

Strong growth led by Potable Spirits and Bio-fuels.

CMP: INR 1,246

Rating: BUY

Target Price: INR 1,562

Stock Info

BSE	500201
NSE	INDIAGLYCO
Bloomberg	IGLY:IN
Reuters	IGLY.NS
Sector	Chemicals
Face Value (INR cr)	10
Equity Capital (INR cr)	31
Mkt Cap (INR cr)	3,858
52w H/L (INR)	1,549 / 679
Avg Yearly Volume (in 000')	237.4

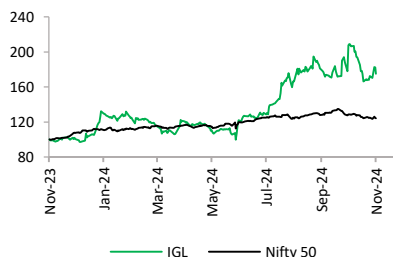
Shareholding Pattern %

(As on Sep 2024)

Promoters	61.02
DII	1.93
FII	2.90
Public & Others	34.15

Stock Performance (%)	3m	6m	12m
IGL	5.2	58.5	74.8
NIFTY	0.1	8.3	24.2

IGL vs Nifty



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India Glycols Ltd reported numbers, Q2FY25 revenue stood at INR 961cr (+24.1% YoY/-0.8% QoQ); below our estimates of INR 972cr. Gross Profit stood at INR 336cr (+21.3% YoY/-1.5% QoQ); below our estimates of INR 342cr. Gross margins contracted by 80 bps YoY (-25 bps QoQ) to 35% vs 35.8% in Q2FY24. The margin contraction mainly because of the raw material cost increase in terms of sales. The raw material cost in terms of sales stood at 65% vs 64.2% in Q2FY24. EBITDA stood at INR 116cr (+21.2% YoY/-7.8% QoQ); below our estimates of INR 122cr. EBITDA margin contracted by 28 bps YoY (-92 bps QoQ) to 12% vs 12.3% in Q2FY24. PAT stood at INR 50cr (+30.8% YoY/-17.7% QoQ); In-line with our estimates of INR 51cr. PAT margin improved by 26 bps YoY (-106 bps QoQ) to 5.2% vs 4.9% in Q2FY24.

Key Highlights

BSPC remains challenging and focused on value-added business: Bio based specialties and performance chemicals revenue stood at INR 369cr (-8.3% YoY/-6% QoQ); EBIT Stood at INR 30cr (-17.9% YoY/+22.9% QoQ). EBIT margin contracted by 94 bps YoY (-177 bps QoQ) to 8.1% vs 9.0% in Q2FY24. The new products witnessing overall traction. NSU commissioning is nearly completed and strong foundation for growth in several areas which will help build the value-added business. Value-added chemical production capacity at Kashipur added 2,500 MT/annum in Q2FY25 and total capacity stood at 7,500 MT/annum are fully commissioned. The remaining facility is expected to be commissioned by Q1FY26E.

Strong growth with margin expansion in Potable Spirits: Potable Spirits revenue stood at INR 271cr (+22.9% YoY/-3% QoQ); EBIT Stood at INR 56cr (+39.8% YoY/+13.5% QoQ). EBIT margin improved by 249 bps YoY (+299 bps QoQ) to 20.5% vs 18% in Q2FY24. Potable spirits growth was led by the branded country liquor segment in Uttarakhand, IMFL in UP, and IMFL in paramilitary segments. The wholly owned subsidiary of the Spirits business, the company keeps evaluating to maximize value creation and look at various options. The company has signed a partnership with Amrut to manufacture, bottle, market, and sell Amrut's few premium brands on a royalty basis. The Amrut Maqintosh brand is now available in Delhi and Uttarakhand and Will Soon be introduced in UP. The company also plans to introduce it in various states.

Potential visibility in Bio-fuels: Bio-fuel revenue stood at INR 260cr (+147.9% YoY/+8.6% QoQ); EBIT Stood at INR 13cr (+151.6% YoY/-29% QoQ). EBIT margin improved by 7 bps YoY (-271 bps QoQ) to 5.1% vs 5% in Q2FY24. The government started a blending program in 2019-20 for 5% and clocked 14.2% in Sep-24. The targeted blending is around 17%-18% in 2024-25 and 20% in 2025-26. The company has a potential opportunity in the blending program.

Pricing pressure continued in Ennatura Biopharma: Ennatura Biopharma revenue stood at INR 61cr (+31.6% YoY/+7.3% QoQ); EBIT Stood at INR 6cr (-20.3% YoY/-14.7% QoQ). EBIT margin contracted by 587 bps YoY (-233 bps QoQ) to 9% vs 14.9% in Q2FY24. The company holds a 50% market share of Thiocolchicoside for the export market. The continuous pressure on pricing in the Nicotine and Thiocolchicoside impacted the margins. Export markets are challenging due to lower pricing from Pakistan, Brazil, etc.

