Stock Note

India Glycols Ltd.

Aug 12,2024

India Glycols Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Chemicals	Rs 1212	Buy in the band of Rs 1208-1226 and add more on dips to Rs 1085	Rs 1338	Rs 1430.5	2-3 quarters

HDFC Scrip Code	INDGLYEQNR
BSE Code	500201
NSE Code	INDIAGLYCO
Bloomberg	IGLY: IN
CMP Aug 09, 2024	1212
Equity Capital (Rs Cr)	31
Face Value (Rs)	10
Equity Share O/S (Cr)	3.1
Market Cap (Rs Cr)	3752
Book Value (Rs)	662
Avg. 52 Wk Volumes	482320
52 Week High	1274.9
52 Week Low	621

Share holding Pattern % (Jun, 2024)	
Promoters	61.0
Institutions	1.9
Non Institutions	37.1
Total	100

* Refer at the end for explanation on Risk Ratings

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Our Take:

India Glycols primarily operates mainly in four segments: Bio-based Specialities and Performance Chemicals Segment (BSPC) comprises Glycols, Specialty Chemicals, Natural Gum & other related goods etc. (49.5% of sales), Potable Spirits Segment (PS) comprises manufacture and sale of Ethyl Alcohol (Potable) (29% of sales) and Ennature Biopharma (EB) comprises manufacture and sale of Nutraceutical Products (6%) and Bio-fuel at 15.5% of sales in FY24.

The company has two distilleries (Kashipur-Uttarakhand and Gorakhpur-Uttar Pradesh) with a total distillery capacity of 670,000 KLPA for the production of ethyl alcohol, out of which, 2,20,000 KLPA is for potable alcohol. Apart from producing industrial alcohol for its captive consumption, the company is also one of the biggest exporters of international quality ENA (Extra Neutral Alcohol).

It is a leader in high-value complex phytochemicals chemistry in India. Ennature Biopharma is also the global leader in Thiocolchicoside API, a highly potent muscle relaxant. It has a strategic partnership with Algatechnologies (Part of the Solabia Group, France) for highly specialized Astaxanthin and Fucoxanthin ingredients. The division has successfully received CEP (Certification of EU pharmacopeia) from EDQM for two flagship API Thiocolchicoside & Colchicine. The division is targeting to receive CEP & US DMF for other APIs in the current fiscal. In the nutraceutical category, the company is working towards appointing distributors in the US, Europe, South East Asia (SEA) and Australia & NZ markets.

Company is in the process of expanding facilities for new Value-added chemical products. This is in the areas of Bio-based Specialty and Performance Chemicals segment which includes carbon smart products. The project is being implemented in phases having total production capacity of approx. 10,000 MT/year at a cost of Rs 82 crore.

Board approved to enhance the capacity of grain-based distillery at its Kashipur (Uttarakhand) plant. The capacity will be expanded from 400 Kilo litre per day (KLPD) to 500 KLPD. The company has embarked on the capacity expansion plan in the face of surging demand for ethanol and captive requirements. It is also expanding capacity from 110 KLPD to 290 KLPD at Gorakhpur. Both would get commercialized in Q2FY25.

Captive consumption of this ethanol would result in reduced reliance of ethanol imports and also lower reliance on LCs which shall positively impact overall cost of production and aid in margin improvement. Company is one the leading players globally in green mono ethylene glycol (MEG). While the past few years have been challenging for the company due to a contraction in demand for MEG and pricing pressures, it has navigated these hurdles by focusing on biofuels, potable spirits, and other value-added products in the chemical space. It has significantly expanded ethanol capacity and reduced exposure to low margin businesses.

Valuation & Recommendation:

India Glycols reported robust gross margin improvement and better operational performance in FY24. Company has guided for further margin improvement along with heathy revenue growth. Company is implementing capex in both of its businesses BSPC and Potable Spirits that would help drive growth from FY25E onwards. Company has implemented capex for increasing its bio fuel capacity which should start commercialization in H2FY25. India Glycols has reduced dependency on imported RM that would improve overall margin trajectory in the coming years.

We estimate 15% CAGR in net sales led by 34% CAGR from Biopharma business and 15% from Potable Spirits and 12% CAGR in BSPC segment over FY24-26E. We expect 40bps expansion in operating margin on the back of better gross margin. Net profit is likely to see 29% CAGR over the same period. We feel that investors' can buy the stock in the band of Rs 1208-1226 and add more on dips to Rs 1085 for base case target price of Rs 1338 (14.5x FY26E EPS) and bull case target price of Rs 1430.5 (15.5x FY26E EPS) over the next 2-3 quarters.

Financial Summary

Particulars (Rs cr)	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Total Revenues	969	689	40.6	926	4.6	2,735	2,318	2,868	2,651	3,294	3,739	4,352
EBITDA	126	100	25.5	105	20.1	279	269	255	295	402	461	549
Depreciation	28	21	34.6	26	6.2	78	80	80	94	101	117	127
Other Income	3	6	-51.7	5	-40.4	9	15	22	24	26	28	32
Interest Cost	36	28	30.1	33	10.1	97	83	70	100	121	109	91
Tax	15	13	22.4	13	14.2	38	34	43	24	50	68	97
APAT	60	51	18.0	42	43.1	115	132	117	109	173	213	286
EPS (Rs)						37.1	42.5	37.7	35.3	55.8	68.8	92.5
RoE (%)						11.5	12.0	7.9	5.9	8.7	9.9	12.1
P/E (x)						32.6	28.5	32.2	34.3	21.7	17.6	13.1
EV/EBITDA (x)						17.0	17.6	18.5	16.0	11.8	10.3	8.6

(Source: Company, HDFC sec)

FY24 Result Update

Total net revenue increased 24.3% YoY at Rs 3294cr. Gross margin was down 560bps YoY at 34.8%. EBITDA margin expanded 110bps YoY at 12.2%. Finance cost increased 20% YoY at Rs 120.7cr. Net profit was up 22.8% YoY at Rs 172.8cr. Other Income was up 8% YoY at Rs 25.7cr. Cost pressures continued with high international ethanol prices. As the company's dependency from imports to reduce, the company could see better gross margin in the coming years.

Q1FY25 Result Update

Net revenue increased 40.6% YoY at Rs 969cr. EBITDA increased 25.5% YoY at Rs 126cr. Net profit was up 18% YoY at Rs 60cr. Finance cost increased 30% YoY at Rs 36cr.

Revenue was mainly driven by Biofuel business (+268% YoY) though other Bio-based specialty and Performance Chemicals (BSPC) also witnessed a healthy 17% YoY growth. Net revenue of Potable Spirit (PS) and Ennature Biopharma (EB) revenue grew 23% and 8% YoY. Gross margin contracted 690bps YoY to 35% due to lower realisation in BSPC (non-Biofuel) and higher raw material prices in PS segment. EBIDTA margin declined by 155bps YoY to 13%, due to lower other expenses. On a QoQ basis, gross/EBITDA margin improved 390bps/170bps.

Bio fuel revenue stood at Rs 239cr vs. Rs 65cr in Q1FY24 and Rs 184.5cr in Q4FY24. Ennature Biopharma revenue increased 8% YoY at Rs 56.8cr.

Biofuel would remain a growth engine for FY25/FY26, introduction of value-added products from its New Specialty units (NSU; commissioning nearly complete), addition of new brand in IMFL to drive better growth trajectory.

Cost pressure particularly both on nicotine as well as Thiocolchicoside impacted operating margin of Ennature Pharma. Revenue should grow at healthy pace as per the management.

Management targets to do around Rs 150cr revenue from value-added products in FY25.

Its focus is on strong science to build a robust Nutraceuticals portfolio. Packaging material costs are stabilizing and giving room for margin improvement.

In Ennature Biopharma (EB) Company doubled overall production capacity of Nicotine at Kashipur. Nutraceuticals sales started to grow slowly. New Nutraceuticals facility is under planning to cater to regulated markets of US and Europe.

