

I G Petrochemicals Limited

17th February 2025

Lower realizations impacted revenue and margins

In Q3 FY25, IGPL reported a robust volume growth of ~14% on a QoQ basis; however, revenue declined by 4% due to a reduction in realizations for PAN and Maleic. The drop in PAN prices was primarily driven by lower Ox prices, which, in turn, were impacted by declining crude oil prices. Additionally, the PAN-Ox spread narrowed from ~\$150-200 per ton to \$150-170 per ton on a QoQ basis, leading to gross margin compression from 24.2% to 20.6%. Looking ahead, management has guided for an improvement in capacity utilization from the current levels of 75-80% to over 90% starting Q1 FY26. Furthermore, management has reiterated its earlier revenue guidance of Rs. 32-33 Bn for FY27, contingent on achieving optimal plant utilization of 85-90%, including contributions from the upcoming advanced plasticizer plant.

Update on advanced plasticizer plant

IGPL is undertaking significant capital expenditure to expand its downstream operations, with advanced plasticizer capacity expected to commercialize by Q3 FY26 with trial production anticipated to commence in October 2025. This expansion will make IGPL 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 product portfolio will include Di-Octyl Phthalate (DOP), Di-Isononyl Phthalate (DINP), and other plasticizers. This move is expected to diversify IGPL's revenue streams, reducing its dependence on PAN. Management has guided that the contribution of non-PAN revenue is projected to increase to 30% post-expansion. The project entails a capital investment of Rs. 1.65 bn and is expected to generate gross revenue of Rs. 9-9.5 Bn at optimal capacity utilization. The Company anticipates achieving an EBITDA margin of 10-15% and a PAT margin of 5-6% from this facility, highlighting its potential to drive long-term growth and profitability.

Phase change from planning to construction for CBG plant

IGPL's management has strategically decided to focus on sustainable energy initiatives by venturing into CBG production. The Company is currently constructing its first CBG plant with a capacity of 5 TPD. The project entails an estimated capital expenditure of ~Rs. 300 Mn and is expected to generate an IRR of 15-18%. The plant will produce Compressed Biogas as well as solid fertilizers. Management has indicated that if this pilot project proves successful, IGPL will explore opportunities to replicate the model at additional locations.

View & Valuation

We have revised our estimates and maintained a BUY rating on IGPL, valuing it at PE of 10x on FY26E EPS, giving a target price of ~Rs. 611, implying an upside of ~40%. The new capacity addition of 53,000 MTPA of PAN and better spreads of PAN and Ox will lead to sales growth and improvement in EBITDA margin, leading to strong growth in PAT.

BUY

CMP Rs. 436

TARGET Rs. 611 (+40.2%)

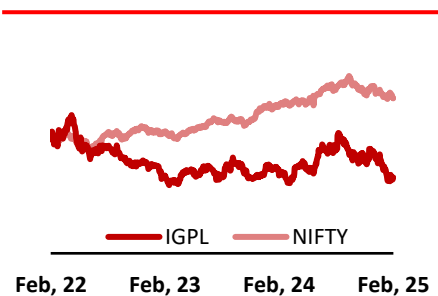
Company Data

Bloomberg Code	IGPL IN
MCAP (Rs. Mn)	13,411
O/S Shares (Mn)	31
52w High/Low	727/407
Face Value (in Rs.)	10
Liquidity (3M) (Rs. Mn)	20

Shareholding Pattern %

	Dec 24	Sep 24	Jun 24
Promoters	68.7	68.7	68.7
FIIIs	2.8	2.7	2.5
DIIIs	2.6	2.7	2.2
Non-Institutional	25.8	25.8	26.6

IGPL vs NIFTY



Source: Keynote Capitals Ltd.

Key Financial Data

(Rs Mn)	FY24	FY25E	FY26E
Revenue	20,991	23,090	27,246
EBITDA	1,054	2,043	3,270
Net Profit	395	991	1,882
Total Assets	21,350	22,583	25,060
ROCE (%)	5%	9%	13%
ROE (%)	3%	8%	13%

