

Witnessed strong growth, However margins remain under pressure.

CMP: INR 799

Rating: BUY

Target Price: INR 1,056

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)	2,474
52w H/L (INR)	1,153 / 597
Avg Yearly Volume (in 000')	243.1

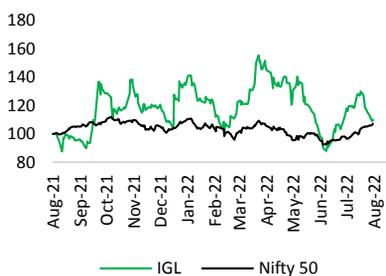
Shareholding Pattern %

(As on Jun, 2022)

Promoters	61.01
DII	5.20
FII	1.31
Public & Others	32.47

Stock Performance (%)	3m	6m	12m
IGL	-21.7	-10.0	10.0
NIFTY	9.0	1.9	7.1

IGL Vs Nifty



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India Glycols Ltd (IGL) reported strong numbers, Q1FY23 revenue stood at INR 808cr (+24.2% YoY/+25.8% QoQ); below our estimates of INR 816cr. Gross Profit stood at INR 277Cr (+40% YoY/-0.9% QoQ), Gross margins increased by 286 bps to 14.9% vs 12.0% in Q1FY22. The margin improvement mainly because of raw material cost decreased in terms of sales. The raw material cost in terms of sales stood at 65.7% vs 69.6% in Q1FY22. EBITDA stood at INR 63cr (+13.8% YoY/-21.5% QoQ); below our estimates of INR 67cr. EBITDA margin decreased by 71 bps to 7.7% vs 8.4% in Q1FY22. PAT stood at INR 28cr and PAT Margin stood at 3.4% vs -5.9% in Q1FY22.

Investment Rationale

Trail production has started at grain based distillery plants: The grain based distillery plants with capacities of 180 KLPD and 110 KLPD at Kashipur and Gorakhpur sites respectively, have started trail production and expected to achieve capacity by Sep-22. IGL is expected to meet 40% of its ethanol requirement through the grain based distilleries which is expected to reduce the ethanol cost.

Strong growth in Bio-based Specialities and Performance Chemicals (BSPC): In Q1FY23, Bio-based Specialities and Performance Chemicals has grown by 20% YoY (+27.8% QoQ) to INR 549cr, driven by strong demand across the products. The margins remain under pressure due to increase in ethanol and utility costs. The company focused on new product development and the pipeline products are Amines, Oil field plasticizers, Green solvents and others. The company has also started the NSU Phase 1 project.

Witnessed healthy growth in Potable Spirits: In Q1FY23, Potable Spirits segment grew by 36% YoY (+15.7% QoQ) to INR 205cr, The margins were impacted due to escalation in ENA and logistics costs. The company has launched Amazing Orange and Zumba Lemoni in the IMFL segment. The trail production has started in new grain based distilleries and in-house grain ENA will improve costs and options. The company has maintained leadership position in branded country liquor segment in UP (24% market share) and Uttarakhand. The Delhi excise policy remains a challenge for the IMFL segment.

Reduced dependence on thicolchicoside in Ennature Biopharma: In Q1FY23, Ennature Biopharma segment has grew by 46.4% YoY (+28% QoQ) to INR 54cr, driven by increase in API sales and reduced dependence on thicolchicoside while maintaining market share. Nicotine witnessed 4x growth driven by demand from the pharma sector.

Outlook & Valuation: IGL has witnessed strong revenue growth across segments, Grain based distillery plants would place in terms of cost and options, Strong sales in Nicotine (4x), Capex in new specialities, Setting up new R&D center, 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 799 per share, the stock is trading at a P/E multiple of 16.4x/10.9x/7.9x its FY23E/FY24E/FY25E EPS of INR 48.8/73.4/100.6 respectively. We have a "BUY" rating at a TP of INR 1,056 per share; valued at PE multiple 10.9x and its FY24E EPS of INR 100.6; an upside of 32.2%.