Conference Call Highlights

- Company has two factors for growth in the medium term. One is, it is setting up a grain-based or damaged grain-based ethanol capacity, now the company can sell bio-based ethanol for petrol blending. And the second thing is new value-added chemicals, though it is relatively smaller business right now.
- Ennature Biopharma business has been under some pressure, largely because there's a lot of competition in nicotine and cost pressure, which has eroded margin.
- Energy prices and coal prices have stabilized and that would help in margin expansion. Power & Fuel expenses have been lower in FY24.
- The pressure in the chemicals business has largely been on account of increase in ethanol cost. Going forward, importing ethanol at prices which are softer should help improve profitability of the chemicals business. MEG market has been very much suppressed for a long time.
- And it is largely because outdoor markets like Europe, from the performance of various global specialty chemical company in the current environment have been facing some headwinds. Company is trying to reduce the ethanol cost for the JV, should help improve their margins in the second half.
- ENA is also used as a reaction aid in the pharmaceutical industry and as a volatile carrier of flavours and fragrances.
- It has maintained leadership position in Thiocolchicoside (a highly potent muscle relaxant API) in a challenging market.
- Company is focusing on building branded Nutraceuticals range by launching Xanthogreen, Gingeren and Turminova in various markets. Launch of Xanthogreen as the key ingredient in a multi-vitamin finished formulation in US.
- It launched Maxicuma (a curcumin formulation) in nanotized form which is more bioavailable than curcumin itself.
- Company commissioned grain-based ethanol capacities which helped mitigate impact of ethanol cost increases. Management said that the ballpark number would be around 80% is molasses and 20% is being used from grain.
- On the premiumization front, Amazing vodka is currently available in three flavors and they are spread across four states currently: UP, Uttarakhand, Delhi and Rajasthan. There are two more states which are in the pipeline. Company has also launched a premium White Citrus Rum with a name of Zumba Lemoni, it's again available in these four states.
- As a part of sale of Shakumbari Sugar and Allied Industries, the company received an additional amount of Rs. 24.8 crores, total received is around Rs.80 crores against the deal amount of Rs. 87 crores. The company had entered into agreement to sell 98.85% stake in

Shakumbari in Mar-2023. The total consideration was pegged at Rs 87.5cr.

- Margin should see improvement on the back of i) improvement in the quality of the business, discontinuing some non-profitable businesses, ii) risk mitigation in terms of ethanol cost by making in-house grain-based ethanol. iii) improvement in product mix.
- In the performance application-based products, the company is looking at about 30 products across several chemistry, of which, roughly 10 to 13 products have completed the lab work, more than half of them done pilot plant and sampling. The company is working with some very good customers which are global customers, which includes Tao, Nobel, Lanzatech, New Park, Baker Tools etc. It is about developing a number of customized products for customers.
- On Ennature Biopharma, the company completed the EU-GMP audit conducted by the European directorate for the quality of medicine at Dehradun facility and this would help to sell some of nutraceuticals products in the Europe.
- On the joint venture front, the company registered strong top line growth for the year but margin continued to be under pressure overall because of the increased cost of ethylene oxide, feed stock and energy.
- On the branded country liquor spirits, the company has maintained a strong position in UP and Uttarakhand which has been the case for a couple of years.
- Company has put in grain based ethanol capacities in house and as far as that is concerned in the last quarter the company used in-house ethanol and this would reduce imports of RM and thus improving overall margin and profitability.
- Amazing Vodka has 25% market share in Uttarakhand. Company has 12% market share in UP and ~17% in Delhi. In UP, the company launched Zumba.
- Company said that higher crude oil prices and lower Ethanol prices are good for the company.
- Government wants to blend 20% now by 2025 compared to 2030 so they are encouraging to put ethanol capacities and the price of ethanol is decided by the government leaving on the table some reasonable decent or marginal profit for the manufacturer.
- 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.
- In Country liquor segment, the company is the leader in UP and having 27% market share in overall terms. It includes both branded country liquor and normal country liquor. In IMFL segment, the company has ~50% market share in UP and ~20% market share in Uttarakhand.

India Glycols received ethanol supply order worth Rs 1164 crore

In Dec-2023, the company said that it has been allocated quantities for supplying of Ethanol from its Grain based Ethanol plants (Kashipur and Gorakhpur). The allocated quantities through tender participation for supply of 16.55 crore liters of Ethanol with an estimated value aggregating to Rs 1,164 crore under Ethanol Blended Petrol Programme (EBPP) during Ethanol Supply Year from November, 2023 till October, 2024.

Biofuel segment to see strong growth

BSPC business, which consists of glycols, ethers, industrial gases, guar gum powder, and biofuels, faced major headwinds in FY23 due to lower MEG prices, volatility in feedstock prices (ethanol), and higher energy prices. While pricing pressure in the glycol business continues, the company is now focusing on biofuels, which formed ~19% of revenue in FY24 (from 5% in FY23). To tap opportunities from the Centre's ethanol oil blending programme, the company expanded its ethanol capacity, part of which turned operational in FY24. The rest will be operational in FY25. Post that, it will have an ethanol capacity of 1,070 KLPD in FY25 from 350 KLPD in FY23, 27% of which will be grain-based. A higher contribution of biofuels is set to boost operating margin. Bio-fuel segment revenue may see 35% CAGR over FY24-26E and revenue contribution would increase to ~22% of sales as against 15.5% in FY24.

Steady growth in potable spirits

In country liquor, the company holds good presence in Uttarakhand and has a strong foothold in Uttar Pradesh. In the IMFL business, it has pole position in the vodka and whiskey business in Uttarakhand and Uttar Pradesh. Company supplies IMFL to paramilitary forces in 19 states. We expect the healthy growth momentum to continue given: i) the price hike taken in country liquor in Q4FY24, ii) the addition of MaQintosh (from Amrut Distilleries) in IMFL, iii) the supplies to paramilitary forces in four more states. The new excise policy in Uttarakhand and introduction of better margin tetra packs in country liquor and IMFL segments will also help. We expect ~12% revenue CAGR in this segment over FY24-26E.

Company has recently tied up with world-class single malt company Amrut Distilleries and acquired their MaQintosh brand. MaQintosh is a 35-year-old whiskey. The company will be brewing it on a royalty basis. This is the first time Amrut has tied up with another company.

IMFL Business

In IMFL, India Glycols has a strong position in the vodka and whisky category in Uttar Pradesh and Uttarakhand. In Uttarakhand, it commands ~30% market share (second only to Radico Khaitan which commands ~45% share). It sells 1.6mn cases of IMFL in Uttar Pradesh and Uttarakhand and supplies to paramilitary forces in 19 states. The company posted ~23%/13% volume/value growth in the IMFL business in FY24. Going forward, we expect growth would be driven by: i) supplies to paramilitary forces in four additional states, ii) introduction of its vodka brands in different flavours, iii) foray into the Delhi market, and iv) new launches.

Govt. targets to achieve 20% Ethanol blending

The National Biofuel Policy aims to achieve 20% blending by CY2025. This offers ample prospects for ethanol players with their own distilleries. In the first nine months of the current season (i.e. November 2023 to June 2024), India achieved an average ethanol blending rate of ~15.5% which is tracking well with the target. The Centre aims to ensure the availability of more than 1,000cr litres of ethanol to meet its 20% blending target by FY26. Oil marketing companies floated a tender for ethanol supplies of 850cr litres. Against this, it received bids for only 562cr litres. Of the 562cr litres, ~269cr litres of ethanol were to be supplied by the sugarcane industry, with the balance being met by grains. As of June 2024, the Oil Marketing Companies (OMC) has been able to achieve 15.9% blending as it procured 401cr litres and blended 414.4cr litres against targeted 562cr litres. The lower-than-expected supplies of ethanol to OMCs can be attributed to low availability of molasses and delays in setting up grain-based ethanol facilities. The government had banned the use of sugarcane juice and sugar syrup for manufacturing ethanol in December-2023.

Business applications

India Glycols primarily has three operating segments: Bio-based Specialities and Performance Chemicals Segment (BSPC) comprises Glycols, Specialty Chemicals, Natural Gum & other related goods etc. Potable Spirits Segment (PS) comprises manufacture and sale of Ethyl Alcohol (Potable). Ennature Biopharma (EB) comprises manufacture and sale of Nutraceutical Products.

Glycols are used for the manufacture of polyester yarn, fibre, film and resin and as an automobile coolant. Bio-glycols cater to the beverage and food industry's packaging requirement of PET bottles and polyester film. Ethyl / Butyl glycol ethers and its acetates, find application in the Textile, Oil & Gas, Paint and Coating, Automotive brake fluid, Pharma and Electronic Chemical industries.

Performance chemicals uses in automotive sector include brake fluid and anti-freeze coolant. Other areas are Textile, Agrochemicals, Paint, Oil & Gas, Personal Care, Detergents, Paper, Mining etc.

