

IG Petrochemicals Limited

Margin on recovery phase

30th July 2024

In Q1 FY25, IGPL's revenue grew by ~5%/6% on a YoY/QoQ basis. The improvement in PAN-Ox spreads from ~\$120-140 per ton to ~\$150-200 per ton on a QoQ basis contributed to a significant increase in the Company's EBITDA margin, which rose from 4.7% to 10.6%. 2 out of 5 plants were shutdown of due to statutory inspections, which lasted for 70-80 days, and the plants are expected to resume production in the first week of August 2024. This resumption is anticipated to drive substantial growth in IGPL's topline revenue.

Margins on a recovery phase

The Company reported EBITDA margins of 10.6% for Q1 FY25, an improvement of 584 Bps on a QoQ basis. According to management, the spreads are gradually improving and are now in the range of ~\$150-200 per ton.

MAN prices have improved slightly sequentially but continue to quote at a discount of 10-12% of PAN prices compared to the historical average of trading at a premium of 10-20% of PAN prices. This is largely because of excess capacity in China, which is likely to be absorbed post-Jan 2025. We expect MAN prices to remain subdued until then.

Capacity expansion

The Company is actively pursuing capital expenditure for downstream operations, with new capacity expected to be commercialized by Q3 FY26. This expansion will make the Company the third-largest plasticizer player in the Indian market, with a total capacity of 75,000 MTPA (target market size: 300,000-350,000 MTPA). The products the Company will manufacture includes Di-Octyl Phthalate (DOP), Di-Isononyl Phthalate (DINP), and other plasticizers. This expansion will enable the Company to reduce its revenue concentration from PAN.

View & Valuation

We have revised our estimates and maintained a BUY rating on IGPL, valuing it at PE of 8x on FY26E EPS, giving a target price of ~Rs. 759, implying an upside of ~21%. The new capacity addition of 53,000 MTPA of PAN and improving the spread of PAN and OX will lead to sales growth and improvement in EBITDA margin, leading to strong growth in PAT.

BUY

CMP Rs. 629

TARGET Rs. 759 (+20.7%)

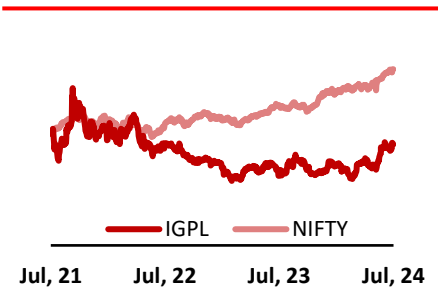
Company Data

Bloomberg Code	IGPL IN
MCAP (Rs. Mn)	19,367
O/S Shares (Mn)	31
52w High/Low	665/407
Face Value (in Rs.)	10
Liquidity (3M) (Rs. Mn)	58

Shareholding Pattern %

	Jun-24	Mar-24	Dec-23
Promoters	68.7	68.7	68.7
FIIIs	2.5	3	3.4
DIIIs	2.2	1.8	1.8
Non-Institutional	26.6	26.5	26.1

IGPL vs NIFTY



Source: Keynote Capitals Ltd.

Key Financial Data

(Rs Mn)	FY24	FY25E	FY26E
Revenue	20,991	25,189	31,487
EBITDA	1,054	2,796	4,597
Net Profit	395	1,598	2,922
Total Assets	21,350	23,686	28,209
ROCE (%)	5%	12%	17%
ROE (%)	3%	12%	19%

Source: Company, Keynote Capitals Ltd Estimates

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IGPL | Quarterly Update

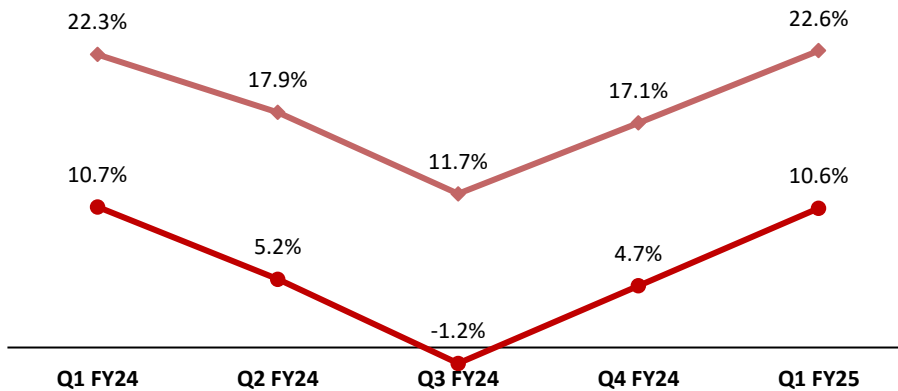
Q1 FY25 Result Update

Result Highlights (Rs. Mn)