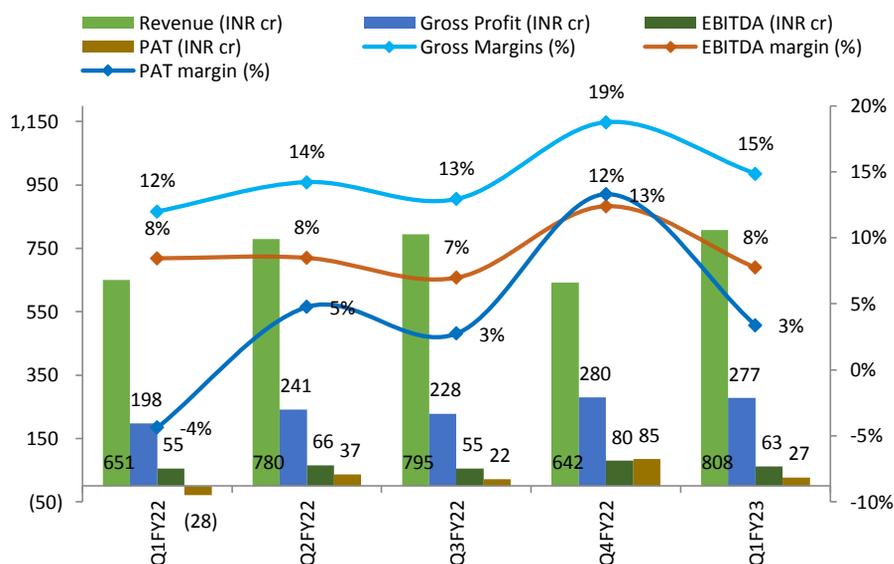
Q1FY23 Results

Income statement summary

Particular (INR cr)	Q1FY22	Q4FY22	Q1FY23	YoY (%)	QoQ (%)
Revenue	651	642	808	24.2%	25.8%
Net Raw Materials	453	362	531	17.3%	46.4%
Power & Fuel	55	120	131	136.3%	8.6%
Employee Cost	25	15	19	-22.9%	27.2%
Other Expenses	63	65	65	3.1%	0.1%
EBITDA	55	80	63	13.8%	-21.5%
EBITDA Margin (%)	8.4%	12.4%	7.7%	-71 bps	-465 bps
Depreciation	20	21	21	6.8%	3.5%
Interest expense	18	18	22	24.8%	19.8%
Other income	1	5	6		
Share of profits associate & JV	0	5	9		
Profit before tax	19	50	35	82.0%	-31.1%
Taxes	58	(35)	7		
PAT	(39)	86	28	-171.3%	-67.8%
PAT Margin (%)	-5.9%	13.3%	3.4%	936 bps	-991 bps
PAT from discontinued operations	10	-	-		
Reported Netprofit	(28)	86	28	-197.1%	-67.8%
Reported Netprofit Margin (%)	-4.4%	13.3%	3.4%	778 bps	-991 bps
Other Comprehensive income	0	(0)	(0)		
Net profit	(28)	85	27	-196.4%	-68.0%
EPS (INR)	(12)	28	9		

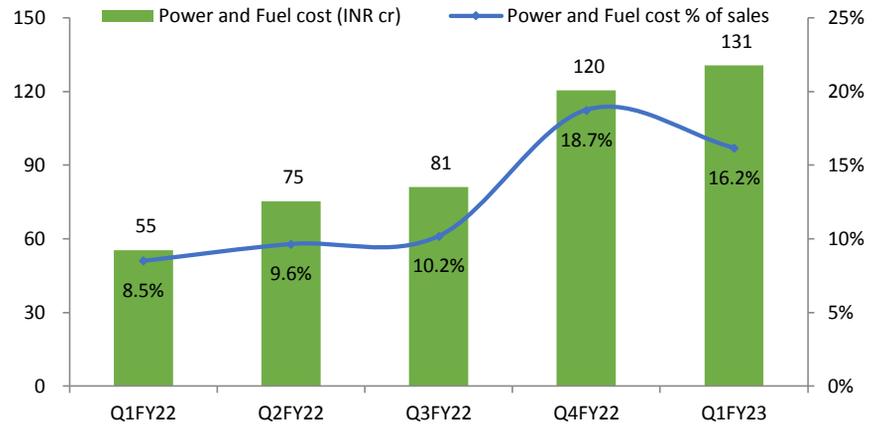
Source: Company Reports, Aриhant Capital Research

Exhibit 1: Margins are impacted due to increase in raw material and power costs.



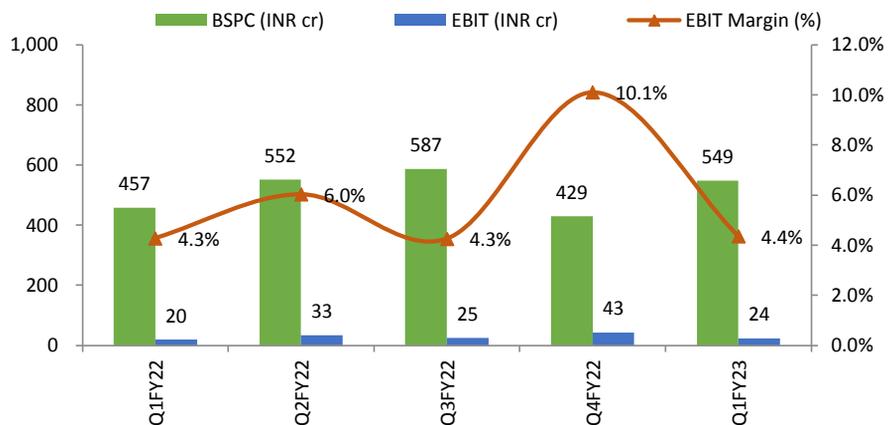
Source: Company Reports, Aриhant Capital Research
Exceptional items are excluded

Exhibit 2: Power and Fuel cost has substantially increased due to shortage of coal. The company procuring coal from private players.



