Q4FY24 Result update
3rd Jun 2024

India Glycols Ltd

Strong growth led by BSPC and Potable Spirits.

CMP: INR 752

Rating: BUY

Target Price: INR 1,105

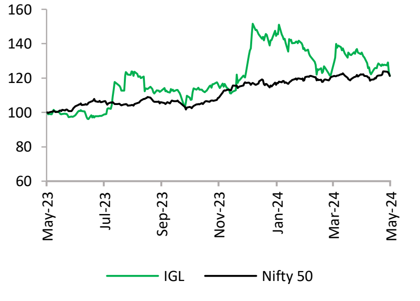
Stock Info	
BSE	500201
NSE	INDIAGLYCO
Bloomberg	IGLY:IN
Reuters	IGLY.NS
Sector	Chemicals
Face Value (INR cr)	10
Equity Capital (INR cr)	31
Mkt Cap (INR cr)	2,328
52w H/L (INR)	979 / 591
Avg Yearly Volume (in 000')	149.9

Shareholding Pattern %
(As on Mar, 2024)

Promoters	61.02
DII	0.08
FII	1.80
Public & Others	37.11

Stock Performance (%)	3m	6m	12m
IGL	-11.7	4.0	21.3
NIFTY	2.3	11.9	21.3

IGL vs Nifty



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

Balasubramanian A
bala@arihantcapital.com

India Glycols Ltd reported numbers, Q4FY24 revenue stood at INR 926cr (+49.5% YoY/+2.4% QoQ); below our estimates of INR 939cr. Gross Profit stood at INR 290cr (-1.7% YoY/+1.3% QoQ); below our estimates of INR 314cr. Gross margins contracted by 1636 bps YoY (-35 bps QoQ) to 31.4% vs 47.7% in Q4FY23. The margin contraction mainly because of the raw material cost increase in terms of sales. The raw material cost in terms of sales stood at 68.6% vs 52.3% in Q4FY23. EBITDA stood at INR 105cr (+8.9% YoY/+2.3% QoQ); below our estimates of INR 122cr. EBITDA margin contracted by 421 bps YoY (-2 bps QoQ) to 11.3% vs 15.5% in Q4FY23. PAT stood at INR 42cr (+5.9% YoY/+1.4% QoQ); below our estimates of INR 59cr. PAT margin contracted by 118 bps YoY (-5 bps QoQ) to 4.6% vs 6.4% in Q4FY23.

Key Highlights

Strong growth witnessed in BSPC: Bio-based specialties and performance chemicals revenue stood at INR 623cr (+60.1% YoY/+2.3% QoQ); EBIT Stood at INR 47cr (+11.4% YoY/+25.1% QoQ). EBIT margin contracted by 331 bps YoY (+138 bps QoQ) to 7.6% vs 10.9% in Q4FY23. In NSU, part of the commissioning is done, and the remaining is expected to be completed by Q2FY25E. 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.

Continued traction in Potable Spirits: Potable Spirits revenue stood at INR 247cr (+32.5% YoY/+1.2% QoQ); EBIT Stood at INR 40cr (+37% YoY/-3.5% QoQ). EBIT margin improved by 54 bps YoY (-79 bps QoQ) to 16.2% vs 15.6% in Q4FY23. In Uttarakhand, earlier plastics were not allowed and policy changes on 1st Apr 2024. The company is the only supplier of tetra packs and margins are higher because there are no glass, cap, or label models. The company got a higher price as per country liquor policy in Uttarakhand. The company has tied up with Amrut Distilleries. The company is making whiskey through the royalty route. Amazing vodka has been popular and successful over the past 3 years. The vodka brands are top 3 in Delhi, Uttarakhand, and others.

Pricing pressure impacted Ennature Biopharma: Ennature Biopharma's revenue stood at INR 56cr (+28.4% YoY/+10% QoQ); EBIT Stood at INR 7cr (-39.3% YoY/-42.2% QoQ). EBIT margin contracted by 1389 bps YoY (-1123 bps QoQ) to 12.4% vs 26.3% in Q4FY23. The company has increased market share and volumes in Nicotine, however, margins remain under pressure due to price erosion in Nicotine and Thiocolchicoside. The company is focused on raw material 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 Q1FY25E/Q2FY25E and 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. The policy change in Uttarakhand will improve the business through Tetrapacks. Continued traction in thiocolchicoside, gradual recovery in Nicotine, and value-added products 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 752 per share, we maintain our "BUY" rating at a TP of INR 1,105 per share; valued at a PE multiple of 10x and its FY26E EPS of INR 110.5; an upside of 46.9%.**

