

Price: 1,260

Recommendation: Buy

Industry: Commodity Chemicals

Sector: Commodities

Report Date: 03-Apr-2025

India Glycols Limited is undergoing a strategic restructuring to enhance focus and unlock value by demerging into IGL Spirits, Ennature Bio Pharma, and the core Chemical business. This aims to foster independent growth and attract investors. The company reported a 17% revenue increase to Rs. 6,850 crores in 9MFY25, driven by Potable Spirits and Bio-Fuel segments. Future plans include market expansion, facility upgrades, and exploring export opportunities.

Sales		Profit & Loss		Profitability Matrix	
Current Year	3828 Cr	Operating Profit(Year)	468 Cr	Operating Profit Margin	12.2 %
Previous Year	2650 Cr	Operating Profit(Quarter)	124 Cr	EBITDA Margin	10.95 %
Current Quarter	975 Cr	PAT (Year)	149 Cr	Net Profit Margin	4.52 %
Previous Quarter	961 Cr	PAT (Quarter)	43.8 Cr	EPS	54.2
Revenue (QYoY)	904 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	23.2	Sales Growth	28.2 %	Sales Growth	1.46 %
PEG Ratio	388	PAT Growth	33.04 %	Sales Growth QYoY	7.85 %
EV/EBITDA	11.2	EPS Growth	10.61 %	PAT Growth	11.17 %
P/B	2.19	Dividend Yield	0.64	PAT Growth QYoY	15.87 %
Capital Allocation		Holdings		Leverage	
RoE	9.00 %	Promoter	61.0 %	Debt/Equity	0.93
RoA	3.03 %	FII	2.44 %	Debt	1655 Cr
RoCE	11.1 %	DII	2.00 %	Market Cap	3900 Cr
RoIC	7.08 %	Public	34.5 %	Enterprise value	5452 Cr
		No of Shares	3.10 Cr	Cash Equivalents	103 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

In the recent meeting, India Glycols Limited outlined a strategic restructuring plan to enhance focus and unlock value. The company is set to demerge into three distinct entities: IGL Spirits, Ennature Bio Pharma, and the core Chemical business. This move aims to provide each business with a clear focus, allowing for independent growth and attracting focused investors. The Chemical business will concentrate on green chemicals and specialty products, while IGL Spirits will encompass the liquor and bio-fuel sectors. Ennature Bio Pharma will integrate the herbal and biopolymer divisions, aiming to grow these businesses independently and create more value. The restructuring is expected to reduce risks and improve management and resource allocation.

The company's financial performance for the 9MFY25 period showed robust growth, with a Gross Revenue of Rs. 6,850 crores, marking a 17% increase from the previous year. The Net Revenue rose by 23% to Rs. 2,905 crores, and EBITDA increased by 19% to Rs. 378 crores. The Potable Spirits and Bio-Fuel segments were significant contributors to this growth, with the Bio-Fuel business experiencing a 135% increase in revenue. However, the Chemical business faced a moderate decline due to product reclassification, which is part of the restructuring process. Despite these challenges, the company remains optimistic about its future growth prospects.

Looking ahead, India Glycols is focused on expanding its market presence and improving profitability. The company is working on regulatory approvals and upgrading its facilities to meet international standards, which will enable it to penetrate developed markets. Innovation in product delivery formats and a push for branded nutraceuticals are key strategies for future growth. The company is also exploring opportunities in export markets, particularly in the Middle East and East Africa, to diversify its revenue streams. The management is confident that these initiatives will drive long-term value creation and enhance shareholder returns.

While the company's growth trajectory is promising, there are areas for improvement. The pressure on margins in the Ennature Biopharma segment needs to be addressed, and the company should focus on optimizing its cost structure. Additionally, the completion of ongoing projects, such as the grain distillery in Gorakhpur, will be crucial for sustaining growth. The management's commitment to maintaining a balance between growth and cost efficiency will be vital in navigating the challenges ahead. Overall, India Glycols is well-positioned to capitalize on its strategic initiatives and achieve sustainable growth in the coming years.

