ArihantCapital
Generating Wealth

Initiating Coverage
2nd Mar 2022

India Glycols Ltd

CMP: INR 763

Rating: BUY

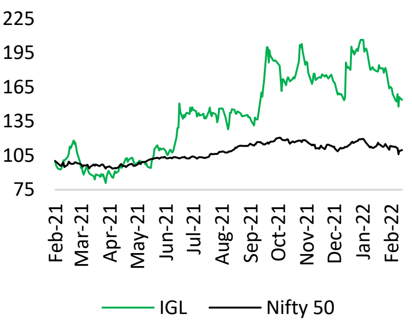
Target Price: INR 1,071

Stock Info	
BSE	500201
NSE	INDIAGLYCO
Bloomberg	IGLY:IN
Reuters	IGLY.NS
Sector	Chemicals
Face Value (Rs)	10
Equity Capital (Rs cr)	31
Mkt Cap (Rs cr)	2,361
52w H/L (INR)	1,060 / 396
Avg Yearly Volume (in 000')	395.9

Shareholding Pattern % *(As on December, 2021)*	
Promoters	61.01
DII	4.39
FII	2.19
Public & Others	32.41

Stock Performance (%)	3m	6m	12m
IGL	-13.0	15.9	53.5
NIFTY	-3.6	1.0	9.7

IGL Vs Nifty



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

Balasubramanian A

India Glycols Ltd (IGL) was incorporated in 1983, and is the leading manufacturer of green technology based bulk specialty and performance chemicals, sprits, industrial gases, Bio polymers, Bio Fuels, Carbon smart range, Natural gums and Plant based APIs & Nutraceuticals. It engages in the business of Mono Ethylene Glycol (MEG), Ethylene Oxide Derivatives (EOD), Ethyl Alcohol (Potable) and Nutraceuticals. IGL is the largest manufacturer of bio-Eo based Ethylene oxide and its derivatives. It uses green technologies to manufacture wide range of products such as glycols, glycol ethers and its derivatives, bio based ethylene oxide and specialty chemicals. The company has 3 manufacturing facilities at Kashipur, Dehradun and Gorakhpur. It has a global customer base and partnerships with reputed global companies. Exports accounted for ~11% of total sales in FY21

Investment Rationale

Unlocking JV Synergies with Clariant: IGL has successfully established a Joint Venture (JV) with Clariant. The stakes are 49:51 respectively, forming Clariant IGL Speciality Chemicals Pvt Ltd. Clariant will provide access license, know how, and the latest technology which will create value in going forward. IGL has agreed to a long term supply agreement for ethylene oxide made from bio ethanol and other utilities. The JV is expected to become one of the leaders in bio-based ethoxylates and its derivatives.

Grain based distillery projects: IGL has sanctioned to set up grain based distillery projects at its Kashipur and Gorakhpur plants. The projects are ongoing and expected to be commissioned by April- 2022. The plants will produce grain based ethanol to reduce the outsourcing of grain based ethanol for potable sprits manufacturing. This project will reduce the cost for grain based ethanols.

Debt reduction to strengthen the balance sheet: IGL has repaid long term borrowings which reduced finance costs. The company's long term rating has been upgraded to 'A' with a stable outlook.

Carbon Smart Products: IGL converts ethanol into carbon smart ethylene oxide and other derivatives. The regular commercial sale is expected to begin in FY22-23.

Strong growth in Potable Sprits: Potable sprits segments accounts for ~27.4% of total sales in FY21 and witnessed strong growth with CAGR at 34% from the period of FY18-21. This segment is expected to deliver good growth in going forward.

Outlook & Valuation: IGL has delivered strong growth (34% CAGR in FY18-FY21) in Potable sprits with its debt reduction, grain based distillery projects, the JV with Clariant, Government initiatives for Biofuels and ethanol blending program and future scope of carbon smart products are expected to drive the business in going forward. At the CMP of INR 763 per share, the stock is trading at a P/E multiple of 8.4x/15.4x/11.0x its FY22E/FY23E/FY24E EPS of INR 91.0/49.6/69.6 respectively. We initiate coverage with a BUY rating at a TP of INR 1,071 per share; valued at PE multiple 15.4x and its FY24E EPS of INR 69.6; an upside of 40.4%.

in cr	FY18	FY19	FY20	FY21	FYE22	FYE23	FYE24
Revenue (cr)	3,034	3,357	2,735	2,317	3,011	3,382	3,752
EBITDA (cr)	324	417	279	268	244	335	450
EBITDAM (%)	10.7%	12.4%	10.2%	11.6%	8.1%	9.9%	12.0%
PAT (cr)	97	133	75	109	282	149	210
PATM (%)	3.2%	4.0%	2.7%	4.7%	9.4%	4.4%	5.6%
EPS (INR)	31	43	37	43	91	48	68

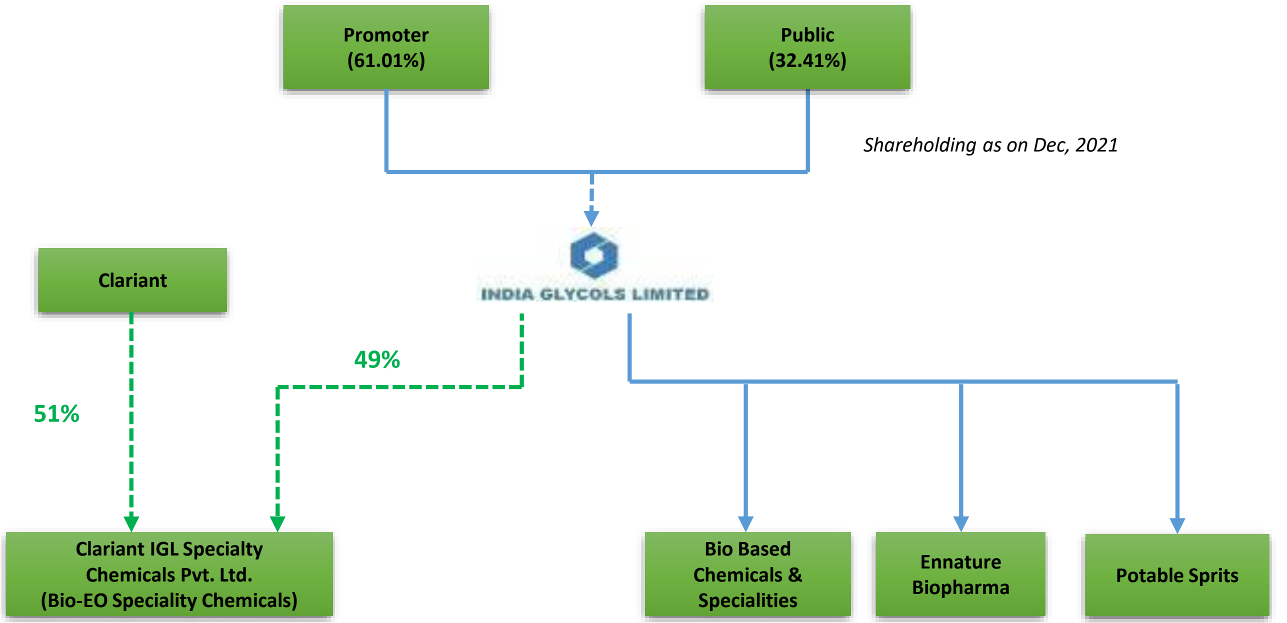
Source: Arihant Capital Research, Company Filings

Table of Contents

Investment Rationale

Unlocking JV Synergies with Clariant: IGL has successfully established a Joint Venture (JV) with Clariant for Bio-Eo based ethoxylates and derivatives business. The IGL and Clariant stakes are 49:51 respectively and have formed Clariant IGL Speciality Chemicals Pvt Ltd. Clariant will provide access license, know how, and the latest technology which is expected to create value in going forward. IGL agreed to a long term supply agreement for ethylene oxide made from bio ethanol and other utilities. The JV is expected to become one of the leaders in bio-based ethoxylates and derivatives. Both the companies would appoint equal board members for the operation of JV and Mr U.S Bhartia would be the chairman of the board.

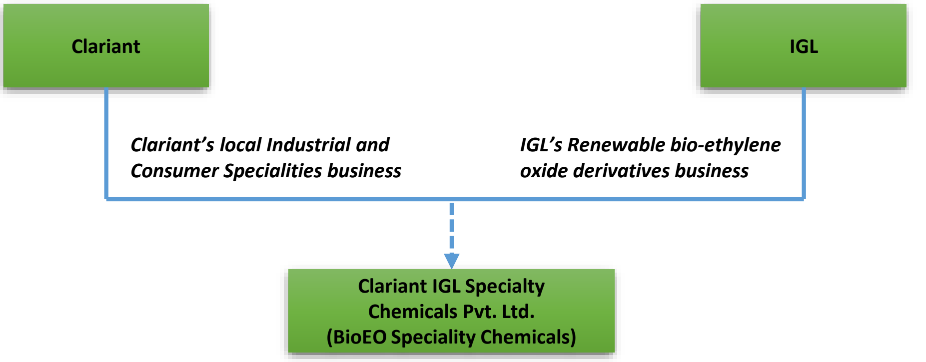
The joint venture is expected to become a leading supplier of renewable materials to the rapidly growing consumer care in India and neighboring countries through a combination of its production and distribution capacity. The JV is one of the largest green focused specialty chemical manufacturers which will have production facilities in India to supply domestic and global markets. The JV will promote new age value added products such as EO-PO co-polymers and other specialty alkoxylates through sustainable green based chemical technology in the Indian markets as well as expanding footprint in international markets. The JV has a exclusive right to distribute its entire range of products of consumer and industry specialties business in India, Bangladesh, Sri Lanka and Nepal.



Source: Company reports, Arihant Capital Research

Investment Rationale

IGL will benefit from the JV with Clariant because of a stronger P&L for IGL with interest savings, dividend, and interest income from Joint Venture Company (JVC), to compensate for shift in EBITDA from Bio-EO specialty chemicals business. IGL's majorly benefits from significant reduction in long term debt by unlocking value in the Bio-EO specialty chemicals business.



Source: Company Reports, Arihant Capital Research

The JV consideration for transfer of relevant stake in business ~INR 652cr which is subject to adjustment in accordance with the Business Transfer Agreement. IGL is selling INR 300 cr worth of ethylene oxide to JV which is a very nominal margin. IGL has sold 9,727 tonnes EO to JV and created new segment for IGL.

Grain based distillery projects will reduce the ethanol cost: IGL has sanctioned to set up grain based distillery projects at Kashipur and Gorakhpur plant. The capacity of 180 KLPD and 110 KLPD at its Kashipur and Gorakhpur plants respectively. The projects are ongoing and expected to be commissioned April-2022.

IGL is currently outsourcing grain based ethanol, imported ethanol costs are much higher compared to domestic grain based ethanol. The plants will produce grain based ethanol and help to reduce outsourcing grain based ethanol for potable sprits manufacturing. This project will reduce the cost for grain based ethanol.

The company have undertaken capex for ~INR 325cr for grain based distillery and other miscellaneous capex for FY22. IGL is expected to meet 40% of its ethanol requirement through the grain based distilleries. The generation of grain based ethanol is expected from next financial year.

Investment Rationale

Continue to focus on IMFL growth: In the liquor division, the popular brand Bunty and Bubly is selling 1.32 cr cases per month against the next selling brand which is less than 50%. The IMFL business is expected to grow 100% by FY22-FY23.

The higher demand is expected for Amazing Premium Vodka and Soulmate Whiskey. The growth in IMFL business could contribute topline growth, however the margins remain under pressure as of now due to ethanol costs. The sharp escalation of ethanol prices are not sustainable and price correction is expected in going forward. In the Q3FY22 conference call, the management mentioned that there is no change in the excise policy in Delhi for the next year. This will be headwind for IMFL business.

Upgrading and Premiumisation of Vodka Products: The vodka is launched in three variants; Amazing Plain Vodka, Amazing Green Apple Vodka, and Amazing Orange Vodka. The upgradation and premiumisation of vodka products, along with different variants is focusing on a variety of consumers. The vodka market is 60% flavors and 40% plain, consumers look more at flavor vodkas. The flavors are the future of the vodka market.

Gaining Vodka Market Share in UP & Uttarakhand: The vodka market has estimated 6 million cases, IGL is looking to grab 15% market share in vodka segment. The Bundy Vodka Green Apple Flavour Tetra Pack which is cornered 42% of market share within 6 months of launching in UP.

The products are moving to Delhi and other few states. IGL is pushing premium products very aggressively in these markets to gain maximum advantage which is the demand and supply gap. IGL is also planning to expand the market to Chandigarh, Punjab and Rajasthan.

The Amazing Vodka and Single Reserva Whisky are sold via trade channels, while IGL is looking at ATL and digital activities to promote them.

Source: Company Reports, Arihant Capital Research

Investment Rationale

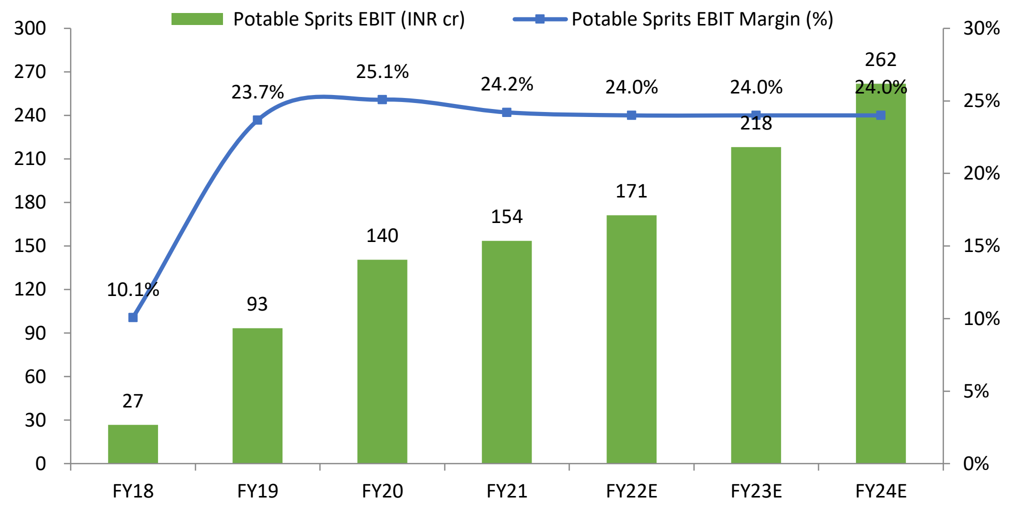
Growth in Branded Country Liquor: The branded country liquor segments witnessed good volume growth and facing margin pressure which is brought down EBITDA levels. It takes some more time in terms of cost adjustments and increased prices in this segment, which is to a large extent controlled by Government.

The price increase request is pending before the Government and will be considered by month of January and February. The government will evaluate packaging cost and raw material cost in January, based on which the government will increase the price in February. IGL is presented about peak increase in packaging materials before the government. So, we expect good amount of profit next year.

IGL may get price increases with good margins from April 2022 onwards. The launch of new products in Delhi markets, and premium products have good margins. The country liquor price increase is expected in Q4FY22 and Q1FY23.

Margin Improvement in Potable Sprits: Ethanol and packaging material prices are heavily impacted in potable sprit segments. The ethanol and packaging material prices reached an all time high. These are not the sustainable commodity prices and are expected to come down going forward which will lead to margin improvements. The topline is growing well at more than 20% and is expected to grow at the same pace.

The softening of ethanol prices and grain based plants having an option of using it in-house, which will help in recovery of margin levels. The availability of raw materials for the distilleries remain a key risk for Potable Sprits.



Source: Company Reports, Arihant Capital Research

Investment Rationale

Potable Sprit will be 100% made by own produced ENA: Currently, ~96-97% ENA is used to make potable sprits, IGL consume around 40-45 lakh liters of ENA in every month. IGL has a market share of 25% to 26% in country liquor, so the government is assuring the availability of molasses and keeping the provision, the policy to reserve the availability of molasses. IGL is buying molasses- only 3% to 4% from outside the UP state, which is expected to eliminate once grain based production will start from next year.

Backward Integration with Sugar Plant for Molasses: IGL acquired 96.6% stake of Shakumbari Sugar and allied industries. The sugar plant produces Sugar, Molasses, Bagasse, Alcohol, Ethanol and Organic fertilizer. The strategic investment gained a sizeable market in domestic sugar market and produced ethanol & molasses. Ethanol and molasses are used as a raw material to produce potable sprits.

Source: Company Reports, Arihant Capital Research

Sugar realization is good however, IGL is evaluating divestment of shakumbari sugar.

IGL Potential Ethanol Sources: Ethanol or ENA (Extra Neutral Alcohol) is the feed stock to make the products of chemicals and alcohols. IGL has two sources,

1) In house manufacturing
2) Imported corn based ethanol from US.

In chemicals segments, 95% of imported ethanol used and in-house manufactured molasses based ethanol used for liquor segment. The raw material demand for molasses based ethanol will be meet through grain based plants and remaining ENA will be sold to other players. In FY21, ENA sales were significantly increased because of the sanitizer's requirement. In FY22, ENA sales are impacted due to lower sanitizer requirement compared to last year and more competition.

Investment Rationale

Bio Fuels segment driven by Ethanol blending program: The ethanol blending rate is 8% and the existing vehicles in India can go up to 10%. The ethanol blending rate is expected to reach 30% by 2030. There will be huge requirement of ethanol for biofuels. The government initiative of reducing pollution would lead the demand for power alcohol (Bio fuel). IGL is manufacturing bio fuels from ethanol and supplying to oil manufacturing companies for blending petrol as per the government policy. The increasing blending rate in petrol will lead to growth for bio fuel segment.

Better Margins for Bio based MEG: Coca Cola was one of the largest customers, buying bio based MEG from IGL. IGL's 80% of bio based MEG sales accounts to Coca Cola. However, Coca Cola has brought down to 30% of IGL sales due to ESG reasons. They have chosen to balance their carbon footprint portfolio by using recycled PET which is also a mandate in the US. So, IGL is selling 70% of bio based MEG to smaller customers with better margins. Better realization leads to better margins, in FY21 MEG average realization ~INR 73,000 per Tonne and improved to ~INR 86,000 per Tonne in H1FY22. IGL is looking to start more value addition to these products. Bio based materials will continue to command premiums in the market. IGL is continue to see traction for bio based MEG in South Asian markets such as Japan and Taiwan.

