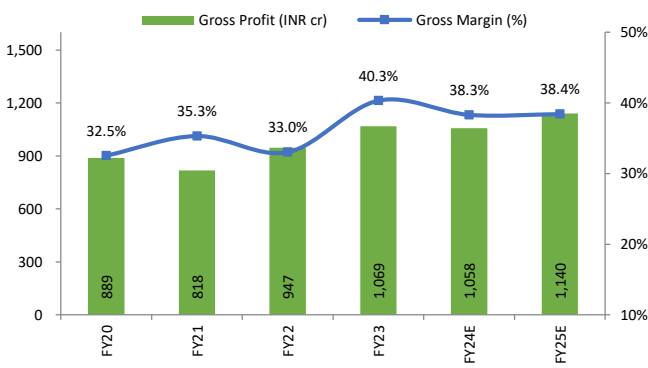


Exhibit 11: The company is signed agreement with Renew Green to procure captive wind and solar hybrid power will reduce costs going forward.

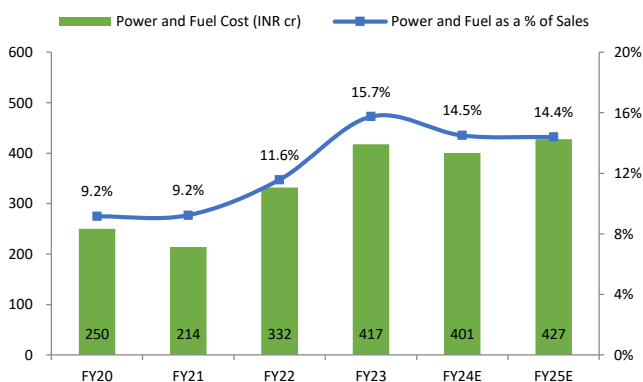


Exhibit 12: Growth in EBITDA & PAT levels.

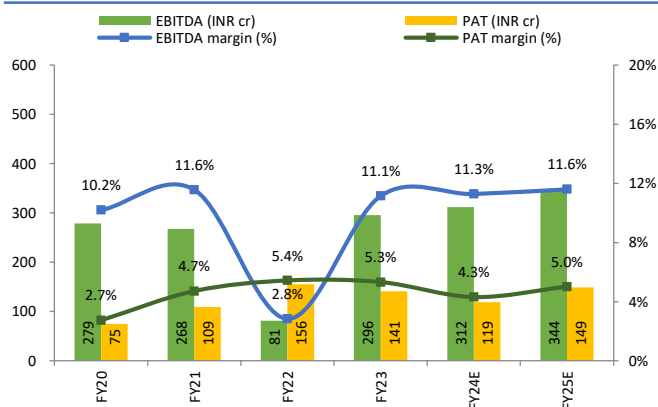


Exhibit 13: Working capital days to be improve

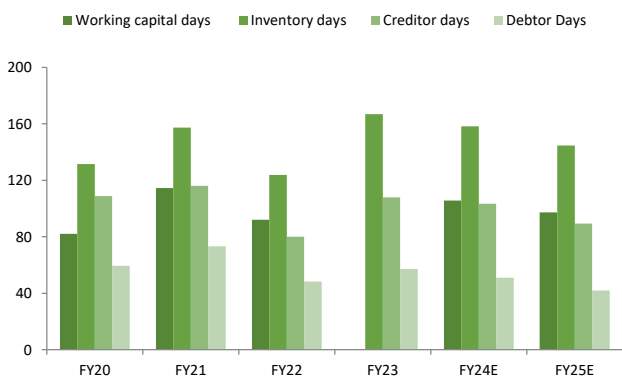
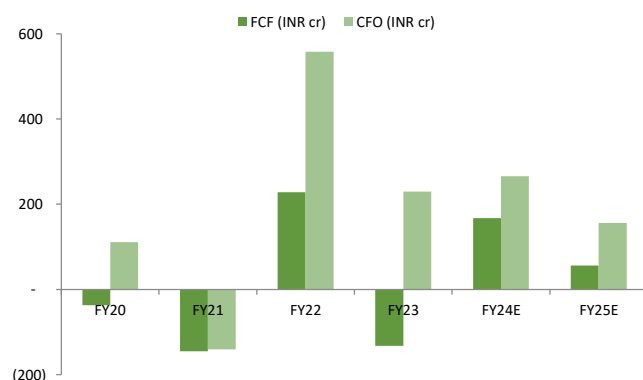


Exhibit 14: Cash flows to be improve



Source: Company Reports, Arianth Capital Research

Story in Charts

Exhibit 15: Return ratios to be improve.

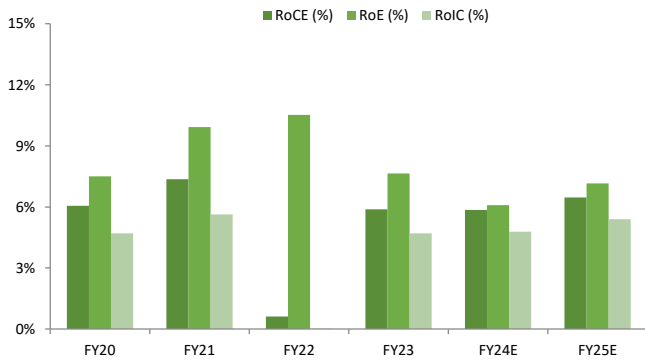


Exhibit 16: Working capital is expected to reduce in terms of sales going forward.