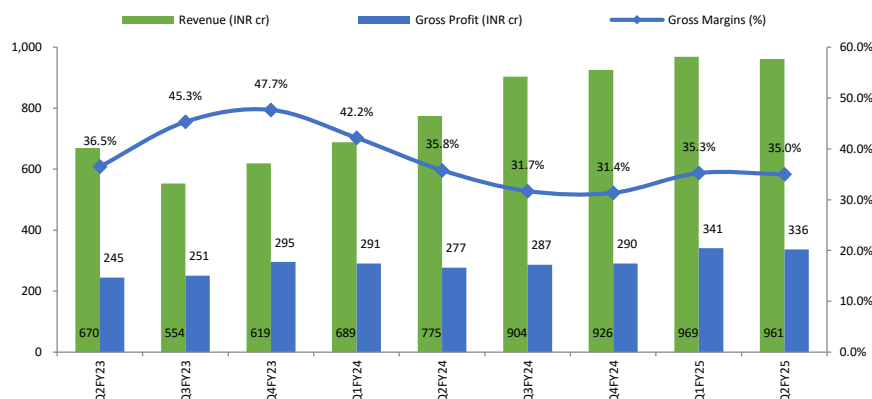
Outlook & Valuation: India Glycols is doing capex and Kashipur plant capex is completed and Gorakhpur plant capex of 180 KL grain based distillery will be completed by Mar-25. The Potable spirits margins witnessed ~249bps improvement due to grain based distilleries. The company has implemented various cost reduction initiatives, technological advancement and operational efficiencies led to INR 25cr cost savings per annum. The NPU capex bring additional revenue of INR 100cr in the chemicals business in FY25E. Bio-fuels revenue share stood at 27% in Q2FY25 and 20% ethanol blending target by the government will be a potential opportunity for the company. Potable Spirits witnessing traction backed by country liquor, IMFL and Para-military business. The partnership with Amrut will provide additional business opportunities. Ennatura Biopharma margins remain under pressure due to prices and the company is focused on value-added products. Capex in grain-based distilleries, new specialties, setting up new R&D centers, new product launches, government initiatives for biofuels and ethanol blending program, and future scope of carbon smart products are expected to drive the business going forward. At the CMP of INR 1,246 per share, we maintain our "BUY" rating at a TP of INR 1,562 per share; valued at a PE multiple of 15x and its FY26E EPS of INR 104.2; an upside of 25.4%.

Q2FY25 Results

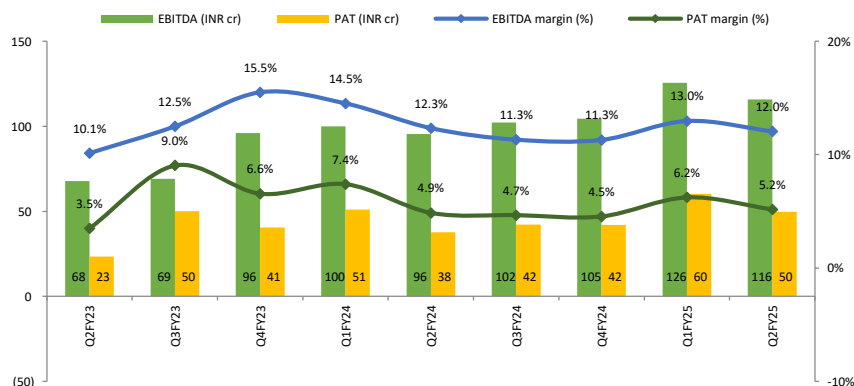
Income statement summary

Particular (INR cr)	Q2FY24	Q1FY25	Q2FY25	YoY (%)	QoQ (%)
Revenue	775	969	961	24.1%	-0.8%
Net Raw Materials	497	627	625	25.6%	-0.4%
Gross Profit	277	341	336	21.3%	-1.5%
Gross Margin (%)	35.8%	35.3%	35.0%	-80 bps	-25 bps
Power & Fuel	83	89	92	11.4%	3.2%
Employee Cost	23	31	30	30.6%	-1.2%
Other Expenses	76	96	98	29.4%	2.4%
EBITDA	96	126	116	21.2%	-7.8%
EBITDA Margin (%)	12.3%	13.0%	12.0%	-28 bps	-92 bps
Depreciation	28	28	28		
Interest expense	29	36	40		
Other income	11	3	4		
Share of profits associate & JV	1	11	11		
Profit before tax	50	76	63	26.7%	-16.1%
Taxes	12	15	14		
Minorities and other	-	-	-		
PAT	38	60	50	30.8%	-17.7%
PAT Margin (%)	4.9%	6.2%	5.2%	+26 bps	-106 bps
Other Comprehensive income	(0)	(0)	(0)		
Total Comprehensive income	38	60	50	31.9%	-17.7%
EPS (INR)	12.3	19.5	16.1		