Volume growth in Glycols & Glycol Ether: In FY21, Glycols volume stood at 47,908 tonnes while, In H1FY22 IGL has already sold 24,808 tonnes which is ~52% of FY21 volumes. Glycol ether volume stood at 27,858 tonnes in FY21 and achieved 19,345 tonnes in H1FY22 which is 69% of FY21 volumes.

The excellent sales in terms of glycol ethers and acetates are driven by robust demand in domestic and exports markets. The butyl and propyl glycol ethers are selling at higher prices in the market. So, IGL is also in the position to sell in this market. IGL did take action for internal debottlenecking which led to selling more margin generating products.

Continue to grow Gases and Guar Gum Business: The gases business is kind of bolt on adjacent business, because IGL produces it as a part of the business and relatively small. Government has capped the prices of medical oxygen since Aug 2020. So, the realization dropped, however IGL had the record production of oxygen. The gases business has continue to grow in going forward.

IGL continues to see demand from oil filed applications for Guar Gum Business and several projects are progress in Middle East and other parts of the world. IGL will continue to grow in terms of volume and value growth.

Investment Rationale

Collaboration with LanzaTech for Carbon Smart Products: LanzaTech is the world leader of carbon smart products, uses technology to capture waste industrial emissions at its Beijing Shougang. The LanzaTech plant in China converts these emissions in to ethanol. IGL converts that ethanol into carbon smart ethylene oxide and other derivatives. The ethylene oxide is the key feedstock to make surfactants. IGL is selling ethylene oxide to Hindustan Unilever (HUL), that uses surfactant in the new OMO laundry capsules manufactured at its Hefei factory in China.

LanzaTech converts carbon monoxide from various sources of emissions in to Carbon Smart Ethanol

IGL converts Carbon Smart Ethanol to Ethylene Oxide. Ethylene Oxide is the feedstock for Surfactants

HUL uses the surfactants to manufacture OMO laundry Capsule

Source: Company Reports, Arihant Capital Research

Strong growth in API Sales: In Ennature biopharma segment, API sales witnessed growth due to demand for lutin and other pharmaceuticals or API's from the markets. However, Ennature biopharma segment is relatively small and impacted, because of policy changes in turkey for Thiocolchicoside. The policy changes for certain incentives given for formulation based on Thiocolchicoside were withdrawn which impacted margins adversely. However, IGL is continuously working on a number of other extracts like Nicotine and its derivatives. Better sale and margins are expected from next 2 quarter onwards.

Debt reduction to strengthen the balance sheet: IGL has repaid its long term borrowings which lead to a reduction in finance costs. IGL has received INR 451cr from the sale of Bio-EO business during H1FY22. Out of INR 451cr, INR 302cr were utilized for repayment of term loan and reduction of fund based working capital loan. The remaining INR 149cr were utilized for payment of the LC creditors which has been included in operating activities.

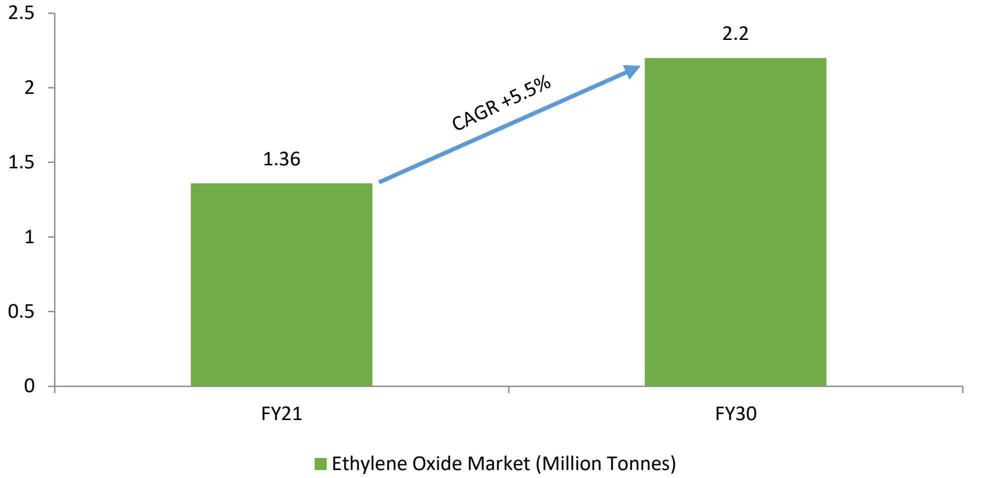
The company's long term rating has been upgraded to 'A' with stable outlook due to debt reduction and improved balance sheet.

Instrument Type	Rating/Outlook	RatingAction	Month
TermLoan	IND A/Stable	Upgrade; off RWP	Sep, 2021
Fund-based Limit	IND A/Stable/INDA1	Upgrade; off RWP	Sep, 2021
Non Fund based Limit	IND A/Stable/INDA1	Upgrade; off RWP	Sep, 2021

Source: Company reports, Arihant Capital Research

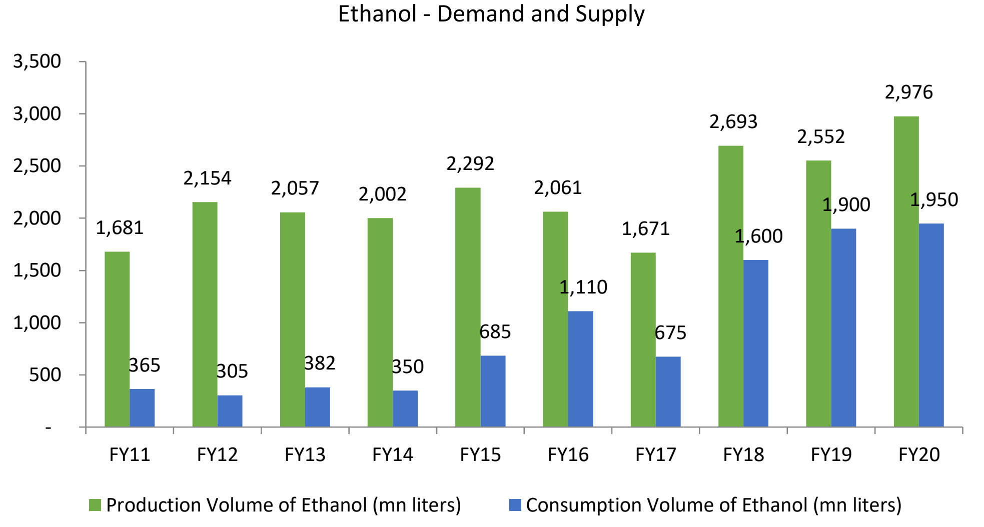
Industry Overview

Ethylene Oxide Market In India: Indian Ethylene Oxide market demand stood at 1.36 million tonnes in FY21 and expected to grow at a CAGR 5.5% to reach 2.2 million tonnes by FYE30. The growth is majorly driven by enormous production of MEG for polyester fabrics and PET. The plasticizers industry are increasing consumption of DEG also contributing demand for Ethylene Oxide. The Ethylene Oxide growth also contributes to demand from end user industries such as Pharmaceuticals, Textiles and Agrochemicals etc.



Source: Industry, Statista, Arihant Capital Research

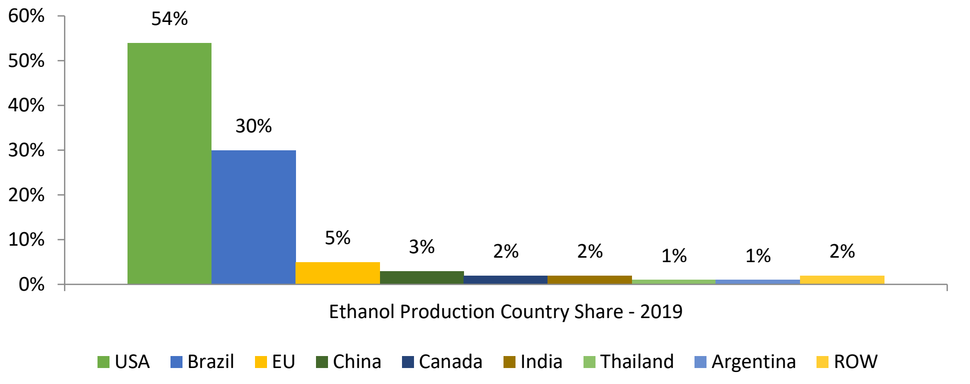
Ethanol Market in India: The Indian Ethanol market size is an estimated US$ 2.5 billion in FY18 and expected to grow at a CAGR of 19.8% to reach US$ 7.38 billion by FYE24. The growth is majorly driven by increasing ethanol use in applications such as beverages and fuel additives. Ethanol is also used in personal care, disinfectant, and flavoring & fragrance. The ethanol production is expected to increase three to five folds to meet demand for the 20% fuel blending program. The Indian ethanol market has been categorized into sugar & molasses based ethanol, and grain based ethanol. The governments emphasis for ethanol production from solid waste and bio mass will be the major source of ethanol production in the future.



Source: Industry, Statista, Arihant Capital Research

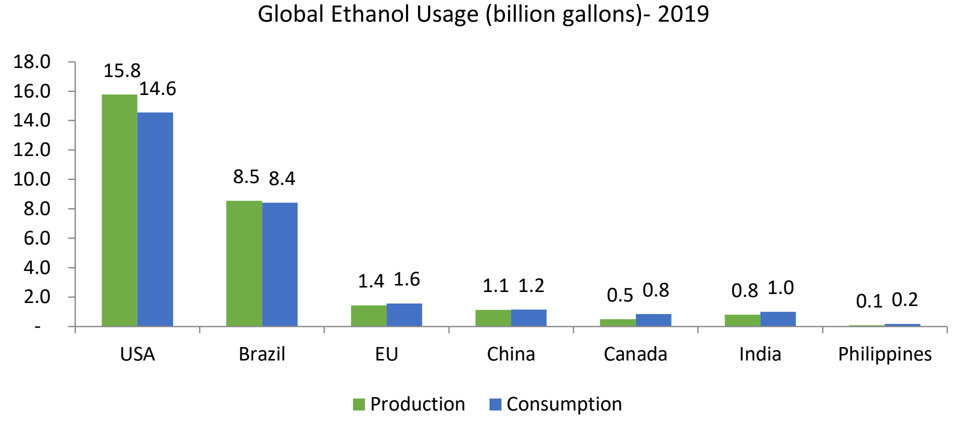
Industry Overview

Global Bio Ethanol Scenario: US is the largest producer and consumer for Bio Ethanol, having 54% market share as on 2019. India is having 2% of global market share and expected to grow at a faster phase due to increase in blending rate targeted by government.

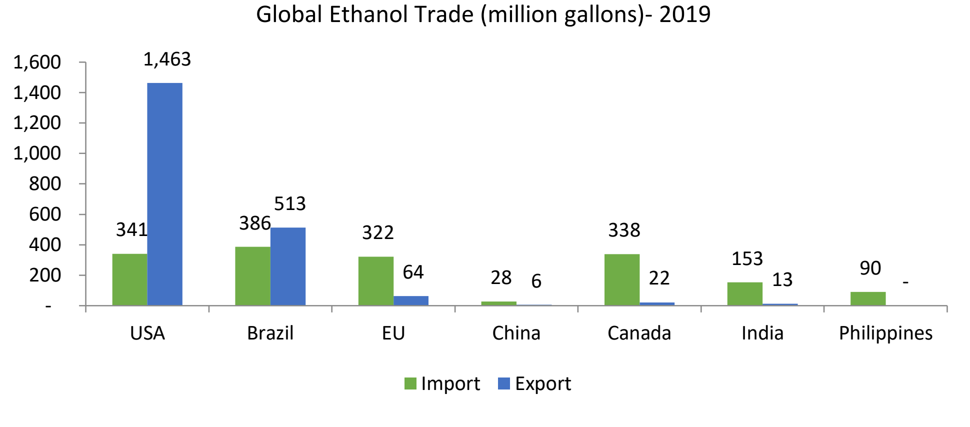


Source: Industry, company, Arihant Capital Research

India's ethanol production is lower than consumption which leads to imports from US and other countries. However, Indian players are setting up new plants or through backward integration to reduce the import from other countries.



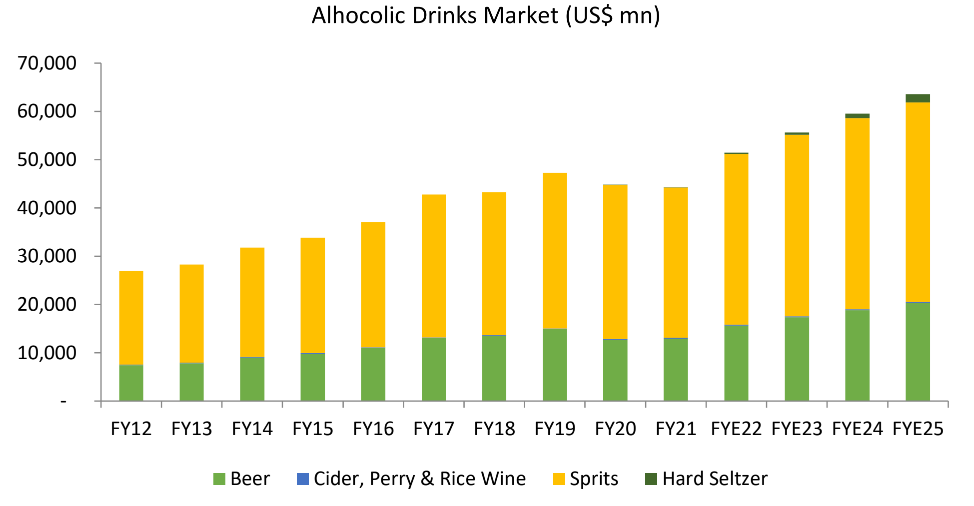
Source: Industry, company, Arihant Capital Research

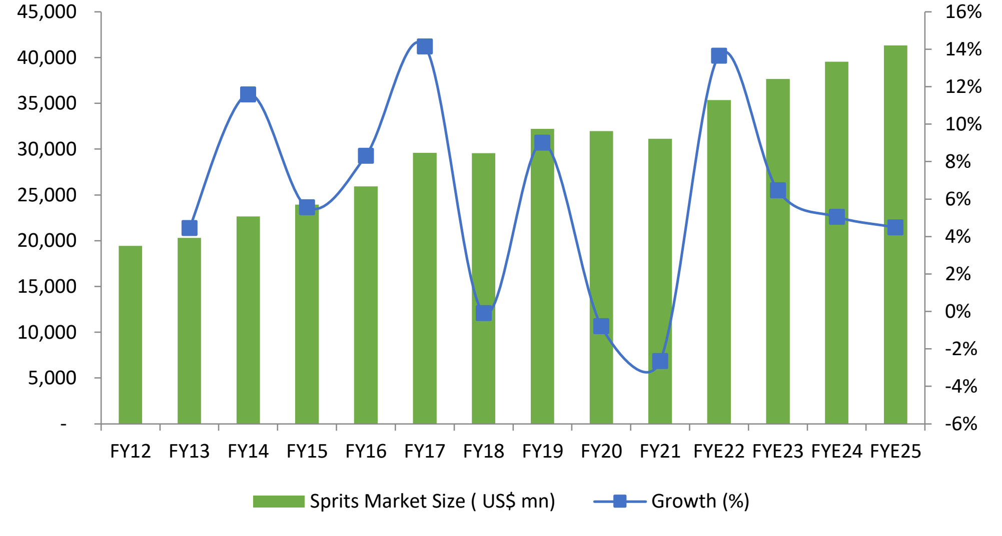


Source: Industry, company, Arihant Capital Research

Industry Overview

Alcoholic Market in India: Alcoholic drink markets in India is estimated to be worth US$ 44,343 million in FY21 and expected to grow at a CAGR 7.3% to reach US$ 63,551 million in FYE25. The growth is expected due to rapid urbanization and increase in income levels. The alcoholic market's largest segments are sprits, accounts for US$ 31,119 million in FY21. The consideration of population levels, per person revenue of US$ 22.32 are generated in FY21. In sprits segments, Average volume per person consumption estimated to 5L in FY21. The current lower per capita consumption, growing younger population, favorable demographics will lead the potential growth for sprits segments.