Particulars	Q1 FY25	Q1 FY24	Change % (Y-o-Y)	Q4 FY24	Change % (Q-o-Q)	FY24
Revenue from Operation	5,851	5,553	5%	5,540	6%	20,991
Gross Profit	1,322	1,239	7%	947	40%	3,653
Gross Profit %	22.6%	22.3%	28 Bps	17.1%	549 Bps	17.4%
Employee Cost	229	225	2%	212	8%	812
Other Expenses	474	422	12%	473	0%	1,787
EBITDA	618	592	4%	262	136%	1,054
EBITDA %	10.6%	10.7%	-10 Bps	4.7%	584 Bps	5.0%
Depreciation	162	122	33%	147	10%	521
EBIT	455	469	-3%	115	297%	533
EBIT %	7.8%	8.5%	-67 Bps	2.1%	571 Bps	2.5%
Finance Cost	94	61	54%	95	0%	304
Other Income	92	74	25%	93	0%	306
PBT	453	482	-6%	112	303%	534
Tax Expenses	103	125	-18%	22	367%	139
PAT	350	356	-2%	90	288%	395
EPS	11.37	11.57		2.93		12.83

Source: Company, Keynote Capitals Ltd.

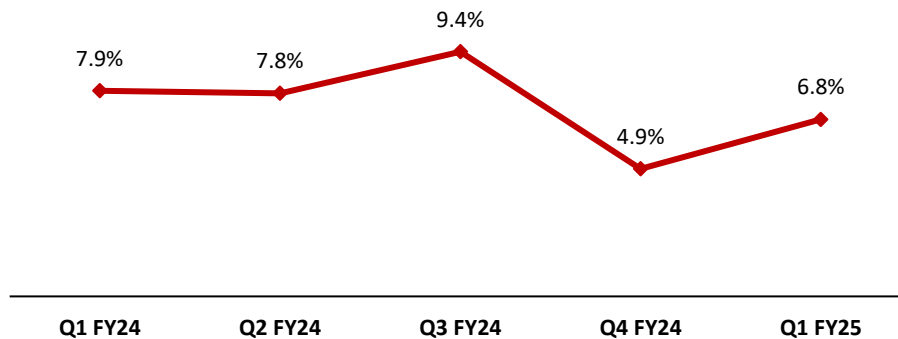
Quarterly Business Progression



Margins on recovery phase

Source: Company, Keynote Capitals Ltd.

Non PAN as a % of revenue



Source: Company, Keynote Capitals Ltd.

Q1 FY25 Conference Call Takeaways

General highlights

- The catalyst is changed every three years to maintain the yield of PAN produced via Ox and ensure efficient energy consumption.
- Due to statutory inspections, 2 out of 5 plants were shut down for 70-80 days.
- The Company sources 85-90% of its raw materials from India, with the remainder being imported.
- There were no inventory gains or losses during the quarter.
- In Q1 FY25, exports accounted for ~7% of revenue.
- The domestic market size of plasticizers that the Company will manufacture is 0.3-0.35 Mn tons. The Company is expanding its capacity by 75,000 MTPA.
- The plasticizer plant is expected to come online by Q3 FY26.

PAN

- Spread between PAN-Ox improved from ~\$120-140 per MTPA to ~\$150-200 per MTPA on a QoQ basis.

Non-PAN

- Revenue from Non-PAN for the quarter was Rs. 400 Mn. Out of this, MAN accounted for Rs.150-160 Mn.
- As of Q1 FY25, MAN prices quotes at 10-12% discount compared to 15-20% on a QoQ basis

Financial Statement Analysis

Income Statement

Y/E Mar, Rs. Mn	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	23,523	20,991	25,189	31,487	37,784
Growth %		-11%	20%	25%	20%
Raw Material Expenses	17,817	17,338	19,396	23,300	27,960
Employee Expenses	817	812	982	1,228	1,474
Other Expenses	1,712	1,787	2,015	2,361	2,834
EBITDA	3,177	1,054	2,796	4,597	5,516
Growth %		-67%	165%	64%	20%
Margin%	14%	5%	11%	15%	15%
Depreciation	474	521	611	647	683
EBIT	2,703	533	2,185	3,950	4,834
Growth %		-80%	310%	81%	22%
Margin%	11%	3%	9%	13%	13%
Interest Paid	239	304	404	404	404
Other Income & exceptional	219	306	350	350	350
PBT	2,683	534	2,131	3,896	4,779
Tax	683	139	533	974	1,195
PAT	2,000	395	1,598	2,922	3,584
Others (Minorities, Associates)	0	0	0	0	0
Net Profit	2,000	395	1,598	2,922	3,584
Growth %		-80%	304%	83%	23%
Shares (Mn)	30.8	30.8	30.8	30.8	30.8
EPS	64.95	12.84	51.90	94.88	116.40