Source: Company Reports, Arianth Capital Research

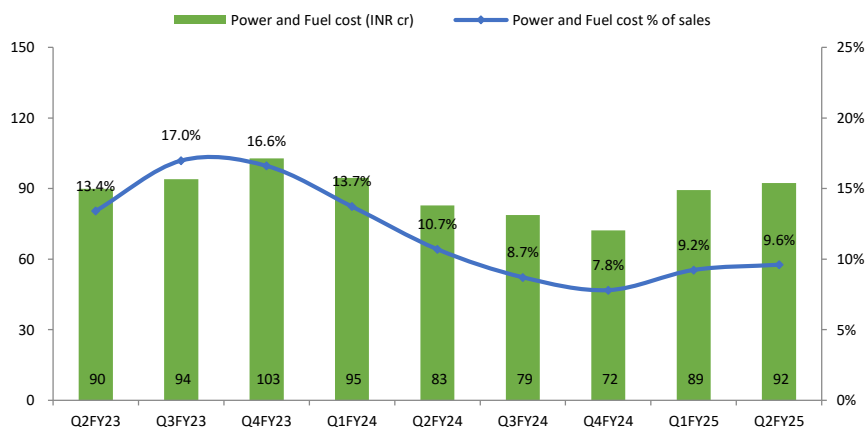
Exhibit 1: Gross margins contracted by 80 bps YoY (-25 bps QoQ) to 35% in Q2FY25 due to increase in raw material costs.

Source: Company Reports, Arianth Capital Research

Exhibit 2: EBITDA margin contracted by 28 bps YoY (-92 bps QoQ) to 12% in Q2FY25 due to raw material impact and partially off-set by power & fuel expenses.

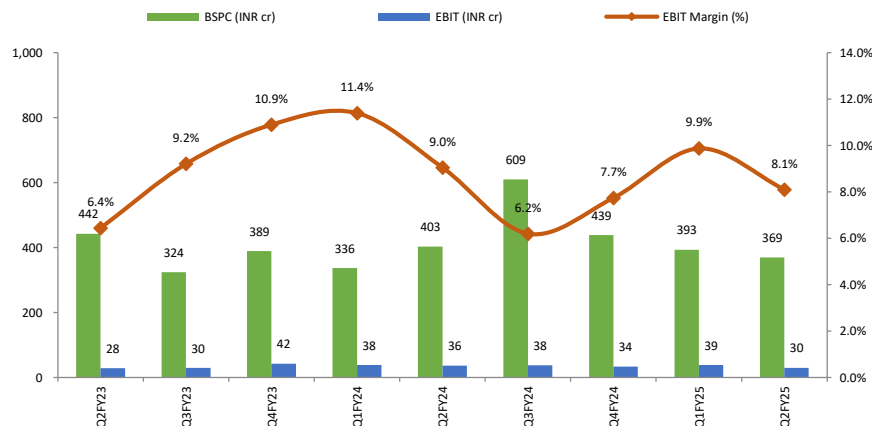
Source: Company Reports, Arianth Capital Research

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



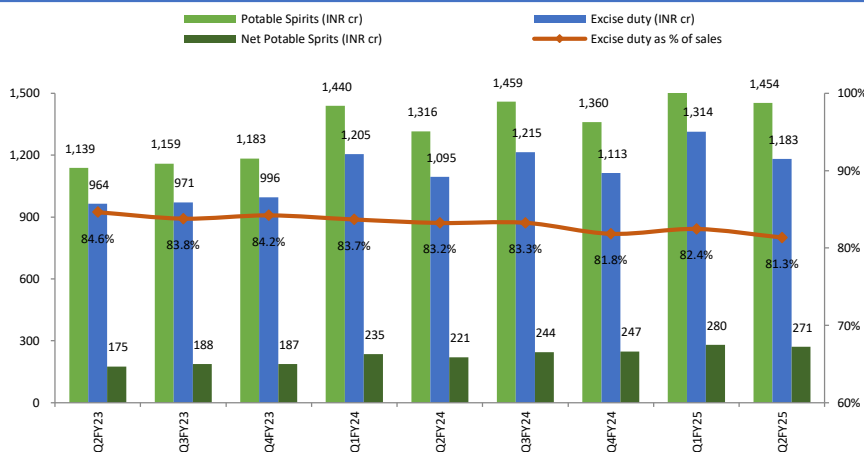
Source: Company Reports, Arianth Capital Research

Exhibit 4: EBIT margin contracted by 94 bps YoY (-177 bps QoQ) to 8.1% in Q2FY25. International ethanol prices impacted the margins, however softened from higher levels.