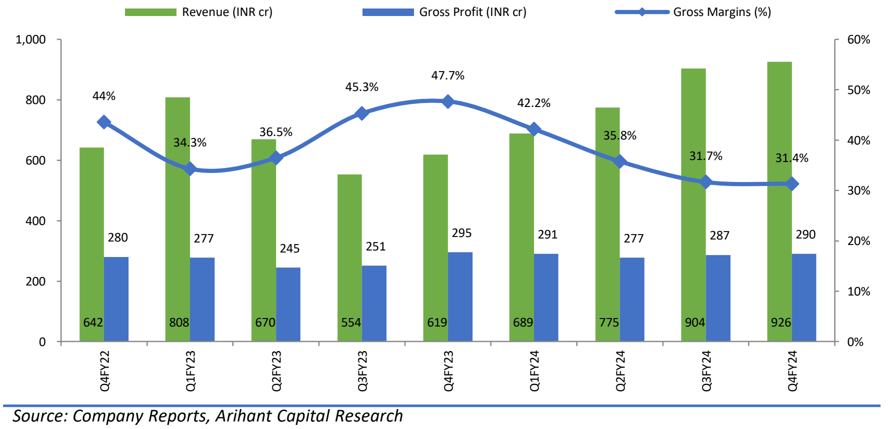
Q4FY24 Results

Income statement summary

Particular (INR cr)	Q4FY23	Q3FY24	Q4FY24	YoY (%)	QoQ (%)
Revenue	**619**	**904**	**926**	**49.5%**	**2.4%**
Net Raw Materials	324	618	636	96.3%	2.9%
Gross Profit	**295**	**287**	**290**	**-1.7%**	**1.3%**
Gross Margin (%)	**47.7%**	**31.7%**	**31.4%**	**-1636 bps**	**-35 bps**
Power & Fuel	103	79	72	-29.8%	-8.3%
Employee Cost	26	27	30	14.0%	9.1%
Other Expenses	70	78	84	18.8%	7.0%
EBITDA	**96**	**102**	**105**	**8.9%**	**2.3%**
EBITDA Margin (%)	**15.5%**	**11.3%**	**11.3%**	**-421 bps**	**-2 bps**
Depreciation	30	26	26		
Interest expense	26	31	33		
Other income	4	5	5		
Share of profits associate & JV	1	5	5		
Profit before tax	**46**	**54**	**56**	**21.8%**	**3.2%**
Taxes	6	12	13		
Minorities and other	-	-	-		
PAT	**40**	**42**	**42**	**5.9%**	**1.4%**
PAT Margin (%)	**6.4%**	**4.6%**	**4.6%**	**-188 bps**	**-5 bps**
Other Comprehensive income	1	1	(0)		
Total Comprehensive income	**41**	**42**	**42**	**3.7%**	**-0.2%**
EPS (INR)	**12.9**	**13.4**	**13.6**		

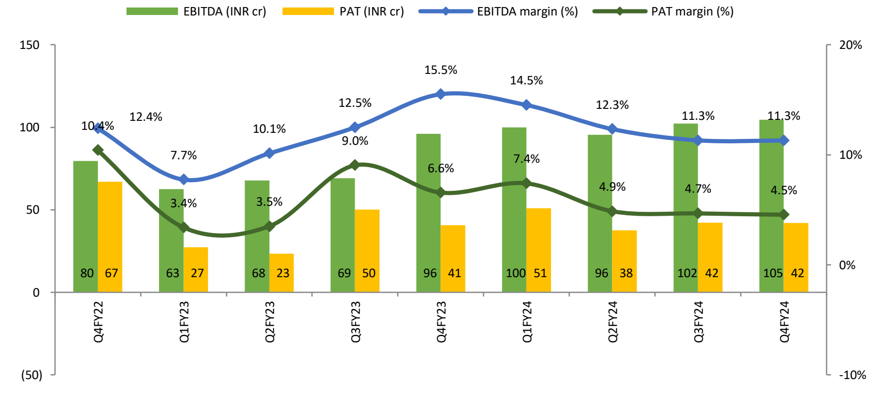
Source: Company Reports, Arihant Capital Research

Exhibit 1: Gross margins contracted by 1636 bps YoY (-35 bps QoQ) to 31.4% in Q4FY24 due to increase in raw material costs.