Power Alcohol is used by Oil Manufacturing Companies (OMCs) for blending in Petrol as per Govt. Policy.
ENA – Extra Neutral Alcohol is high purity ethanol which is used in Beverages, Perfumery, Pharma, Personal Hygiene.
Industrial Gases have a wide range of use across chemical processing, Glass manufacturing, Healthcare, Metal fabrication/ production, Steel, Petroleum recovery and refining, Pulp & paper, Wastewater treatment, Electronics, Lighting, Construction, Food industry.
Food Quality Natural Gum has application in Frozen Foods, Ice-Cream, Bakeries, Beverages & Sauces.
Industrial Quality Natural Gum is used in Personal Care, Mining, Paper, Construction, Paint, Textile industries and Oil & Gas applications.

New products development

Company has partnered with a leading international technology innovator to use ethanol made from recycled industrial carbon emissions and convert it into MEG and Ethoxylates. It is designing a high-value product with complex as well as novel chemistry for the first time in the world for applications of enhanced oil recovery in the oil and gas industry in collaboration again with a leading multinational company. It is developing replacement products for several Alkyl Phenol-based surfactants which are banned for most applications, across the world. Company plans to promote green technology-based chemicals and expansion in other areas of operation.

Recently announced capex plan

On the back of growing demand for speciality chemicals for various end markets, the company is in the process of expanding facilities for New Value-Added chemical products. This is the areas of Bio-based Specialty and Performance Chemicals segment which includes carbon smart products. The project is being implemented in phases having total production capacity of approx. 10,000 MT/year and involves a cost of ~Rs 82 crore.

Board approved to enhance the capacity of grain-based distillery at its Kashipur (Uttarakhand) plant. The capacity will be expanded from 300 Killo litre per day (KLPD) to 500 KLPD.

The work will be done in two phases with the first 100 KLPD capacity addition and the next 100 KLPD done in Q4 FY24. The company will spend Rs 160 crore on this project which will be met by internal accrual and bank financing.

The company said it has embarked on the capacity expansion plan in the face of surging demand for ethanol and captive requirements.

Diversified revenue streams mitigating the impact of volatility in any one segment

India Glycols primarily has three operating segments: Bio-based Specialities and Performance Chemicals Segment (BSPC) comprises Glycols, Specialty Chemicals, Natural Gum & other related goods etc. Potable Spirits Segment (PS) comprises manufacture and sale of Ethyl Alcohol (Potable). Ennature Biopharma (EB) comprises manufacture and sale of Nutraceutical Products and Bio-fuel. Each of the segment contributed to 49.5%, 29%, 6% and 15.5% to net revenue respectively in FY24.

Furthermore, until Q1FY22, IGL was also selling bio-ethylene oxide derivatives (bio-EOD) which contributed to revenue of Rs 668 crore & Rs 89 crore to total revenue & EBITDA in FY21. However, in Jun-2021, the company divested 51% of its stake through the issuance of subscription share in its previously wholly-owned subsidiary Clariant IGL Specialty Chemicals Private Limited (CISCPT) to Switzerland-based Clariant International Limited (Clariant), which resulted in CISCPT becoming a joint venture (JV) in the ratio of 51:49 (51% held by Clariant and 49% by IGL). India Glycols has exclusive rights to distribute Clariant's entire range of industrial and consumer Specialities business in India, Sri Lanka, Bangladesh and Nepal. During FY22, CISCPT reported net profit of Rs 39.4cr and it stood at Rs 30cr for FY23 and declined to Rs 16.7cr in FY24.

BSPC

Bio-based Glycols

Sales of Glycols [Monoethylene Glycol (MEG), Diethylene Glycol (DEG), Triethylene Glycol (TEG), Heavy Glycols and Glycols Ether] declined from 81,000 MT in FY22 to 49,400 MT in FY23 and further witnessed a decline to 44500 MT in FY24. Bio-MEG sales grew in Far East markets but experienced a slowdown in US/European markets due to shift towards Recycled Polyethylene Terephthalate (RPET) and high manufacturing cost. Despite challenging scenario, the company was able to increase share in Far East and SE Asia markets by forming strategic partnerships with end users and also introducing innovative marketing techniques using product differentiation and green positioning in niche markets.

The biggest driver of demand is likely to be the increasing market for polyester fiber from the textile sector in Asia Pacific region. In India, the strong domestic PET demand and increase in exports of textiles and apparel by about 40% shall keep the MEG on firm footing. In India, the demand for MEG has been witnessing a CAGR of around 7-8% which is higher than global average.

Reliance Industries Limited, Indian Oil Corporation Limited and India Glycols are the main MEG manufacturers in the domestic market. Though production has seen a modest growth, it is not enough to meet domestic demand and large gap is met through heavy imports.

Performance Chemicals

IGL has the capacity to manufacture 35,000 MTPA of performance chemicals. The company’s portfolio of more than 250 products find use in the agrochemical, textile, personal care, detergent, automotive, oil field and emulsion and paint industries, among others.

Natural gums

Natural Gums Division (NGD) manufacturing & supplying Guar Gum and other hydrocolloids products is one of the business verticals of industry conglomerate - India Glycols Limited, a green technology based bulk specialty and performance chemicals company serving mankind since 1983.

Company has been supplying Guar Gum, natural gums products to customers globally. The large clienteles appreciate its products for consistent premium quality products supplies. NGD has five manufacturing facilities catering to varied industrial requirements viz. Food, Textile, Fast Hydrating Guar for Oil & Gas, Industrial e.g. cosmetics, mining and specialty PO derivatized guar.

Consolidated installed production capacity is in excess of 45000 MT per annum and for derivatized specialty products 3000 MT per annum. The manufacturing facilities are located at Kashipur, the terrain of Himalayas. It is done under stringent quality control environ having ISO and other compliance certifications. The laboratory is certified by Government of India, NABL – accreditation agency.

Established market position in Potable Spirits segment

India Glycols has two distilleries (Kashipur- Uttarakhand and Gorakhpur-Uttar Pradesh) with a total distillery capacity of 770 KLPD (290 KLPD is grain-based and 460 KLPD is molasses based) for the production of ethyl alcohol, out of which, 80,000 KLPA is for potable alcohol. The company has the license for operations and sale of branded Country Liquor (CL) in Uttar Pradesh and Uttarakhand. In Uttar Pradesh IGL's Bunty Babli brand is the highest selling brand in the country liquor segment. IGL continues to hold the commanding position as the largest supplier of CL in UP with a significantly high market share. IGL is a registered supplier to the Indian Defense forces through CSD & Para Military Forces with the flagship brand Beach House XXX Premium Rum. The company also plans to introduce premium new Whisky and Vodka brands, thus further strengthening brand portfolio in CSD & Para Military market.

Uttar Pradesh government's policy of reservation of 18% molasses for liquor manufacturing provides raw material security for IGL's liquor business but increasing reliance on the liquor segment exposes IGL to regulatory risks arising from change in policies, particularly in UP, which accounts for a major portion of the company's liquor revenue.

Potable Spirits and ENA

During FY24, the company registered gross sales of Rs 5575 crore as compared to Rs 4,705 crore in FY23 in the Potable Spirits division. The company has two distilleries (Kashipur-Uttarakhand and Gorakhpur-Uttar Pradesh) with a total distillery capacity of 670,000 KLPA for the production of ethyl alcohol, out of which, 2,20,000 KLPA is for potable alcohol. The Kashipur facility is considered one of the most efficient distilleries in the country. Apart from producing industrial alcohol for its captive consumption, IGL is also one of the biggest exporters of international quality ENA (Extra Neutral Alcohol).

Company has won the trust of supplying a premium category of ENA to alcoholic beverages companies in Uttarakhand. The existing tie-up with Bacardi for bottling of their products at the Kashipur bottling unit performed well. Company enjoys a position of a premium quality ENA supplier in the international markets and is gradually trying to increase its overseas market share in a price sensitive market. Company has the license for operations and sale of branded Country Liquor in Uttar Pradesh and Uttarakhand. Company commands leadership position in the Country Liquor market in both operating states i.e. Uttar Pradesh and Uttarakhand.

Company has a portfolio across Whisky, Vodka & Rum segments. Presently, the company has Amazing Vodka available in 3 flavors i.e. Plain, Green Apple and Orange. In the whisky segment, the company offers Single Reserve and Soulmate Blu in Delhi, Uttarakhand and Uttar Pradesh. Company launched Zumba Black and Zumba Lemoni during the year. Following the strategy of premiumisation in the Potable Spirits division, the company launched Amazing Vodka in the Semi-Premium Segment. The brand has the distinction of being packed in a beautiful frosted, printed bottle with brilliant blend which has imported enhancers/flavours.

