

Q2FY25 Result Update

India Glycols

Bio-fuels to boost growth

- India Glycols' (IGLY) Q2FY25 revenues were broadly-in-line with our estimates, however, EBITDA/PAT were impacted by higher other expenses and increased interest costs.
- IGLY saw a net revenue growth of 24% YoY, driven by a 148% YoY growth in Bio-fuels, a 23% YoY growth in Potable Spirits and a 32% YoY growth in Ennature Biopharma.
- EBITDA saw a 21% YoY growth; however, margins were under pressure (28bp YoY decline) on the back of higher material costs. Consolidated PAT witnessed a 31% YoY growth on the back of a healthy share of profits from their 49% JV with Clariant. The JV reported a 24%/139% YoY jump in revenue and EBITDA during the quarter.
- The H1FY25 net revenue/EBITDA/PAT contributed to 48%/47%/43% of our FY25 estimates. The management expects H2 be better than H1FY25, improvement in working capital and over INR100cr revenue from new specialty chemical products (though, we estimated INR150cr for FY25).
- We note ~INR310cr increase in gross debts to INR1,632cr by Sept-24 from Mar'24 level. However, improvement in working capital should soften the debt level going forward.
- Biofuels and New Specialty Unit (NSU), commissioning of which is nearly complete, are likely to be the key growth driver for IGLY. The introduction of value-added products from NSU is set to significantly increase revenues in FY26/FY27.
- We cut our PAT estimates by 8%/6% mainly to reflect an increase in interest costs. We introduce FY27 estimates and roll over valuation to average FY26/27 EBITDA to attain a SOTP based TP of INR1,465 with an implied EV/EBITDA of 8x (earlier INR1,365 implied 8x FY26 EV/EBITDA).

Focus on bio-fuels likely to drive BSPC revenues: The BSPC segment reported a strong 24% YoY growth in net revenue to INR629cr (vs our estimates of INR660cr) on the back of a 148% YoY surge in revenues from bio-fuels to INR260cr. On a QoQ basis, the bio-fuels reported a 9% growth in revenues, however the overall BSPC segment remained flat due to a 6% QoQ fall in revenues from the other products (MEG, ethers, industrial gases, and guar gum powder). With bio-fuels being in focus, it almost doubled its contribution to BSPC, from 21% in Q2FY24 to 41% in Q2FY25. The BSPC segment contributed to 65% of total revenues. The BSPC segment is likely to see growth coming from increasing ethanol capacities and focusing on bio-fuels. We expect a 31% net revenue CAGR from the bio-fuels segment while the BSPC segment is expected to see a 13% net revenue CAGR over FY24-27E.

Price hikes along with new state additions to grow PS revenues: The PS segment witnessed a 10% YoY growth and a 9% fall in gross revenue to INR1,454cr while the net revenue grew 23% YoY and fell 3% QoQ to INR271cr (vs our estimates of INR263cr). Revenue growth was seen on the back of an increase in country liquor sales in Uttarakhand and a strong increase in IMFL sales in UP markets and to paramilitary. The segment contributed 68% of gross revenue and 28% of net revenue. EBIT margin for the quarter increased to 20.5% (18% in Q2FY24). The segment is likely to see a growth on the back of a price hike undertaken, addition of MaQintosh from Amrut Distilleries and increasing supply to paramilitary forces in new states. We expect a 14% net revenue CAGR over FY24-27E.

Recovery in API business to enhance EB: The EB segment reported a strong 32% YoY and 7% QoQ net revenue growth to INR61cr (vs our estimates of INR56cr), while contributing to 6% of total net revenues. The segment saw increased sales in the API segment with increasing market share in both domestic and international markets. The company is working to upgrade its existing Nutra facility to make it US-FDA compliant. We expect this segment to achieve a 11% net revenue CAGR over FY24-27E.

Margins likely to see an expansion: Gross profit margin saw a contraction of 80bp/25bp YoY/QoQ to 35% while EBITDA margin saw a 28bp/90bp YoY/QoQ contraction to 12% in Q2FY25. An improvement is expected on the back of optimization of capex plans and focus on high margin businesses.