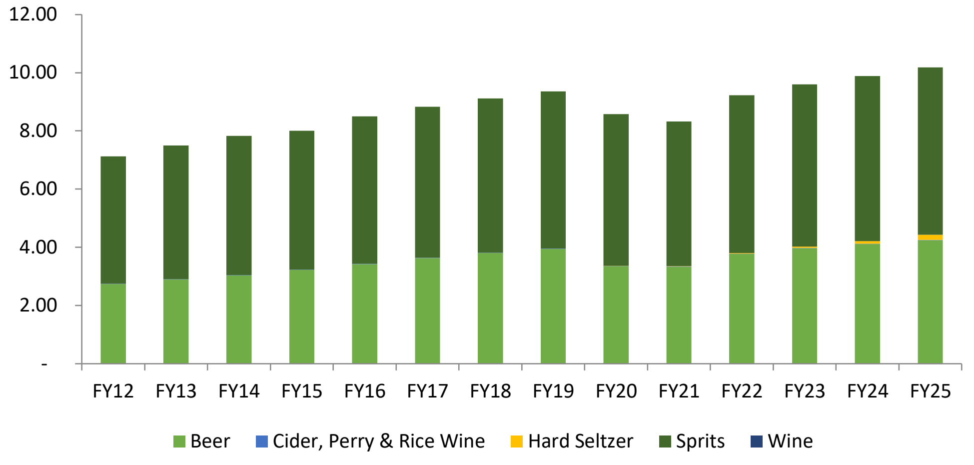




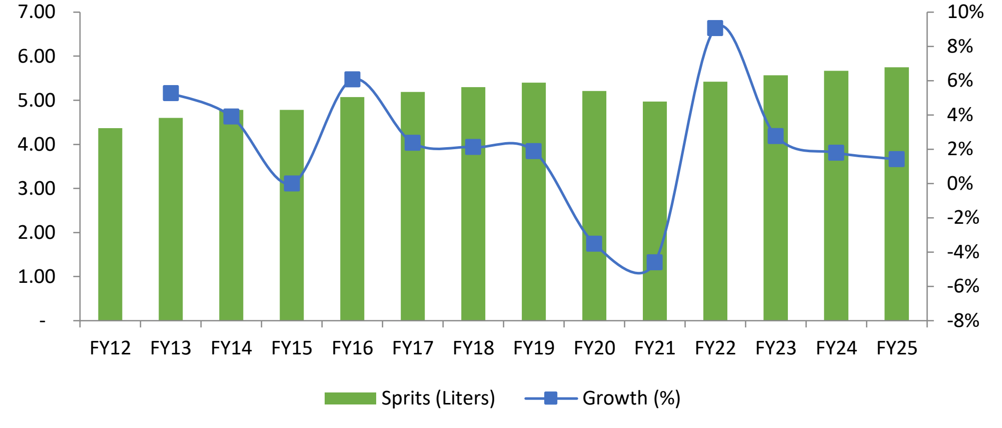
Source: Industry, Statista, Arihant Capital Research

Industry Overview

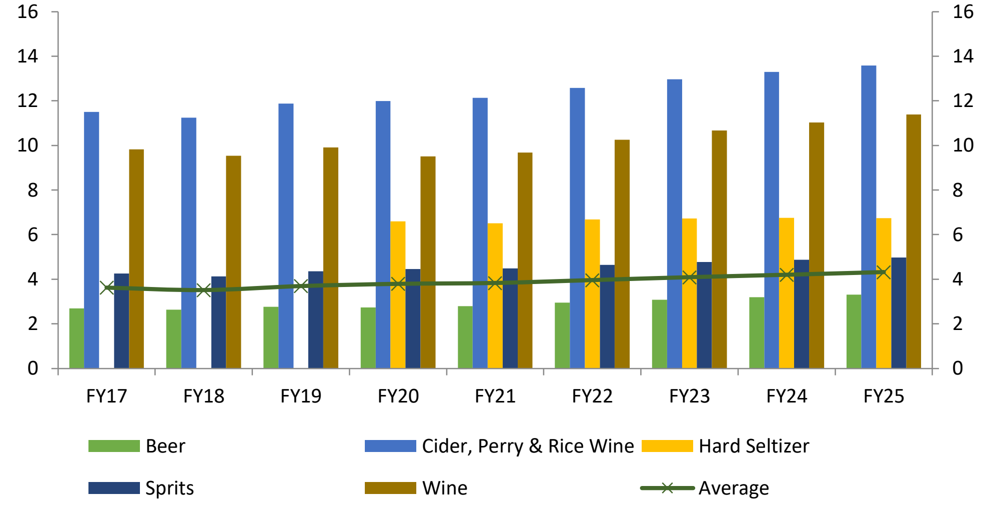
Average Volume per Capita (Liters)



Average Volume per Capita (Liters)



Price per Unit (US$)



Source: Industry, Statista, Arihant Capital Research

Company Overview

India Glycols Ltd (IGL) was incorporated in 1983, IGL is the leading manufacturer of green technology based bulk specialty and performance chemicals, sprits, industrial gases, Bio polymers, Bio Fuels, Carbon smart range, Natural gums and Plant based APIs & Nutraceuticals. Initially IGL was established as a single mono-ethylene glycol plant in 1983, further established integrated manufacture chemicals including glycols, ethoxylates, glycol ethers & acetates and various performance chemicals. Its product range spans the chemicals, spirits, herbal & other phytochemical extracts and guar gum, industrial gases, realty sectors and finds application across an increasing number of industries.

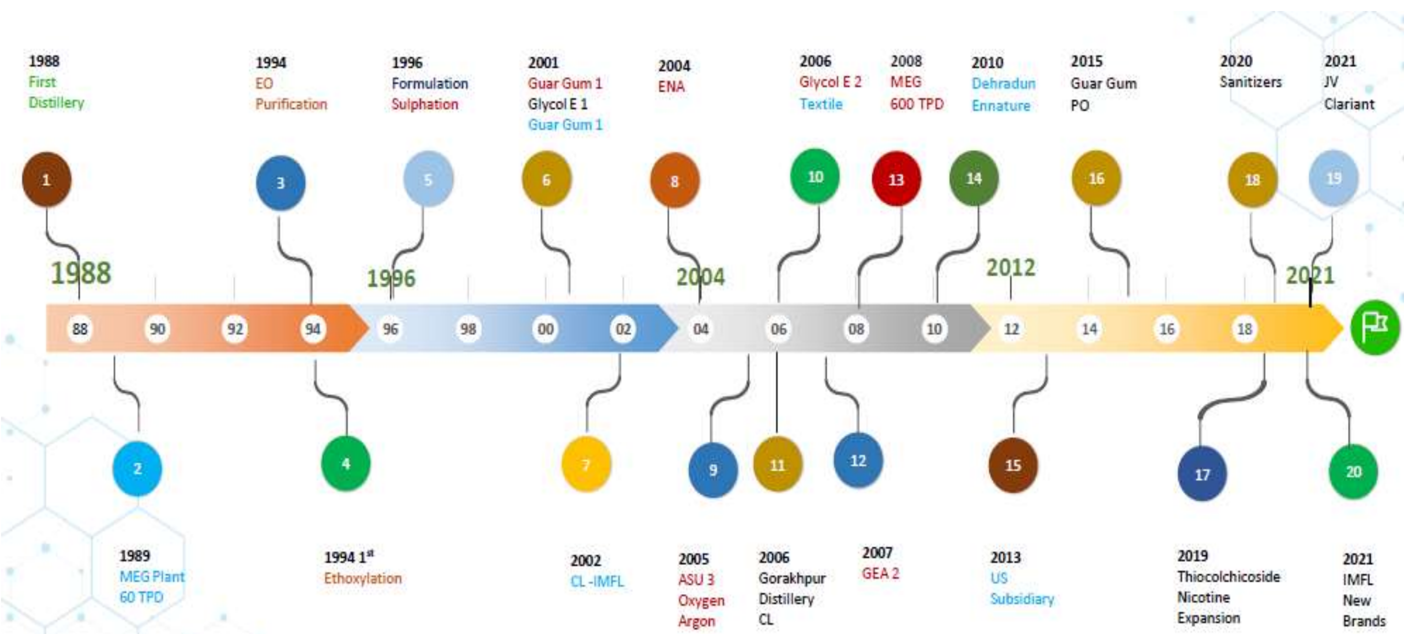
It has engaged in the business of Mono Ethylene Glycol (MEG), Ethylene Oxide Derivatives (EOD), Ethyl Alcohol (Potable) and Nutraceuticals. IGL is the largest manufacturer of bio-Eo based Ethylene oxide and its derivatives. It uses green technologies to manufacture a wide range of products such as glycols, glycol ethers and its derivatives, bio based ethylene oxide and specialty chemicals.

IGL's products are manufactured in compliance with stringent global standards of plant operations, quality and safety. The company's facilities have been approved and certified by international agencies including Det Norske Veritas (DNV). The operations at all plants are closely monitored through distributed control systems (DCS), which facilitate a high degree of control over the quality of products.

IGL has strategically done backward integration into sugar manufacturing to ensure seamless availability of raw material and avoid critical dependence on agricultural feedstock.

The company have 3 manufacturing facilities at Kashipur, Dehradun and Gorakhpur. The company having global customer base, partnerships with reputed global companies and exports accounts for ~11% of total sales.

IGL has focused on addressing customer needs and requirements. The company scientists and engineers consistently deliver customized solutions that meet customer expectations.

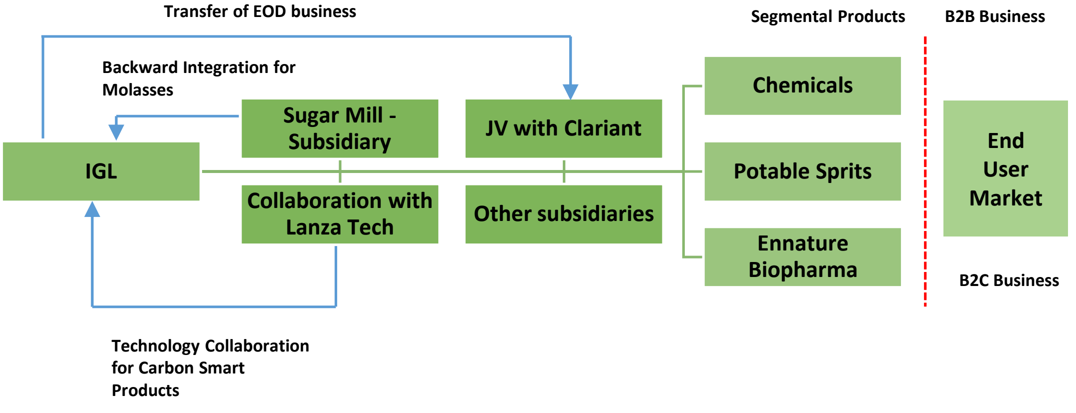


Source: Company Reports, Arihant Capital Research

IGL Business Model

India Glycols Ltd (IGL) is manufacturing and selling the chemical products such as Mono Ethylene Glycol, Ethylene Oxide Derivatives, Potable sprits (Ethyl Alcohol) and Nutraceuticals. The company initially started with MEG and further established flagship chemical products such as ethylene oxide and its derivatives. The company is used 'green route to manufacture ethylene oxide and derivatives. IGL is used molasses to make ethyl alcohol which is the raw material for producing ethylene oxide and its derivatives.

IGL was strategically established backward integration into sugar manufacturing to ensure seamless raw material of molasses availability to the company. IGL has established other divisions such as Ennature Bio pharma, Sprits, Natural gum and others.



Source: Company, Arihant Capital Research

Business Segments: IGL has three business segments, those are

1) Bio Based Specialities and Performance Chemicals
2) Potable Sprits
3) Ennature Biopharma

Segment	Products
Bio Based Specialities and Performance Chemicals	1) Bio Based Glycols - MEG, DEG, TEG, Heavy Glycols, Glycol Ethers, Glycol Ether Acetates. 2) Power Alcohol (Bio Fuel), Industrial Gases, Natural Gum (Bio Polymers) etc. 3) Ethylene Oxide Derivatives (EOD) - Transferred to JV company
Potable Sprits	Ethyl Alcohol and Extra Neutral Alcohol (ENA)
Ennature Biopharma	Nutraceuticals

Source: Company reports, Arihant Capital Research

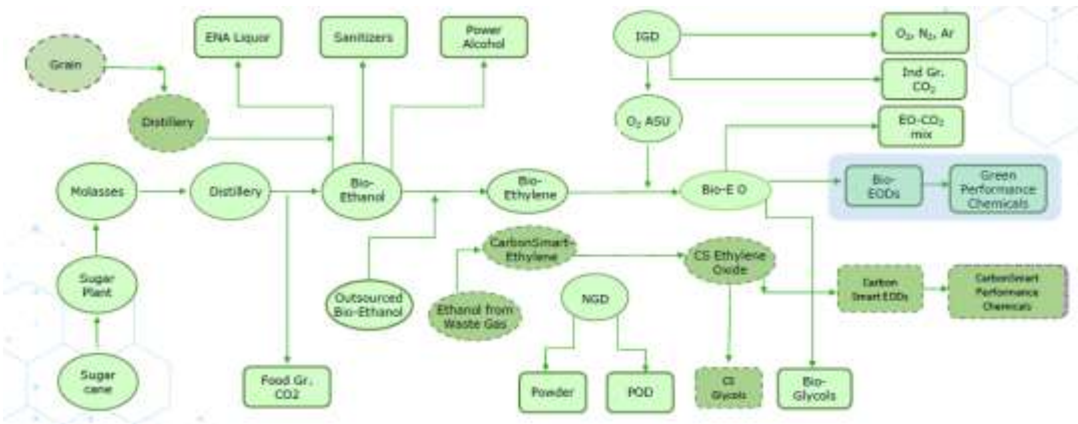
MEG - Monoethylene Glycol

DEG - Diethylene Glycol

TEG - Triethylene Glycol

IGL Business Model

Leveraging synergies to create value - Integrated manufacturing for bio-based products



Source: Company reports, Arihant Capital Research

Portfolio	Key Rationale
Bio-Based Specialities	• Unique strength in Bio Ethanol, Glycols, EO, Ethers-multi feedstock including CarbonSmart. • **Sustainability platform-** portfolio in bio-based quality specialties for multiple end markets. • Personal Care, Food, Textiles, Paper, Packaging, Oil & Gas, Home Care, Coatings etc.
Potable Spirits	IMFL, Branded Country Liquor, ENA • ENA portfolio for domestic & exports. • Grow with partners like Bacardi on quality, service. • Expand and service growing demand in CL segment. • New brand launches in IMFL space.
Nutraceuticals	Expertise in green extraction technology (SCFE and Green solvent-based extraction). • Plant based API, Nutraceuticals, Cosmeceuticals. • One of the Largest SCFE facility. • Global leader in Thiocolchicoside – High margin API Pharma, Personal Care, Nutrition.
IGL Green JV	Returns through 49% in JV Leverage bio EO strength of IGL and technology and global reach of Clariant. - Long term secured EO sale to JV. - Future monetization options.
FMCG – New Area	B2B sanitizer business - high quality, reliable partner to domestic & oversees clients.
Bio Fuels	Expansion with multi feedstock capability e.g. grain and possibly other feedstocks in future Policy push for increasing domestic bio-based fuels.
Bio Fertilizers – New Area	Valorization of various by-product, waste streams to bio fertilizers Evaluating technologies.
Industrial Gases	Bio-based CO2, Liquid Oxygen, Argon Special EO based gas mixture for sterilization.

Source: Company reports, Arihant Capital Research

IGL Business Model

IGL's Products	Applications
Glycols	Glycols are used for the manufacture of polyester yarn, fibre, film and resin and as an automobile coolant.
Bio Glycols	Bio-glycols cater to the beverage and food industry's packaging requirement of PET bottles and polyester film.
Ethyl / Butyl glycol ethers and its acetates	Ethyl / Butyl glycol ethers and its acetates, find application in the Textile, Oil & Gas, Paint and Coating, Automotive brake fluid, Pharma and Electronic Chemical industries.
Performance Chemicals	Performance chemicals in automotive sector include brake fluid and anti-freeze coolant. Other areas are Textile, Agrochemicals, Paint, Oil & Gas, Personal Care, Detergents, Paper, Mining etc.
Power Alcohol	Power Alcohol is used by Oil Manufacturing Companies ('OMC's) for blending in Petrol as per Govt. Policy.
Extra Neutral Alcohol (ENA)	ENA is high purity ethanol which is used in Beverages, Perfumery, Pharma, Personal Hygiene.
Industrial Gases	Industrial Gases have a wide range of use across chemical processing, Glass manufacturing, Healthcare, Metal fabrication/ production, Steel, Petroleum recovery and refining, Pulp & paper, Wastewater treatment, Electronics, Lighting, Construction, Food industry.
Liquid CO2	Liquid CO2 is used in Food Industry (Carbonation of beer and soft drinks, Food Preservation & Transportation, Dry Ice), Manufacturing industry (CO2 welding, Foundries, Fire Extinguishers), Agriculture (Green houses, Grain silos).
ETO	Ethylene Oxide & Carbon Dioxide Gas Mixtures (ETO) is used in Sterilization of disposable medical devices, and other sterilization uses
Food Quality Natural Gum	Food Quality Natural Gum has application in Frozen Foods, Ice-Cream, Bakeries, Beverages & Sauces.
Industrial Quality Natural Gum	Industrial Quality Natural Gum is used in Personal Care, Mining, Paper, Construction, Paint, Textile industries and Oil & Gas applications.

Source: Company reports, Arihant Capital Research

Business Structure	
Holding Company	Holding Company • Kashipur Holdings Limited, the Promoter, holds 38.14% shareholding of India Glycols Ltd. • Promoter/Promoter Group holds 61.01% shareholding.
Indian subsidiaries	• Shakumbari Sugar and Allied Industries Ltd. • IGL Finance Ltd. • IGL Chemicals and Services Private Ltd. • Ennature Biopharma Private Ltd.
Foreign subsidiaries	• IGL CHEM International Pte. Ltd. • IGL CHEM International USA LLC.
Joint Ventures	• Clariant IGL Specialty Chemicals Private Ltd. • Kashipur Infrastructure and Freight Terminal Private Ltd.