Company had also launched Amazing Vodka in Green Apple & Orange flavours. Amazing Vodka has been well accepted by the consumers of Uttar Pradesh, Uttarakhand and Delhi. Encouraged by the good success of the brand, the company intends to take the brand in Haryana and Punjab. Single Reserve and Zumba rum has been well received by the consumers across the operating states.

The company is producing IMFL brands from its Gorakhpur and Kashipur unit and couple of tie-up units. With focus on brand extension of the Bunty family, Bunty vodka continues to command a leadership position in Uttar Pradesh. This brand is available in 5 refreshing flavours. All SKUs (Stock Keeping Unit) have been well received by the consumers.

ENA is the primary raw material for making alcoholic beverages and it is derived from different sources - sugarcane molasses and grains. While most countries globally mandate to have grain based ENA for whisky (~66% of IMFL), there are no such restrictions in India. However, companies in bid to drive premiumisation of their portfolio, have been increasingly moving towards grain-based ENA from molasses-based. With growing demand for ethanol, there have been structural changes in the spirits industry, with ENA capacity being used for ethanol.

Power Alcohol (Bio-Fuels)

Company forayed into grain-based ethanol by installing two grain-based distilleries of 180 kilo litres per day and 110 kilo litres per day in Kashipur (Uttarakhand) and Gorakhpur (Uttar Pradesh) at a cost of Rs 305 crore (Rs 170 crore & Rs 135 crore respectively). Company supplies Power Alcohol to Oil Manufacturing companies (OMC's) through their tender process, as per Government of India's Ethanol Blending Programme for blending in Petrol. With both grain distilleries commissioned, the company would be able to cater the growing demand in Bio-fuel segment.

Captive consumption of this ethanol would result in reduced reliance of ethanol imports and also lower reliance on LCs which shall positively impact overall cost of production and aid in margin improvement. Consequently, IGL can also provide the ethanol for blending purposes as there is robust demand potential for the ethanol with the government's target to achieve 20% ethanol blending by CY2025.

The Power Alcohol plants contribute to sustainable energy solutions, catering to government policies for ethanol blending in petrol. Company's revenue from Power Alcohol witnessed substantial growth in FY24 and likely to continue in the medium term. Company enhanced the capacity of Bio-Fuel ethanol plant at Kashipur from 140 KLPD to 410 KLPD in FY24 and is working to further enhance to 590 KLPD by adding 180 KLPD during FY25. Also, the enhancement of Bio-Fuel ethanol capacities at Gorakhpur from 100 KLPD to 190 KLPD is under process. Company continues to supply Bio-Fuels to Oil Manufacturing Companies (OMCs) through their tender participation, as per Government of India's Ethanol Blending Programme (EBP). In FY24, the company has been allocated quantities through tender participation for supply of Ethanol under EBP during Ethanol Supply Year from November, 2023 till October, 2024. The work to further increase the grain-based distillery capacities both at Kashipur and Gorakhpur is at an advanced stage. With enhanced capacities, the company would be able to leverage its strength in ethanol manufacturing.

Recent Capex Announced

Particulars	Grain Based Distillery Plant		Bio-Fuel Ethanol Plant	
	Gorakhpur	Kashipur	Gorakhpur	Kashipur
Capacity (as on 31.03.2024)	110 KLPD	400 KLPD	100 KLPD	410 KLPD
Proposed Capacity Addition	180 KLPD	100 KLPD	90 KLPD	180 KLPD
Expected Capacity	290 KLPD	500 KLPD	190 KLPD	590 KLPD
Period within which the proposed capacity is to be added	Q2 FY25	Q2FY25	Q2 FY25	Q2 FY25

Ennature Bio-Pharma (Nutraceuticals)

Ennature Bio-pharma division operates in the space of Plants based APIs Nutraceuticals, Phytochemicals Health Supplement Ingredients for beverage, dietary supplement, functional food, pharmaceutical and cosmoceutical industries. It is a leader in high-value complex phytochemicals chemistry in India. It is also the global leader in Thiocolchicoside API, a highly potent muscle relaxant. It has a strategic partnership with Algatechnologies (Part of the Solabia Group, France) for highly specialized Astaxanthin and Fucoxanthin ingredients.

The manufacturing facility is located at Dehradun and is accredited with EU, WHO GMP, Current Good Manufacturing Practices (cGMP), ISO 9001, ISO 22000, Kosher and Halal. Also, in order to further reach aggressively the regulated market of several European countries, the company had also applied for EUGMP certification from the European agency-EDQM. Subsequent to March, 2023, the requisite audit has been completed by the European drug agency.

The multi-process facility produces a wide range of customer-specific products with efficiency and guaranteed purity. The division can process about 2,500 MT of raw material per annum.

Ennature maintains germ plasm for herbs like artemisia, stevia, rosemary, marigold and sage among others, in about 100-acre maintained under experienced agronomists. Ennature has received funding from the National Medicinal Plant Board for the development of germ plasm of various herbs, and encourages farmers to cultivate herbs.

The division reported sales of Rs 205 crore as compared to Rs 189 crores in FY23. Even, in challenging environment, the company has been able to maintain market share and leadership position in the Thiocolchiside API segment and registered substantial growth in the Nicotine business.

The APIs derived from plant sources have been doing exceedingly well with some of the molecules having gained significant growth and captured major market share in global pharmaceutical market. It has also gained major inroads in the domestic market by acquiring supply contracts with major key accounts. The next focus with Nicotine is in the pharmaceutical industry with nicotine salts for Nicotine Replacement Therapy products like gums, lozenges and pouches. Business Development activities are also being done to enter the huge US

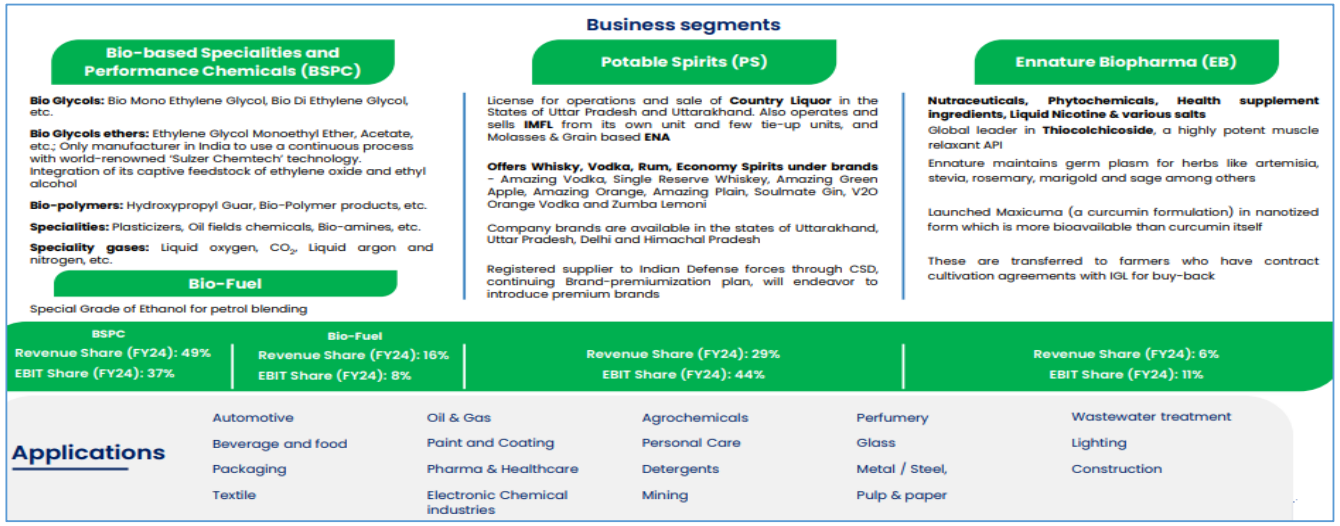
Nicotine market. Simultaneously, the company also focused on development of new API's with a view to reduce dependency on the API-Thiocolchiside.

With more focus on nutra business, the company has undertaken major business development activities in the lucrative markets of US, Europe and SEA to leverage the branded nutraceutical ingredient market with the help of Maxicuma, Xanthogreen, Tuminova & Gingeren. The division has successfully received CEP (Certification of EU pharmacopeia) from EDQM for two flagship API Thiocolchicoside & Colchicine. In the nutraceutical category, the company is working towards appointing distributors in the US, Europe, South East Asia (SEA) and Australia & NZ markets.

