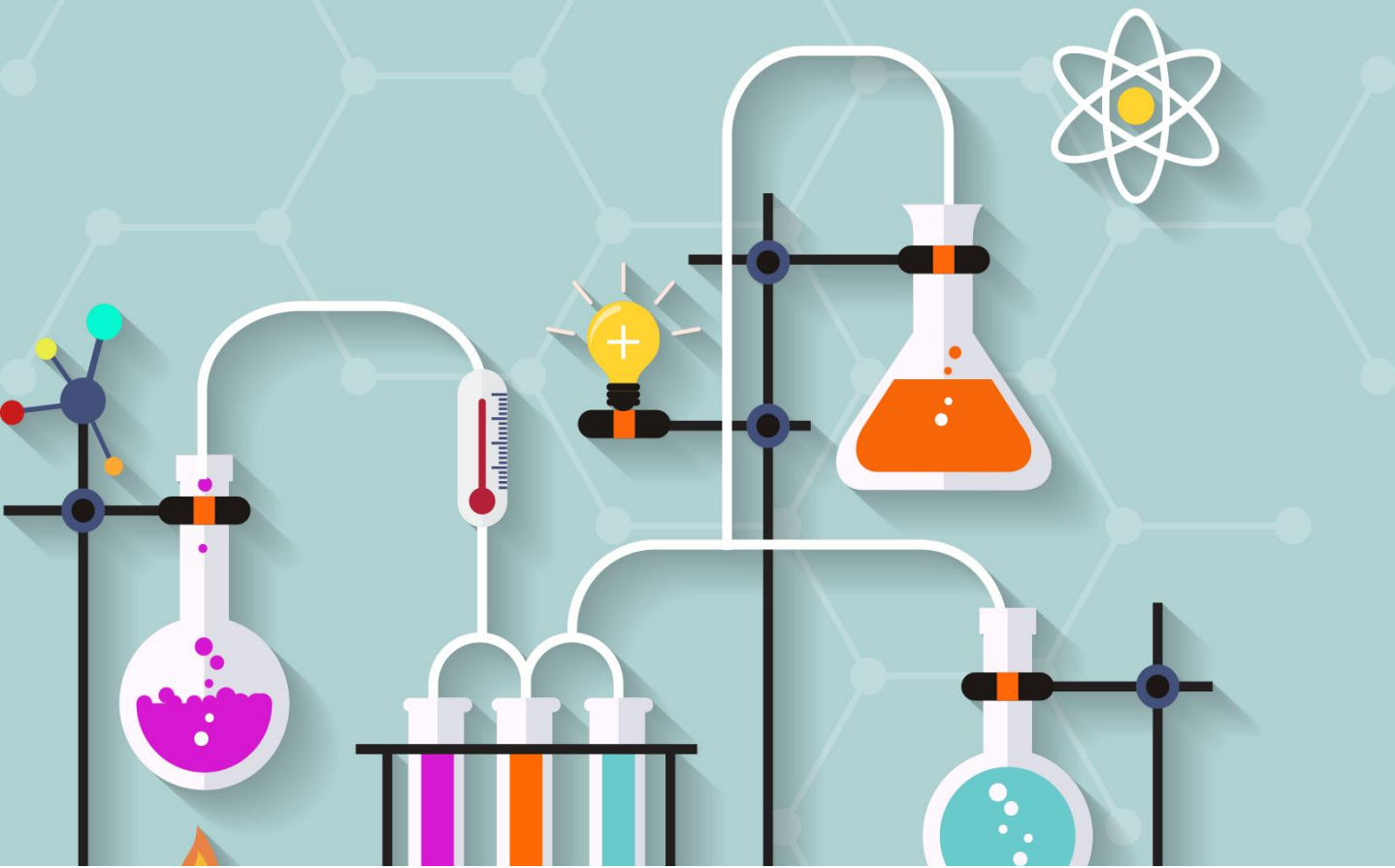


# I G Petrochemicals Ltd.



**RESULT UPDATE**

2<sup>nd</sup> August, 2018

# IG Petrochemicals Ltd.

**Growth momentum to continue!**

CMP <b>INR 466</b>	Target <b>INR 662</b>	Potential Upside <b>42%</b>	Market Cap (INR mn) <b>14,338</b>	Recommendation <b>BUY</b>	Sector <b>Commodity Chemicals</b>
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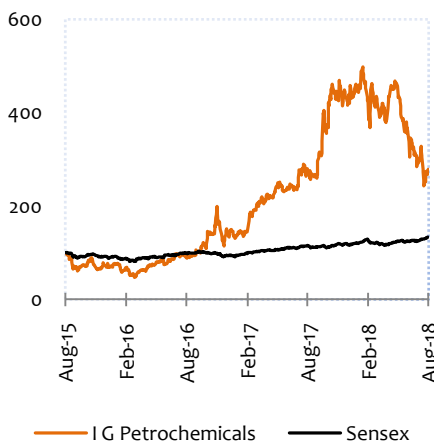
## Result highlights

- The company reported top line for the quarter at INR 3509 mn which was up 19% YoY and 12% QoQ driven mainly by higher realizations and increased demand from the end user segment.
- EBIDTA during the quarter stood at INR 847 mn (+20% YoY; +33% QoQ) with OPM at 24.1% improving by 34 bps YoY and 377 bps QoQ.
- PAT for came in at INR 402 mn as against INR 391 mn in Q1FY18 and INR 334 mn in Q4FY18 and was broadly in line with our estimates of INR 410 mn. However, the growth in the bottom line was limited due to an exceptional item pertaining to impairment in the value of investments and higher taxes. Likewise, NPM came in at 11.5% declining by 175 bps YoY.

## MARKET DATA

Shares outs (mn)	30
Equity Cap (INR mn)	308
Mkt Cap (INR mn)	14338
52 Wk H/L (INR)	840/395
Volume Avg (3m K)	46.6
Face Value (INR)	10
Bloomberg Code	IGPL IN

## SHARE PRICE PERFORMANCE



## MARKET INFO

SENSEX	37522
NIFTY	11346

## Exhibit 1: KEY FINANCIALS

Particulars (INR mn)	FY15	FY16	FY17	FY18	FY19E	FY20E
Revenue	11,866	9,528	10,375	11,442	12,252	16,762
EBITDA	803	1,132	1,682	2,673	2,827	3,554
PAT	89	602	1,016	1,460	1,602	2,038