Valuation and view: A strong performance in H1FY25 positions the company well to meet our full-year FY25 estimates of 23% growth in net revenue and 48% jump in net profit in FY25. The optimisation of its 450 KLPD expansion of ethanol capacity is expected to come in H2FY25. We expect a net revenue and PAT CAGR of 13% and 29% over FY24-27E on the back of (i) change in revenue mix of the BSPC segment along with a focus on biofuels, (ii) capacity expansion in ethanol, and grain-based distilleries, (iii) strong performance of JV and (iv) healthier balance sheet on improved operating performance. We roll over valuation to average FY26/27 EBITDA to attain a SOTP based TP of INR1,465 (implied blended EV/EBITDA of 8x).

Key financials

INRcr	Q2FY25	Q2FY24	YoY%	Q1FY25	QoQ%	FY25E	FY26E	FY27E
Gross Revenue	2,144	1,870	15	2,283	-6	9,806	10,894	12,122
Net Revenue	961	775	24	969	-1	3,995	4,372	4,779
EBITDA	116	96	21	126	-8	512	580	633
EBITDA margin (%)	12	12	-28bps	13	-92bps	13	13	13
PAT	50	38	31	60	-18	254	317	370
Diluted EPS	16	12	31	20	-18	82	102	120
Diluted P/E (x)						15	12	10
EV/EBITDA (x)						10	8	7

CMP: INR1,246

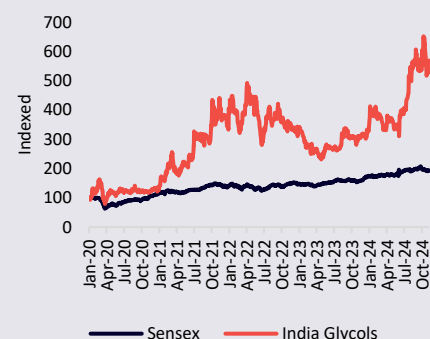
Rating: BUY

Target price: INR1,465

Upside: 18%

Date: November 11, 2024

Bloomberg:	IGLY:IN
52-week range (INR):	685/1,545
M-cap (INR cr):	3,848
Promoter holding (%)	61.01



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Q2FY25/H1FY25 result highlights

Particulars	Q2FY25	Q2FY24	YoY %	Q1FY25	QoQ %	H1FY25	H1FY24	YoY %	FY25E	FY26E	FY27E
Gross revenues	2,144	1,870	15	2,283	-6	4,426	3,764	18	9,806	10,894	12,122
Excise duty	1,183	1,095	8	1,314	-10	2,496	2,300	9	5,811	6,522	7,344
Net revenues	961	775	24	969	-1	1,930	1,464	32	3,995	4,372	4,779
Cost of goods sold	625	497	26	627	-0	1,252	896	40	2,588	2,809	3,070
Gross Profit	336	277	21	341	-1	678	568	19	1,407	1,563	1,709
Employee expenses	30	23	31	31	-1	61	46	32	128	144	158
Other expenses	190	159	20	185	3	376	327	15	767	839	918
Total operating expenses	845	679	24	843	0	1,689	1,268	33	3,483	3,792	4,145
EBITDA	116	96	21	126	-8	241	196	23	512	580	633
EBITDA margin (%)	12	12	-28bp	13	-92bp	13	13	-85bp	13	13	13
Depreciation and amortization	28	28	-1	28	-	55	48	14	113	114	116
EBIT	88	68	31	98	-10	186	147	27	399	466	518
Interest expenses	40	29	37	36	11	76	57	34	122	106	90
Other income	4	12	-63	3	55	7	17	-59	26	26	26
PBT	53	50	5	65	-19	118	108	9	303	386	454
Provision for tax	14	12	14	15	-10	29	25	18	74	94	110
Profit after tax	39	38	2	50	-22	89	83	7	229	292	343
Profit/Loss from Associates	11	-	-	11	1	22	6	258	24	26	27
Adjusted net profit	50	38	31	60	-18	110	89	23	254	317	370
Number of shares (crore)	3	3	-	3	-	3	3	-	3	3	3
Diluted EPS (INR)	16	12	31	20	-18	36	29	23	82	102	120