Exports Market

Due to challenging global scenario, the company registered lower sales of Rs 577 crore in FY23 as compared to Rs 717 crore in FY22. It was at Rs 535 crore in FY24. Discontinuation of export of EOD business impacted the exports of the company. Decline in global demand, high inflation and lower prices of competition products led to a decline in overall exports of Glycol Ethers. However, in the Glycols segment, the company was able to retain sales volume by adopting innovative pricing models and strategic positioning in niche markets.

With an objective to create a niche market for its green chemicals, the Company has been focusing on exports as one of its key segments for future growth. This has positioned the Company as a green chemicals play in the international market and is a well-known supplier of bio-glycols. It intends to launch some new product lines to enhance its reach in both green and regular/conventional chemical segments. This would add a significant sales growth to IGL's portfolio.



(Source: Company, HDFC sec)

Annual Report FY24 update

Bio-based Glycols, Bio-Polymers and Industrial Gases

India Glycols is a leading manufacturer of bio-based glycols, ethanol, and industrial gases, continues to carve a path of sustainability and innovation in various sectors.

IGL embarks on a new journey with the introduction of specialty chemical products. With a focus on sustainability and efficiency, the company commissioned a New Specialty Unit plant capacity of 5,000 MT (depending on the product mix) during FY24. This unit aims to develop innovative chemistries, including bio-amines, biopolymers, and green solvents. Company has bagged sizable orders from oil and gas major companies which is an encouraging trend. In the industrial gases sector, IGL continues to excel, with a focus on quality and customer satisfaction.

Power Alcohol (Bio-Fuels)

There has been continued high demand of Bio-Fuels, the company had incurred Capex to enhance the capacity of its Bio-Fuel ethanol plant at Kashipur, part of was commissioned in Q4FY24. Company is in process to further enhance the capacities which should be commissioned in current fiscal. Company continues to supply BioFuels to Oil Manufacturing Companies (OMC's) through tender participation, as per Government of India's Ethanol Blending Programme (EBP) and during the year, has been allocated quantities for supply of 16.55 crore liters of Ethanol with an estimated value aggregating to Rs 1,164 crore under EBP during Ethanol Supply Year from November, 2023 till October, 2024. During the year, the company registered revenue of Rs 512 crore from sale of Power Alcohol as compared to Rs 126 crore in FY23.

Potable Spirits (IMFL & Country Liquor) and ENA

In the potable spirits segment, IGL's distilleries produce premium quality ENA, catering to domestic and international markets. It is also working towards establishing the company as a premier brand in the space of Indian Made Foreign Liquor (IMFL). Further, the company continues to be a major player in North India for domestic pharma markets. It remains a trusted and reliable supplier to many well established pharma, homeopathic and perfumery companies. Company has been supplying premium quality ENA to leading alcoholic beverages companies in North India. The existing tie-up with Bacardi for bottling of their products at the Kashipur bottling unit continues to perform well. During the year, the company registered gross sales value of Rs 5,558 crore as compared to Rs 4,705 crore last year in the Potable Spirits division. Company has the license for operations and sale of branded Country Liquor in Uttar Pradesh and Uttarakhand and continues to maintain the leadership position in both states.

Ennature Bio-Pharma

Ennature Bio-pharma division operates in the space of Plants based Active Pharmaceuticals Ingredients (APIs) Nutraceuticals and Phytochemicals. It is the global leader in Thiocolchicoside API, a highly potent muscle relaxant and also in Nicotine and its derivative. The company has also received CEP (Certification of Suitability) from EDQM for two flagship APIs-Thiocolchicoside & Colchicine.
Despite the competitive environment (as new small players has emerged in the market), the division registered sales value of Rs 202 crore

for FY24, as compared to Rs 189 crore over previous year, a growth of about 7%. The APIs derived from plant sources have been doing exceedingly well on account of steady sales and have captured major market share in the burgeoning global pharmaceutical market. Company has continued to maintain the leadership position for Thiocolchicoside in the export market, it has also gained major inroads in the domestic market by acquiring supply contracts with some major key accounts. In Nicotine segment, focus has been on efficiency initiatives and aggressive diversification of customer base in the short run, while building value added pharma customers for Nicotine Replacement Therapy products like gums and lozenges in the long run. With more focus on Specialty branded nutraceuticals business, the Company continues to expand its reach by establishing firm footprints in highly regulated markets in South East Asia and USA. The Company has also invested on development of new branded specialty Nutraceuticals ingredients backed up with science, clinical trials using proprietary patented technology platforms LIMAN and SCEMOD. The Company has filed two world-wide patents and one India patent to protect intellectual property. It already has five granted patents four in India and one covering US and Japan.

Strong raw material position and an upward trajectory in prices have resulted in better margins for Thiocolchicine and Colchicine. The company achieved highest ever volume in exports for Pure Nicotine. Its focus is now on building value added nicotine products like Nicotine Polacrilex and Nicotine Ditartrate Dihydrate (NDD) in pharma and pouch segments.

The upgradation of Nutraceuticals facility is in pipeline to cater to the regulated markets of US and Europe. The Company is also dedicated to expand the businesses into new geographies and has taken many initiatives for market development for expansion of Vinpocetine into untapped markets of Europe, Russia, and Bangladesh which would yield positive results in the coming years.

Glycol Ethers

Company faced a significant downturn in the Glycol Ether business, largely due to the pronounced decrease in international prices of rival products like Butyl and Propyl Glycol Ethers. This sharp decline was primarily influenced by the substantial reduction in prices witnessed in China, a key global producer of glycol ethers, stemming from the notable decrease in feedstock costs. Consequently, Chinese products emerged as formidable competitors, even in the SE Asia markets, leading to reduction in sales to both China and SE Asia. Lower prices of competition products led to a decline in overall sales volume of Glycol Ethers. Sales value declined from Rs 313 crore in FY23 to Rs 273 crore in FY24 and sales volume declined from 21,971 MT to 19,394 MT.

India Extra Neutral Alcohol (ENA) Market Outlook

The India extra neutral alcohol (ENA) market reached a volume of around 3.45 billion litre in 2022, driven by its wide range of applications in end use industries and rising demand in the manufacturing of potable alcohol. The market is further expected to grow at CAGR of 5% in the forecast period of 2023-2028.

Almost all of the ENA produced in India is used in the manufacture of potable alcohol, whose production and use is on the rise. Furthermore, in recent years, a steady trend away from country liquor and toward Indian Made Foreign Liquor (IMFL) has resulted in a rise in demand for potable alcohol. Increased disposable incomes, a change in drinking attitude, and the growing western influence are the major factors fueling the demand for potable alcohol. Furthermore, the expanding cosmetics and personal care industry and the growing pharmaceutical sector are projected to be highly profitable for the market, as ENA has many applications in these industries.

Extra neutral alcohol, or ENA, is a colorless, impurity-free food-grade alcohol. It has a neutral odour and flavour and usually contains 96 percent alcohol by volume (ABV). ENA comes from a variety of sources, including sugar cane molasses, grains, and so on. It is used to make alcoholic drinks like bourbon, vodka, gin, cane, liqueurs, and alcoholic fruit cocktails and aperitifs. Apart from that, it is used in the production of a variety of cosmetics and personal care items, including lipstick, toiletries, cologne, hair gel, and others.

ENA is the main raw material used in the production of alcoholic drinks like whiskey and vodka. It is used in the production of cosmetics and personal care items like perfumes, toiletries, and hair spray, among others. Because of its solvent qualities, it is also used in the manufacturing of lacquers, paints, and ink for the printing industry, as well as prescription products such as antiseptics, medications, syrups, and medicated sprays. ENA is also used in items like air fresheners and detergents. These factors are contributing to the growth of the industry. Apart from this, the thriving pharmaceutical industry and the growing demand for antiseptics, drugs, syrups, and medicated sprays are expected to create significant growth opportunities for the market expansion in the forecast period.