Balance Sheet

Y/E Mar, Rs. Mn	FY23	FY24	FY25E	FY26E	FY27E
Cash, Cash equivalents & Bank	1,916	1,836	2,457	5,097	8,404
Current Investments	1,065	886	886	886	886
Debtors	3,245	3,367	3,778	4,723	5,668
Inventory	1,649	1,996	2,909	3,495	4,194
Short Term Loans & Advances	111	83	83	83	83
Other Current Assets	123	275	275	275	275
Total Current Assets	8,111	8,443	10,390	14,560	19,510
Net Block & CWIP	10,658	11,878	12,268	12,621	12,938
Long Term Investments	750	555	555	555	555
Other Non-current Assets	400	473	473	473	473
Total Assets	19,919	21,350	23,686	28,209	33,477
Creditors	3,709	3,772	4,569	5,733	6,878
Provision	9	9	9	9	9
Short Term Borrowings	545	1,385	1,385	1,385	1,385
Other Current Liabilities	677	429	429	429	429
Total Current Liabilities	4,940	5,594	6,392	7,555	8,701
Long Term Debt	1,692	2,261	2,261	2,261	2,261
Deferred Tax Liabilities	853	952	952	952	952
Other Long Term Liabilities	85	75	75	75	75
Total Non Current Liabilities	2,630	3,287	3,287	3,287	3,287
Paid-up Capital	308	308	308	308	308
Reserves & Surplus	12,041	12,161	13,699	17,059	21,182
Shareholders' Equity	12,349	12,469	14,007	17,367	21,490
Non Controlling Interest	0	0	0	0	0
Total Equity & Liabilities	19,919	21,350	23,686	28,209	33,477

Source: Company, Keynote Capitals Ltd. Estimate

Cash Flow

Y/E Mar, Rs. Mn	FY23	FY24	FY25E	FY26E	FY27E
Pre-tax profit	2,683	534	2,131	3,896	4,779
Adjustments	537	546	665	701	737
Change in Working Capital	-282	-624	-527	-367	-498
Total Tax Paid	-613	-84	-533	-974	-1,195
Cash flow from operating Activities	2,325	372	1,736	3,256	3,824
Net Capital Expenditure	-2,395	-1,733	-1,000	-1,000	-1,000
Change in investments	-284	386	0	0	0
Other investing activities	125	202	350	350	350
Cash flow from investing activities	-2,554	-1,146	-650	-650	-650
Equity raised / (repaid)	0	0	0	0	0
Debt raised / (repaid)	747	980	0	0	0
Dividend (incl. tax)	-303	-308	-60	438	538
Other financing activities	-237	-193	-404	-404	-404
Cash flow from financing activities	206	479	-464	34	133
Net Change in cash	-23	-295	622	2,640	3,307

Valuation Ratios

	FY23	FY24	FY25E	FY26E	FY27E
Per Share Data					
EPS	65	13	52	95	116
Growth %		-80%	304%	83%	23%
Book Value Per Share	401	405	455	564	698
Return Ratios					
Return on Assets (%)	11%	2%	7%	11%	12%
Return on Equity (%)	17%	3%	12%	19%	18%
Return on Capital Employed (%)	17%	5%	12%	17%	17%
Turnover Ratios					
Asset Turnover (x)	1.3	1.0	1.1	1.2	1.2
Sales / Gross Block (x)	1.8	1.4	1.5	1.8	2.0
Working Capital / Sales (x)	14%	14%	14%	17%	24%
Receivable Days	52	57	52	49	50
Inventory Days	32	38	46	50	50
Payable Days	68	77	75	79	80
Working Capital Days	17	19	23	21	20
Liquidity Ratios					
Current Ratio (x)	1.6	1.5	1.6	1.9	2.2
Interest Coverage Ratio (x)	12.2	2.8	6.3	10.6	12.8
Total Debt to Equity	0.2	0.3	0.3	0.2	0.2
Net Debt to Equity	0.0	0.1	0.1	-0.1	-0.2
Valuation					
PE (x)	6.4	35.3	12.1	6.6	5.4
Earnings Yield (%)	16%	3%	8%	15%	19%
Price to Sales (x)	0.5	0.7	0.8	0.6	0.5
Price to Book (x)	1.0	1.1	1.4	1.1	0.9
EV/EBITDA (x)	4.2	13.3	7.1	4.3	3.6
EV/Sales (x)	0.6	0.7	0.8	0.6	0.5

KEYNOTE Rating History

Date	Rating	Market Price at Recommendation	Upside/Downside
2 nd January 2024	BUY	500	+64.0%
16 th February 2024	BUY	459	+73.0%
27 th May 2024	BUY	496	+52.0%
29 th July 2024	BUY	629	+20.7%

Rating Methodology

Rating	Criteria
BUY	Expected positive return of > 10% over 1-year horizon
NEUTRAL	Expected positive return of > 0% to < 10% over 1-year horizon
REDUCE	Expected return of < 0% to -10% over 1-year horizon
SELL	Expected to fall by >10% over 1-year horizon
NOT RATED (NR)/UNDER REVIEW (UR)/COVERAGE SUSPENDED (CS)	Not covered by Keynote Capitals Ltd./Rating & Fair value under Review/Keynote Capitals Ltd. has suspended coverage

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