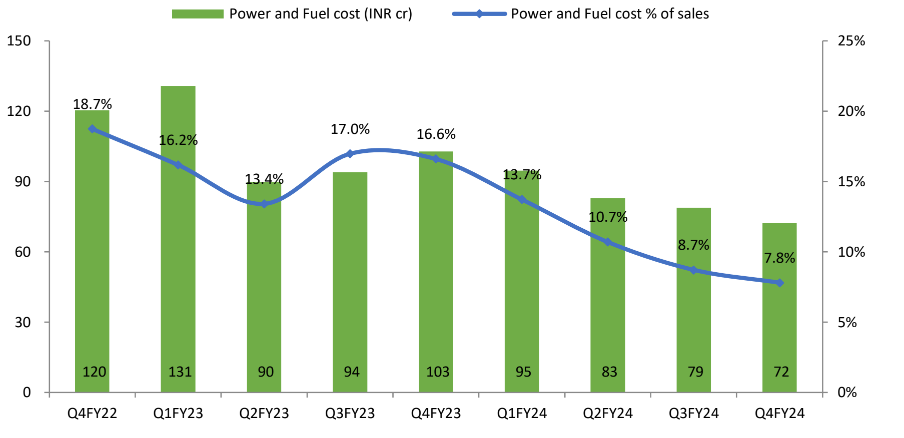
Source: Company Reports, Arihant Capital Research

Exhibit 2: EBITDA margin contracted by 421 bps YoY (-2 bps QoQ) to 11.3% in Q4FY24 due to raw material impact and partially off-set by employee and other expenses.



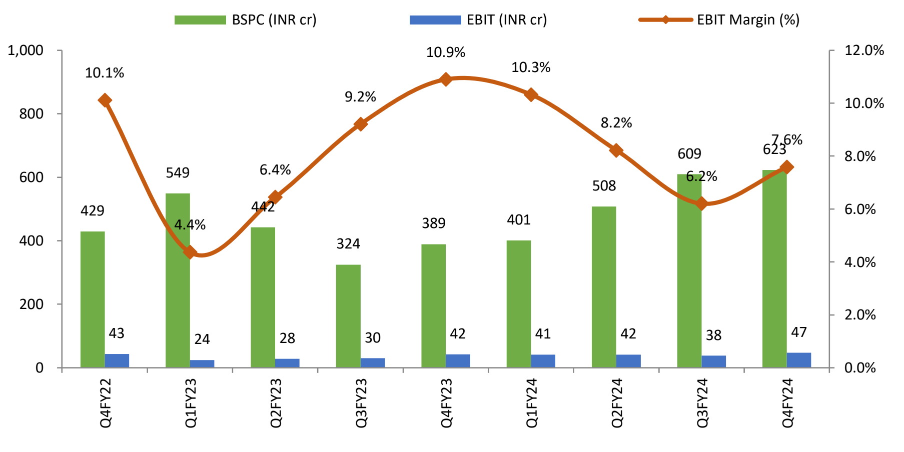
Source: Company Reports, Arihant Capital Research

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.



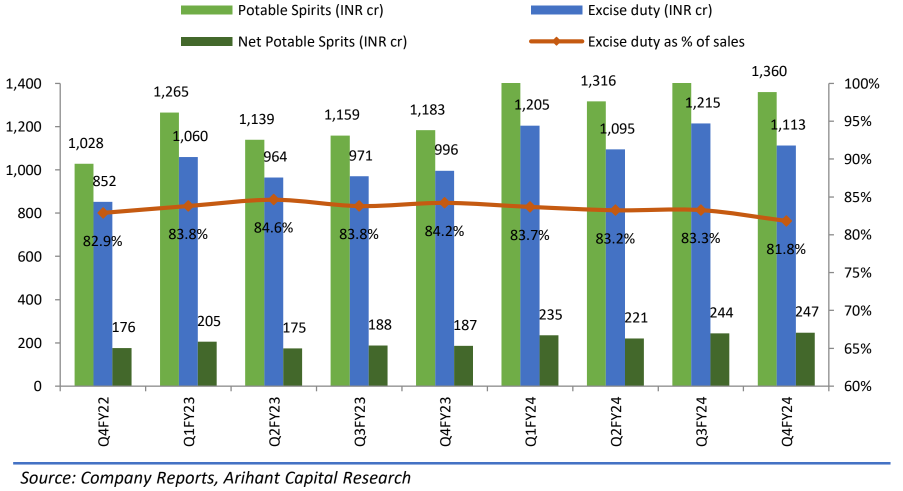
Source: Company Reports, Arihant Capital Research

Exhibit 4: EBIT margin contracted by 331 bps YoY (+138 bps QoQ) to 7.6% in Q4FY24. International ethanol prices impacted the margins, however softened from higher levels.