Govt.'s thrust on Ethanol

Ethanol Blended Petrol (EBP) programme was initially launched in January 2003 for blending 5% ethanol in petrol and later on increased to 10%. The programme sought to promote the use of alternative and environmental friendly fuels to reduce import dependence for energy requirements. Initially, the procurement was only from conventional C-Heavy molasses. However, due to low sugar recovery and lower distillery capacity the blending target of 10% was never achieved. The National Biofuels Policy, 2018, aimed at taking forward the indicative target of achieving 20% blending by 2030, further expanded the scope of raw material for ethanol production by allowing use of B-Heavy molasses, Sugarcane Juice, Sugar Beet and damaged foodgrains like wheat, broken rice, etc. It also marked beginning of differentiated ethanol pricing, based on raw material utilised for ethanol production. OMCs also placed a premium on grain ethanol over the traditional C-grade molasses based ethanol. The sudden increase in ethanol requirement, and consequently shift of capacities from ENA to ethanol, had a positive impact on bulk alcohol realizations which quickly moved up since December 2018, reflecting a huge supply deficit situation in the industry.

In a massive boost to ethanol producers, the Govt. of India in June 2021 advanced the 20% Ethanol blending target to 2025 from 2030. So far, ethanol was being primarily produced in sugar growing states given higher allotted quota to molasses-based ethanol, however, in response to massive demand for ethanol and, for welfare of farmers (as surplus foodgrains lead to lower farm income) and reduction of agricultural waste, greater emphasis has been laid on foodgrains as feedstock for Ethanol. In order to meet 20% blending target, India will require ~1,000 crore litres of ethanol for blending in Petrol in 2025, whereas in 2020, the existing capacity of ethanol was at ~680 crore litres. This means that significant ethanol capacity addition will be required to meet the blending target. As per the report by the Govt. on

Roadmap for Ethanol Blending in India 2020-25, ~50% of ethanol requirement would be met by sugar industry and rest from grains and other sources.

Key Risks

Foreign exchange fluctuation risk

For the production of MEG, IGL imports alcohol primarily from USA & Brazil. As per the company management, their imports are to the tune of Rs 1,300-1,500 crore out of which around Rs 100-150 crore is for chemical and catalyst while the balance are for alcohol. The imports stood at Rs 998cr in FY24, Rs 1487 crore in FY23, Rs 1,476 crore in FY22 and Rs 1,174 crore in FY21. The company also exports, some portion of forex is naturally hedged and for the balance the company enters into forward contracts. In FY22, the company reported a forex loss of Rs 37cr in FY23, Rs 19 crore in FY22 and Rs 17.8 crore in FY21. With foray into grain-based ethanol production, its dependence on import of alcohol is likely to reduce in the future years, thus, reducing its utilisation of its non-fund-based limits.

Cyclicality in raw material prices

The profitability of the company is impacted with the cyclicality in the raw material prices which have increased significantly in FY22, FY23 and FY24. EBITDA margin slipped from 11.6% in FY21 to 8.9% in FY22 and again it recovered to 12.2% in FY24. Chemical segment profitability remains susceptible to volatility in the spread between MEG and the raw material ethyl alcohol, since the two may not move in tandem. Furthermore, operating margin of PS segment also moderated due to sharp escalation in ethanol cost & material cost and inability of the company to increase the selling price as it is controlled by the government.

Power & fuel expenses remain the second biggest expense for the company. It had increased to 15.8% of the total cost of sales in FY23 vs. ~9% in FY21. This was mainly on account of significant increase in coal prices. It stood at 10% of sales for FY24.

Change in government's Ethanol Policy

Given the steep target of 20% ethanol blending by 2025 and resultant massive deficit in ethanol production, we expect GSL to continue enjoying high operating margins over next 3-4 years. Over the longer term as the new capacities come in, the margins in bulk alcohol business may drop sharply due to its commoditized nature.

Diminishing spread between petrol and ethanol

At present, excise duty on landed cost of petrol at oil depots is higher than GST on the landed cost of ethanol and the benefit is being passed on to the retail consumers. However, in the future, should the price of ethanol increase beyond that of petrol, OMCs may feel discouraged to blend.

Changing regulatory environment

The liquor industry is exposed to multiple regulatory risks emanating from state taxes, adverse ruling from courts and changes in regulations with respect to pricing, licensing, working of operating facilities, manufacturing processes, marketing, advertising and distribution.

JV with Clariant

IGL has successfully established a Joint Venture (JV) with Clariant for Bio-Eo based ethoxylates and derivatives business. The IGL and Clariant stakes are 49:51 respectively and have formed Clariant IGL Speciality Chemicals Pvt Ltd. Clariant will provide access license, know how, and the latest technology. IGL agreed to a long term supply agreement for ethylene oxide made from bio ethanol and other utilities. The JV is expected to become one of the leaders in bio-based ethoxylates and derivatives. Both the companies would appoint equal board members for the operation of JV and Mr. U.S Bhartia would be the chairman of the board.

The JV is one of the largest green focused specialty chemical manufacturers which will have production facilities in India to supply domestic and global markets. The JV will promote new age value added products such as EO-PO (Ethylene Oxide/Propylene Oxide) copolymers and other specialty alkoxylates through sustainable green based chemical technology in the Indian markets as well as expanding footprint in international markets. The JV has exclusive right to distribute its entire range of products of consumer and industry specialties business in India, Bangladesh, Sri Lanka and Nepal. As per the JV agreement, IGL has transferred its bio-ethylene oxide derivatives (bio-EOD) business, to CISCPT and Clariant has infused Rs 650 crore in CISCPT as a consideration for the same. Out of the total consideration received, CISCPT has paid Rs 455 crore to IGL upfront and the balance is held in the CISCPT as an 10% interest-bearing shareholders loan, which will be repayable to IGL within three years. Going forward, IGL will continue to supply the key raw material which is ethylene oxide (EO) to the JV. During FY22, CISCPT reported net profit of Rs 39.4cr and it stood at Rs 30cr for FY23 and it was down at Rs 16.7cr in FY24.

Company Background

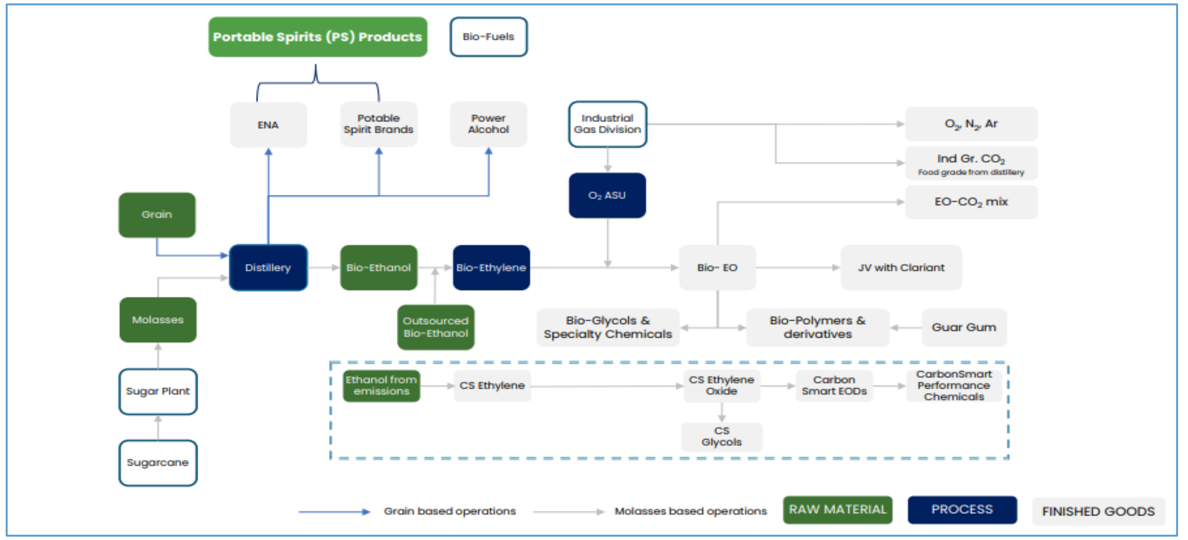
India Glycols Ltd (IGL) was incorporated in 1983, and is the leading manufacturer of green technology based bulk specialty and performance chemicals, sprits, industrial gases, Bio polymers, Bio Fuels, Carbon smart range, Natural gums and Plant based APIs & Nutraceuticals. It engages in the business of Mono Ethylene Glycol (MEG), Ethylene Oxide Derivatives (EOD), Ethyl Alcohol (Potable) and Nutraceuticals. IGL is the largest manufacturer of bio-Eo based Ethylene oxide and its derivatives. It uses green technologies to manufacture wide range of products such as glycols, glycol ethers and its derivatives, bio based ethylene oxide and specialty chemicals. The company has 3 manufacturing facilities at Kashipur, Dehradun and Gorakhpur. IGL has a global customer base and partnerships with reputed global companies. Company is implementing capital expenditure of around Rs 240cr for addition in Bio fuel capacity.