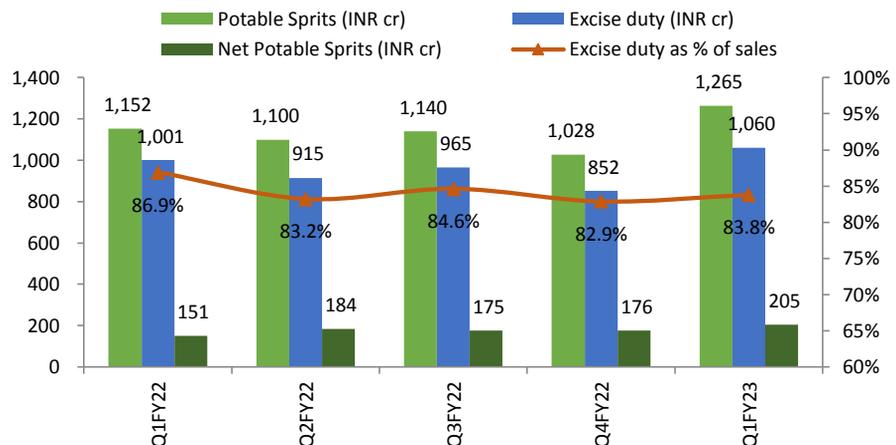
Source: Company Reports, Aриhant Capital Research

Exhibit 3: Margins are under pressure due to increase in ethanol and utility costs.



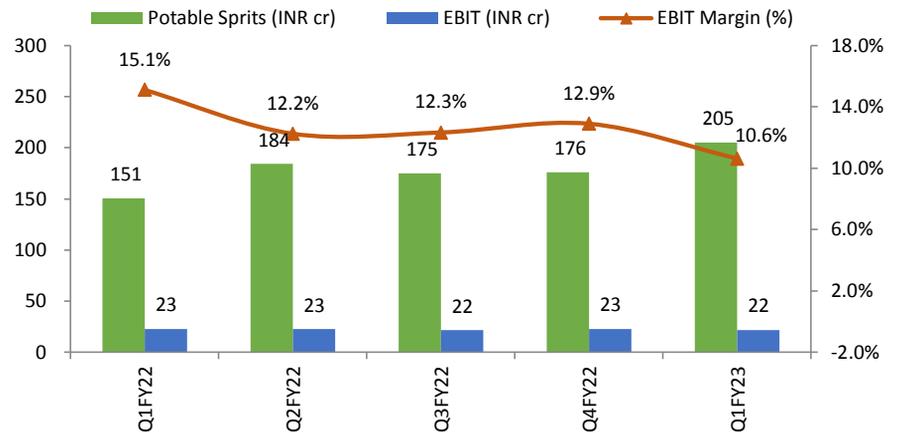
Source: Company Reports, Aриhant Capital Research
BSPC - Bio-based Specialities and Performance Chemicals

Exhibit 4: Excise duty remain elevated.



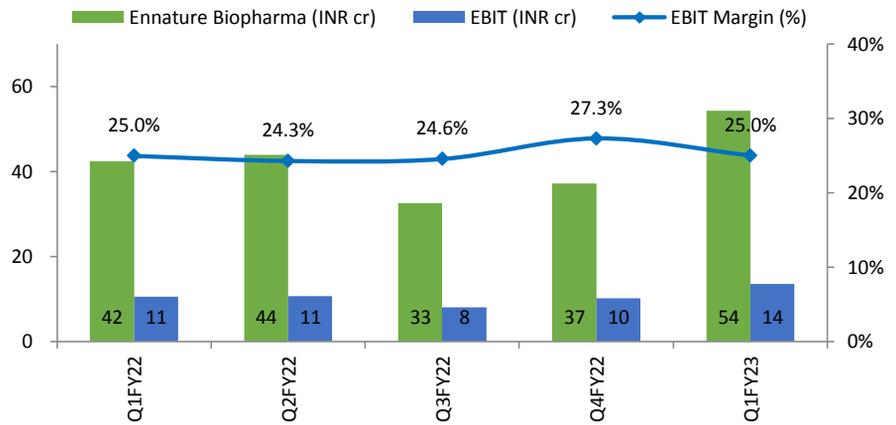
Source: Company Reports, Aриhant Capital Research

Exhibit 5: Margins remain under pressure due to sharp escalation in ENA and logistic costs.