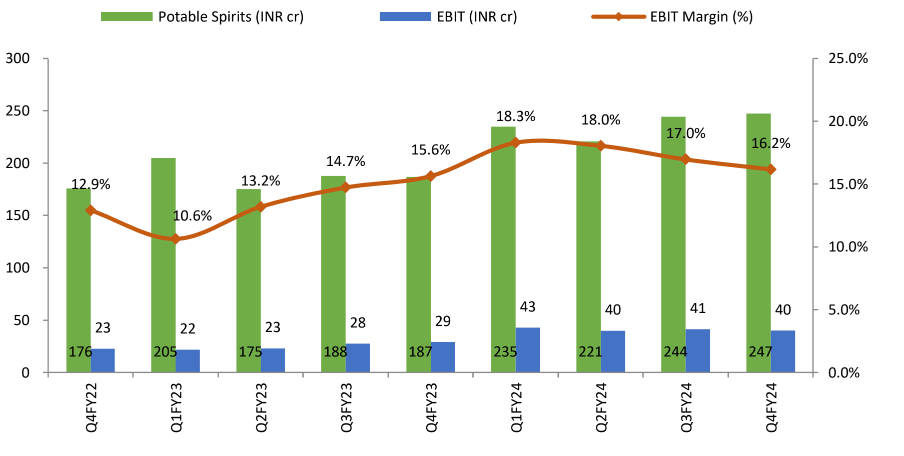
Source: Company Reports, Arihant Capital Research
BSPC - Bio-based Specialities and Performance Chemicals

Exhibit 5: Excise duty remain elevated.



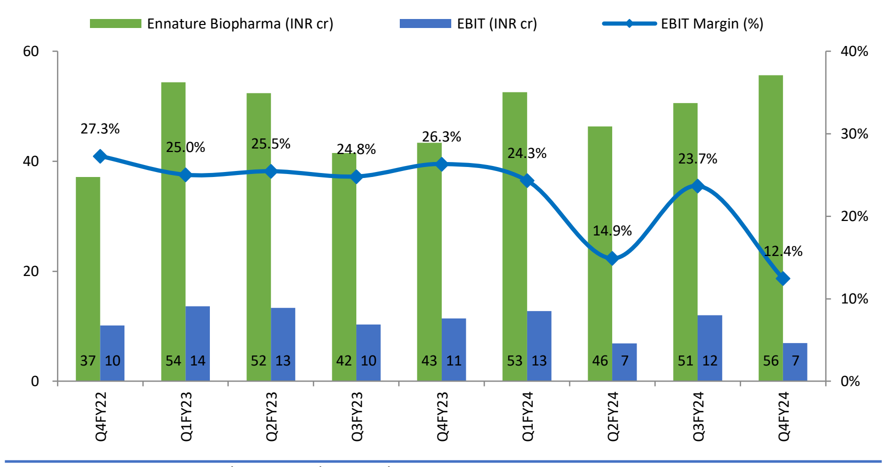
Source: Company Reports, Arihant Capital Research

Exhibit 6: EBIT margin improved by 54 bps YoY (-79 bps QoQ) to 16.2% in Q4FY24 due to in-house ENA production and softening of packaging materials.



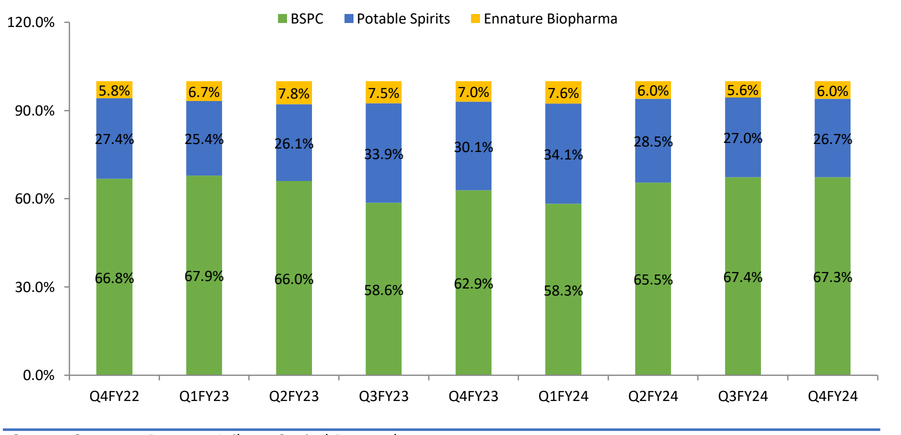
Source: Company Reports, Arihant Capital Research

Exhibit 7: EBIT margin contracted by 1389 bps YoY (-1123 bps QoQ) to 12.4% in Q4FY24 due to price erosion of thiocolchicoside and nicotine.



Source: Company Reports, Arihant Capital Research

Exhibit 8: Segmental revenue mix



Source: Company Reports, Arihant Capital Research

Q4FY24 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.

- 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 capacity stood at 410 KLPD, and capacity addition of 180 KLPD which is expected to be completed by Q1FY25E.

- Maintenance capex is expected to be INR 40-50cr per annum going forward.