Source: Company, Keynote Capitals Ltd Estimates

Karan Galaiya, Research Analyst
karan@keynotecapitals.net

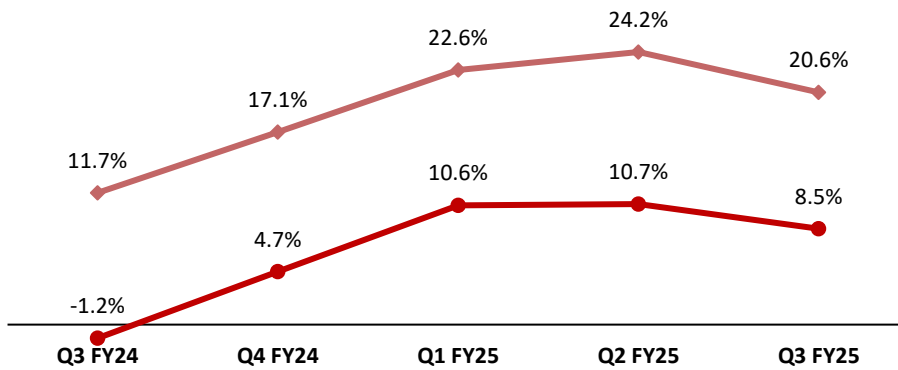
Q3 FY25 Result Update

Result Highlights (Rs. Mn)

Particulars	Q3 FY25	Q3 FY24	Change % (Y-o-Y)	Q2 FY25	Change % (Q-o-Q)	9M FY25	9M FY24	Change % (Y-o-Y)	FY24
Revenue from Operation	5,581	4,880	14%	5,830	-4%	17,262	15,451	12%	20,991
Gross Profit	1,148	571	101%	1,411	-19%	3,880	2,706	43%	3,653
Gross Profit %	20.6%	11.7%	888 Bps	24.2%	-363 Bps	22.5%	17.5%	497 Bps	17.4%
Employee Cost	240	186	29%	233	3%	702	600	17%	812
Other Expenses	434	444	-2%	552	-21%	1,460	1,314	11%	1,787
EBITDA	474	-59	-	626	-24%	1,718	792	117%	1,054
EBITDA %	8.5%	-1.2%	970 Bps	10.7%	-225 Bps	10.0%	5.1%	482 Bps	5.0%
Depreciation	164	125	31%	163	1%	489	374	31%	521
EBIT	310	-184	-	463	-33%	1,229	418	194%	533
EBIT %	5.6%	-3.8%	932 Bps	7.9%	-239 Bps	7.1%	2.7%	441 Bps	2.5%
Finance Cost	26	82	-69%	161	-84%	281	209	34%	304
Other Income	78	66	17%	41	91%	211	213	-1%	306
PBT	362	-200	-	343	6%	1,158	422	175%	534
Tax Expenses	77	-47	-	81	-6%	261	117	123%	139
PAT	285	-152	-	262	9%	897	305	194%	395
EPS	9.27	-4.95	-	8.50	-	29.14	9.89	-	12.83

Source: Company, Keynote Capitals Ltd.

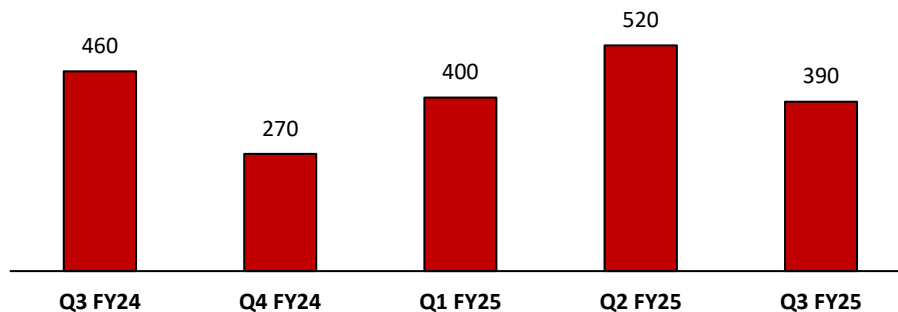
Quarterly Business Progression



Margins are down on a QoQ basis due to a downtrend in PAN and Ox prices. PAN-Ox spread is down from \$150-200 per ton in Q2 FY25 to \$150-170 per ton in Q3 FY25

Source: Company, Keynote Capitals Ltd.

Revenue from Non-PAN (Rs. In Mn)



There is a price correction in Maleic on a QoQ basis

Source: Company, Keynote Capitals Ltd.

Q3 FY25 Conference Call Takeaways

General highlights

- Revenue from the export market contributed ~7% during Q3 FY25.
- The geopolitical environment remains challenging, characterized by significant uncertainties. This has adversely impacted Indian chemical companies reliant on imported raw materials. Additionally, the depreciation of the Indian rupee has further escalated raw material costs, exerting additional pressure.
- The Company is currently operating four out of its five plants due to ongoing inspections, maintenance activities, and a catalyst change. Current capacity utilization stands at ~75-80%. However, management has provided guidance indicating that capacity utilization is expected to increase to ~90% starting from Q1 FY25.
- Currently, inventory levels are lower than historical levels.
- To mitigate supply chain risks, the Company follows a diversified raw material sourcing strategy, procuring 70-80% domestically and 15-20% through imports.