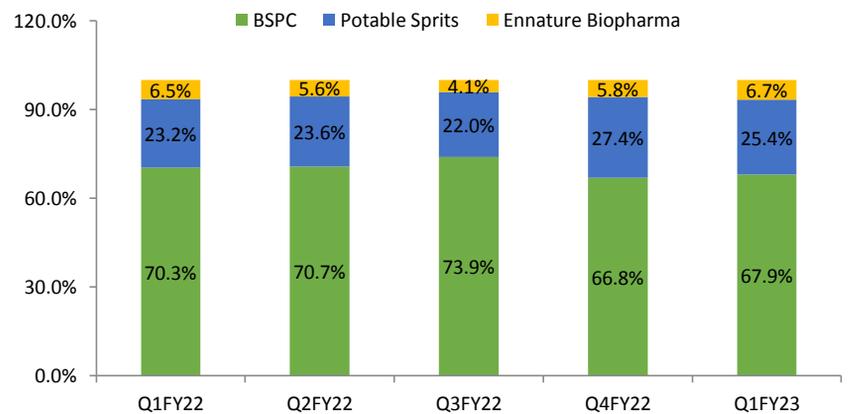
Source: Company Reports, Arianth Capital Research

Exhibit 6: Healthy growth backed by diversification, margins remain stable compared to Q1FY22.



Source: Company Reports, Arianth Capital Research

Exhibit 7: Segmental revenue mix



Source: Company Reports, Arianth Capital Research

Raw material and Freight trends

Exhibit 8: Coal prices has doubled in last 1 year

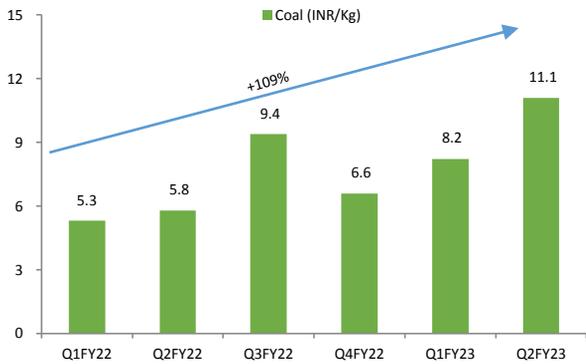


Exhibit 9: Ethanol prices has increased by 59% in last 1 year.

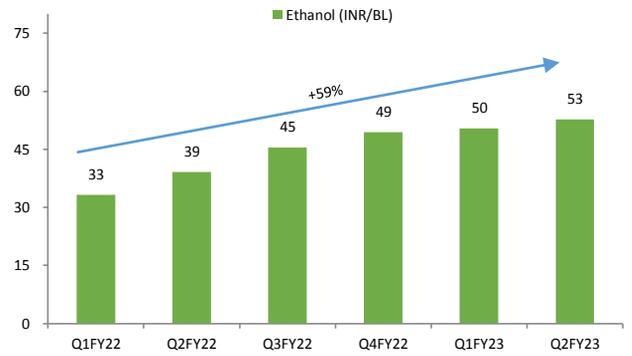


Exhibit 10: Mild steel has increased by 32% in last 1 year.

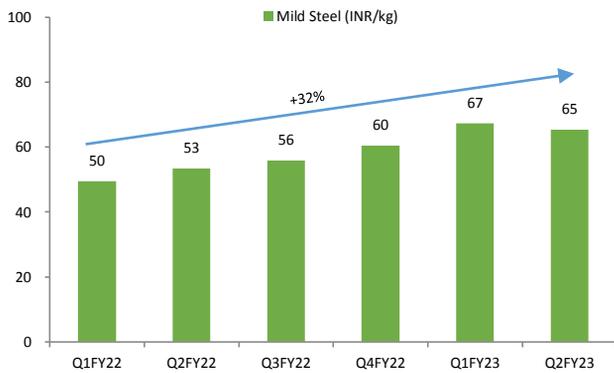


Exhibit 11: Acetic Acid has decreased by 58% in last 1 year.

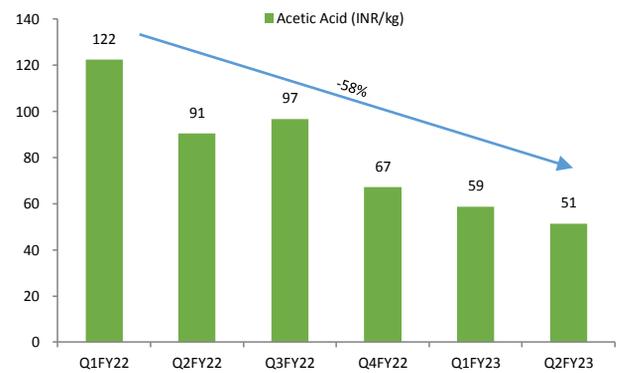


Exhibit 12: The company bought ethanol lower than spot prices.