Source: Company reports, Arihant Capital Research

IGL Business Model

Manufacturing Capabilities		
Kashipur Site	**Gorakhpur Site**	**Ennature Biopharma**
300-acre state of art integrated manufacturing complex located in Uttarakhand, India Fermentation Ethanol Distillation Ethanol Extra Purification Ethanol Bio Fuel Grade EO production EO purification MEG, DEG, TEG Glycol Ethers and Glycol Ether Acetates MEGEE & DEGEE Acetate CarbonSmart products CL Bottling Bottling - Bacardi Beverages IMFL bottling Industrial Gases – Oxygen, Nitrogen, Argon, CO_2 Sanitizers	**56-acre state of art distillation and bottling complex** Fermentation Ethanol Distillation Ethanol Extra Purification Ethanol Bio Fuel Grade CL Bottling IMFL bottling Tetra IMFL Glass bottling	**160,000 sq. feet state of art facility near Dehradun** High Purity Extraction SCFE (Super Critical CO_2) Solvent Extraction Aqueous Extraction Bio Fermentation

Source: Company reports, Arihant Capital Research

Manufacturing Key Locations

Source: Company Reports, Arihant Capital Research

Company Board

Personnel	Designation	Description
Mr US Bhartia	Chairman and Managing Director	Mr Bhartia has a graduate degree in commerce, with honours, from Kolkata University. Under Mr Bhartia's dynamic leadership, IGL pioneered the manufacturing of BioMEG, BioEO and derivatives from renewable agro feedstock, with a low carbon footprint. Mr Bhartia received the 'Business Leader of the Year – Innovation' award for 2013 at Chemtech Foundation's CEW Leadership and Excellence Awards, as well as the Udyog Ratna award in 2005. IGL also won the Grand Gold Award -2012 by Monde Selection, Brussels, for the third year in a row, for its Extra Neutral Alcohol product, under his stewardship.
Ms Pragya Bhartia Barwale	Executive Director	Ms Pragya Bhartia holds a Bachelor of Arts degree in Economics and International Relations from Brown University, USA and a Master of Science degree in Development Economics from the University of Oxford, U.K. She was appointed as President-Business Development at India Glycols w.e.f. 1st August 2008. She has been a part of the Ennature Biopharma Division since its inception in 2009 and has worked closely on all aspects of the division from operations to product development, strategic partnerships, marketing and overall strategy.
Mr Shri Sudhir Agarwal	Executive Director	Mr Shri Sudhir Agarwal is a chemical engineer, graduated from HBTI, Kanpur. He is having 34 years of experience in the field of Plant Operations and Project Management. He joined in IGL at July, 2014. Prior to IGL, he was associated with National Fertilizer Ltd.
Mr Rupark Sarswat	CEO	Mr Rupark Sarswat has completed B.Tech/Chemical engineering at IIT Varanasi and Business administrative management in IIM, Ahmedabad. He was joined in IGL at Sep, 2020. Prior to IGL, he was associated with Transpek-Siox Industry Ltd and Croda India Co Pvt Ltd and other organizations.
Mr Anand Singhal	CFO	Mr Anand Singhal has graduate in commerce and hold CA with 25 years of experience. He was joined in IGL at 2008.
Prof Dr Rakesh Kumar Khandal	President – R&D and Business Development	Prof Dr Rakesh Kumar Khandal has hold PhD in applied chemistry at Jeolatts Hill Research Station and completed Post-Doctoral Research in, Pesticides, Environment, Polymers, and Surfactants at CNRS France. He was joined in IGL at May, 2015. He was the Former Vice Chancellor Uttar Pradesh Technical University, Lucknow and Former Director Shri Ram Institute for Industrial Research, Delhi.
Mr Sanjeev Gurwara	President – Marketing	Mr Sanjeev Gurwara holds master degree in organic chemistry and MBA in Marketing Management and Operations at University of Mumbai. He has been associated more than 25 years with IGL.
Mr S.K. Shukla	Head – Liquor business	Mr S.K. Shukla has been associated more than 15 years with IGL.
Mr R S Yadav	Corporate Head – HR	Mr R S Yadav holds bachelor degree in arts at Haily Mandi, Gurgaon. He has been associated more than 30 years with IGL. Prior to IGL, he was associated with Multitech International Ltd, Vam Organic Chemical and other organizations.
Mr Ankur Jain	Head (Legal) and Company Secretary	Mr Ankur Jain has experience more than 20 years in Legal and company secretary. He was joined in IGL at Jul, 2016. Prior to IGL, he was associated with DLF.

Source: Company, Arihant Capital Research

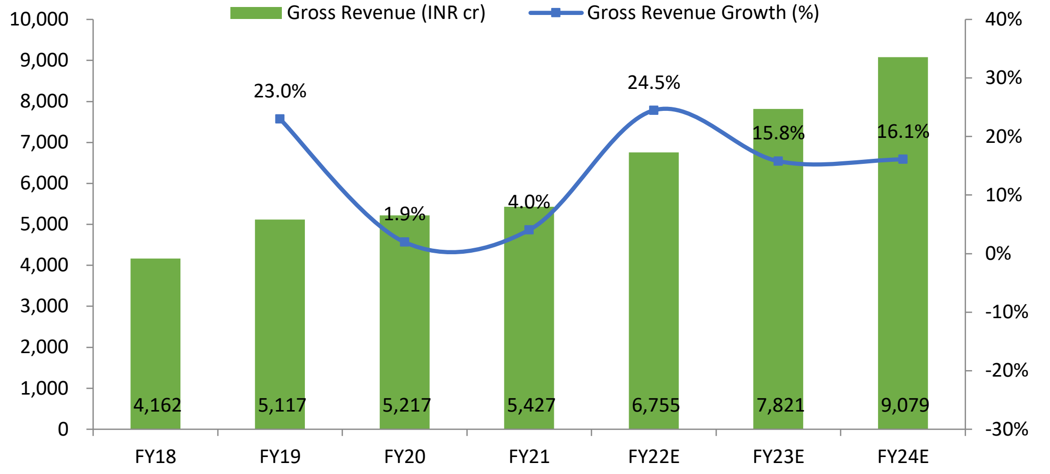
Porter Five Forces

01	Rivalry among existing firms (High)	• Large number Competitors all over the world competing for market share. • All the global competitors have little room for expansion.
02	Threat of potential entrants (Moderate)	• Government Regulations & Patents • Superior efficiency & Quality of Product • Intense Research & Development.
03	Threat of substitutes (Low)	• Buyers tends to need specific chemicals as inputs. • There is no alternative or similar substitute. • If available that should be available in same company or industry.
04	Bargaining power of suppliers (Moderate)	• India Glycols have limited substitutes for inputs. • Chemical industries rely on few large corporations • Most suppliers not depend on sales to chemical manufacturers like IGL
05	Bargaining power of buyers (Moderate)	• India Glycols have many end customers. Don't rely on one customer.

Source: Company Reports, Arihant Capital Research

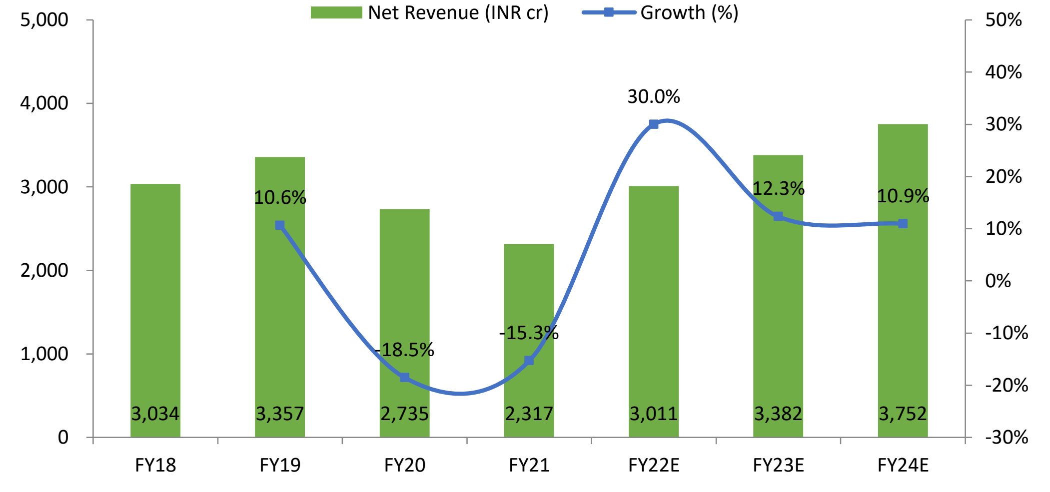
Financial Analysis

Gross Revenue driven by Potable sprits: Gross revenue was grew at a 9.3% CAGR over the period of FY18 to FY21. Potable Sprits segment growth supported gross revenue growth and Potable sprits segments share revenue increased over the period of time. Gross revenue growth was muted during the period of covid, witnessed 1.9% and 4% growth during the period of FY20 and FY21 respectively. However, the gross revenue is expected to bring back pre-covid levels in going forward due to opening up and economy, industry growth and increasing demand levels.



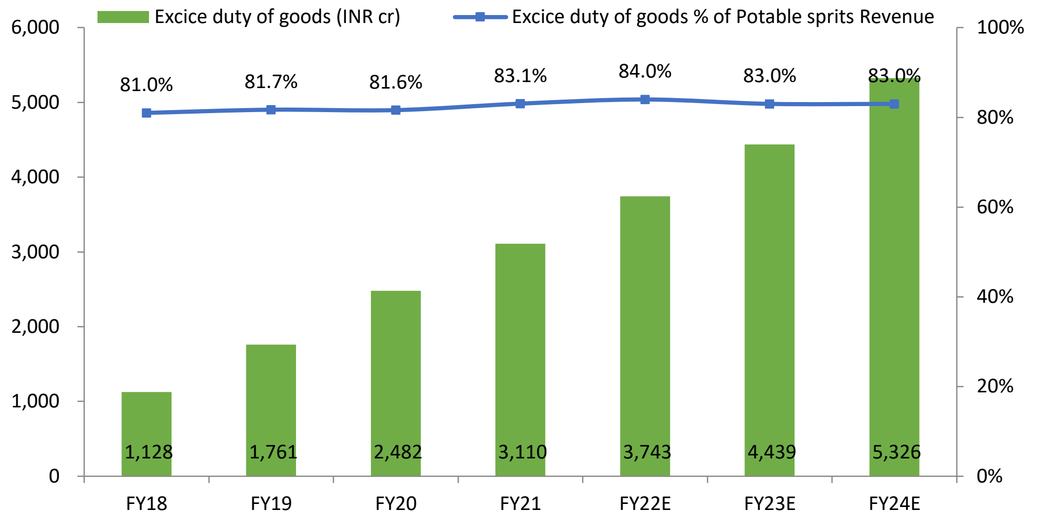
Source: Company Reports, Arihant Capital Research

Net Revenue: Net Revenue was impacted due subdued demand in bio based specialties and performance chemicals and Ennature Biopharma. In FY21, Bio based specialties and performance chemicals segment was down by 28.8% YoY to INR 1,993cr and Ennature Biopharma segment down by 17.7% YoY to INR 151cr. In Q3FY22, Bio based specialties and performance chemicals bounced back strongly which drove topline growth. Potable Sprits segment grew at a CAGR 34% YoY to INR 635cr during the period of FY18-21 and expected to grow at a CAGR 19.8% to INR 1,091cr in FY24, the growth is backed by demand from Ethyl alcohol and ENA. However, if there is any change in excise duty it will significantly impact the potable sprits business. The strong recovery in bio based specialties and performance chemicals and continued momentum growth in potable sprits will lead the topline growth in going forward.



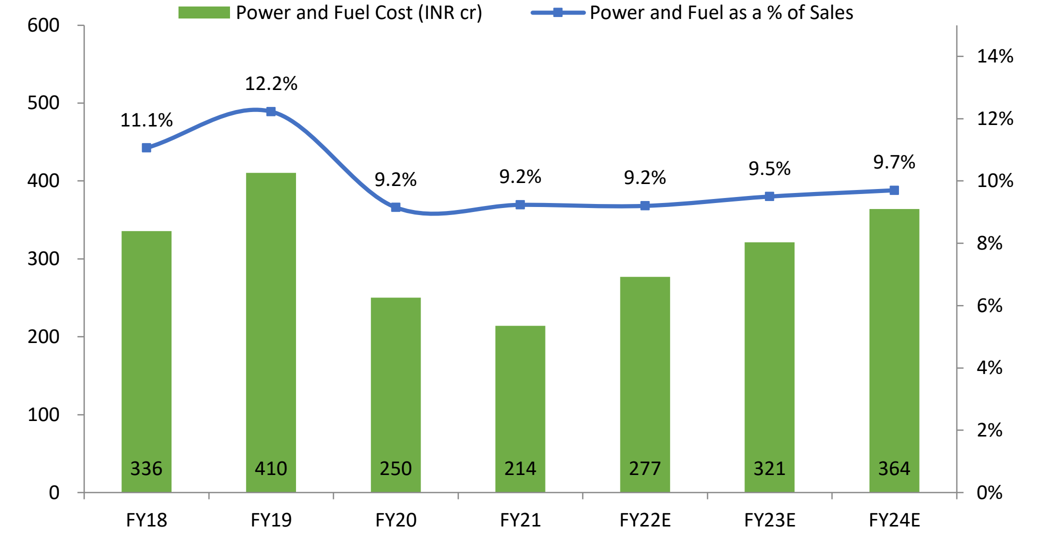
Source: Company Reports, Arihant Capital Research

Financial Analysis



Source: Company reports, Arihant Capital Research

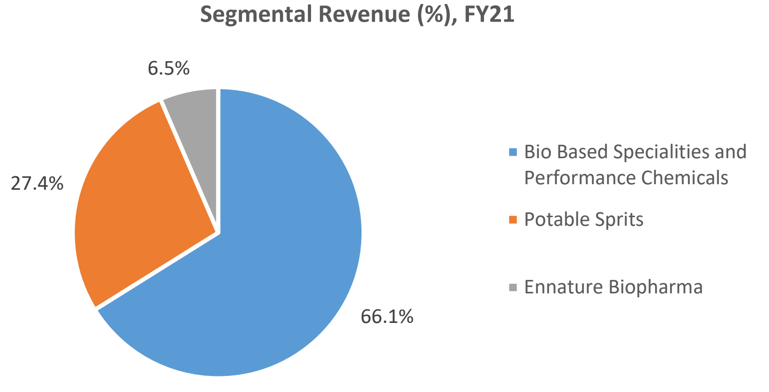
Continue to maintain Power & Fuel Cost: IGL has incurred fuel and power cost at 12% of sales in FY18. The company managed and reduced the power and fuel cost between 9% to 9.5% from FY19 to FY21. The company is expected to maintain more or less 0.5% in terms of sales from current levels in going forward.



Source: Company reports, Arihant Capital Research

Financial Analysis

Segmental Revenues: IGL has three business segments, Bio based specialties and chemicals segments accounts for 66.1% of total revenue as on FY21. Potable Sprits revenue stood at 27.4% and Ennature Biopharma segment stood at 6.5% of revenue in FY21.

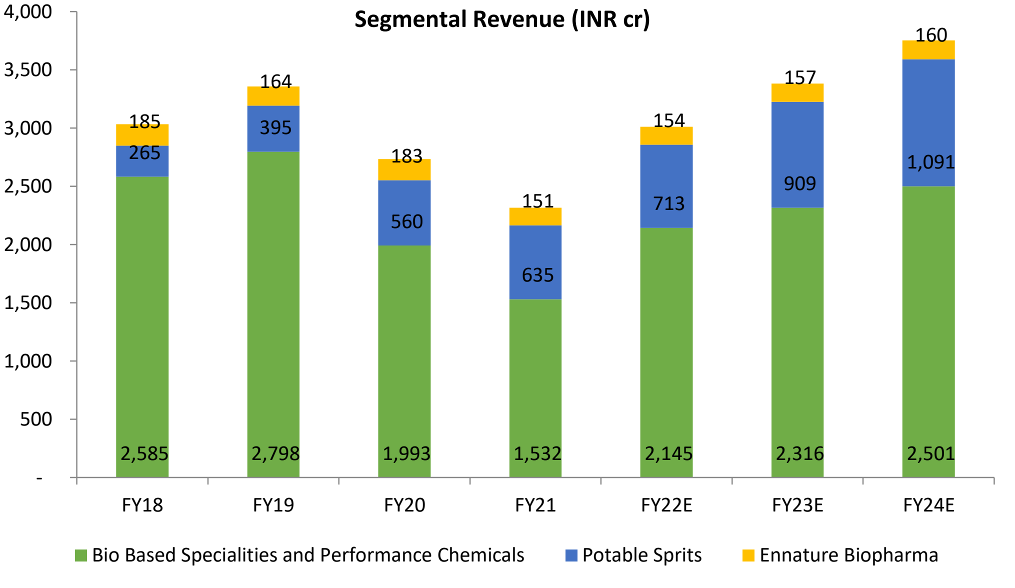


Source: Company Reports, Arihant Capital Research

The Bio based specialties and chemical segment are the backbone of the company; this segment degrew at a CAGR 16% during the period of FY18-FY21 and expected to grow at a CAGR 17.8% during the forecasted period of FY21-FYE24. The growth is expected to driven by strong demand from glycols and power alcohols.

Potable Sprits segment grew at a rate CAGR 34% from FY18 to FY21. This segments are expected to grow at a CAGR 19.8% during the forecasted period of FY21-FYE24. The growth is expected to driven by strong demand from Ethyl alcohol and ENA's.

The Ennature Biopharma segment degrew at a rate CAGR 6.6% from FY18 to FY21 and expected to grew at a CAGR 2% during the forecasted period of FY21-FYE24. The growth is expected to driven by demand from API and Nutraceuticals and value added products.

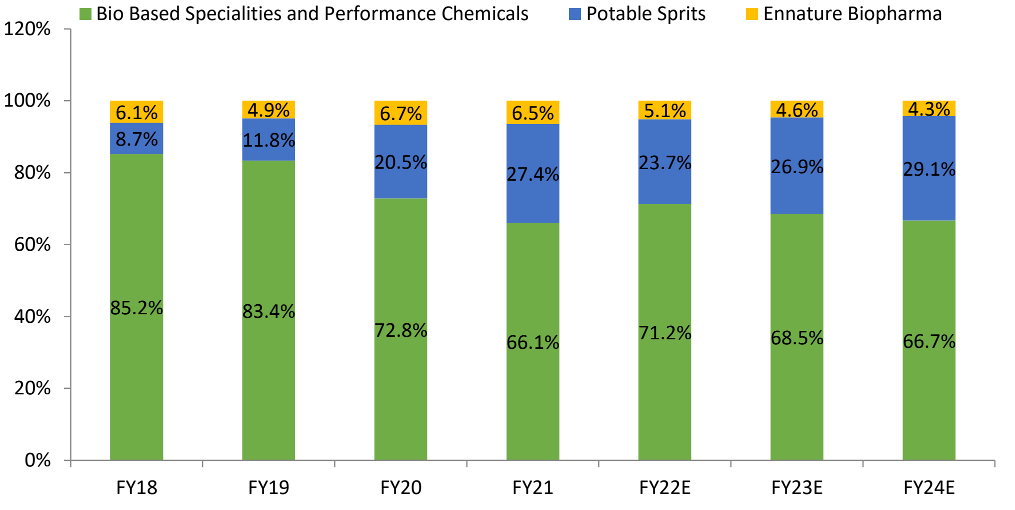


Source: Company Reports, Arihant Capital Research

Financial Analysis

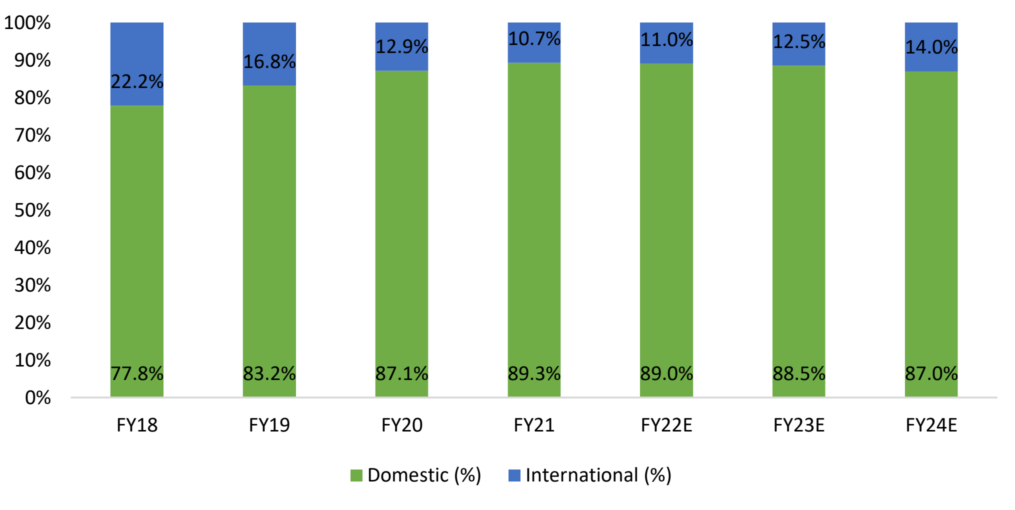
Segmental Revenues: Dramatic change in Segmental Revenue Mix, Potable sprits segmental revenue accounts for only 8.7% in FY18, the company changed the product mix and realigned portfolio mix over the time. In FY21, Potable sprits segmental revenue accounted for 27.4% of total revenue and remain to contributing topline growth.