Value added products

- In NSU, part of the commissioning is done, and the remaining is expected to be completed by Q2FY25E. 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 company is targeting additional revenue of INR 200cr from new value-added products.

Margins

- EBITDA margin stood at 12.4% in FY24 and margin improvement was backed by grain-based distilleries and moderation of RM costs. The green technologies will help to improve margins to some extent.

Potable Spirits

- In Uttarakhand, earlier plastics were not allowed and policy changes on 1st Apr 2024. The company is the only supplier of tetra packs and margins are higher because there are no glass, cap, or label models.

- The company got a higher price as per country liquor policy in Uttarakhand.

- IMFL has a market share of 25%.

- The company has tied up with Amrut Distilleries. The company is making whiskey through the royalty route.

- Amazing vodka has been popular and successful over the past 3 years. The vodka brands are top 3 in Delhi, Uttarakhand, and others.

- In Delhi, the company is working with distributors, 6-7 brands are there, and growth potential is there.

- In paramilitary, the company is adding 2 more brands; however, it’s a limited business.

- In paramilitary, The company covers 19 states and further expands 4 states.

Ethanol 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.

Q4FY24 Concall Highlights

Captive power

- The company signed an agreement with Renew Green to procure captive wind and solar hybrid power. The commissioning is delayed due to certain regulations. It will reduce power costs going forward.

Ennature Biopharma

- Ennature Biopharma witnessed margin pressure due to continuous price erosion on Thiocolchicoside and Nicotine.

Consumption

- Around 50 lakh liters consumed for captive and 50 lakh liters supplying to JV. Potable spirits consumption is around 15 lakh liters per month.

Utilization

- Potable spirits are operating at ~100% utilization and chemicals still have the headroom to grow.

Debt and interest

- Debt is expected to reduce from INR 725cr to INR 625-650cr in FY25E.

- Interest cost is around 9%.

Other highlights

- Ethanol blending is expected to reach from 12% to 20% going forward.

- Imported ethanol used for chemicals and expected to continue foreseeable future.

- Grain-based ethanol is used in-house and for biofuels.

- Ethanol is converted into ENA and ENA is converted into 99.9% pure biofuel.

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	4,147	4,795
Net Raw Materials	1,846	1,499	1,921	1,582	2,149	2,691	3,102
Power & Fuel	250	214	332	417	328	332	374
Employee Cost	93	83	89	89	103	127	149
Other Expenses	267	253	444	267	311	477	527
EBITDA	**279**	**268**	**81**	**296**	**402**	**520**	**642**
EBITDA Margin (%)	**10.2%**	**11.6%**	**2.8%**	**11.1%**	**12.2%**	**12.5%**	**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	38
Exceptional Items	-	-	221	28	-	-	-
Share of profits associate & JV	(0)	1	21	11	17	13	-
Profit before tax	**113**	**120**	**195**	**165**	**223**	**344**	**457**
Taxes	(38)	(11)	(39)	(24)	(50)	(76)	(115)
PAT	**75**	**109**	**156**	**141**	**173**	**268**	**342**
PAT from discontinued operations	40	22	10	-	-	-	-
PAT	**115**	**132**	**166**	**141**	**173**	**268**	**342**
PAT Margin (%)	**4.2%**	**5.7%**	**5.8%**	**5.3%**	**5.3%**	**6.5%**	**7.1%**
Other Comprehensive income	(1)	3	(0)	0	(0)	-	-
Net profit	**113**	**135**	**166**	**141**	**173**	**268**	**342**
EPS (INR)	36.6	43.5	53.5	45.7	55.8	86.5	110.5

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	2,251	2,545
Net worth	1,034	1,169	1,792	1,901	2,051	2,281	2,576
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	746	839
Total Liabilities	**2,996**	**3,241**	**3,675**	**3,863**	**4,223**	**4,456**	**4,824**
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	498	479
Other non current assets	33	27	19	25	31	37	43
Net working capital	**354**	**684**	**362**	**368**	**286**	**389**	**585**
Inventories	682	610	693	754	1,106	1,143	1,275
Sundry debtors	569	362	399	430	384	511	552
Loans & Advances	26	26	26	0	1	41	48
Other current assets	167	564	201	179	189	284	289
Sundry creditors	(722)	(581)	(642)	(752)	(1,099)	(1,093)	(1,194)
Other current liabilities & Prov	(369)	(297)	(314)	(244)	(295)	(498)	(384)
Cash	92	98	102	113	138	112	133
Other Financial Assets	60	51	188	170	127	83	86
Total Assets	**2,996**	**3,241**	**3,675**	**3,863**	**4,223**	**4,456**	**4,824**