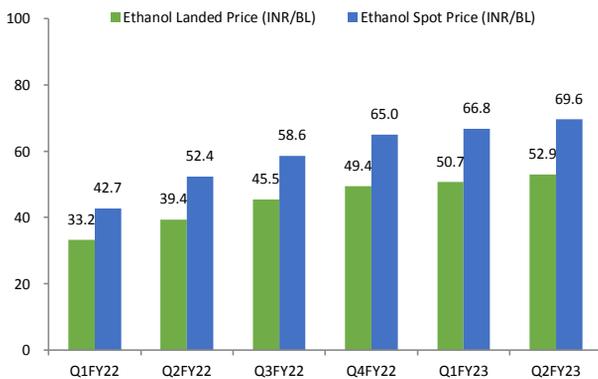
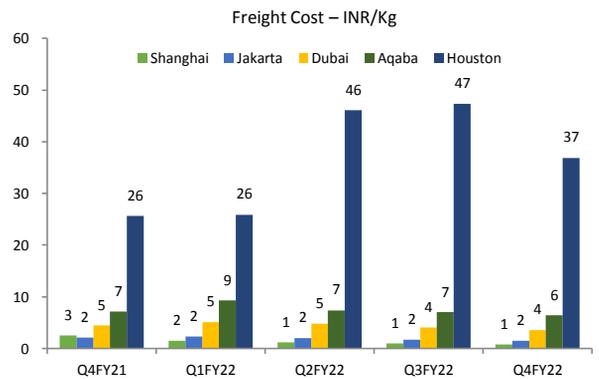


Exhibit 13: Freight cost has started to moderate.



Source: Company Reports, Arianth Capital Research
Q2FY23 – 31st Jul, 2022

Concall Highlights

- The grain based distillery plants with capacities of 180 KLPD and 110 KLPD at Kashipur and Gorakhpur sites respectively, have started trail production and are expected to achieve capacity by Sep-22. The company is using the grains that are broken rice, Maize and Wheat etc.
- Starch is the main criteria for ethanol. The broken rice has 69% to 72% of starch content, Maize has 60% to 62% of starch content. The company had a lot of discussions with the UP government for genetic modified seeds to grow productively and improve the quality of the seeds. These seeds would lead to higher yields and productivity.
- The company has been using some older equipment which led to a slightly longer commissioning and capacity realization on new grain based plants.
- The government is pushing to make ethanol and encouraging blending. The blended rate is expected to be around 20% to 25% over the medium term.
- There is no change in Delhi excise policy which would impact on IMFL business. The Delhi excise policy remains a challenge for the IMFL segment.
- The company has supplied Nicotine for therapeutic use to pharma companies.
- In Country liquor segment, The company is the leader in UP and having 24% market share.
- In IMFL segment, The company has ~50% market share in UP and ~20% market share in Uttarakhand. Magic moment vodka sells about 1 lakh cases per month in UP. The company has also launched amazing vodka which is the No 2 brand in the market.
- India is a tropical country and has heat 10 months in a year. The people want citrus drinks for refreshments. The company has new launches for citrus based Zumba Lemoni is in the premium segment and inline with bacardi prices.
- The packaging costs went up by 60% to 70%.
- The company is working on several products which includes Specialities Amines, Oil Field Plasticizers, Green solvents and others.
- The net debt is expected to be around ~1,000cr in FY23 which is including INR 350cr for working capital requirements.
- In the exports, The Butyl and Propyl prices in the glycols ether space have come down which put pressure on pricing.
- Coal prices are selling around INR 15,000 per tonne which is not sustainable. Government is selling around INR 5,500 per tonne, but there is no rake available for transport. The imported coal is selling at around INR 25,000 per tonne. The coal prices increased more than 100% in the last one year which resulted in pressure on EBITDA margin levels.

Financial Statements

Income statement summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Revenue	2,735	2,317	2,868	3,271	3,759	4,375
Net Raw Materials	1,846	1,499	1,921	2,178	2,473	2,861
Power & Fuel	250	214	332	360	402	459
Employee Cost	93	83	89	92	101	114
Other Expenses	267	253	270	307	342	385
EBITDA	279	268	255	334	440	556
EBITDA Margin (%)	10.2%	11.6%	8.9%	10.2%	11.7%	12.7%
Depreciation	(78)	(80)	(80)	(80)	(86)	(92)
Interest expense	(97)	(83)	(70)	(67)	(62)	(59)
Other income	9	15	22	20	19	22
Exceptional Items	-	-	221	-	-	-
Share of profits associate & JV	(0)	1	21	-	-	-
Profit before tax	113	120	369	207	311	427
Taxes	(38)	(11)	(39)	(56)	(84)	(115)
PAT	75	109	330	151	227	311
PAT from discontinued operations	40	22	10	-	-	-
PAT	115	132	340	151	227	311
PAT Margin (%)	4.2%	5.7%	11.8%	4.6%	6.0%	7.1%
Other Comprehensive income	(1)	3	(0)	-	-	-
Net profit	113	135	339	151	227	311
EPS (INR)	37	43	110	49	73	101