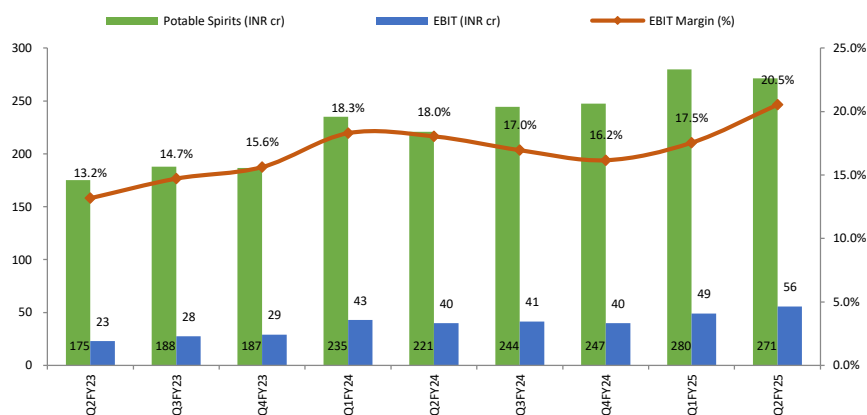
Source: Company Reports, Arianth Capital Research
BSPC - Bio-based Specialities and Performance Chemicals
Bio-fuels revenue excluded in Q1FY24, Q4FY24 and Q1FY25.

Exhibit 5: Excise duty moderating gradually.



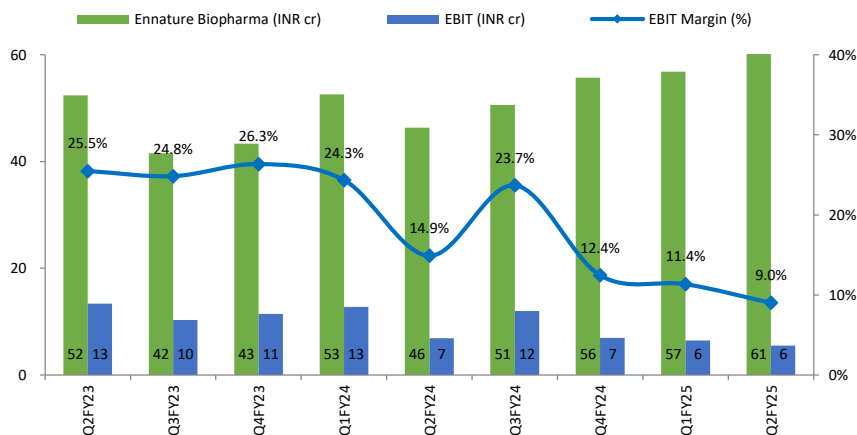
Source: Company Reports, Arianth Capital Research

Exhibit 6: EBIT margin improved by 249 bps YoY (+299 bps QoQ) to 20.5% in Q2FY25. In-house ENA production and softening of packaging materials led margin up-tick.



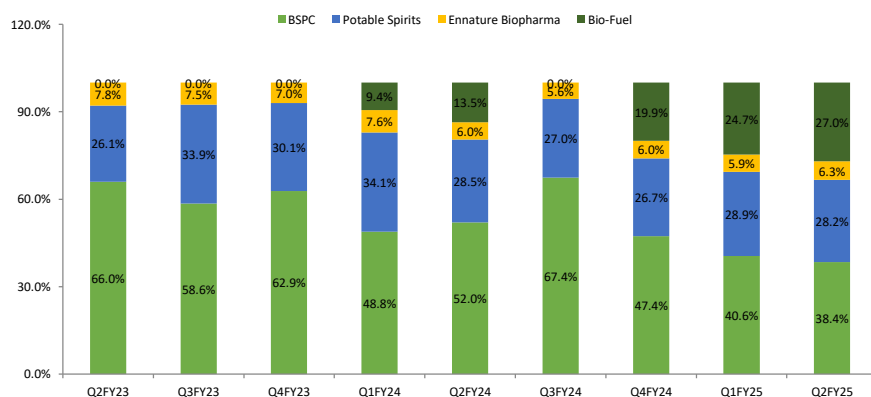
Source: Company Reports, Arihant Capital Research

Exhibit 7: EBIT margin contracted by 587 bps YoY (-233 bps QoQ) to 9% in Q2FY25 due to price erosion of thiocolchicoside and nicotine.



Source: Company Reports, Arihant Capital Research

Exhibit 8: Bio-fuel revenue share is around 27% in Q2FY25.



Source: Company Reports, Arihant Capital Research

Q2FY25 Concall Highlights**Amrut**

- The company has signed a partnership with Amrut to manufacture, bottle, market, and sell Amrut's few premium brands on a royalty basis.
- The Amrut Maqintosh brand is now available in Delhi and Uttarakhand and Will Soon be introduced in UP. The company also plans to introduce it in various states.
- The liquids are supplied by Amrut and company only bottle it as per packaging standards. Amrut is best in Bacardi and packing more than 2 lakh cases per month. Amrut uses company's ENA for their plant Karnataka. Karnataka is surplus state for ENA, however Amrut get it from Uttarakhand.

Tetra pack

- Earlier, there was a ban on Tetrapack in Uttarakhand for years and currently being removed.
- The company is the 1st one to launch tetrapack in Uttarakhand and received a very good response. The company has an 80% market share for Tetra packs.