Net Segment Revenue (INRcr)	Q2FY25	Q2FY24	YoY %	Q1FY25	QoQ %	H1FY25	H1FY24	YoY %	FY25E	FY26E	FY27E
BSPC	629	508	24	632	-0	1,261	909	39	2,661	2,871	3,090
Biofuel	260	105	148	239	9	499	170	194	943	1,053	1,158
Non-Biofuel	369	403	-8	393	-6	763	739	3	1,718	1,819	1,932
PS	271	221	23	280	-3	551	456	21	1,102	1,245	1,407
EB	61	46	32	57	7	118	99	19	232	256	281
Total	961	775	24	969	-1	1,930	1,464	32	3,995	4,372	4,779

Revised estimates	FY25E			FY26E			FY27E
	Previous	Revised	%Change	Previous	Revised	%Change	New
Net sales	4,038	3,995	-1%	4,424	4,372	-1%	4,779
EBITDA	515	512	-1%	583	580	-1%	633
EBITDA margin (%)	12.8	12.8	601 bps	13	13	829 bps	13
PAT	275	254	-8%	339	317	-6%	370
EPS	89	82	-8%	109	102	-6%	120

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SoTP-based valuation

Segment	Avg. EBIDTA (FY26E/FY27E)	Target Multiple (x)	EV
Bio-based Specialities and Performance Chemicals	353	5	1,767
Portable Spirits	268	10	2,677
Ennature Biopharma	63	6	377
<i>EBIDTA from the JV</i>	<i>82</i>	<i>10</i>	<i>819</i>
Intercompany	-75	5	-374
Total	691		5,265
Less: Net debts			731
Market Cap			4,533
No. of shares (cr)			3.1
Per share Value			1,465
<i>Blended EV/EBIDTA</i>			<i>8</i>
<i>Implied PE ratio</i>			<i>14</i>

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Previous outlook

Q1FY25: The Q1 results instil confidence to achieve our estimates for FY25 (23% YoY growth in net revenue and 59% growth in net profit for FY25E). The optimisation of its 450 KLPD expansion of ethanol capacity is expected to come in H2FY25. We expect a net revenue and PAT CAGR of 16% and 40% over FY24-26E on the back of (i) change in revenue mix of the BSPC segment along with a focus on bio-fuels, (ii) capacity expansion in ethanol, (iii) expanding grain-based facilities to ensure better cost efficiency and (iv) improving balance sheet health with improved operating performance.

from Unipet Chemicals and Tristar Intermediates in product development. Retain 'BUY'.

Q1FY25



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Financials

Income statement

(INR crs)

Year to March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Income from operations	2,317	2,868	2,651	3,294	3,995	4,372	4,779
Direct costs	1,499	1,921	1,582	2,149	2,588	2,809	3,070
Employee costs	83	89	89	103	128	144	158
Other expenses	467	603	684	639	767	839	918
Total operating expenses	2,049	2,613	2,355	2,892	3,483	3,792	4,145
EBITDA	268	255	296	402	512	580	633
Depreciation and amortisation	80	80	94	101	113	114	116
EBIT	188	175	202	302	399	466	518
Interest expenses	83	70	100	121	122	106	90
Other income	15	22	24	26	26	26	26
Profit before tax	120	127	126	207	303	386	454
Provision for tax	11	39	24	50	74	94	110
Core profit	108	87	102	156	229	292	343
Extraordinary items	-	221	28	-	-	-	-
Profit after tax	108	309	130	156	229	292	343
Share from associates	1	21	11	17	24	26	27
Consolidated net profit	132	340	141	173	254	317	370
Adjusted Net profit	109	108	113	173	254	317	370
Diluted shares (Cr)	3	3	3	3	3	3	3
EPS (INR) fully diluted	35	35	36	56	82	102	120
Dividend per share	6	8	8	8	8	8	8
Dividend payout (%)	14	7	16	14	10	8	7

Common size metrics- as % of net revenues

Year to March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Operating expenses	88	91	89	88	87	87	87
Depreciation	3	3	4	3	3	3	2
Interest expenditure	4	2	4	4	3	2	2
EBITDA margin	12	9	11	12	13	13	13
Net profit margin	6	12	5	5	6	7	8

Growth metrics (%)

Year to March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenues	-15	24	-8	24	21	9	9
EBITDA	-4	-5	16	36	27	13	9
PBT	6	6	-1	65	47	27	18
Net profit	15	158	-58	23	47	25	17
EPS	46	-1	4	53	47	25	17