Potable sprits segment revenue share are expected to increase and bio based specialties and chemicals segments revenue share are expected to decline in going forward.



Source: Company Reports, Arihant Capital Research

Geography Revenue: IGL's International revenue stood at 10.7% of total revenue, USA accounts for 1.7% and remaining 9% from rest of the world in FY21. The international revenue dropped in FY20 and FY21 due to Covid-19. The government imposed border restrictions which lead to significant drops in exports. Post Covid-19, the international revenue share is expected to increase and company looked to leverage the exports potential of its products.



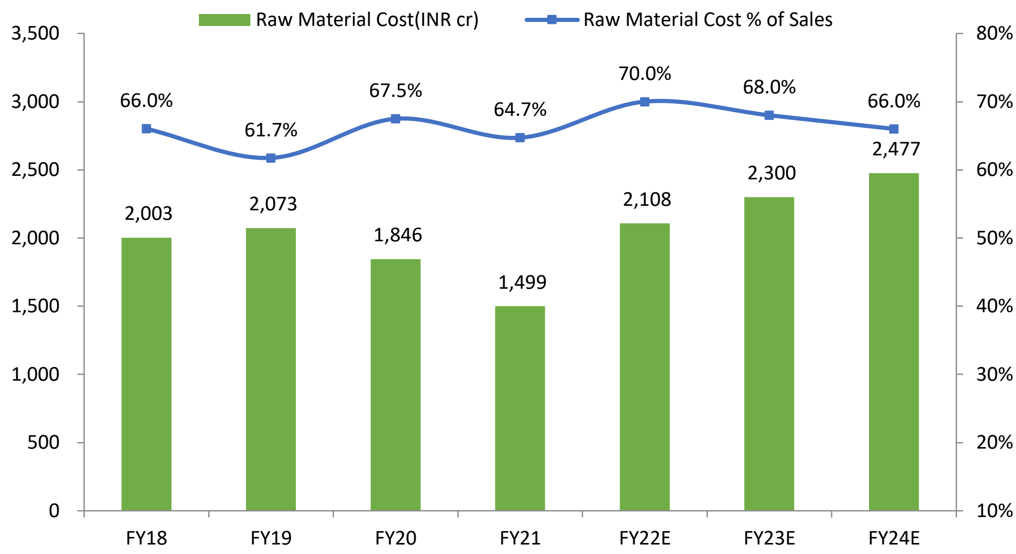
Source: Company Reports, Arihant Capital Research

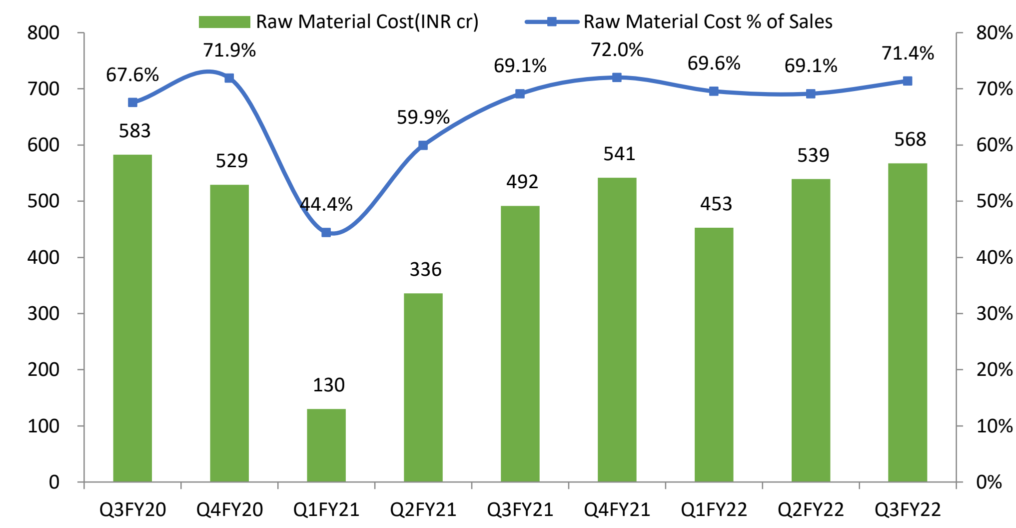
Financial Analysis

Margin to improve with rising premium contribution: EBITDA margin was impacted due to increase in raw material cost and packaging cost. Raw material cost stood at 61.7%, 67.5% and 64.7% in FY19,FY20 and FY21 respectively. However, in the last four quarters, raw materials costs spiked to 72%, 69.6%, 69.1%, 71.4% in Q4FY21, Q1FY22, Q2FY22 and Q3FY22. The spike in raw material cost due to increase in Ethanol and other commodity prices. However, the increase in raw material prices is not sustainable for long time and expected to cooling off in going forward.

IGL has submitted a proposal in front of government to increase in liquor prices in order to manage increase in packaging cost and other costs. The approval is expected to come by February. We can expect EBITDA margin improvement from next financial year onwards.

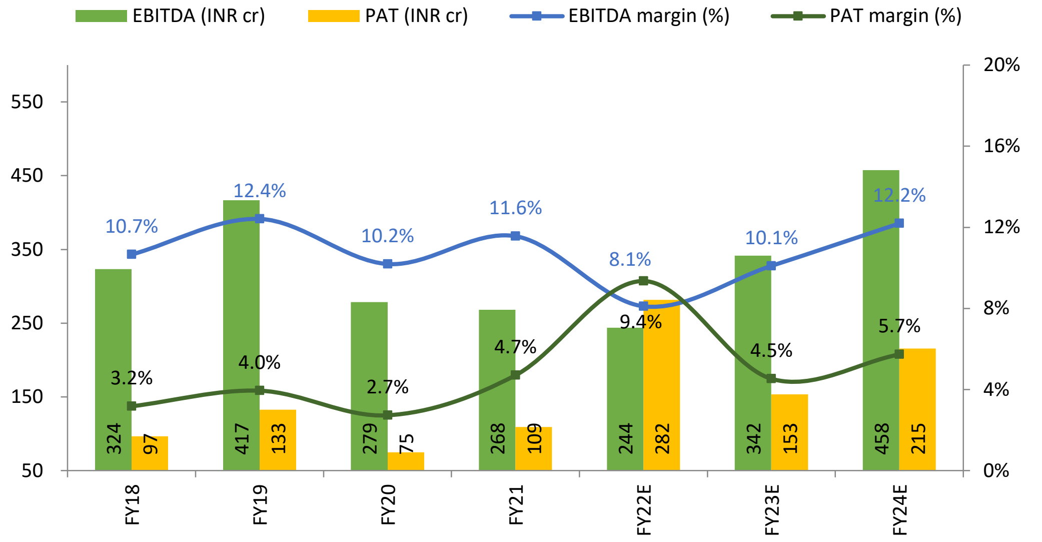
IGL has reduced the long term debt and other debt will be result in reduction of finance costs. The reduction of finance cost will lead to PAT Margin improvement in going forward.





Source: Company reports, Arihant Capital Research

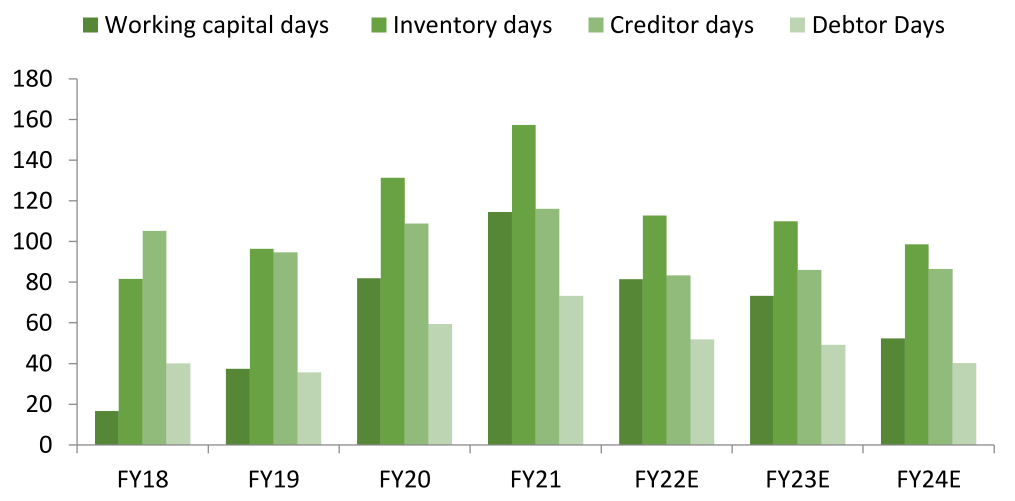
Financial Analysis



Source: Company reports, Arihant Capital Research

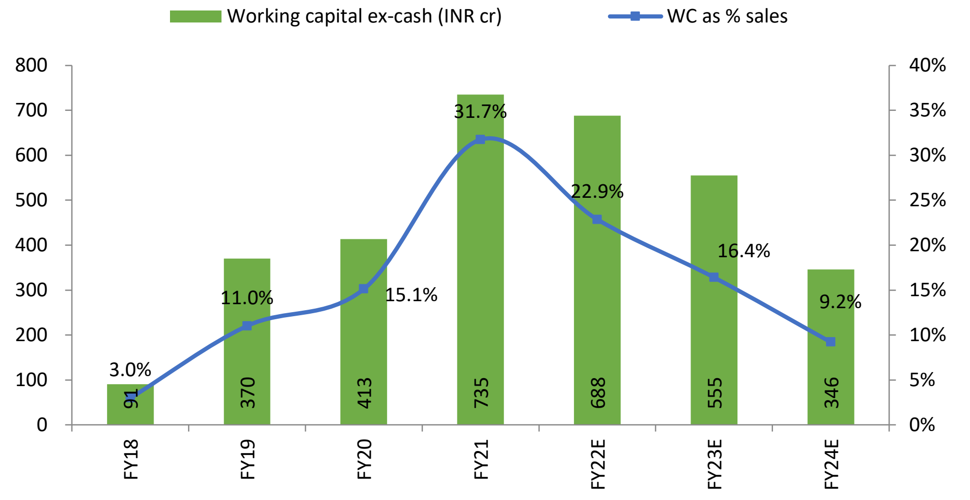
Working Capital Cycle to Improve: The inventory days increased from 96 days (FY19) to 131 days and 157 days in FY20 and FY21 respectively. The lockdown imposed due to covid-19, resulted in economy slowdown and shutdown of factories/operations which led to less demand for IGL products. The movement of goods restricted in between states, impacted sales which resulted accumulation of inventories. IGL's debtor days increased from 36 days (FY19) to 59 days and 73 days in FY20 and FY21 respectively. IGL has collected cash from customers less than 45 days before covid, however during covid, it given some relief to customers to pay cash in 2 months after sales of products to maintain the relationship with customers. IGL's creditor days stood at 95 days, 109 days and 116 days in FY19, FY20 and FY21 respectively. During covid period, IGL get 10-20 days extra time to pay goods bought from the seller. Post covid, IGL is expected to pay the cash to seller within 80-90 days in going forward. The working capital days increased from 37 days (FY19) to 82 days and 115 days in FY20 and FY21 respectively. Post covid, clearing inventories and quick cash collections will improve the working capital cycles. We are expecting IGL will bring back working capital cycle to pre-covid levels in going forward.

Hence, The improvement of working capital cycle will improve working capital ex-cash in % of sales.



Source: Company reports, Arihant Capital Research

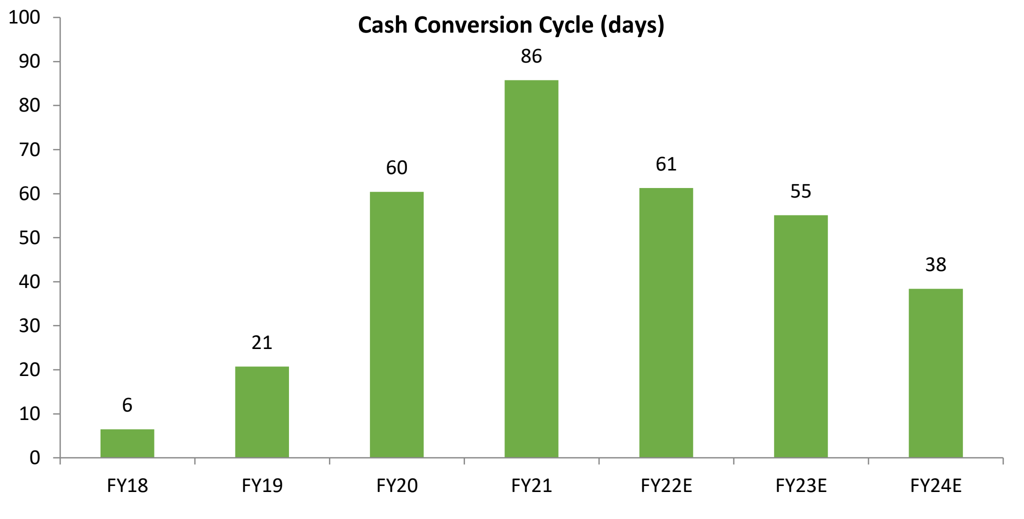
Financial Analysis



Source: Company reports, Arihant Capital Research

Cash Conversion Cycle to Improve: The cash conversion cycle increased from 21 days in FY19 to 60 days and 86 days in FY20 and FY21 respectively, due to higher working capital cycle led by increasing debtor days from 36 days in FY19 to 59 days/73 days in FY20/FY21 respectively, also higher inventory days from 96 days in FY19 to 131 days/157 days in FY20/FY21,respectively.

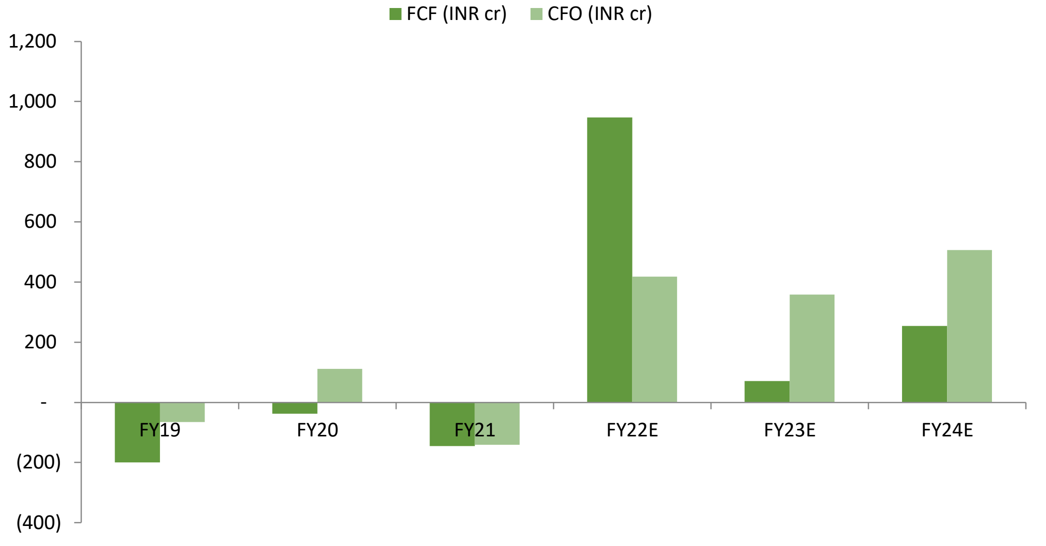
We are expecting cash conversion cycle will improve to 61 days/55 days/38 days in FYE22/FYE23/FYE24 respectively, due to reduction of inventory levels and collection improvement in going forward.



Source: Company reports, Arihant Capital Research

Financial Analysis

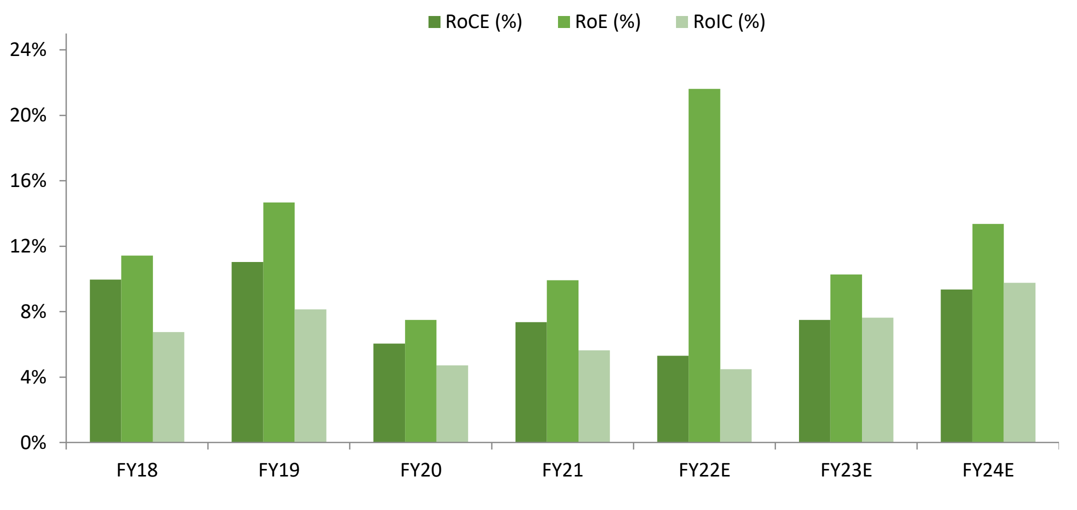
Improvement of Cash flow generation: During H2FY22, IGL has transferred EOD business to the JV and received ~INR 451cr from the sale EOD business, which is expected to generate free cash flow (FCF) for the company. However, the company is incurring a capex of INR ~350cr for grain based distilleries. The strong visibility of earnings growth, margin expansion and improvement in working cycle, we expect free cash flow to improve INR 947cr/INR 71cr/INR 254cr, respectively over the period of FYE22-FYE24.