Capex

- The capex for the 100 KL plant in Kashipur and 180 KL plant in Gorakhpur. The total capex is around INR 260-270cr. The Kashipur plant is completed and the Gorakhpur plant will be completed in Mar-25.

Debt

- The long-term debt stood at INR 1,200cr and debt repayment is expected at INR 200cr by next year.
- The cost of funds stood at INR 9.8%.

NSU

- The capex for the NSU plant is around INR 130-150cr capex. The specialty chemicals segment run rate is expected INR 100cr in FY25E.

Cost savings

- The grain-based capacities have helped to reduce costs in the spirits segment and helped the top-line growth of the bio-fuel segment.
- The company has done significant cost reduction projects, technological advancements, and modifying operational efficiencies led to cost savings of INR 25cr per year.

Blending program

- The government started a blending program in 2019-20 for 5% and clocked 14.2% in Sep-24. The targeted blending is around 17%-18% in 2024-25 and 20% in 2025-26.

Q2FY25 Concall Highlights**Potable Spirits**

- Potable spirits growth was led by the branded country liquor segment in Uttarakhand, IMFL in UP, and IMFL in paramilitary segments.
- IMFL volume growth witnessed 50% YoY in H1FY25.
- The company has double-digit market share in Delhi and Uttarakhand. The Haryana market has huge potential.
- The wholly owned subsidiary of the Spirits business, the company keeps evaluating to maximize value creation and look at various options.

Chemicals

- The demand for Industrial CO2 has been decent and argon gases witnessed a good uptick and price increases this year.
- Around 80% of value creation does not come from the product side. It's from the knowledge, and capacity to understand the application and solve problems of customers.
- In specialty chemicals, the company delivers products for oil field applications, the product may be 10% more expensive, and have a shelf life increase of 6 months.
- Bio-based amines, oil field chemicals, and carbon smart products continue to grow.
- There is no competitor for carbon smart products.

Ennature Biopharma

- The company holds a 50% market share of Thiocolchicoside for the export market. The continuous pressure on pricing in the Nicotine and Thiocolchicoside impacted the margins.
- Export markets are challenging due to lower pricing from Pakistan, Brazil, etc.

Financial Statements

Income statement summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Revenue	2,735	2,317	2,868	2,651	3,294	4,168	4,936
Net Raw Materials	1,846	1,499	1,921	1,582	2,149	2,709	3,199
Power & Fuel	250	214	332	417	328	333	385
Employee Cost	93	83	89	89	103	128	153
Other Expenses	267	253	444	267	311	471	543
EBITDA	279	268	81	296	402	526	657
EBITDA Margin (%)	10.2%	11.6%	2.8%	11.1%	12.2%	12.6%	13.3%
Depreciation	(78)	(80)	(80)	(94)	(101)	(106)	(111)
Interest expense	(97)	(83)	(70)	(100)	(121)	(149)	(135)
Other income	9	15	22	24	26	20	20
Exceptional Items	-	-	221	28	-	-	-
Share of profits associate & JV	(0)	1	21	11	17	13	-
Profit before tax	113	120	195	165	223	305	431
Taxes	(38)	(11)	(39)	(24)	(50)	(67)	(108)
PAT	75	109	156	141	173	238	322
PAT from discontinued operations	40	22	10	-	-	-	-
PAT	115	132	166	141	173	238	322
PAT Margin (%)	4.2%	5.7%	5.8%	5.3%	5.3%	5.7%	6.5%
Other Comprehensive income	(1)	3	(0)	0	(0)	-	-
Net profit	113	135	166	141	173	238	322
EPS (INR)	36.6	43.5	53.5	45.7	55.8	76.8	104.2

Source: Company Reports, Arihant Capital Research

Balance sheet summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity capital	31	31	31	31	31	31	31
Reserves	1,003	1,138	1,761	1,870	2,020	2,224	2,502
Net worth	1,034	1,169	1,792	1,901	2,051	2,255	2,533
Minority Interest	-	-	(19)	-	-	-	-
Provisions	14	9	8	7	8	6	7
Debt	1,335	1,444	1,367	1,479	1,763	1,453	1,298
Other non-current liabilities	613	619	527	475	401	750	864
Total Liabilities	2,996	3,241	3,675	3,863	4,223	4,464	4,701
Fixed assets	2,201	2,171	2,303	2,690	3,171	3,329	3,399
Capital Work In Progress	172	126	243	125	84	82	85
Other Intangible assets	2	2	2	2	2	2	2
Investments	83	83	456	370	384	500	494
Other non current assets	33	27	19	25	31	38	44
Net working capital	354	684	362	368	286	307	504
Inventories	682	610	693	754	1,106	1,113	1,297
Sundry debtors	569	362	399	430	384	514	568
Loans & Advances	26	26	26	0	1	42	49
Other current assets	167	564	201	179	189	286	298
Sundry creditors	(722)	(581)	(642)	(752)	(1,099)	(1,147)	(1,313)
Other current liabilities & Prov	(369)	(297)	(314)	(244)	(295)	(500)	(395)
Cash	92	98	102	113	138	124	84
Other Financial Assets	60	51	188	170	127	83	89
Total Assets	2,996	3,241	3,675	3,863	4,223	4,464	4,701