EBITDA Margin	6.8%	11.9%	16.2%	23.4%	23.1%	21.2%
PAT Margin	0.7%	6.3%	9.8%	12.8%	13.1%	12.2%
EPS	2.9	19.5	33.0	47.4	52.0	66.2
P/E	18.6	5.3	11.4	9.8	9.0	7.0

Source: Company, KRChoksey Research

**Robust growth on back of capacity addition plans:** During Q1FY19, net sales for the company came in at INR 3509 mn as against INR 2959 mn in Q1FY18 and INR 3128 mn in Q4FY18. The growth in the top line was attributed by higher realizations coupled with increased infrastructural activities driving demand for Phthalic Anhydride (PAN). Further, on account of Company's dominant presence in India combined with capacity expansion plans (PAN addition of 53,000 Tons Per Annum) and foray into downstream products (plasticizers), we believe IGPL would be one of the key beneficiaries in favorable market scenario. Likewise, we expect volumes/ revenue to grow at CAGR of 14.5%/21.0% over FY18-FY20E.

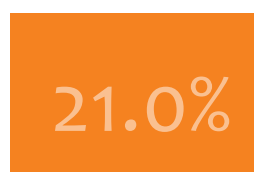
**Beats estimates on operational front:** The Company outperformed on the EBITDA front standing at INR 847 mn registering a growth of 20% YoY and 33% QoQ. On account of increase in spread between orthoxylyene (OX) prices and PAN prices coupled with operational efficiencies, EBITDA margin stood at 24.1% beating our estimates of 22.4% witnessing an expansion of 34 bps YoY and 377 bps QoQ. Further, at PAT level, due to one off exceptional item pertaining to impairment in investment value of subsidiary, NPM came in at 11.5%, decline of 175 bps YoY. However, on absolute terms, bottom line grew by 3% YoY and 20% QoQ standing at INR 402 mn almost in line with our estimates of INR 410 mn.