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	344	457
Depreciation	78	80	80	94	101	104	111
Tax paid	(38)	(11)	(39)	(24)	(50)	(76)	(115)
Working capital Δ	(41)	(330)	322	(6)	81	(103)	(197)
Operating cashflow	**111**	**(141)**	**558**	**229**	**355**	**270**	**257**
Capital expenditure	(148)	(4)	(330)	(362)	(541)	(185)	(271)
Free cash flow	**(37)**	**(145)**	**228**	**(133)**	**(186)**	**84**	**(14)**
Equity raised	41	26	486	(8)	(0)	0	(0)
Investments	(3)	0	(374)	86	(14)	(113)	18
Others	(20)	14	(128)	12	37	38	(9)
Debt financing/disposal	81	110	(97)	131	284	(340)	(20)
Dividends paid	(44)	(0)	(18)	(23)	(23)	(38)	(48)
Other items	(40)	1	(93)	(53)	(74)	343	93
Net Δ in cash	**(24)**	**6**	**4**	**12**	**25**	**(26)**	**21**
Opening Cash Flow	**116**	**92**	**98**	**102**	**113**	**138**	**112**
Closing Cash Flow	**92**	**98**	**102**	**113**	**138**	**112**	**133**

Source: Company Reports, Arihant 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%	25.9%	15.6%
Op profit growth	-33.1%	-3.9%	-69.6%	263.3%	36.1%	29.1%	23.7%
Net profit growth	-13.5%	14.8%	26.1%	-15.0%	22.7%	54.9%	27.6%
Profitability ratios (%)							
OPM	10.2%	11.6%	2.8%	11.1%	12.2%	12.5%	13.4%
Net profit margin	4.2%	5.7%	5.8%	5.3%	5.3%	6.5%	7.1%
RoCE	6.1%	7.4%	0.6%	5.9%	9.3%	11.1%	12.8%
RoNW	7.5%	9.9%	10.5%	7.6%	12.4%	14.1%	16.1%
RoA	2.5%	3.4%	4.2%	3.7%	6.0%	7.1%	8.6%
Per share ratios (INR)							
EPS	36.6	43.5	53.5	45.7	55.8	86.5	110.5
Dividend per share	14.3	0.1	5.9	7.4	7.4	12.1	15.5
Cash EPS	49.2	61.1	76.2	75.9	88.4	120.2	146.4
Book value per share	333.9	377.4	578.8	614.2	662.5	736.9	831.9
Valuation ratios (x)							
P/E	20.6	17.3	14.1	16.5	13.5	8.7	6.8
P/CEPS	15.3	12.3	9.9	9.9	8.5	6.3	5.1
P/B	2.3	2.0	1.3	1.2	1.1	1.0	0.9
EV/EBITDA	12.5	13.4	38.6	11.2	8.9	6.0	4.9
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	153	142
Creditor days	109	116	80	108	117	110	101
WC Days	82	115	92	116	86	82	82
Leverage ratios (x)							
Interest coverage	2.1	2.3	0.0	2.0	2.5	3.4	4.7
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	2.5	2.0

Source: Company Reports, Arihant Capital Research

Story in Charts

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

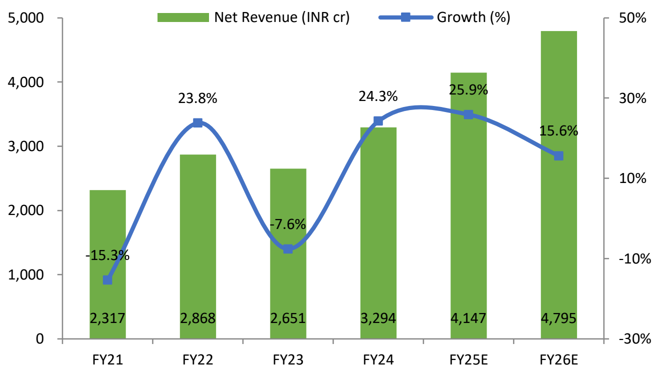


Exhibit 10: The capex for grain based ethanol plant would reduce raw material costs and improve gross margin levels.

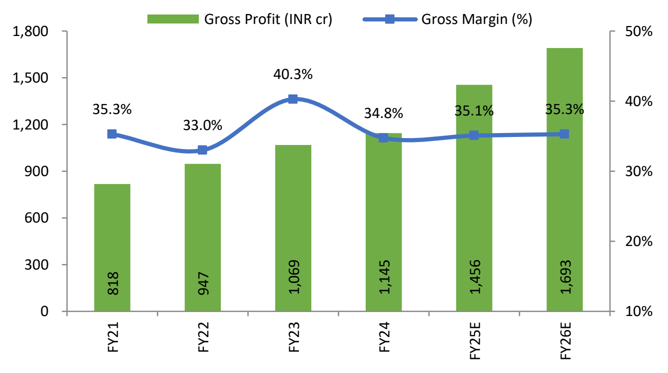


Exhibit 11: The captive wind and solar hybrid power will reduce costs going forward.

