India Glycols Ltd

ISIN :INE560A01015 | NSE :INDIAGLYCO

Price: 1,188
Recommendation: Buy
Industry: Commodity Chemicals
Sector: Commodities
Report Date: 02-Apr-2025

India Glycols Limited is undergoing a strategic restructuring to demerge into IGL Spirits, Ennature Bio Pharma, and its core Chemical business. This move aims to enhance operational focus and unlock shareholder value. The company is expanding in bio-fuels and spirits, with a 135% revenue increase in bio-fuels. Despite challenges in the Chemical sector, India Glycols is optimistic, focusing on regulatory compliance and market expansion for sustained growth.

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	22.0	Sales Growth	28.2 %	Sales Growth	1.46 %
PEG Ratio	366	PAT Growth	33.04 %	Sales Growth QYoY	7.85 %
EV/EBITDA	10.8	EPS Growth	10.61 %	PAT Growth	11.17 %
P/B	2.10	Dividend Yield	0.67	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	3678 Cr
RoIC	7.08 %	Public	34.5 %	Enterprise value	5230 Cr
		No of Shares	3.10 Cr	Cash Equivalents	103 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

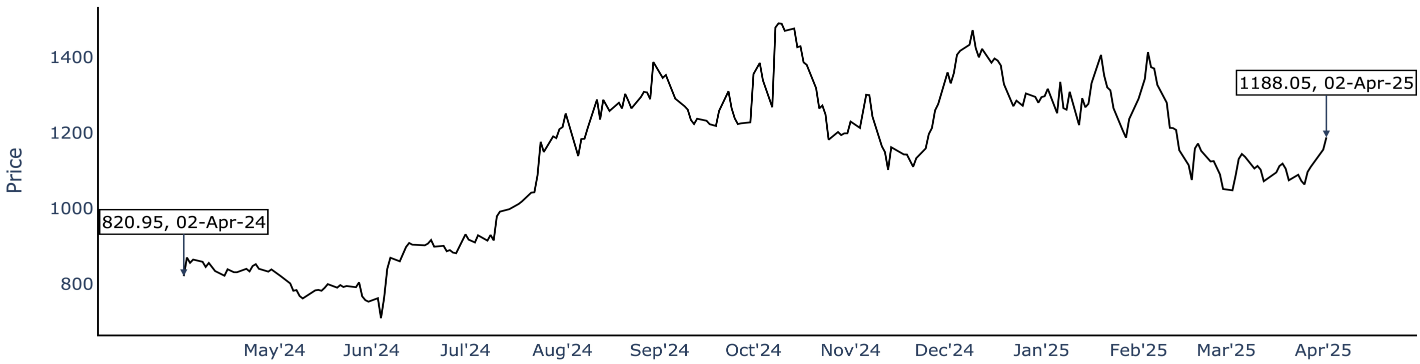
India Glycols Limited has embarked on a significant restructuring initiative, aiming to demerge into three distinct entities: IGL Spirits, Ennature Bio Pharma, and the core Chemical business. This strategic move is designed to provide each business with a focused operational framework, allowing them to cater to their specific markets and priorities independently. The demerger is expected to unlock shareholder value by attracting focused investors and improving management and resource allocation. 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, enhancing its market presence and operational efficiency.

The company's business strategies are centered around penetrating developed markets, enhancing regulatory compliance, and innovating product delivery formats. They are upgrading their Nutra facility to meet US FDA standards, which will bolster their marketability in developed regions. The focus on branded nutraceuticals and innovation in delivery formats, such as curcumin and nicotine, is expected to drive growth. The company is also leveraging its partnerships with major brands like Bacardi and Amrut to strengthen its market position in the premium liquor segment. This approach not only diversifies their portfolio but also mitigates risks associated with market fluctuations.

Looking ahead, India Glycols is poised for growth, with a strong emphasis on expanding its bio-fuel and potable spirits businesses. The bio-fuel segment has shown remarkable growth, with a 135% increase in revenue, and is on track to meet government blending targets. The company plans to augment its ethanol capacity to support the growing demand in the potable spirits sector. Additionally, the Chemical business is expected to see incremental growth through value-added specialties, supported by ongoing projects and potential CAPEX investments. The focus on cost-effective ethanol sourcing and strategic partnerships is anticipated to enhance profitability and market resilience.

While the company has demonstrated robust growth, particularly in the bio-fuel and spirits sectors, there are areas for improvement. The Chemical business has experienced a moderate decline, attributed to product reclassification and market adjustments. However, the management is optimistic about the future, citing improved margins and profitability in the joint venture and chemical segments. The focus on regulatory compliance and market expansion in developed regions is a positive step, but the company must continue to innovate and adapt to changing market dynamics to sustain its growth trajectory. Overall, India Glycols is well-positioned for future success, with a clear strategy and strong market presence.