Source: Company Reports, Arihant Capital Research

Financial Statements

Cashflow summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Profit before tax	113	120	195	165	223	305	431
Depreciation	78	80	80	94	101	106	111
Tax paid	(38)	(11)	(39)	(24)	(50)	(67)	(108)
Working capital Δ	(41)	(330)	322	(6)	81	(21)	(197)
Operating cashflow	111	(141)	558	229	355	323	237
Capital expenditure	(148)	(4)	(330)	(362)	(541)	(262)	(185)
Free cash flow	(37)	(145)	228	(133)	(186)	62	51
Equity raised	41	26	486	(8)	(0)	-	-
Investments	(3)	0	(374)	86	(14)	(116)	7
Others	(20)	14	(128)	12	37	37	(12)
Debt financing/disposal	81	110	(97)	131	284	(310)	(155)
Dividends paid	(44)	(0)	(18)	(23)	(23)	(33)	(45)
Other items	(40)	1	(93)	(53)	(74)	347	115
Net Δ in cash	(24)	6	4	12	25	(13)	(40)
Opening Cash Flow	116	92	98	102	113	138	124
Closing Cash Flow	92	98	102	113	138	124	84

Source: Company Reports, Arianth Capital Research

Ratio analysis

Y/e 31 Mar	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Growth matrix (%)							
Revenue growth	-18.5%	-15.3%	23.8%	-7.6%	24.3%	26.5%	18.4%
Op profit growth	-33.1%	-3.9%	-69.6%	263.3%	36.1%	30.8%	24.7%
Net profit growth	-13.5%	14.8%	26.1%	-15.0%	22.7%	37.4%	35.7%
Profitability ratios (%)							
OPM	10.2%	11.6%	2.8%	11.1%	12.2%	12.6%	13.3%
Net profit margin	4.2%	5.7%	5.8%	5.3%	5.3%	5.7%	6.5%
RoCE	6.1%	7.4%	0.6%	5.9%	9.1%	11.2%	13.5%
RoNW	7.5%	9.9%	10.5%	7.6%	11.0%	13.5%	16.4%
RoA	2.5%	3.4%	4.2%	3.7%	5.3%	6.9%	8.8%
Per share ratios (INR)							
EPS	36.6	43.5	53.5	45.7	55.8	76.8	104.2
Dividend per share	14.3	0.1	5.9	7.4	7.4	10.7	14.6
Cash EPS	49.2	61.1	76.2	75.9	88.4	111.1	140.0
Book value per share	333.9	377.4	578.8	614.2	662.5	728.5	818.1
Valuation ratios (x)							
P/E	34.0	28.6	23.3	27.3	22.3	16.2	12.0
P/CEPS	25.3	20.4	16.3	16.4	14.1	11.2	8.9
P/B	3.7	3.3	2.2	2.0	1.9	1.7	1.5
EV/EBITDA	18.0	19.1	57.4	16.4	12.7	8.9	7.0
Payout (%)							
Dividend payout	59.2%	0.4%	11.8%	16.3%	13.3%	14.0%	14.0%
Tax payout	33.6%	9.4%	20.2%	14.5%	22.5%	22.0%	25.1%
Liquidity ratios							
Debtor days	59	73	48	57	45	39	40
Inventory days	131	157	124	167	158	150	138
Creditor days	109	116	80	108	117	113	105
WC Days	82	115	92	116	86	76	73
Leverage ratios (x)							
Interest coverage	2.1	2.3	0.0	2.0	2.5	2.8	4.0
Net debt / equity	1.2	1.2	0.7	0.7	0.8	0.6	0.5
Net debt / op. profit	4.5	5.0	15.6	4.6	4.0	2.5	1.8

Source: Company Reports, Arianth Capital Research

Story in Charts

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

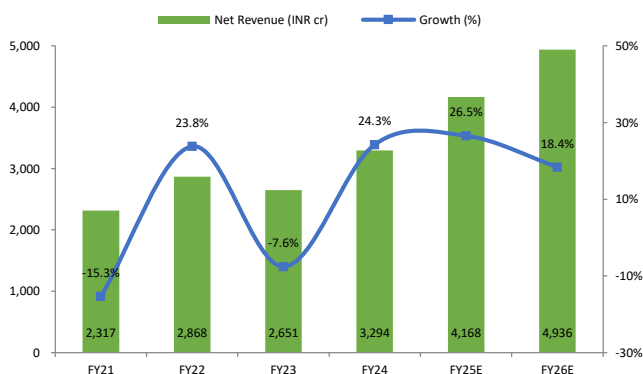


Exhibit 10: The capex for grain based ethanol plant would reduce raw material costs and improve gross margin levels.