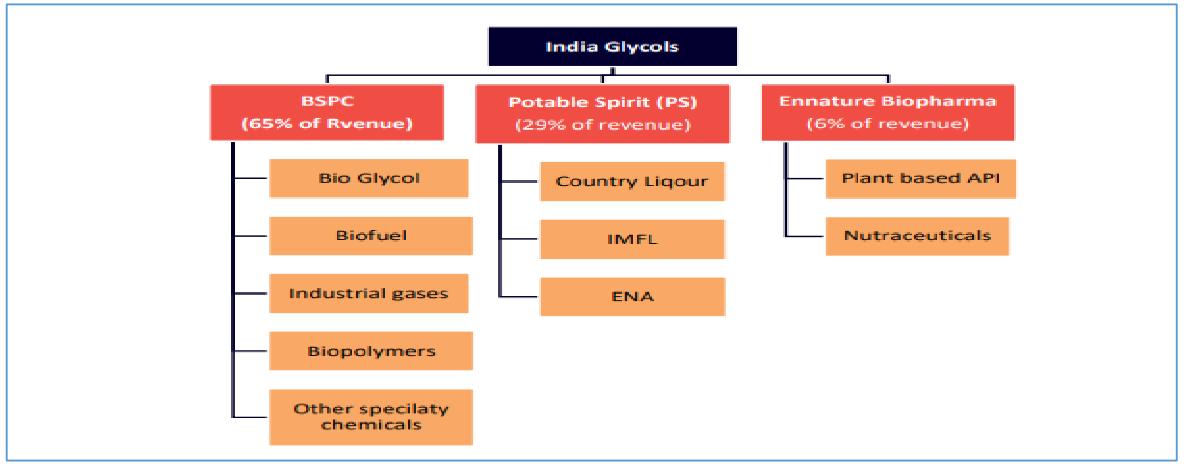
Peer Comparison

Company	Mcap (Rs cr)	Revenue (Rs cr)				EBITDA Margin (%)				PAT				RoE			
		FY23	FY24	FY25E	FY26E	FY23	FY24	FY25E	FY26E	FY23	FY24	FY25E	FY26E	FY23	FY24	FY25E	FY26E
India Glycols	3752	2651	3294	3739	4352	11.1	12.2	12.3	12.6	141	173	213	286	5.9	8.7	9.9	12.1
Globus Spirits	2728	2103	2414	2861	3202	11.7	7.0	10.2	11.3	122	96	161	213	13.8	10.2	14.8	16.7
Associated Alcohols	1443	701	760	1039	1162	8.9	10.1	11.5	12.0	42	51	81	97	12.3	12.9	17.6	17.8

Company	EV/EBITDA (x)				P/E (x)			
	FY23	FY24	FY25E	FY26E	FY23	FY24	FY25E	FY26E
India Glycols	16.0	11.8	10.3	8.6	34.3	21.7	17.6	13.1
Globus Spirits	11.9	17.1	10.7	8.0	22.4	28.4	16.9	12.8
Associated Alcohols	24.5	20.1	12.7	10.8	34.7	28.5	17.8	14.9

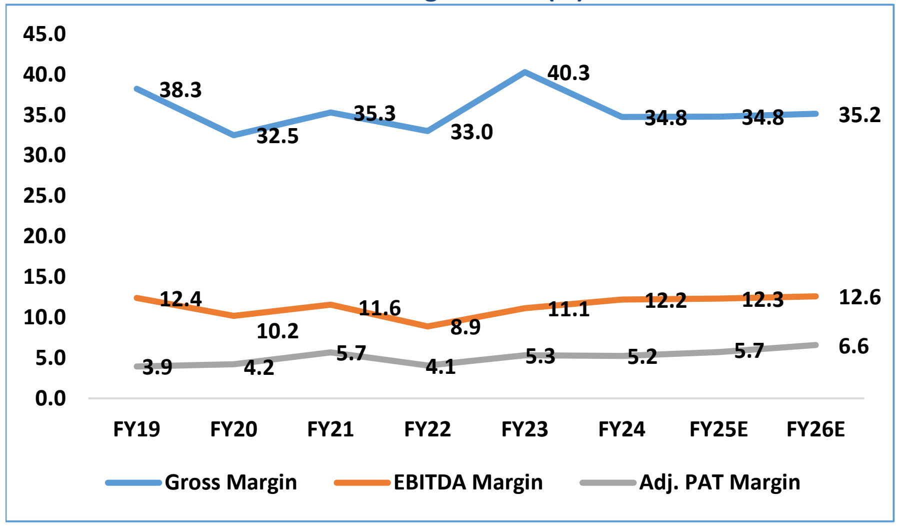
(Source: Company, HDFC sec)



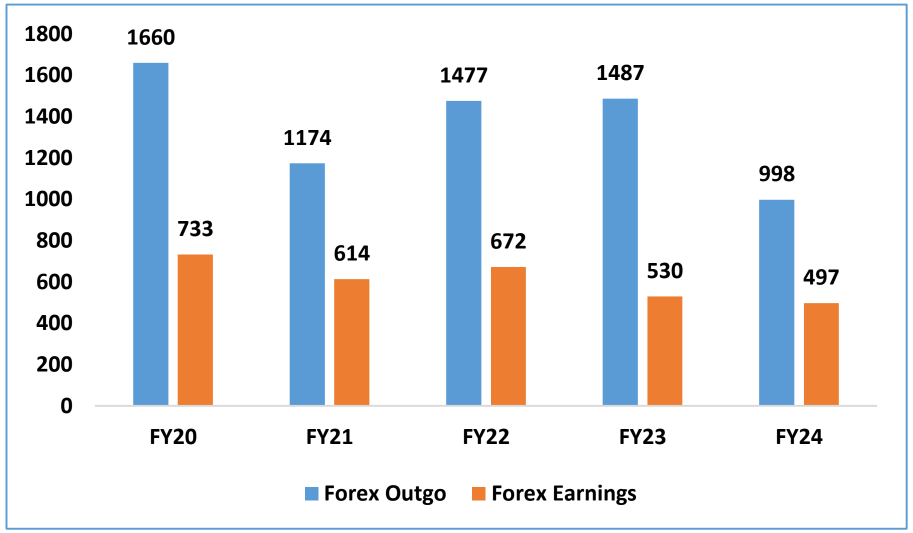


(Source: Company, HDFC sec)

Margin Trend (%)

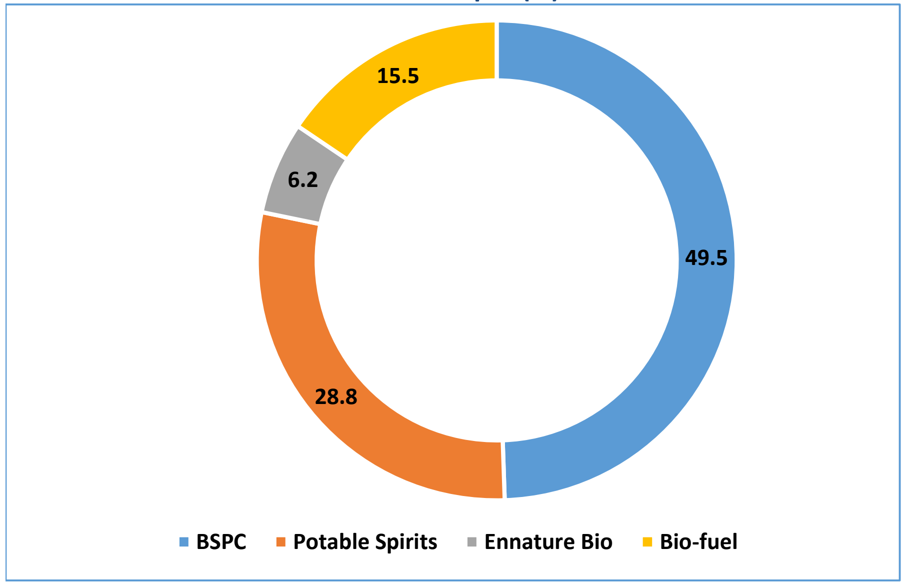


Foreign Exchange (Rs cr)