Source: Company reports, Arihant Capital Research

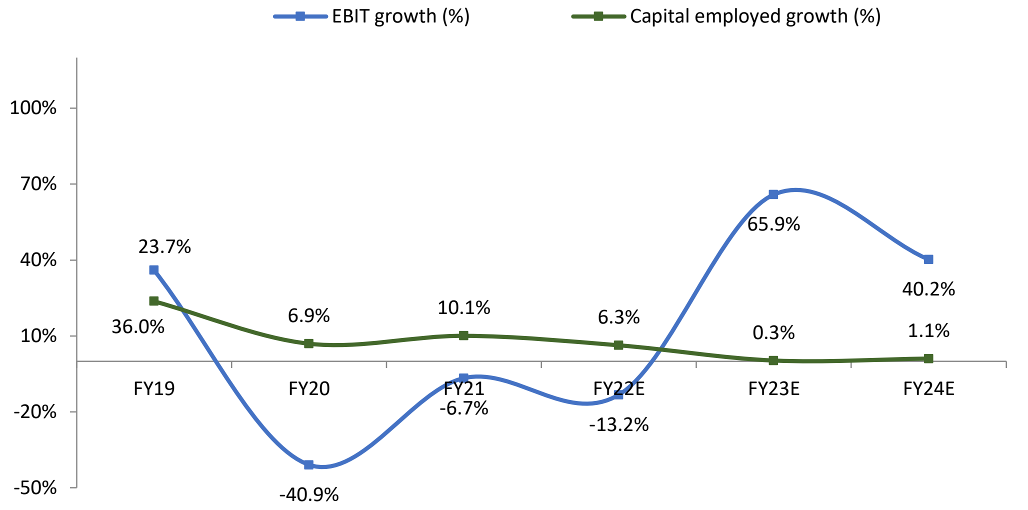
Return ratios to Improve: In comparison to revenue growth of 17.4%, and EBIT growth of 26.4%, capital employed is expected to grow by 2.5% over FY21-FYE24. In FYE22, Capital employed is expected to go down due to sale of EOD business. IGL is expected to invest in potential opportunities in going forward

Due to the healthy EBITDA margin expansion and PAT growth, we expect return ratios to improve significantly in going forward. We estimate RoCE to expand from 7.4% in FY21 to 9.3% in FYE24. RoIC to improve from 5.6% in FY21 to 9.8% in FYE24 and RoE to improve from 9.9% in FY21 to 13.4% in FYE24.



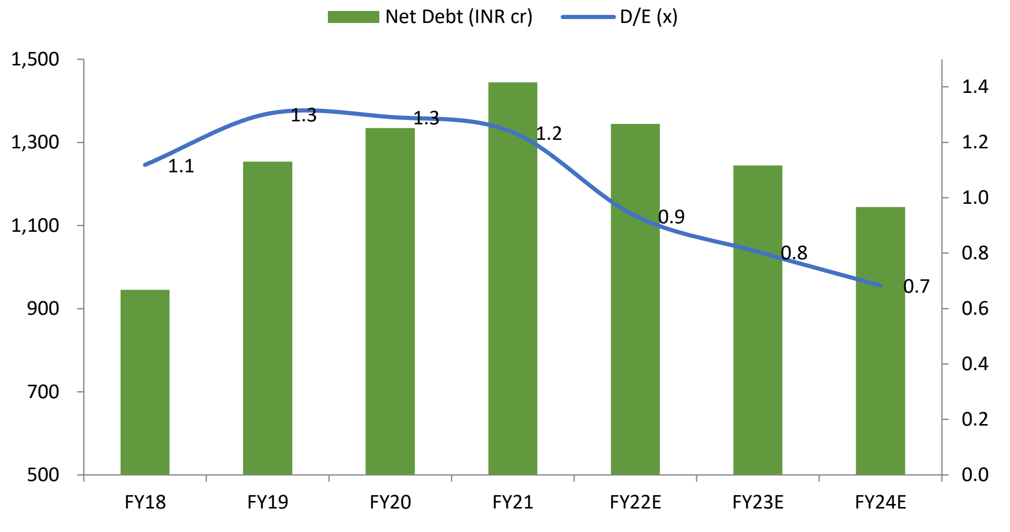
Source: Company reports, Arihant Capital Research

Financial Analysis



Source: Company reports, Arihant Capital Research

Debt reduction leads to strengthening Balance Sheet: Net debt has increased from INR 945cr (FY18) to INR 1,444cr in FY21 and Debt to Equity (D/E) ratio increased to 1.1 (FY18) to 1.2 in FY21. IGL has repaid its long term borrowings which lead to reduction in finance costs. IGL has received INR 451cr from the sale of Bio-EO business during H1FY22. out of INR 451cr, INR 302cr were utilized for repayment of term loan and reduction of fund based working capital loan. Remaining INR 149cr were utilized for payment of the LC creditors which has been included in operating activities. IGL will continue to reduce the debt in going forward.



Source: Company reports, Arihant Capital Research

Q3FY22 Results update

Income statement summary

Y/e 31 Mar (INR cr)	Q3FY21	Q2FY22	Q3FY22	YoY (%)	QoQ (%)
Revenue	712	780	795	11.7%	1.9%
Net Raw Materials	492	539	568	15.4%	5.3%
Power & Fuel	58	75	81	39.2%	7.6%
Employee Cost	24	25	24	-0.6%	-5.1%
Other Expenses	70	74	67	-4.0%	-9.6%
EBITDA	**68**	**66**	**55**	**-18.2%**	**-16.2%**
EBITDA (%)	**9.5%**	**8.5%**	**7.0%**	**-255 bps**	**-150 bps**
Depreciation	20	20	19	-5.2%	-3.5%
Interest expense	22	17	15	-32.3%	-10.3%
Other income	1	8	8		
Exceptional Items	-	-	-		
Share of profits associate & JV	0	9	-		
Profit before tax	**27**	**47**	**29**	**6.9%**	**-37.7%**
Taxes	9	10	7		
Minorities and other	-	-	-		
Net profit	**18**	**37**	**22**	**21.9%**	**-41.3%**
PAT from discontinued operations	**12**	**-**	**-**		
Reported Netprofit	**30**	**37**	**22**	**-26.6%**	**-41.3%**
Reported Netprofit Margin (%)	**4.2%**	**4.8%**	**2.8%**	**-144 bps**	**-203 bps**
Other Comprehensive income	0	(0)	0		
Net profit	**30**	**37**	**22**	-26.9%	-41.1%
EPS (INR)	**6**	**12**	**7**		

Source: Company Reports, Arihant Capital Research

Key Takeaways

Financial Highlights

India Glycols reported strong numbers, Q3FY22 revenue grew 11.7% YoY (up by 1.9% QoQ) to INR 795cr, and growth backed by strong growth in bio based specialities and performance chemicals.

EBITDA stood at INR 55cr (down by 18.2% YoY and down by 16.2% QoQ), EBITDA Margin contracted by 255bps YoY to 7% vs 9.5% in Q3FY21. EBITDA & Margin was impacted due to rise in power and fuel costs.

Power & Fuel costs increased 39.2% YoY (up by 7.6% QoQ) to INR 81cr.

Finance cost stood at INR 15cr vs INR 22cr in Q3FY21.

PAT stood at INR 22cr (up by 21.9% YoY and down by 41.3% QoQ) and PAT Margin contracted by 144bps YoY to 2.8% vs 4.2% in Q3FY21.

Plant Shutdown

The company has shut down the plant for 16 days for catalyst changeover. This could affected the plant operations.

Feedstock and Energy Prices pressurizing margins

The sharp spike in Steel, Coal, Crude and Ethanol prices are impacted the margin levels.

The feedstock and energy prices are remaining key risk for the business.

Q2FY22 Results update

Bio based specialities and Performance Chemicals
Bio based specialities and performance chemicals segments bounced backed in terms of sales as well as margins.

The good sales witnessed in Glycols, Glycol Ethers and Glycol Acetates

Bio based specialities and Performance chemicals segment revenue stood at INR 587cr (up by 16% YoY and up by 6.5% QoQ).

Butyl prices were high and IGL is in the position to sell in the markets.

Potable Sprits
Potable sprit revenue grew by 8% YoY to INR 175cr vs 163cr in Q3FY21.

The potable sprits growth was backed by Ethyl Alcohol and ENA.

Ennature Biopharma
Ennature Biopharma revenue was down by 26.7% YoY (down by 25.9% QoQ) to INR 33cr vs INR 44cr in Q3FY21.

The Ennature Biopharma revenue impacted due to decrease in sales of Nutraceuticals.

Grain Based distillery Plants
The grain based distillery plants capex estimated ~INR 300cr.

The distillery plant capacities are 180 KLPD and 110 KLPD in Kashipur and Gorakhpur plants respectively.

Gorakhpur plants are expected to commence from 1st Apr, 2022 and Kashipur Plants are expected to commence from Jun, 2022.

The plants IRR is expected within 3 years.

The management also focused to setup another 200 KLPD distillery capacity in Gorakhpur. The capex will be announced in Q1FY23.

Excise Policy in Delhi
The management mentioned there is no change in excise policy for next year. This could impact the IMFL business.

Q2FY22 Results update

Speciality Amines Business

The speciality amines project sanctioned with plant modifications. The backward integration for speciality amines will be the great potential for the company.

IGL has collaboration with Lanzatech for Carbon smart products. Lanzatech is currently setting up facilities in India and logistics restrictions are there due to movability from china.

8-10 companies are shown interest to collaborate with IGL, IGL might collaborate with them for technology.

Ethanol Prices

The ethanol prices increased from US$ 1.4/gallon to US$ 3.2/gallon from mid of 2021 to Nov 2021.

The company landed prices have been significantly lower than spot prices due to contracts and planning.

The bio ethanol prices are softening from peak, but prices still holding strong and expected to be supported for near term.

Bio Ethanol Scenario

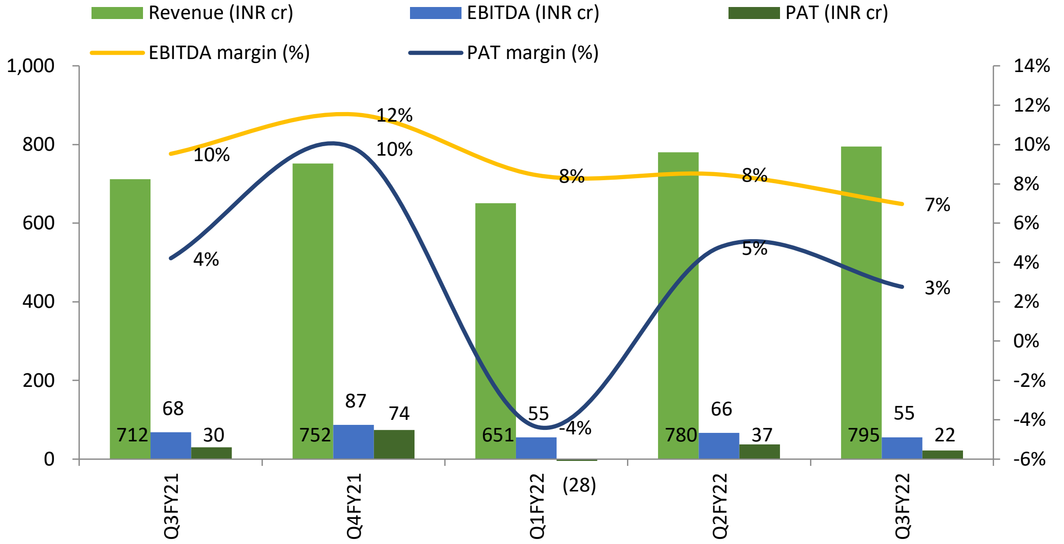
Ukraine is one of the largest exporters of wheat and corn. Fears that the Ukraine invasion could curb exports.

The blending increased in fuel due to rising in crude prices.

Other Highlights

Ind-Ra has upgraded company's long term rating to A with stable outlook.

The company continue to invest R&D to bolster R&D infrastructure.



In Q1FY22, exceptional items (INR ~240cr) excluded in above chart

Source: Company reports, Arihant Capital Research

Key Risks

Excise duty for Potable Sprits: The change in excise duty would have more sensitivity to the Potable liquor business. Potable sprits segments accounts for 27.4% of revenue share in FY21 and expected to increase further. The excise duty stood at 81% to 83% of potable sprits revenue in FY18-FY21. The excise duty policy remains a key risk for the business.

Increase in Coal & Steel Prices: East and central part of India saw the worst rain in the last 127 years which impacted the coal situation which led to the coal crisis in India. The shortage in coal leads to sharp spike in coal prices at global levels. The increase in coal prices would impact on business margin levels. The steel prices were up 40% YoY compared to last year November 2021. Rising in steel prices also impact the margin levels.

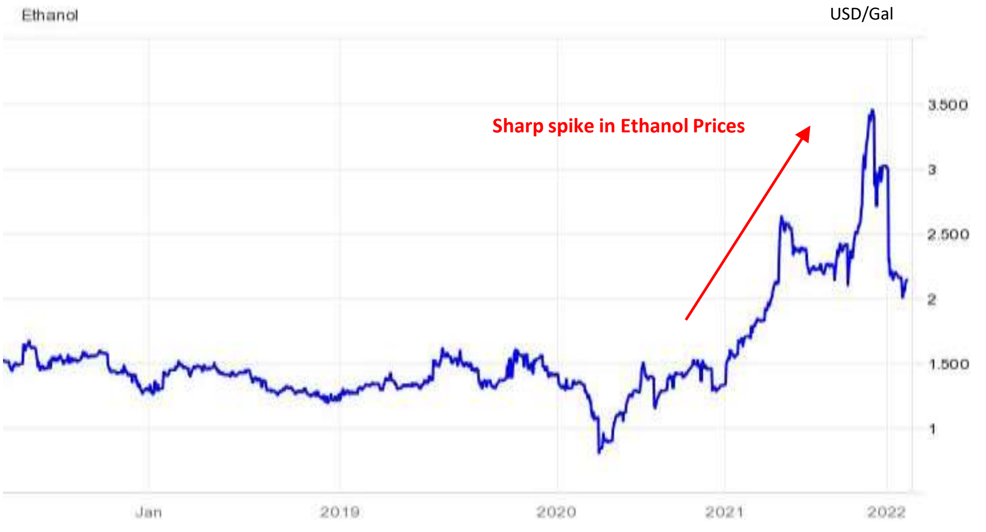
Source: Industry, Arihant Capital Research

CNY – Chinese Yuan

Key Risks

Increase in Ethanol and Acetic Acid Prices: Ethanol is important feedstock for India Glycols Ltd, the prices went up 60% YoY compared to last year November (2021). The increase in Ethanol prices would impact the margin levels of the business.

The Acetic Acid Prices went up 100% YoY compared to last year November (2021), due to surge in the feedstock methanol prices, Higher freight charge due to container shortage.



Source: Industry, Arihant Capital Research
Gal – Gallons

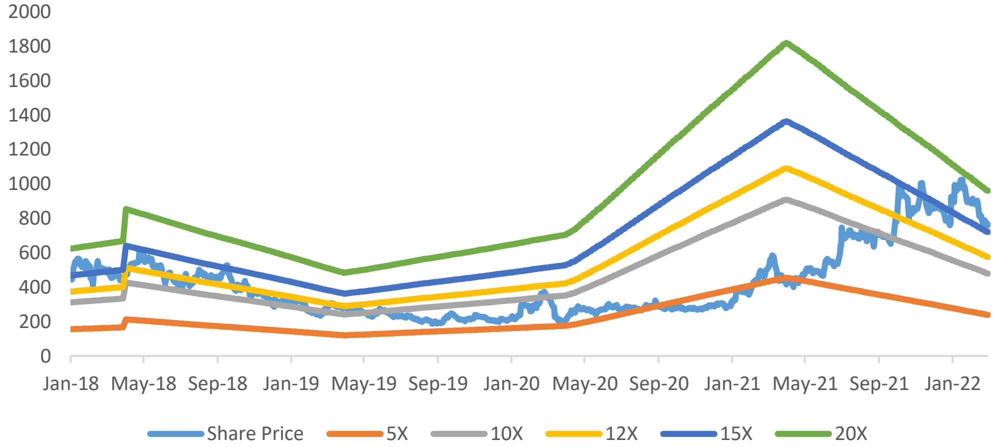
Covid-19 Impact: The rise in covid cases might cause the government to impose lockdowns at country levels which will impact plant operations and movement of goods. This could adversely impact revenue of the business.