INDIAGLYCO Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Allied Blenders	8796.90	73.53	1.93%	12.22%	8.82%	20.47%	26431.82%
Piccadily Agro	5534.45	52.25	30.61%	-1.42%	2.63%	0.53%	17.01%
United Breweries	52246.47	118.99	10.06%	-5.50%	9.64%	-60.56%	-38.91%
Tilaknagar Inds.	4801.22	25.02	24.58%	-9.18%	-9.63%	-7.38%	23.21%
India Glycols	3899.80	23.25	9.00%	1.44%	7.79%	11.13%	16.01%

Aspect	Commentary
Revenue	The company shows a strong revenue growth with a 17% increase, driven by Potable Spirits and Bio-Fuel segments. This indicates a robust demand and effective market strategies, positioning the company well for future expansion and profitability.
Profit & Loss	Operating profit and PAT have shown healthy growth, reflecting efficient cost management and strong sales performance. The increase in PAT by 33.04% suggests improved operational efficiency and profitability.
Profitability Matrix	The company maintains a solid profitability profile with an operating profit margin of 12.2% and a net profit margin of 4.52%. This indicates effective cost control and pricing strategies, supporting sustainable profit levels.
Valuation Matrix	The valuation metrics, including a trailing P/E of 23.2 and EV/EBITDA of 11.2, suggest the company is reasonably valued. The PEG ratio of 388 indicates potential growth opportunities, albeit with some market risk.
Growth (YoY)	Year-over-year growth is strong, with sales up by 28.2% and PAT by 33.04%. This reflects successful strategic initiatives and market expansion efforts, positioning the company for continued growth.
Growth (QoQ)	Quarter-over-quarter growth is moderate, with sales increasing by 1.46% and PAT by 11.17%. This suggests steady performance and resilience in maintaining growth momentum despite market challenges.
Capital Allocation	The company demonstrates prudent capital allocation with a RoE of 9% and RoCE of 11.1%. This indicates effective use of equity and capital to generate returns, supporting long-term financial health.
Holdings	Promoter holding is strong at 61%, indicating confidence in the company's prospects. Public holding at 34.5% suggests a balanced ownership structure, potentially enhancing market stability and investor confidence.
Leverage	With a debt/equity ratio of 0.93, the company maintains a manageable leverage level. This suggests a balanced approach to financing, supporting financial stability and flexibility for future investments.

Analyst viewpoint: India Glycols Limited stands out as an excellent investment opportunity, displaying a promising trajectory in growth and profitability. The company's robust financial performance is evident, with a 17% revenue increase primarily driven by the Potable Spirits and Bio-Fuel segments, reflecting a strong demand and effective market strategies. The quarter-over-quarter growth is steady, with sales rising by 1.46% and profit after tax by 11.17%, showcasing resilience in maintaining momentum even amidst challenging market conditions. Valuation metrics are appealing, with a trailing P/E of 23.2 and a reasonable EV/EBITDA of 11.2, indicating that India Glycols is fairly valued and provides significant growth potential. Moreover, strategic restructuring to create focused entities dedicated to distinct sectors - chemical, spirits, and bio pharma - is expected to unlock substantial value and present new avenues for market expansion.

From a strategic standpoint, the company is prudently leveraging its capital allocation with a RoE of 9% and RoCE of 11.1%, underscoring effective utilization of equity and resources to drive returns. The company's management team is adept at navigating competitive dynamics, which is crucial given the peer landscape where India Glycols' growth metrics compare favorably. While the financial and strategic aspects are compelling, it's worth noting a mild pressure on margins in the Ennature Biopharma segment, which the company is addressing proactively. Overall, India Glycols is well-positioned to capitalize on its strategic initiatives, driving sustainable growth and maximizing shareholder value in the short to mid-term horizon.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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