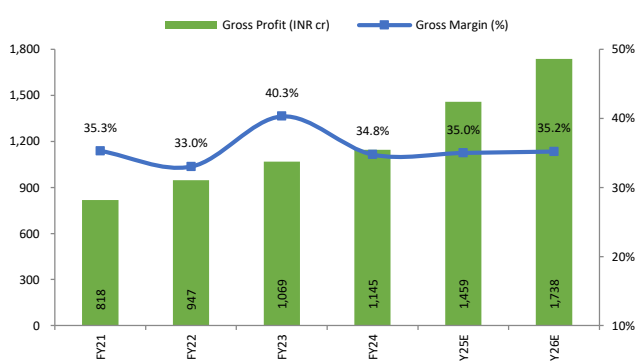


Exhibit 11: The captive wind and solar hybrid power will reduce costs going forward.

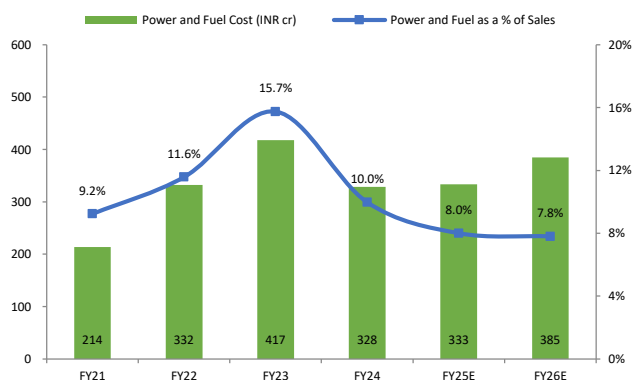


Exhibit 12: Growth in EBITDA & PAT levels.

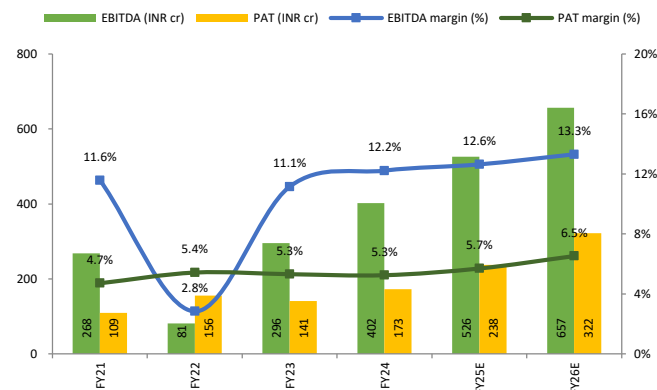


Exhibit 13: Working capital days to be improve

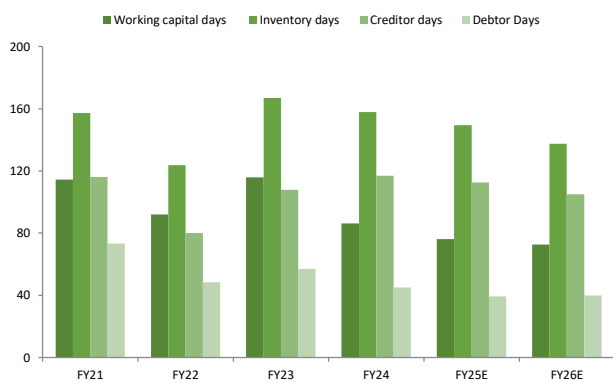
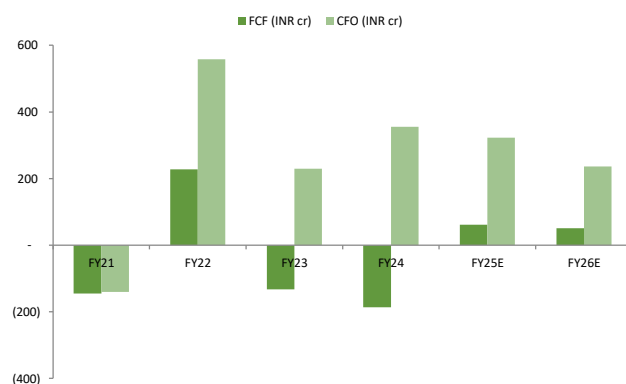


Exhibit 14: Cash flows to be improve



Source: Company Reports, Arianth Capital Research

Story in Charts

Exhibit 15: Return ratios to be improve.