Source: Company Reports, Arianth Capital Research

Balance sheet summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Equity capital	31	31	31	31	31	31
Reserves	1,003	1,138	1,761	1,897	2,111	2,406
Net worth	1,034	1,169	1,792	1,928	2,142	2,437
Minority Interest	-	-	(19)	(19)	(19)	(19)
Provisions	14	9	8	4	5	6
Debt	1,335	1,444	1,367	1,167	1,117	987
Other non-current liabilities	613	619	527	589	658	744
Total Liabilities	2,996	3,241	3,675	3,669	3,902	4,155
Fixed assets	2,201	2,171	2,303	2,647	2,805	2,967
Capital Work In Progress	172	126	243	143	154	166
Other Intangible assets	2	2	2	2	2	2
Investments	83	83	456	392	376	437
Other non current assets	33	27	19	20	23	26
Net working capital	354	684	362	230	289	264
Inventories	682	610	693	686	711	705
Sundry debtors	569	362	399	403	432	479
Loans & Advances	26	26	26	33	38	44
Other current assets	167	564	201	224	227	240
Sundry creditors	(722)	(581)	(642)	(724)	(818)	(942)
Other current liabilities & Prov	(369)	(297)	(314)	(392)	(301)	(262)
Cash	92	98	102	170	187	218
Other Financial Assets	60	51	188	65	68	74
Total Assets	2,996	3,241	3,675	3,669	3,902	4,155

Source: Company Reports, Arianth Capital Research

Financial Statements

Cashflow summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Profit before tax	113	120	369	207	311	427
Depreciation	78	80	80	80	86	92
Tax paid	(38)	(11)	(39)	(56)	(84)	(115)
Working capital Δ	(41)	(330)	322	132	(59)	25
Change in Goodwill	-	-	-	-	-	-
Operating cashflow	111	(141)	732	363	253	428
Capital expenditure	(148)	(4)	(330)	(323)	(254)	(266)
Free cash flow	(37)	(145)	402	40	(1)	163
Equity raised	41	26	312	0	-	-
Investments	(3)	0	(374)	64	17	(62)
Others	(20)	14	(128)	122	(5)	(10)
Debt financing/disposal	81	110	(97)	(200)	(50)	(130)
Dividends paid	(44)	(0)	(18)	(15)	(14)	(16)
Other items	(40)	1	(93)	58	70	87
Net Δ in cash	(24)	6	4	68	17	32
Opening Cash Flow	116	92	98	102	170	187
Closing Cash Flow	92	98	102	170	187	218

Source: Company Reports, Arianth Capital Research

Ratio analysis

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Growth matrix (%)						
Revenue growth	-18.5%	-15.3%	23.8%	14.0%	14.9%	16.4%
Op profit growth	-33.1%	-3.9%	-4.8%	30.7%	31.8%	26.3%
Net profit growth	-13.5%	14.8%	158.2%	-55.5%	50.2%	37.1%
Profitability ratios (%)						
OPM	10.2%	11.6%	8.9%	10.2%	11.7%	12.7%
Net profit margin	4.2%	5.7%	11.8%	4.6%	6.0%	7.1%
RoCE	6.1%	7.4%	6.1%	6.4%	8.6%	10.6%
RoNW	7.5%	9.9%	22.3%	8.1%	11.2%	13.6%
RoA	2.5%	3.4%	9.0%	4.1%	5.8%	7.5%
Per share ratios (INR)						
EPS	36.6	43.5	109.6	48.8	73.4	100.6
Dividend per share	14.3	0.1	5.9	4.9	4.4	5.0
Cash EPS	49.2	61.1	132.4	74.5	101.0	130.3
Book value per share	333.9	377.4	578.8	622.7	691.7	787.3
Valuation ratios (x)						
P/E	21.8	18.4	7.3	16.4	10.9	7.9
P/CEPS	16.2	13.1	6.0	10.7	7.9	6.1
P/B	2.4	2.1	1.4	1.3	1.2	1.0
EV/EBITDA	13.0	13.9	12.9	9.2	6.9	5.0
Payout (%)						
Dividend payout	59.2%	0.4%	5.6%	10.0%	6.0%	5.0%
Tax payout	33.6%	9.4%	10.7%	27.0%	27.0%	27.0%
Liquidity ratios						
Debtor days	59	73	48	45	41	38
Inventory days	131	157	124	116	103	90
Creditor days	109	116	85	85	85	84
WC Days	82	115	87	75	59	44
Leverage ratios (x)						
Interest coverage	2.1	2.3	2.5	3.8	5.7	7.9
Net debt / equity	1.2	1.2	0.7	0.5	0.4	0.3
Net debt / op. profit	4.5	5.0	5.0	3.0	2.1	1.4

Source: Company Reports, Arianth Capital Research

Story in Charts

Exhibit 14: Strong recovery in FY22.