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Balance sheet							(INR crs)
As on 31st March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity share capital	31	31	31	31	31	31	31
Reserves & surplus	1,138	1,761	1,870	2,020	2,249	2,541	2,887
Shareholders funds	1,169	1,792	1,901	2,051	2,280	2,572	2,918
Borrowings	1,123	1,040	1,094	1,321	1,521	1,321	1,121
Lease Liabilities	14	6	18	27	27	27	27
Net Deferred tax	357	338	359	398	398	398	398
Minority interest	-	-19	-	-	-	-	-
Other Non-Current Liabilities	338	227	163	43	-	-	-
Sources of funds	3,001	3,384	3,536	3,840	4,227	4,319	4,464
Gross block	2,547	2,694	3,125	3,707	3,757	3,807	3,857
Depreciation	376	391	435	536	649	763	879
Net block	2,171	2,303	2,690	3,171	3,109	3,044	2,979
Capital work in progress	126	243	125	84	84	84	84
Right of Use Assets	11	5	18	25	25	25	25
Total fixed assets	2,309	2,552	2,832	3,280	3,218	3,153	3,088
Intangible	2	2	2	2	2	2	2
Investments	35	344	326	342	342	342	342
Inventories	610	693	754	1,106	1,324	1,471	1,637
Sundry debtors	362	399	430	384	475	528	588
Cash and equivalents	98	102	113	138	515	617	766
Loans and advances	26	26	0	1	1	1	1
Other current assets	233	389	349	316	360	385	414
Total current assets	1,711	1,608	1,647	1,945	2,675	3,002	3,404
Sundry creditors and others	1,109	1,238	1,315	1,769	2,049	2,220	2,411
Provisions	9	8	7	8	8	8	8
Total CL & provisions	1,118	1,247	1,322	1,777	2,057	2,228	2,419
Net current assets	593	361	324	169	618	774	985
Other Non-Current Assets	63	126	52	48	48	48	48
Misc expenditure	-	-	-	-	-	-	-
Uses of funds	3,001	3,384	3,536	3,840	4,227	4,319	4,464
Book value per share (INR)	377	579	614	662	736	831	942

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Cash flow statement

(INR crs)

Year to March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net profit	132	340	141	173	254	317	370
Add: Depreciation	80	80	94	101	113	114	116
Add: Deferred tax	38	-19	21	39	-	-	-
Gross cash flow	250	401	256	313	366	431	486
Less: Changes in W. C.	110	145	-48	-180	72	54	63
Other non-operative items	-496	-257	-103	-265	-53	-106	-90
Operating cash flow	-356	-2	201	228	241	271	334
Less: Capex	-64	258	325	549	50	50	50
Free cash flow	-291	-260	-124	-320	191	221	284

Ratios

Year to March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
ROAE (%)	9	7	6	9	12	13	13
ROACE (%)	8	7	7	10	11	12	13
Debtor days	24	22	24	18	18	18	18
Current ratio	0.8	0.9	0.9	0.8	1.0	1.1	1.3
Debt/Equity	1.0	0.6	0.6	0.6	0.7	0.5	0.4
Inventory days	41	38	41	51	49	49	49
Payable days	39	35	41	51	51	51	51
Cash conversion cycle days	26	25	24	18	16	16	16
Net Debt/EBITDA ratio	4.2	4.1	3.8	3.3	2.0	1.3	0.6
Net debt/Equity ratio	1.0	0.6	0.6	0.6	0.5	0.3	0.1

Valuation parameters

Year to March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Diluted EPS (INR)	35	35	36	56	82	102	120
Y-o-Y growth (%)	45.9	(0.9)	4.3	53.2	46.6	25.0	16.6
CEPS (INR)	68	136	76	88	118	139	157
Diluted P/E (x)	35	36	34	22	15	12	10
Price/BV (x)	3.3	2.2	2.0	1.9	1.7	1.5	1.3
EV/Sales (x)	0.9	0.7	0.7	0.6	0.5	0.4	0.3
EV/EBITDA (x)	18.2	18.8	16.4	12.5	9.5	7.9	6.7
Diluted shares O/S	3	3	3	3	3	3	3
Basic EPS	43	110	46	56	82	102	120
Basic PE (x)	29	11	27	22	15	12	10

Bio-fuels to boost growth

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