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	8796.85	73.58	1.93%	12.22%	8.82%	20.47%	26431.82%
Piccadily Agro	5499.93	52.01	30.61%	-1.42%	2.63%	0.53%	17.01%
United Breweries	52085.13	118.64	10.06%	-5.50%	9.64%	-60.56%	-38.91%
Tilaknagar Inds.	4728.53	24.64	24.58%	-9.18%	-9.63%	-7.38%	23.21%
India Glycols	3678.33	21.95	9.00%	1.44%	7.79%	11.13%	16.01%

Aspect	Commentary
Revenue	The company shows a strong revenue growth with a 28.2% YoY increase, indicating robust sales performance. The quarterly growth is modest at 1.46%, suggesting stable but slower expansion. This growth is driven by strategic market expansion and product diversification, particularly in the bio-fuels sector, which has seen a significant revenue boost.
Profit & Loss	Operating profit margins are healthy at 12.2%, with a notable PAT growth of 33.04% YoY. This indicates effective cost management and operational efficiency. The quarterly PAT growth of 11.17% further supports the company's profitability trajectory, reflecting strong financial health and strategic cost control measures.
Profitability Matrix	The company maintains a solid profitability profile with an EBITDA margin of 10.95% and a net profit margin of 4.52%. These figures highlight efficient operations and cost management. The EPS growth of 10.61% YoY underscores the company's ability to generate shareholder value through consistent earnings performance.
Valuation Matrix	The valuation metrics show a trailing P/E of 22.0, suggesting the market's positive outlook on future earnings. The EV/EBITDA ratio of 10.8 indicates a fair valuation relative to earnings. The PEG ratio of 366, however, suggests potential overvaluation, warranting cautious optimism in growth expectations.
Growth (YoY)	The company exhibits strong YoY growth with sales increasing by 28.2% and PAT by 33.04%. This growth is driven by strategic initiatives in expanding market presence and product offerings, particularly in high-growth sectors like bio-fuels. The dividend yield of 0.67% provides additional shareholder returns.
Growth (QoQ)	Quarterly growth is steady with sales up by 1.46% and PAT by 11.17%. This reflects consistent performance and effective short-term strategies. The QYoY sales growth of 7.85% indicates sustained demand and market penetration, supporting the company's ongoing expansion efforts and operational resilience.
Capital Allocation	The company demonstrates prudent capital allocation with a RoE of 9.00% and RoCE of 11.1%. These figures reflect efficient use of equity and capital employed, contributing to shareholder value. The RoIC of 7.08% indicates effective investment strategies, supporting long-term growth and profitability.
Holdings	Promoter holding is strong at 61.0%, indicating confidence in the company's prospects. The public holds 34.5%, reflecting broad market interest. Institutional holdings are modest, suggesting potential for increased institutional investment. The shareholding structure supports stability and potential for future growth.
Leverage	The debt/equity ratio of 0.93 indicates a balanced leverage position, supporting financial stability. With a market cap of 3678 Cr and enterprise value of 5230 Cr, the company is well-positioned for growth. Cash equivalents of 103 Cr provide liquidity, supporting operational needs and strategic investments.

Analyst viewpoint: India Glycols Limited has demonstrated robust growth, featuring a solid quarterly sales increase of 1.46% and a year-over-year surge of 28.2%, mainly driven by strategic market expansions and diversification, especially in the biofuels and spirits sectors. The company reports strong operating profit margins of 12.2%, a testament to its effective cost management strategies. With a focused operational overhaul, India's Glycols restructuring into distinct entities aims to concentrate on individual market priorities, thereby enhancing shareholder value. The company's ongoing projects in biofuels not only leverage government policy shifts but also position it well to capture increasing market demands. Furthermore, strategic partnerships with well-known brands enhance their premium liquor market presence, suggesting a bullish outlook for mid-term growth.

On the valuation front, India Glycols reflects a Trailing P/E ratio of 22.0 and an EV/EBITDA of 10.8, suggesting a favorable market appraisal towards its earnings futures. While the PEG ratio indicates potential overvaluation, the company's continuous innovation and adherence to regulatory compliance, as highlighted in recent concalls, underscore its readiness for ongoing challenges. Its commitment to expanding into developed markets, along with a strong capital allocation framework evident through a RoE of 9.00%, supports steady growth. Despite the optimistic outlook, a mild caution is warranted in the chemical segment, which faces moderate challenges due to product reclassification; however, management remains optimistic about compensating this through improved margins in joint venture operations.

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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