**Valuation & Outlook:** Going forward, we expect Revenue/EBITDA/PAT to grow at 21.02%/15.3%/18.1% over FY18-FY20E on the back of 1) favorable demand scenario (domestic PAN industry is expected to grow at 6% CAGR over FY18-FY20E); 2) capacity addition plans resulting in higher volumes and better operating efficiencies; and 3) anticipating stable spread between OX and PAN prices. Further, we factor in a capex of INR 4,000 mn over FY18-FY20E with an asset turn of ~1.3x and estimate net debt to increase to INR ~743 mn by FY20E from INR ~400 mn in FY18 with ROCE/ROE to reach 33.3%/23.7% by FY20E from 41.6%/27.7% currently.

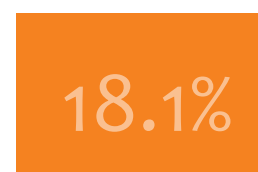
On valuation front, the company currently trades at a trailing P/E of 9.7x. At the **CMP of INR 466/share**, we value the company at **two year forward P/E of 10x** and arrive at a target price of **INR 662/ share** resulting into an **upside of 42%**. We assign an **"BUY"** rating on the stock.

## SHARE HOLDING PATTERN (%)

Particulars	Jun 18	Mar 18	Dec 17
Promoters	72.22	72.22	72.22
FIIIs	1.79	1.83	1.82
DIIIs	0.37	0.23	0.35
Others	25.62	25.73	25.61
Total	100	100	100



Revenue CAGR over FY18 and FY20E



PAT CAGR over FY18 and FY20E

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# I G Petrochemicals Ltd.

## Exhibit 2: Result Snapshot

Particulars (INR mn)	Q1FY19	Q4FY18	Q1FY18	Q-o-Q	Y-o-Y
<b>Total Sales</b>	<b>3,509</b>	<b>3,128</b>	<b>2,959</b>	<b>12.20%</b>	<b>18.60%</b>
<b>Total Expenditure</b>	<b>2,663</b>	<b>2,491</b>	<b>2,255</b>	<b>6.90%</b>	<b>18.06%</b>
Cost of Raw Materials	2,259	1,822	1,895	23.99%	19.19%
Purchase of Stock in trade	54	223	-	-75.88%	N.A
Changes in inventory, FGs, WIPs	(50)	38	(1)	-232.70%	6686.28%
Employee Benefit Expenses	164	155	125	5.61%	31.29%
Other expenses	236	253	236	-6.70%	-0.04%
<b>PBIDT (Excl OI)</b>	<b>847</b>	<b>637</b>	<b>704</b>	<b>32.95%</b>	<b>20.32%</b>
<b>EBITDA Margins (%)</b>	<b>24.1%</b>	<b>20.4%</b>	<b>23.8%</b>	<b>377bps</b>	<b>34bps</b>
Depreciation	63	68	59	-7.78%	5.93%
Other Income	14	13	10	8.49%	43.33%
<b>EBIT before Exceptional Item</b>	<b>798</b>	<b>582</b>	<b>655</b>	<b>37.16%</b>	<b>21.97%</b>
Exceptional Items	95	-	-	N.A	N.A
<b>EBIT after Exceptional Item</b>	<b>703</b>	<b>582</b>	<b>655</b>	<b>20.84%</b>	<b>7.46%</b>
Interest	25	28	52	-10.16%	-52.20%
<b>EBT</b>	<b>679</b>	<b>554</b>	<b>603</b>	<b>22.39%</b>	<b>12.61%</b>
Tax	276	220	212	25.34%	30.60%
<b>PAT</b>	<b>402</b>	<b>334</b>	<b>391</b>	<b>20.44%</b>	<b>2.88%</b>
<b>PAT Margin (%)</b>	<b>11.5%</b>	<b>10.9%</b>	<b>13.2%</b>	<b>58bps</b>	<b>-175bps</b>
<b>EPS</b>	<b>13.1</b>	<b>10.8</b>	<b>12.7</b>	<b>20.44%</b>	<b>2.88%</b>

Source: Company, KRChoksey Research

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# I G Petrochemicals Ltd.