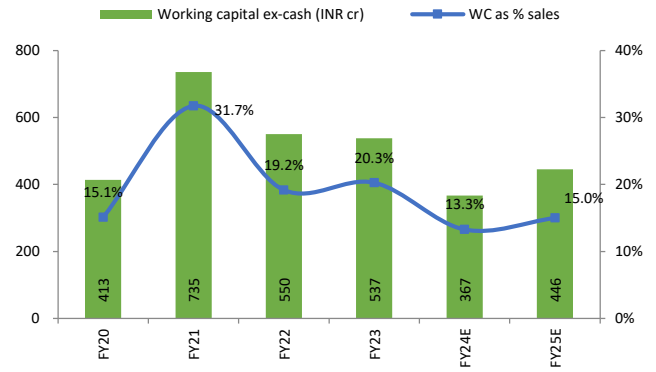


Exhibit 17: Cash conversion cycle to be reduce.

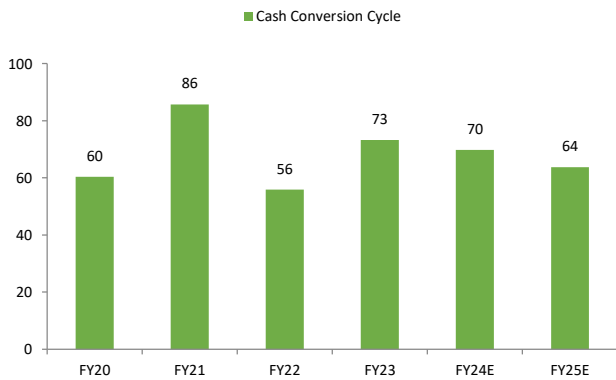


Exhibit 18: Net debt reduction is expected going forward.

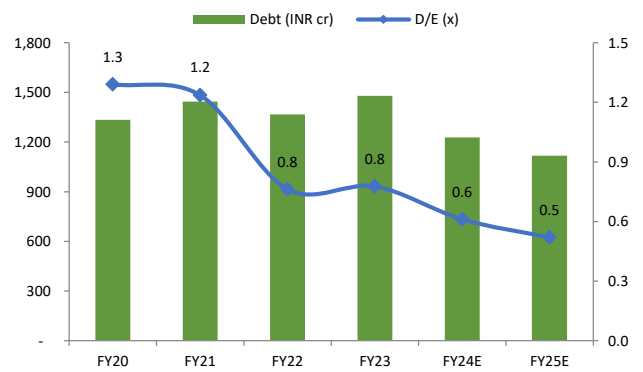


Exhibit 19: Potable spirits is expected to grow double digit rate backed by price hikes in UP.

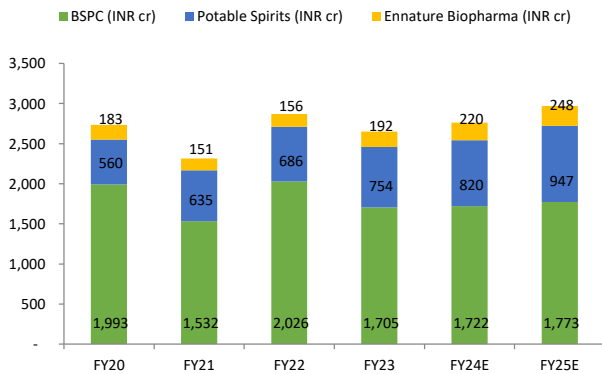
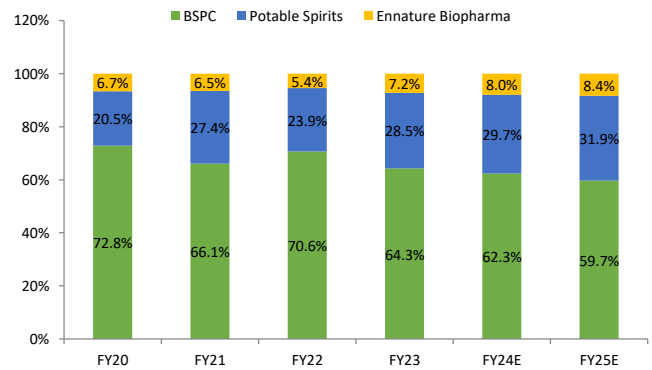


Exhibit 20: Potable spirits revenue share is expected to increase going forward.



Source: Company Reports, Arianth Capital Research

Arihant Research DeskEmail: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park
 Building No. 10, 1st Floor
 Andheri Ghatkopar Link Road
 Chakala, Andheri (E)
 Mumbai – 400093
 Tel: (91-22) 42254800
 Fax: (91-22) 42254880

Registered Office

Arihant House
 E-5 Ratlam Kothi
 Indore - 452003, (M.P.)
 Tel: (91-731) 3016100
 Fax: (91-731) 3016199

Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return**Research Analyst
Registration No.**

INH000002764

Contact

SMS: 'Arihant' to 56677

Websitewww.arihantcapital.com**Email Id**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