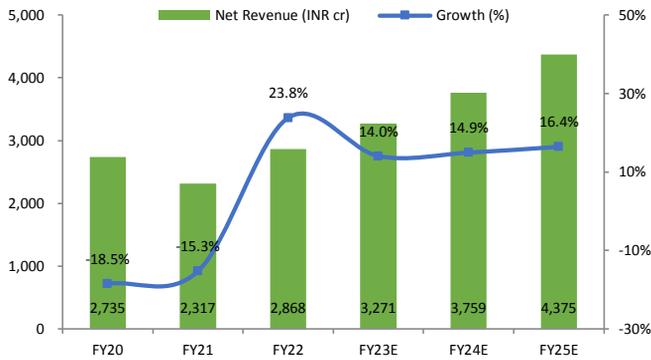


Exhibit 15: Moderation of RM costs would lead to better margins.

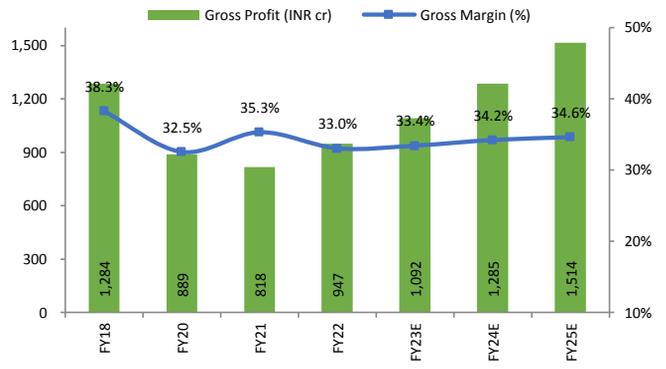


Exhibit 16: Sharp escalation in coal prices led to higher power & fuel cost.

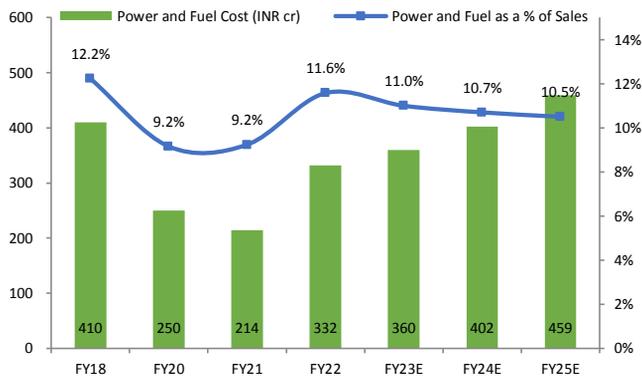


Exhibit 17: Growth in EBITDA & PAT levels.