## Exhibit 3: Financials

Income Statement (INR mn)	FY15	FY16	FY17	FY18	FY19E	FY20E
<b>Net Revenues</b>	11866	9528	10375	11442	12252	16762
Cost Of Revenues (incl Stock Adj)	10012	7341	7512	7275	7801	11036
<b>Gross Profit</b>	<b>1854</b>	<b>2188</b>	<b>2863</b>	<b>4167</b>	<b>4451</b>	<b>5726</b>
Employee Cost	285	298	391	558	613	797
Other Operating Expenses	767	758	790	936	1011	1374
<b>EBITDA</b>	<b>803</b>	<b>1132</b>	<b>1682</b>	<b>2673</b>	<b>2827</b>	<b>3554</b>
Other Income	67	36	32	37	37	51
Depreciation	175	211	257	311	369	175
<b>EBIT</b>	<b>992</b>	<b>1503</b>	<b>2453</b>	<b>2553</b>	<b>3236</b>	<b>992</b>
Net Interest Exp.	227	182	149	162	194	227
<b>EBT</b>	<b>324</b>	<b>765</b>	<b>1320</b>	<b>2304</b>	<b>2392</b>	<b>3042</b>
Taxes	24	164	303	843	789	1004
<b>Net Income</b>	<b>300</b>	<b>602</b>	<b>1017</b>	<b>1460</b>	<b>1602</b>	<b>2038</b>
<b>Basic &amp; Diluted EPS (INR)</b>	<b>3</b>	<b>20</b>	<b>33</b>	<b>47</b>	<b>52</b>	<b>66</b>

Source: Company, KRChoksey Research

Balance Sheet (INR mn)	FY15	FY16	FY17	FY18	FY19E	FY20E
<b>SOURCES OF FUNDS</b>						
Share Capital	308	308	308	308	308	308
Reserves	2080	2608	3608	4970	6437	8303
<b>Total Shareholders Funds</b>	<b>2388</b>	<b>2916</b>	<b>3916</b>	<b>5278</b>	<b>6745</b>	<b>8611</b>
Long Term Borrowings	1078	922	600	292	882	528
Net Deferred Tax liability	0	0	20	371	371	371
Other long term liabilities	0	0	0	375	375	375
Long term provisions	15	18	19	28	30	41
<b>Current Liabilities and Provisions</b>						
Short term borrowings	226	3	24	327	987	591
Trade Payables	1963	1542	1707	1498	1624	2328
Other Current Liabilities	319	298	75	133	143	195
Short Term Provisions	51	86	9	8	9	12
<b>Total Current Liabilities</b>	<b>2559</b>	<b>1929</b>	<b>2026</b>	<b>2252</b>	<b>3048</b>	<b>3412</b>
<b>Total Liabilities</b>	<b>6041</b>	<b>5785</b>	<b>6582</b>	<b>8596</b>	<b>11452</b>	<b>13339</b>
<b>APPLICATION OF FUNDS :</b>						
Net Block	3268	3222	3239	4009	6699	7330
Capital Work in Progress	8	44	112	886	886	886
Goodwill	0	0	0	20	20	20
Intangible Assets Under Development	0	0	0	6	6	6
Investment in Joint Venture	0	0	87	87	87	87
Non-current investments	1	1	81	101	101	101
Other Non-Current Assets	0	0	164	336	336	336
Long Tern Loans & Advances	204	214	0	0	0	0
<b>Current Assets, Loans &amp; Advances</b>						
Current Investment	0	0	0	407	407	407
Inventories	866	896	966	944	1012	1391
Sundry Debtors	1452	1088	1498	1388	1511	2112
Cash and Bank	182	170	299	217	178	376
Loans and Advances	61	150	26	9	10	13
Other Current assets	0	0	111	186	199	272
<b>Total Current Assets</b>	<b>2560</b>	<b>2304</b>	<b>2899</b>	<b>3151</b>	<b>3317</b>	<b>4573</b>
<b>Total Assets</b>	<b>6041</b>	<b>5785</b>	<b>6582</b>	<b>8596</b>	<b>11452</b>	<b>13339</b>

Source: Company, KRChoksey Research

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## I G Petrochemicals Ltd.