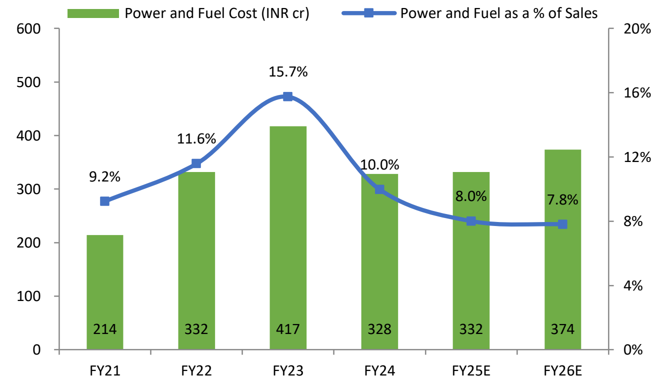


Exhibit 12: Growth in EBITDA & PAT levels.

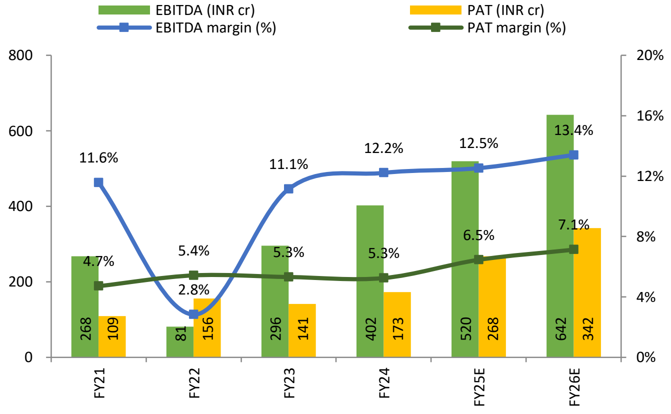


Exhibit 13: Working capital days to be improve

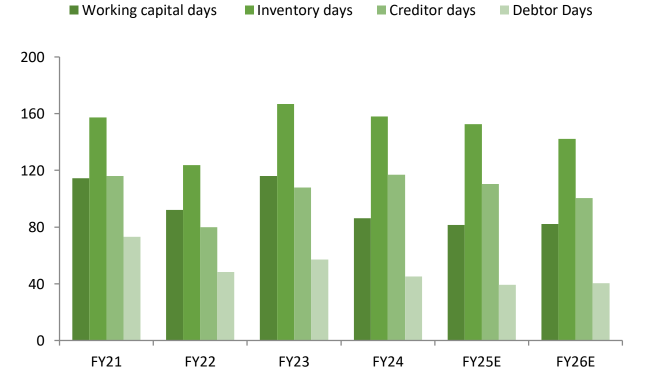
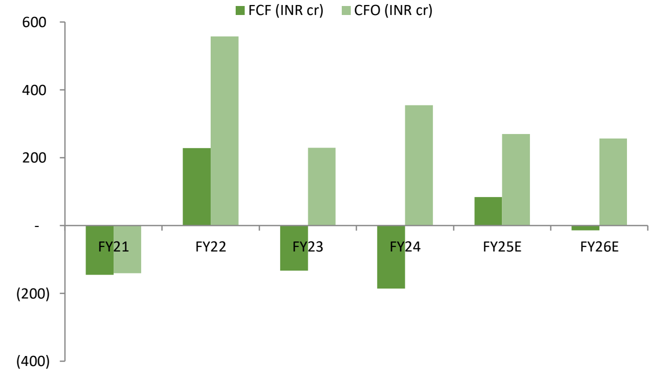


Exhibit 14: Cash flows to be improve



Source: Company Reports, Arihant Capital Research

Story in Charts

Exhibit 15: Return ratios to be improve.

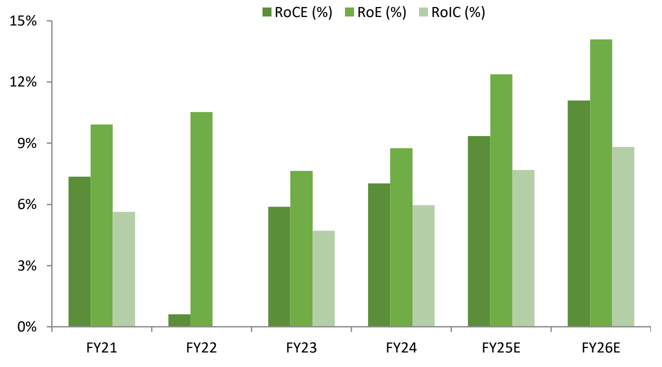


Exhibit 16: Working capital is expected to be below 15% in terms of sales going forward.