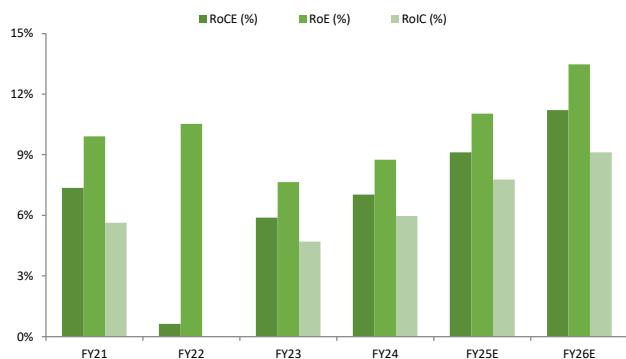


Exhibit 16: Working capital is expected to be below 15% in terms of sales going forward.

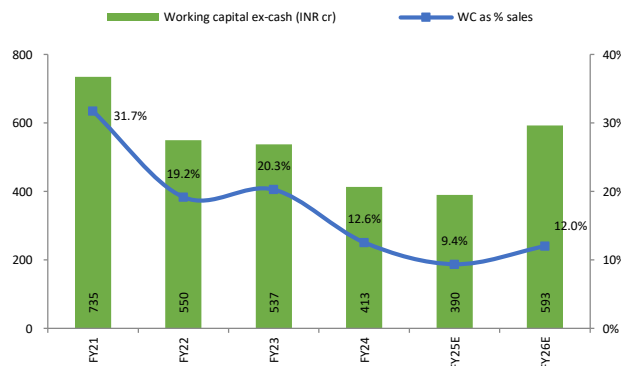


Exhibit 17: Cash conversion cycle to be reduce.

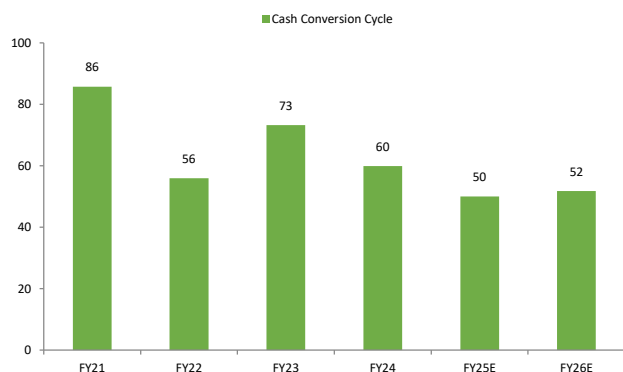


Exhibit 18: Net debt reduction is expected going forward.

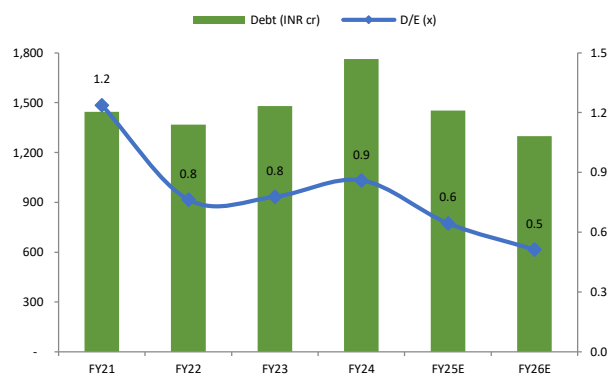


Exhibit 19: Bio-fuel revenue share stood at 15.5% of sales in FY24. Ethanol blending and recovery in BSPC and Potable Sprits will drive growth.

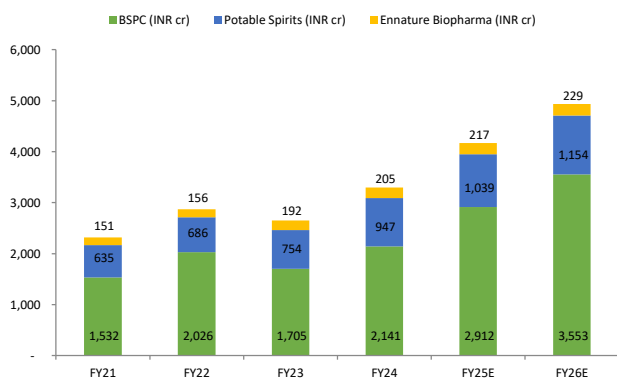
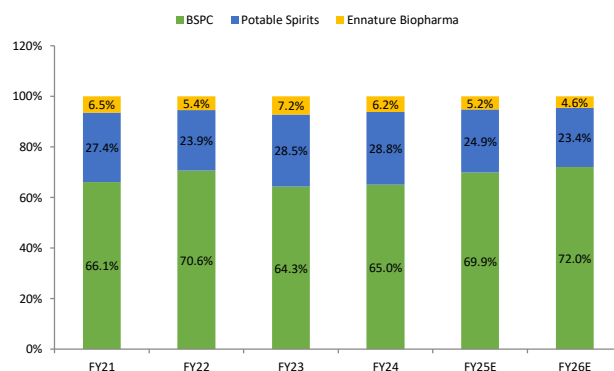


Exhibit 20: Segment wise mix



Source: Company Reports, Arihant Capital Research
Bio-fuels revenue included in BSPC

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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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