Cash Flow Statement (INR mn)	FY15	FY16	FY17	FY18	FY19E	FY20E
<b>PBT &amp; Extraordinary</b>	324	765	1320	2303	2392	3042
Depreciation	164	175	172	257	311	369
(Inc)/ Dec in Working Capital	112	(230)	(275)	153	(67)	(287)
Taxes	(8)	(171)	(282)	(406)	(789)	(1004)
Others	(0)	0	(0)	149	162	194
<b>Cash from Operations</b>	<b>743</b>	<b>694</b>	<b>955</b>	<b>2044</b>	<b>2008</b>	<b>2314</b>
Purchase of Fixed Assets	(277)	(94)	(336)	(1028)	(3000)	(1000)
Others	1	3	(40)	(800)	0	0
<b>Cash from Investing</b>	<b>(237)</b>	<b>(62)</b>	<b>(348)</b>	<b>(1848)</b>	<b>(3000)</b>	<b>(1000)</b>
Proceeds from issue of shares	0	0	0	0	0	0
Borrowings (Net)	(413)	(444)	(303)	(5)	1250	(750)
Others	(196)	(200)	(175)	(273)	(297)	(366)
<b>Cash from Financing</b>	<b>(609)</b>	<b>(644)</b>	<b>(479)</b>	<b>(278)</b>	<b>953</b>	<b>(1116)</b>
Net Change in Cash	(103)	(12)	128	(81)	(39)	198
<b>BF cash</b>	<b>285</b>	<b>182</b>	<b>170</b>	<b>299</b>	<b>217</b>	<b>178</b>
<b>END Cash</b>	<b>182</b>	<b>170</b>	<b>299</b>	<b>217</b>	<b>178</b>	<b>376</b>

Source: Company, KRChoksey Research

Ratio Analysis	FY15	FY16	FY17	FY18	FY19E	FY20E
<b>Growth (%)</b>						
Total Sales	-1.5%	-19.7%	8.9%	10.3%	7.1%	36.8%
EBITDA	32.7%	41.0%	48.7%	58.9%	5.7%	25.7%
APAT	184.2%	576.5%	68.7%	43.8%	9.7%	27.2%
<b>Profitability (%)</b>						
EBITDA Margin	6.8%	11.9%	16.2%	23.4%	23.1%	21.2%
Adj. Net Profit Margin	0.7%	6.3%	9.8%	12.8%	13.1%	12.2%
ROCE	19%	26%	33%	42%	30%	33%
ROE	4%	21%	26%	28%	24%	24%
<b>Per Share Data (Rs.)</b>						
AEPS	2.9	19.5	33.0	47.4	52.0	66.2
BVPS	78	95	127	171	219	280
<b>Valuations (x)</b>						
PE(x)	18.6	5.3	11.4	9.8	9.0	7.0
P/BV (x)	0.7	1.1	3.0	2.7	2.1	1.7
<b>Turnover days</b>						
Debtor Days	45	42	53	44	45	46
Inventory Days	32	45	47	47	47	46
Payable Days	72	77	83	75	76	77
<b>Gearing Ratio</b>						
D/E	0.55	0.32	0.16	0.12	0.28	0.13

Source: Company, KRChoksey Research

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# I G Petrochemicals Ltd.

I G Petrochemicals Ltd.				Rating Legend	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
2-Aug-18	466	662	BUY	<b>Buy</b>	More than 15%
8-Feb-18	663	931	BUY	<b>Accumulate</b>	5% – 15%
				<b>Hold</b>	0 – 5%
				<b>Reduce</b>	-5% – 0
				<b>Sell</b>	Less than – 5%

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