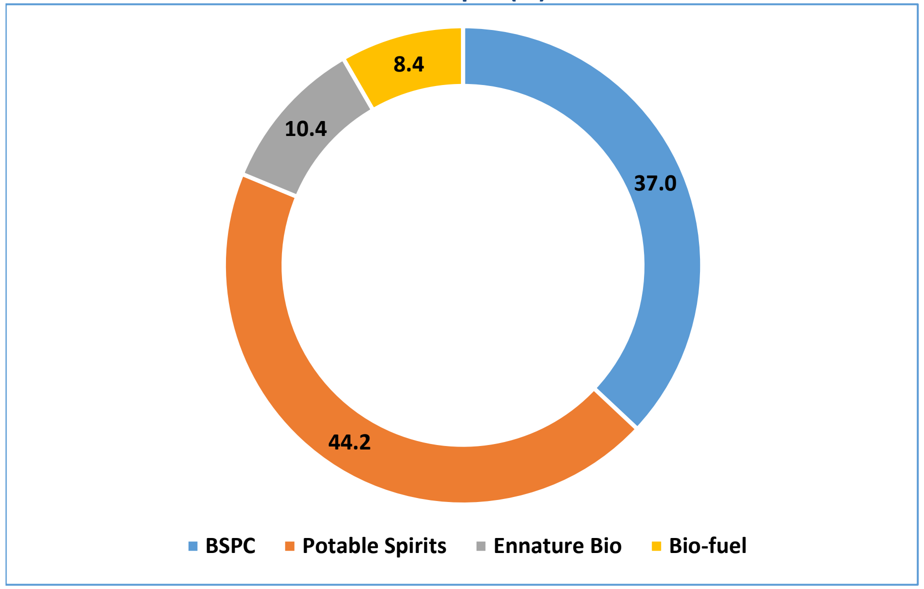


(Source: Company, HDFC sec)

Revenue Split (%)



EBIT Split (%)



Financials (Consolidated)

Income Statement

(Rs cr)	FY22	FY23	FY24	FY25E	FY26E
Net Revenue	2868	2651	3294	3739	4352
Growth (%)	23.8	-7.6	24.3	13.5	16.4
Operating Expenses	2613	2355	2892	3278	3803
EBITDA	**255**	**295**	**402**	**461**	**549**
Growth (%)	-5.0	15.8	36.1	14.6	19.2
EBITDA Margin (%)	8.9	11.1	12.2	12.3	12.6
Depreciation	80	94	101	117	127
EBIT	175	201	301	344	422
Other Income	22	24	26	28	32
Interest expenses	70	100	121	109	91
PBT	383	165	223	281	383
Tax	43	24	50	68	97
RPAT	**340**	**141**	**173**	**213**	**286**
Growth (%)	157.9	-58.6	22.8	23.3	34.3
Adj. PAT	**116.6**	**109.2**	**172.8**	**213.1**	**286.2**
EPS	37.7	35.3	55.8	68.8	92.5

Balance Sheet

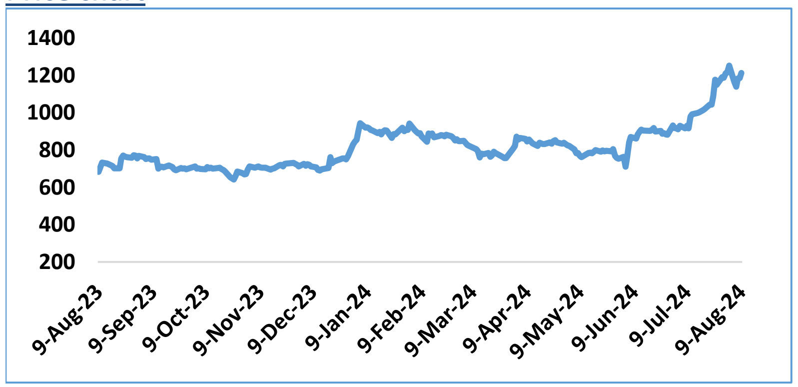
As at March	FY22	FY23	FY24	FY25E	FY26E
SOURCE OF FUNDS					
Share Capital	31	31	31	31	31
Reserves	1761	1871	2020	2202	2450
Shareholders' Funds	**1792**	**1901**	**2051**	**2233**	**2481**
Long Term Debt	540	551	725	744	684
Net Deferred Taxes	338	359	398	398	398
Long Term Provisions & Others	231	183	67	73	81
Minority Interest	-20	0	0	0	0
Total Source of Funds	**2882**	**2994**	**3242**	**3447**	**3644**
APPLICATION OF FUNDS					
Net Block	2552	2832	3281	3464	3588
Intangible Assets	10	10	10	10	10
Non Current Investments	336	319	335	308	284
Long Term Loans & Advances	126	52	49	54	64
Total Non Current Assets	**3024**	**3212**	**3674**	**3836**	**3945**
Inventories	693	754	1106	1040	1208
Trade Receivables	399	430	384	459	537
Short term Loans & Advances	25	1	1	2	3
Cash & Equivalents	102	113	138	260	257
Other Current Assets	389	348	313	342	386
Total Current Assets	**1607**	**1647**	**1943**	**2102**	**2389**
Short-Term Borrowings	500	543	597	567	521
Trade Payables	642	752	1100	1176	1345
Other Current Liab & Provisions	603	567	676	743	818
Short-Term Provisions	4	3	3	4	6
Total Current Liabilities	**1749**	**1865**	**2375**	**2490**	**2690**
Net Current Assets	-141	-219	-433	-388	-300
Total Application of Funds	**2882**	**2994**	**3242**	**3447**	**3644**

(Source: Company, HDFC sec)

Cash Flow Statement

(Rs cr)	FY22	FY23	FY24	FY25E	FY26E
Reported PBT	349	165	223	281	383
Non-operating & EO items	-22	-24	-26	-28	-32
Interest Expenses	70	100	121	109	91
Depreciation	80	94	101	117	127
Working Capital Change	-340	41	31	78	-92
Tax Paid	-21	-50	-11	-68	-97
OPERATING CASH FLOW (a)	**116**	**326**	**439**	**488**	**381**
Capex	-380	-434	-543	-300	-250
Free Cash Flow	-264	-108	-104	188	131
Investments	435	80	14	21	15
Non-operating income	22	24	26	28	32
INVESTING CASH FLOW (b)	**77**	**-330**	**-503**	**-250**	**-203**
Debt Issuance / (Repaid)	-81	103	244	24	-51
Interest Expenses	-70	-100	-131	-109	-91
FCFE	-414	-105	8	104	-12
Share Capital	-20	20	0	0	0
Dividend/Buyback	-19	-23	-23	-31	-38
FINANCING CASH FLOW (c)	**-189**	**-1**	**90**	**-116**	**-181**
NET CASH FLOW (a+b+c)	**4**	**-5**	**25**	**122**	**-3**

Price chart



Key Ratios

	FY22	FY23	FY24	FY25E	FY26E
Profitability (%)					
Gross Margin	33.0	40.3	34.8	34.8	35.2
EBITDA Margin	8.9	11.1	12.2	12.3	12.6
EBIT Margin	6.1	7.6	9.1	9.2	9.7
APAT Margin	4.1	5.3	5.2	5.7	6.6
RoE	7.9	5.9	8.7	9.9	12.1
RoCE	6.1	6.7	9.3	10.0	11.6
Solvency Ratio (x)					
Net Debt/EBITDA	3.7	3.3	2.9	2.3	1.7
D/E	0.6	0.6	0.6	0.6	0.5
Net D/E	0.5	0.5	0.6	0.5	0.4
PER SHARE DATA (Rs)					
Adj. EPS	37.7	35.3	55.8	68.8	92.5
CEPS	135.7	75.8	88.4	106.7	133.5
BV	579	614	662	721	801
Dividend	7.5	7.5	8.0	9.5	11.0
Turnover Ratios					
Debtor days	51	59	43	45	45
Inventory days	83	100	103	102	101
Creditors days	111	156	170	160	158
VALUATION (x)					
P/E	32.2	34.3	21.7	17.6	13.1
P/BV	2.1	2.0	1.8	1.7	1.5
EV/EBITDA	18.5	16.0	11.8	10.3	8.6
EV / Revenues	1.6	1.8	1.4	1.3	1.1
Dividend Payout (%)	19.9	21.3	14.3	13.8	11.9

(Source: Company, HDFC sec)

Kushal Mahendra Rughani

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HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions.
These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Disclosure:

I, **Kushal Rughani, Research Analyst, MBA**, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.
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