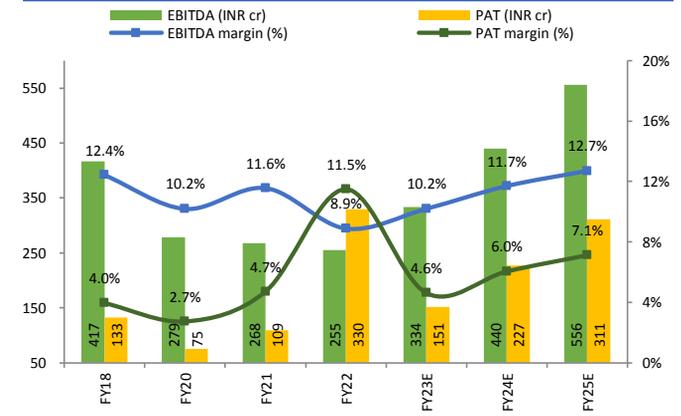


Exhibit 18: Working capital days to be improve

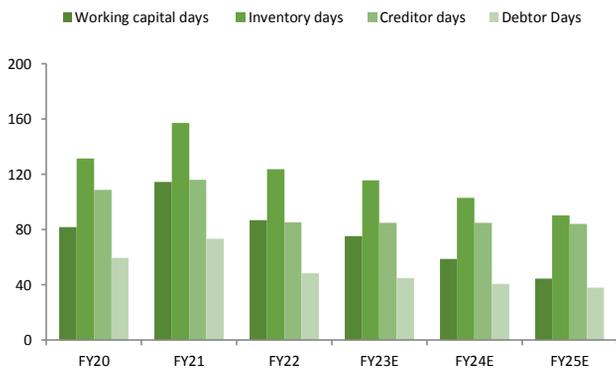
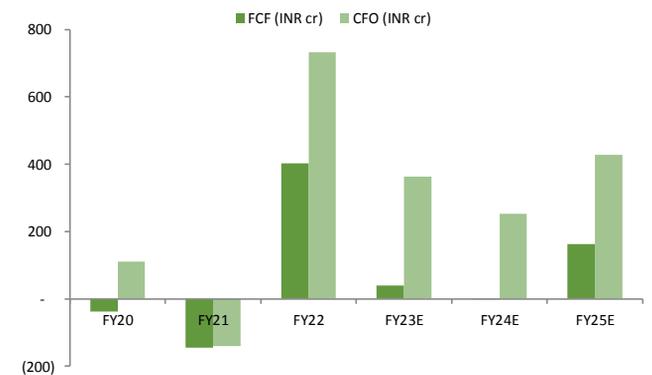


Exhibit 19: Cash flows to be improve



Source: Company Reports, Arianth Capital Research

Story in Charts

Exhibit 20: Return ratios to be improve.

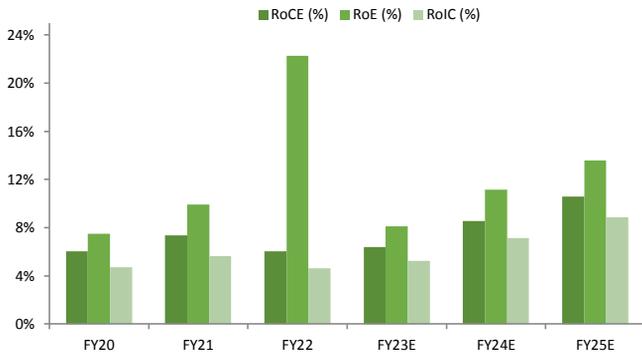


Exhibit 21: Working capital has reduced in terms of sales.

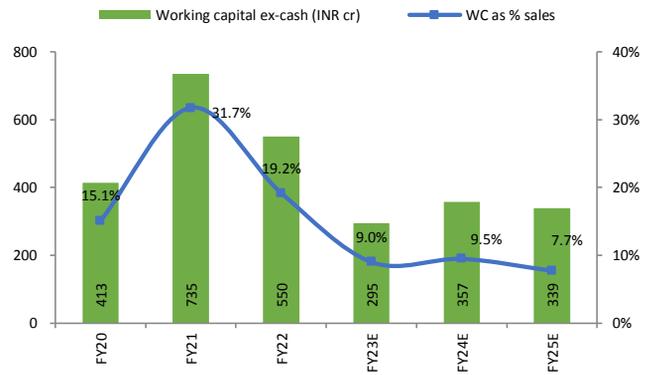


Exhibit 22: Cash conversion cycle to be reduce.

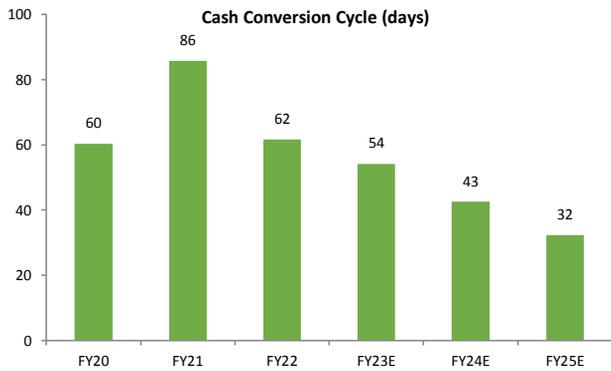
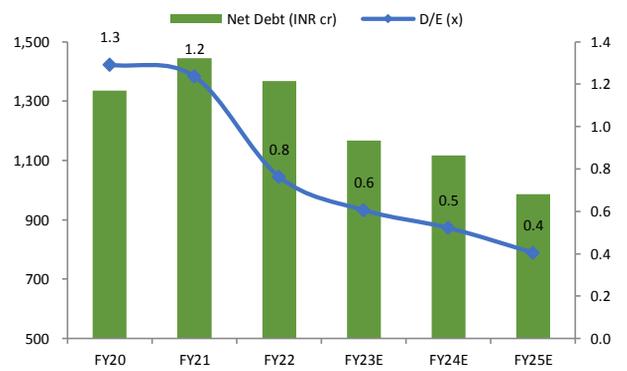


Exhibit 23: Net debt reduction is expected going forward.



Analyst Coverage



Date	Report Type	Recom Price (INR)	Target Price (INR)	Rating	Report
02-Mar-22	IC	763	1,071	BUY	https://bit.ly/3M7PstE
01-Jun-22	Q4FY22 Result update	868	1,027	ACCUMULATE	https://bit.ly/3wYJtSs

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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