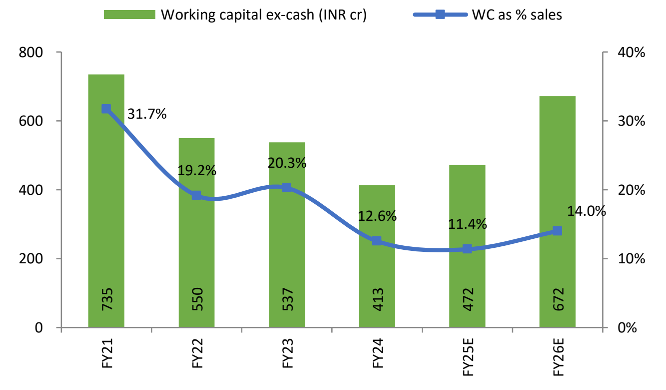


Exhibit 17: Cash conversion cycle to be reduce.

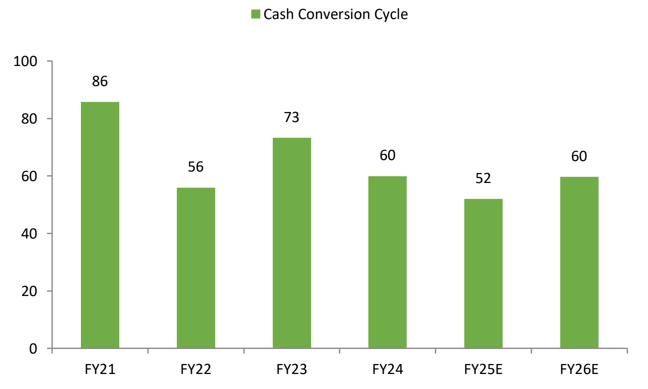


Exhibit 18: Net debt reduction is expected going forward.

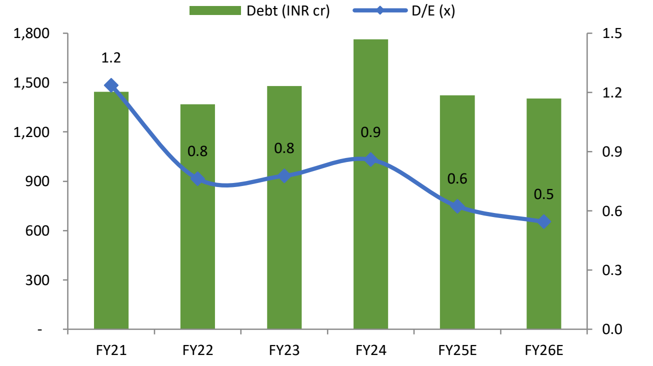


Exhibit 19: BSPC is expected to be driven by Bio-fuels and Potable Spirits is expected to drive by IMFL and Country Liquors.

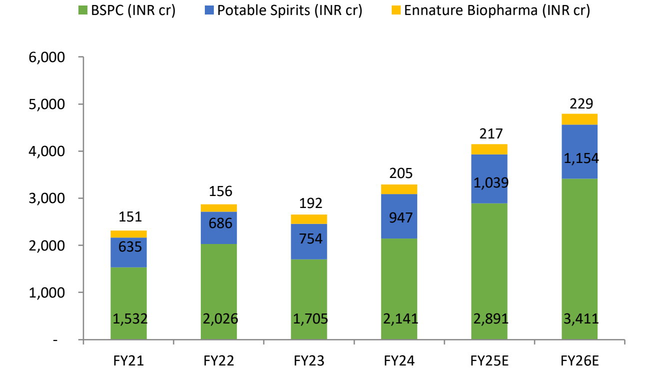
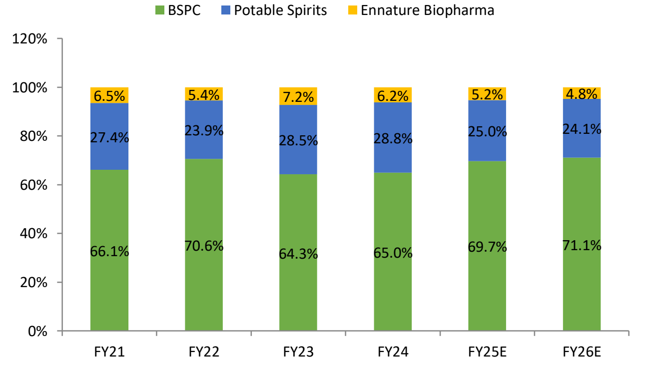


Exhibit 20: Segment wise mix



Source: Company Reports, Arihant Capital Research

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered 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	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

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