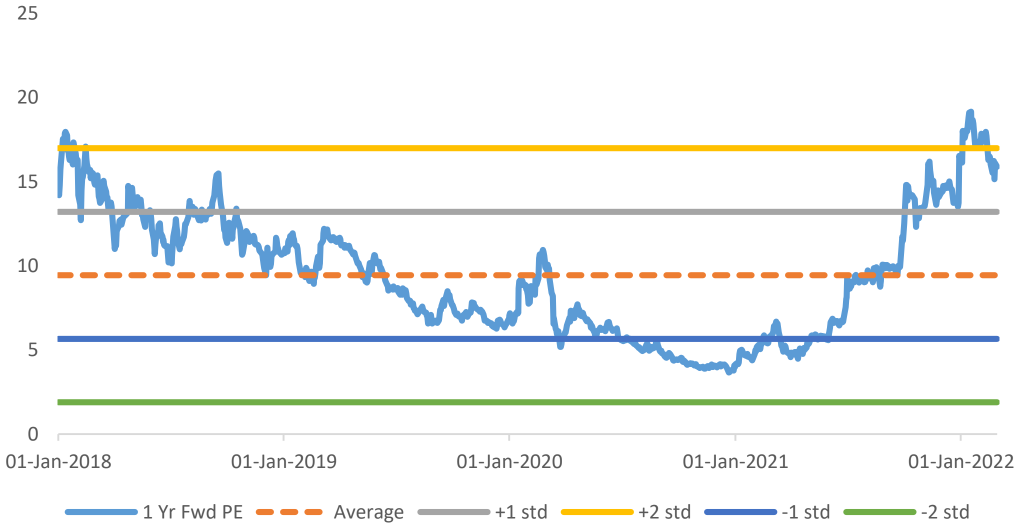
Valuation & Outlook

IGL has built a strong product portfolio over the years and has become a leading manufacturer of of green technology based bulk specialty and performance chemicals, sprits, industrial gases, Bio polymers, Bio Fuels, Carbon smart range, Natural gums and Plant based APIs Nutraceuticals. The company has delivered strong growth (34% CAGR in FY18-FY21) in Potable sprits segment accounts for 27.4% of revenue in FY21. This segment revenue share expected to increase in going forward, and will lead to strong topline growth. The company reduced the debt significantly, which reduced the finance cost burden and strengthened the balance sheet. The grain based distillery project is expected to reduce the ethanol cost will lead to improve the margin levels. The bio fuel segment is expected to be an emerging business due to government initiatives of the ethanol blending program. The carbon smart products such as ethylene oxide and its derivatives are expected to generate strong cash flows. The transfer of EOD business to Clariant (JV) which is expected to create value in going forward.

At the CMP of INR 763 per share, the stock is trading at a P/E multiple of 8.4x/15.4x/11.0x its FY22E/FY23E/FY24E EPS of INR 91.0/49.6/69.6 respectively. We initiate coverage with a BUY rating at a TP of INR 1,071 per share; valued at PE multiple 15.4x and its FY24E EPS of INR 69.6; an upside of 40.4%.

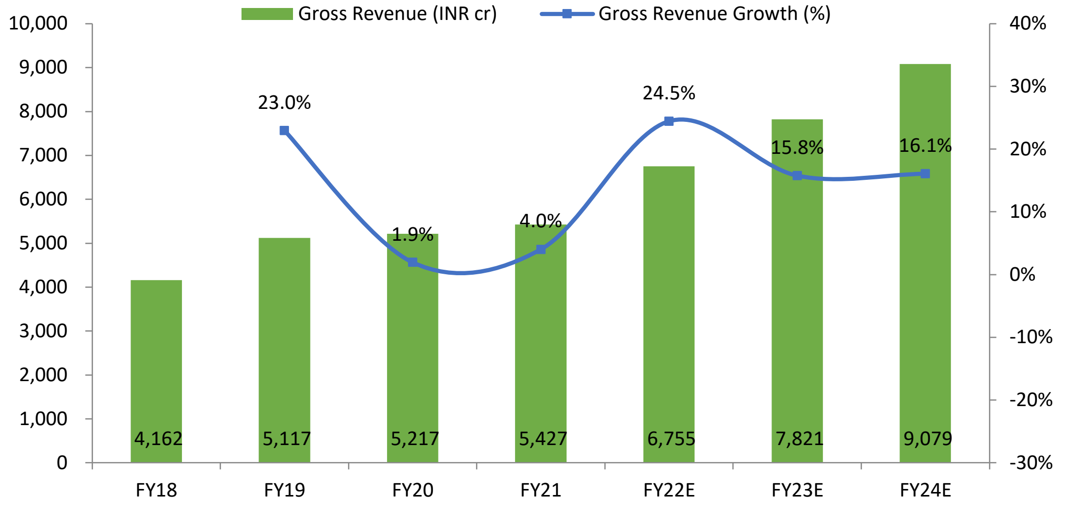
PE Valuation Plot

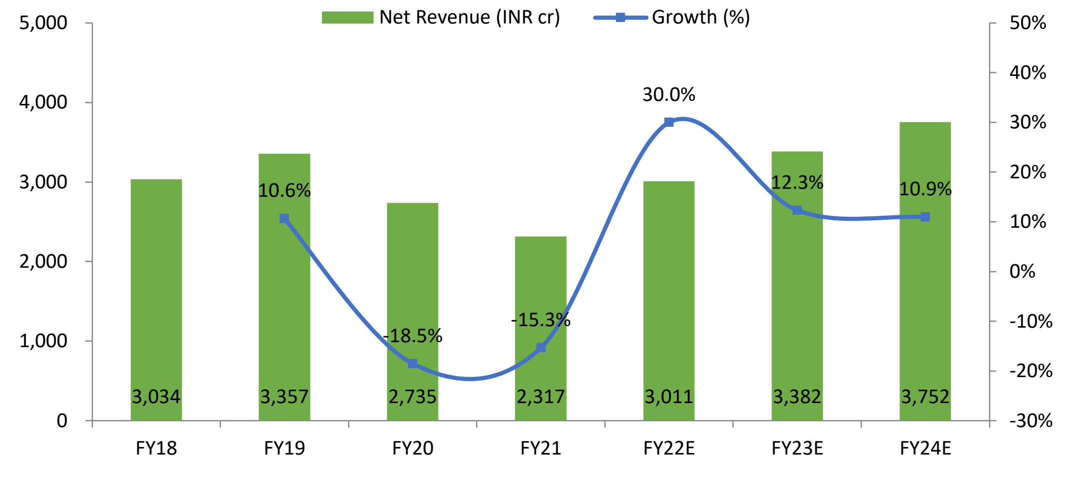


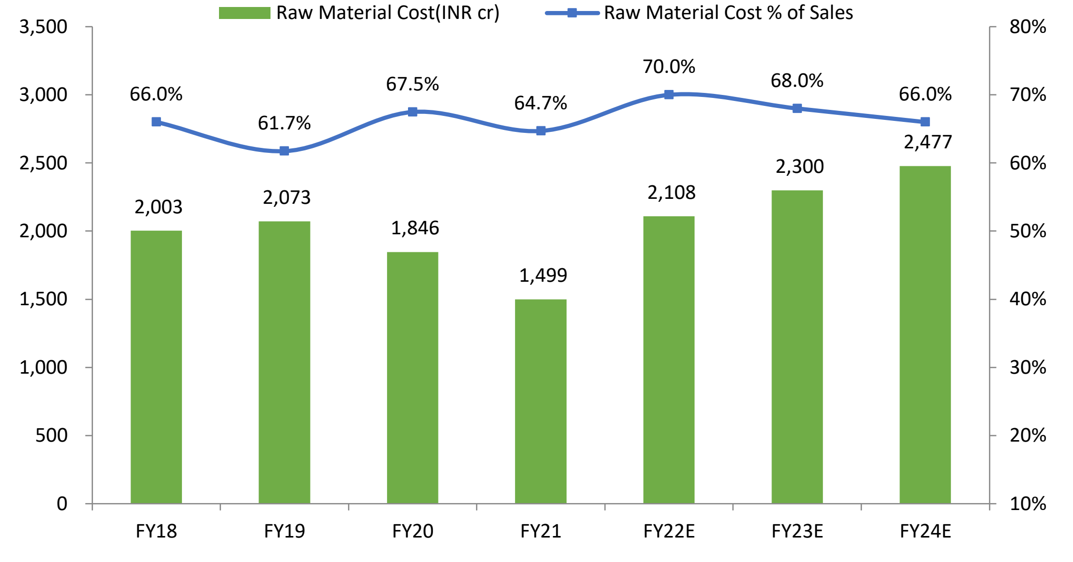


Source: AceEquity, Arihant Capital Research

Story In Charts

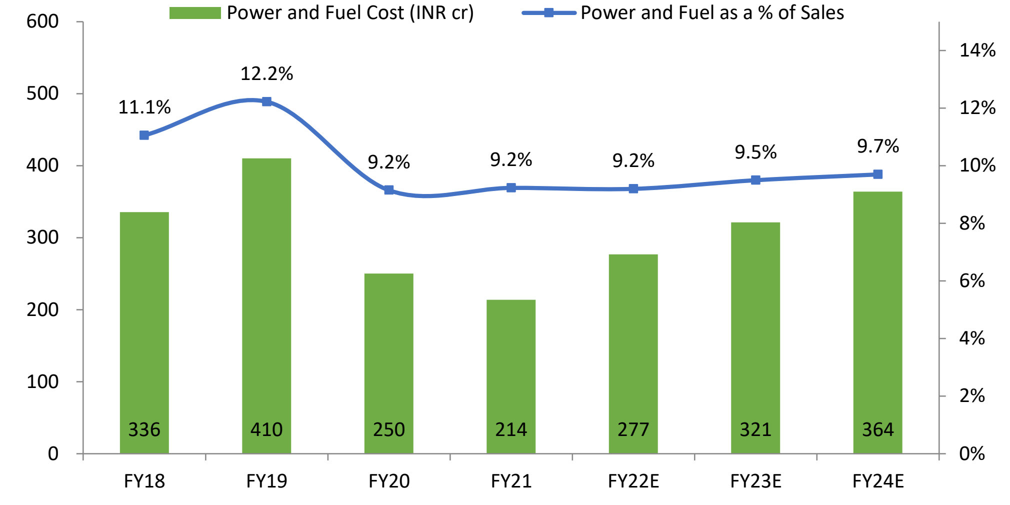


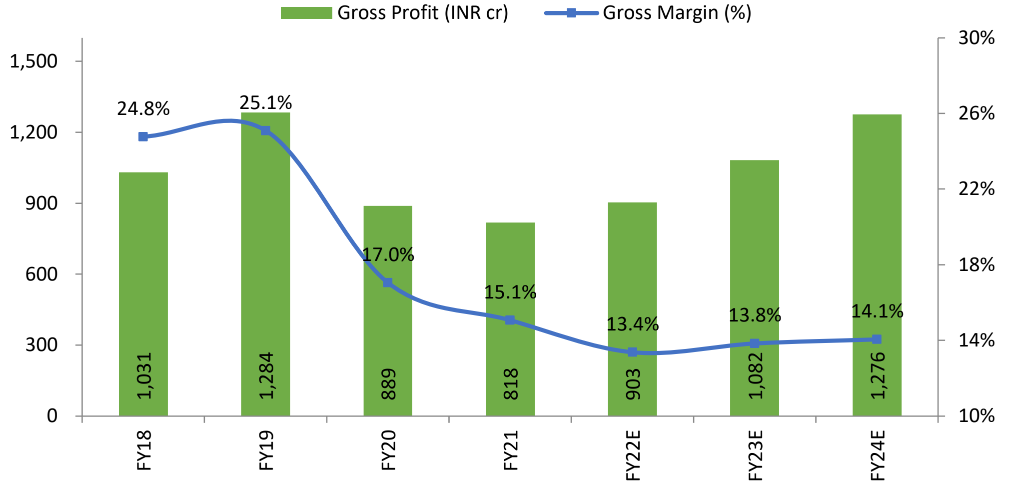


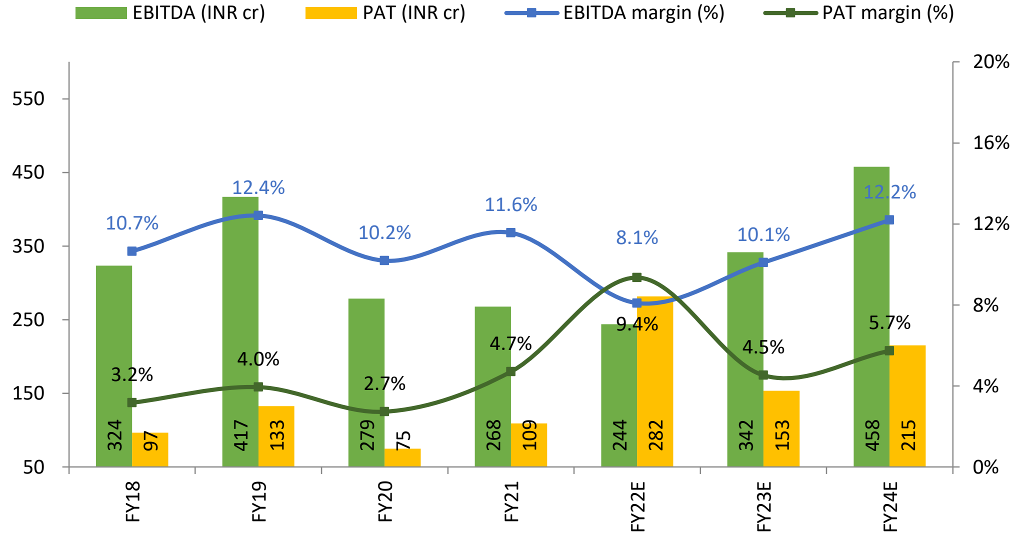


Source: Company Reports, Arihant Capital Research

Story In Charts

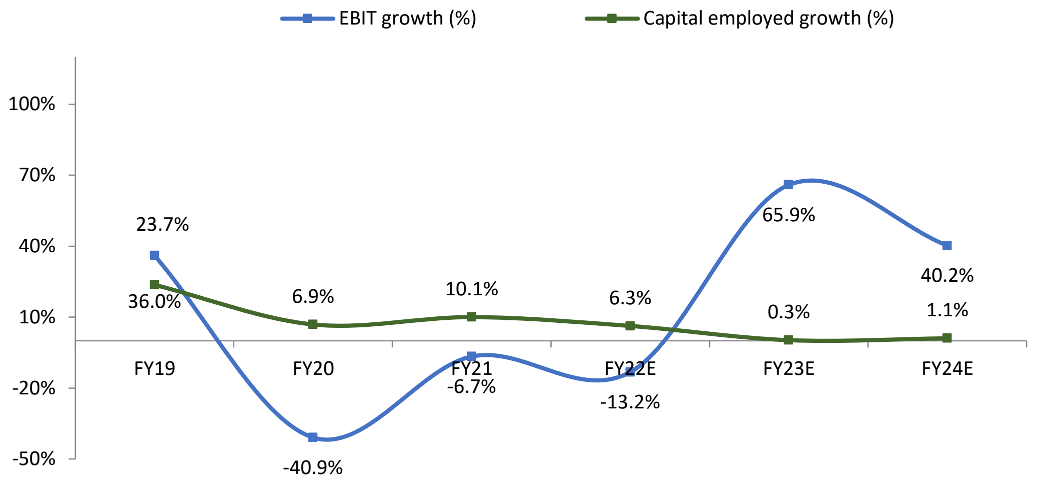


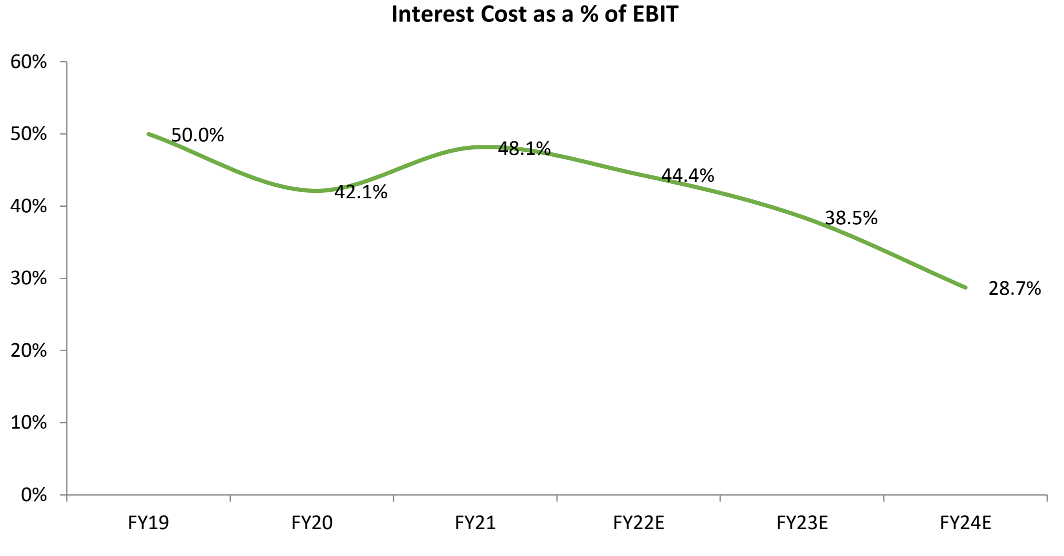


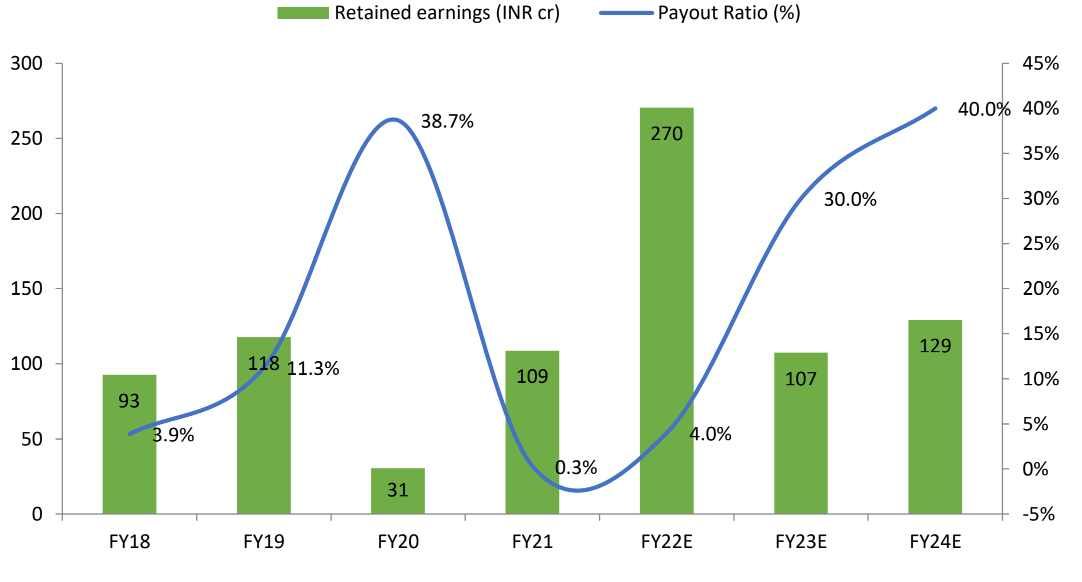


Source: Company Reports, Arihant Capital Research

Story In Charts

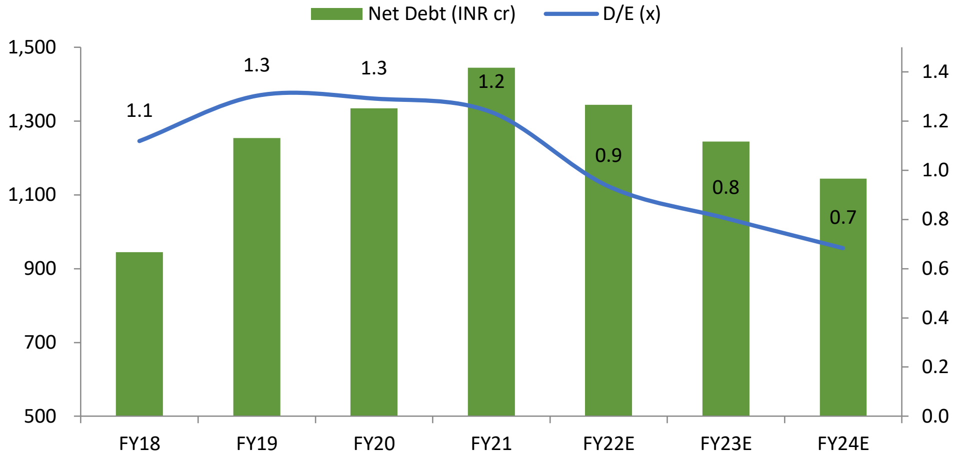


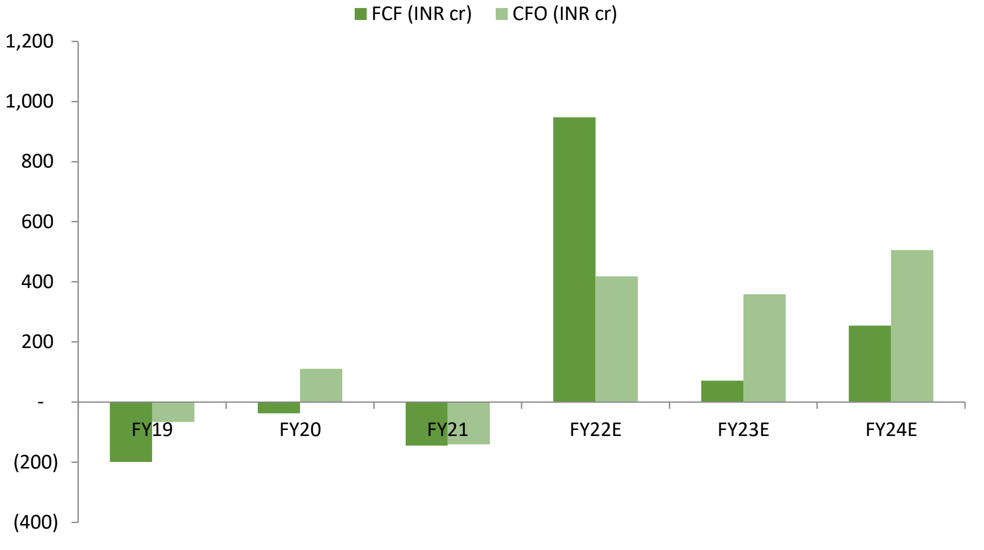


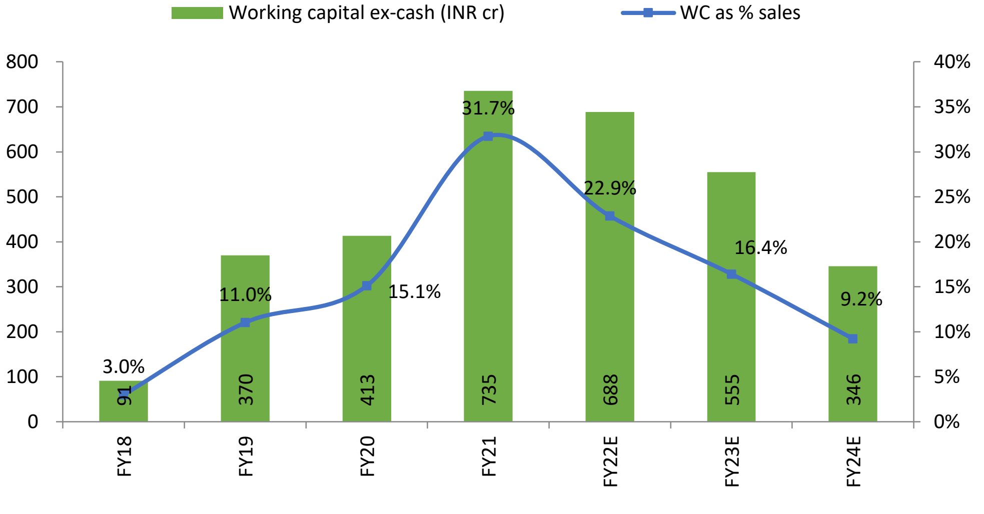


Source: Company Reports, Arihant Capital Research

Story In Charts

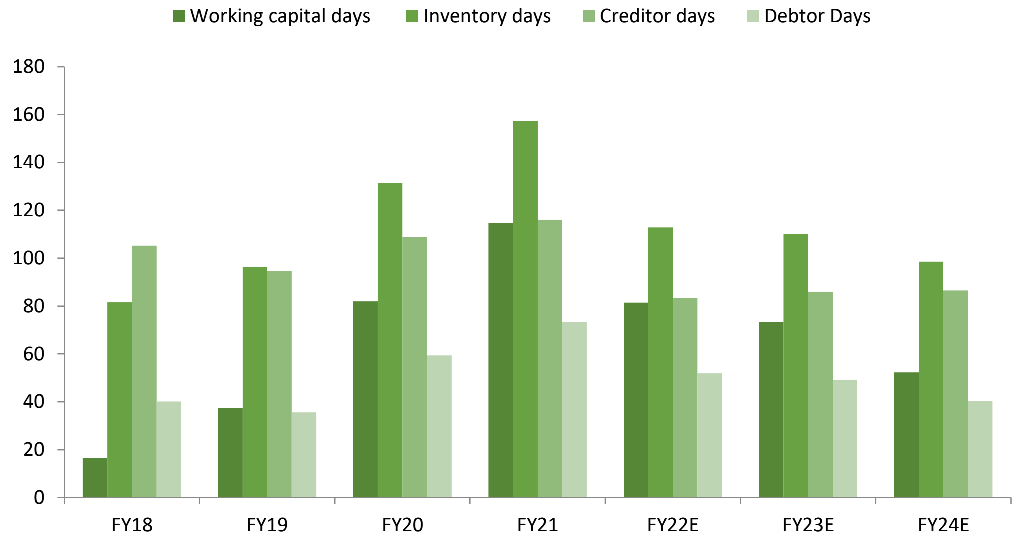


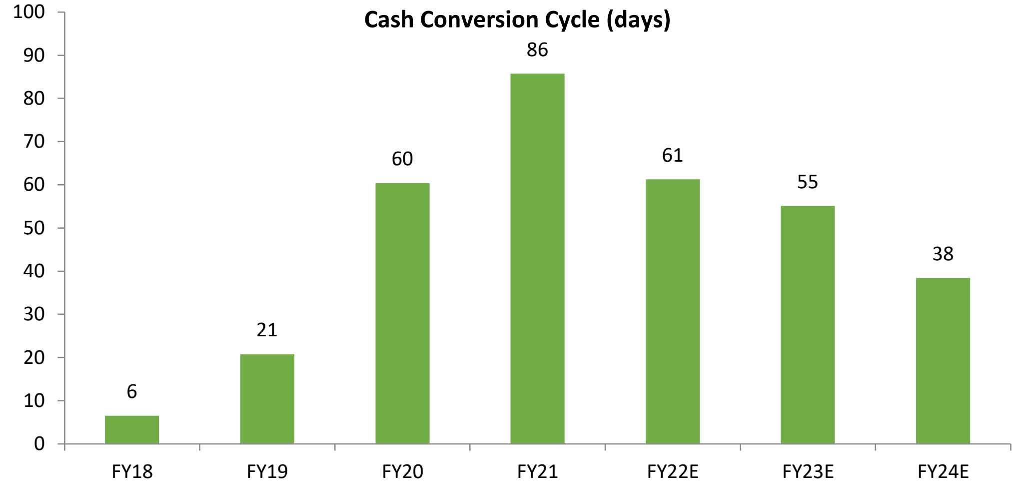


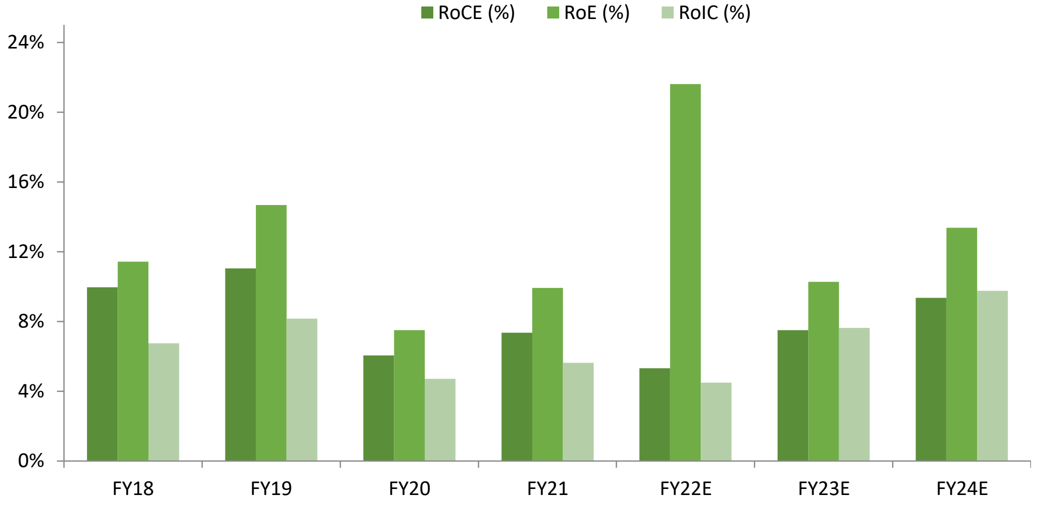


Source: Company Reports, Arihant Capital Research

Story In Charts







Source: Company Reports, Arihant Capital Research

Financial Statements

Income statement summary

Y/e 31 Mar (INR cr)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Revenue	3,034	3,357	2,735	2,317	3,011	3,382	3,752
Net Raw Materials	2,003	2,073	1,846	1,499	2,108	2,300	2,477
Power & Fuel	336	410	250	214	277	321	364
Employee Cost	97	101	93	83	99	108	116
Other Expenses	275	356	267	253	283	311	338
EBITDA	**324**	**417**	**279**	**268**	**244**	**342**	**458**
EBITDA (%)	**10.7%**	**12.4%**	**10.2%**	**11.6%**	**8.1%**	**10.1%**	**12.2%**
Depreciation	(73)	(76)	(78)	(80)	(81)	(71)	(78)
Interest expense	(125)	(143)	(97)	(83)	(63)	(78)	(72)
Other income	23	17	9	15	21	20	19
Exceptional Items	-	-	-	-	240	-	-
Share of profits associate & JV	(1)	(1)	(0)	1	-	-	-
Profit before tax	**147**	**213**	**113**	**120**	**361**	**213**	**326**
Taxes	(51)	(81)	(38)	(11)	(79)	(60)	(111)
Minorities and other	-	-	-	-			
Net profit	**97**	**133**	**75**	**109**	**282**	**153**	**215**
PAT from discontinued operations	-	-	40	22	-	-	-
Reported Netprofit	**97**	**133**	**115**	**132**	**282**	**153**	**215**
Reported Netprofit Margin (%)	**3.2%**	**4.0%**	**4.2%**	**5.7%**	**9.4%**	**4.5%**	**5.7%**
Other Comprehensive income	0	(0)	(1)	3	-	-	-
Net profit	**97**	**132**	**113**	**135**	**282**	**153**	**215**
EPS (INR)	31	43	37	43	91	50	70

Source: Company Reports, Arihant Capital Research

Balance sheet summary

Y/e 31 Mar (INR cr)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Equity capital	31	31	31	31	31	31	31
Reserves	814	932	1,003	1,138	1,408	1,515	1,645
Net worth	**845**	**963**	**1,034**	**1,169**	**1,439**	**1,546**	**1,676**
Provisions	11	11	14	9	4	5	5
Debt	945	1,254	1,335	1,444	1,344	1,244	1,144
Other non-current liabilities	691	656	613	619	662	609	600
Total Liabilities	**2,492**	**2,884**	**2,996**	**3,241**	**3,450**	**3,404**	**3,426**
Fixed assets	2,155	2,165	2,201	2,171	1,566	1,766	1,926
Capital Work In Progress	89	137	172	126	121	138	152
Other Intangible assets	0	0	2	2	2	2	2
Investments	79	79	83	83	105	101	94
Other non current assets	18	17	33	27	30	27	23
Net working capital	**38**	**312**	**354**	**684**	**628**	**494**	**282**
Inventories	448	647	682	610	693	693	645
Sundry debtors	334	322	569	362	495	417	411
Loans & Advances	8	26	26	26	30	34	38
Other current assets	178	218	167	564	454	371	226
Sundry creditors	(781)	(743)	(722)	(581)	(682)	(750)	(812)
Other current liabilities & Prov	(149)	(157)	(369)	(297)	(361)	(271)	(225)
Cash	59	116	92	98	937	815	884
Other Financial Assets	53	57	60	51	60	61	64
Total Assets	**2,492**	**2,884**	**2,996**	**3,241**	**3,450**	**3,404**	**3,426**

Source: Company Reports, Arihant Capital Research

Financial Statements

Cashflow summary

Y/e 31 Mar (INR cr)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Profit before tax	147	213	113	120	361	213	326
Depreciation	73	76	78	80	81	71	78
Tax paid	(51)	(81)	(38)	(11)	(79)	(60)	(111)
Working capital Δ	(38)	(274)	(41)	(330)	56	134	212
Change in Goodwill	-	-	-	-	-	-	-
Operating cashflow	**132**	**(66)**	**111**	**(141)**	**418**	**358**	**506**
Capital expenditure	(2,318)	(133)	(148)	(4)	529	(288)	(252)
Free cash flow	**(2,186)**	**(199)**	**(37)**	**(145)**	**947**	**71**	**254**
Equity raised	752	(0)	41	26	-	-	0
Investments	(79)	(0)	(3)	0	(23)	4	8
Others	(71)	(3)	(20)	14	(12)	2	2
Debt financing/disposal	945	309	81	110	(100)	(100)	(100)
Dividends paid	(4)	(15)	(44)	(0)	(11)	(46)	(86)
Other items	701	(34)	(40)	1	38	(53)	(8)
Net Δ in cash	**59**	**57**	**(24)**	**6**	**839**	**(122)**	**69**
Opening Cash Flow	**-**	**59**	**116**	**92**	**98**	**937**	**815**
Closing Cash Flow	**59**	**116**	**92**	**98**	**937**	**815**	**884**

Source: Company Reports, Arihant Capital Research

Ratio analysis

Y/e 31 Mar (INR cr)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Growth matrix (%)							
Revenue growth		10.6%	-18.5%	-15.3%	30.0%	12.3%	10.9%
Op profit growth		28.9%	-33.1%	-3.9%	-9.0%	40.0%	34.0%
Net profit growth		37.4%	-13.5%	14.8%	114.1%	-45.5%	40.4%
Profitability ratios (%)							
OPM	10.7%	12.4%	10.2%	11.6%	8.1%	10.1%	12.2%
Net profit margin	3.2%	4.0%	4.2%	5.7%	9.4%	4.5%	5.7%
RoCE	10.0%	11.0%	6.1%	7.4%	5.3%	7.5%	9.3%
RoNW	11.4%	14.7%	7.5%	9.9%	21.6%	10.3%	13.4%
RoA	3.9%	4.6%	2.5%	3.4%	8.2%	4.5%	6.3%
Per share ratios (INR)							
EPS	31.2	42.8	36.6	43.5	91.0	49.6	69.6
Dividend per share	1.2	4.8	14.3	0.1	3.6	14.9	27.8
Cash EPS	54.8	67.5	49.2	61.1	117.1	72.5	94.9
Book value per share	273.0	310.9	333.9	377.4	464.8	499.5	541.2
Valuation ratios (x)							
P/E	24.5	17.8	20.8	17.5	8.4	15.4	11.0
P/CEPS	13.9	11.3	15.5	12.5	6.5	10.5	8.0
P/B	2.8	2.5	2.3	2.0	1.6	1.5	1.4
EV/EBITDA	9.8	8.2	12.6	13.5	10.9	7.9	5.5
Payout (%)							
Dividend payout	3.9%	11.3%	59.2%	0.4%	4.0%	30.0%	40.0%
Tax payout	34.4%	37.8%	33.6%	9.4%	22.0%	28.0%	34.0%
Liquidity ratios							
Debtor days	40	36	59	73	52	49	40
Inventory days	82	96	131	157	113	110	99
Creditor days	105	95	109	116	83	86	87
WC Days	17	37	82	115	81	73	52
Leverage ratios (x)							
Interest coverage	2.0	2.4	2.1	2.3	2.6	3.5	5.3
Net debt / equity	1.0	1.2	1.2	1.2	0.3	0.3	0.2
Net debt / op. profit	2.7	2.7	4.5	5.0	1.7	1.3	0.6

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	Arihant House
Andheri Ghatkopar Link Road	E-5 Ratlam Kothi
Chakala, Andheri (E)	Indore - 452003, (M.P.)
Mumbai – 400093	Tel: (91-731) 3016100
Tel: (91-22) 42254800	Fax: (91-731) 3016199
Fax: (91-22) 42254880	

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