PAN

- In Q3 FY25, the Company reported a sales volume exceeding 55,000 tons. The decline in sales performance can be attributed to the continued downward trend in the prices of PAN and Ox. Management guided that the Company would to a sales volume of ~50,000 tons in Q4 FY25.
- The PAN-Ox spread during the quarter stood at \$150-170 per ton, compared to the Company's decadal average of \$200-220 per ton.

Non PAN

- Maleic prices witnessed a decline on a QoQ basis during Q3 FY25.
- In Q3 FY25, revenue contribution from Maleic stood at Rs. 150 Mn, while DEP contributed Rs. 220 Mn.
- Over the past 2-3 years, international Maleic prices have remained in the range of ~\$780-790 per ton, ~15-20% lower than PAN prices. This sustained price pressure is primarily driven by an oversupply in the international market, largely attributable to increased exports from China.
- Management expects Maleic prices to improve once China shifts its focus toward utilizing Maleic for downstream applications, rather than exporting it to the international market in its current form. Additionally, management has provided guidance that prices are unlikely to decline further from the current levels of ~\$780 per ton.
- India's annual demand for Maleic is estimated at ~80,000-90,000 tons per annum, while the Company's current production capacity is limited to 7,000-10,000 tons per annum.

Financial Statement Analysis

Income Statement

Y/E Mar, Rs. Mn	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	23,523	20,991	23,090	27,246	32,150
Growth %		-11%	10%	18%	18%
Raw Material Expenses	17,817	17,338	18,125	20,707	23,791
Employee Expenses	817	812	935	1,090	1,286
Other Expenses	1,712	1,787	1,986	2,180	2,411
EBITDA	3,177	1,054	2,043	3,270	4,662
Growth %		-67%	94%	60%	43%
Margin%	14%	5%	9%	12%	15%
Depreciation	474	521	653	692	725
EBIT	2,703	533	1,390	2,577	3,936
Growth %		-80%	161%	85%	53%
Margin%	11%	3%	6%	9%	12%
Interest Paid	239	304	378	378	378
Other Income & exceptional	219	306	310	310	310
PBT	2,683	534	1,322	2,509	3,868
Tax	683	139	330	627	967
PAT	2,000	395	991	1,882	2,901
Others (Minorities, Associates)	0	0	0	0	0
Net Profit	2,000	395	991	1,882	2,901
Growth %		-80%	151%	90%	54%
Shares (Mn)	30.8	30.8	30.8	30.8	30.8
EPS	64.95	12.83	32.19	61.11	94.21

Balance Sheet

Y/E Mar, Rs. Mn	FY23	FY24	FY25E	FY26E	FY27E
Cash, Cash equivalents & Bank	1,916	1,836	1,902	3,061	5,258
Current Investments	1,065	886	886	886	886
Debtors	3,245	3,367	3,463	4,087	4,823
Inventory	1,649	1,996	2,719	3,106	3,569
Short Term Loans & Advances	111	222	222	222	222
Other Current Assets	123	136	136	136	136
Total Current Assets	8,111	8,443	9,329	11,499	14,894
Net Block & CWIP	10,658	11,878	12,225	12,533	12,507
Long Term Investments	750	555	555	555	555
Other Non-current Assets	400	473	473	473	473
Total Assets	19,919	21,350	22,583	25,060	28,430
Creditors	3,709	3,772	4,241	5,063	5,821
Provision	9	9	9	9	9
Short Term Borrowings	545	875	875	875	875
Other Current Liabilities	677	939	939	939	939
Total Current Liabilities	4,940	5,594	6,063	6,885	7,643
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	12,925	14,580	17,191
Shareholders' Equity	12,349	12,469	13,233	14,888	17,499
Non Controlling Interest	0	0	0	0	0
Total Equity & Liabilities	19,919	21,350	22,583	25,060	28,430

Source: Company, Keynote Capitals Ltd. Estimate

Cash Flow

Y/E Mar, Rs. Mn	FY23	FY24	FY25E	FY26E	FY27E
Pre-tax profit	2,683	534	1,322	2,509	3,868
Adjustments	537	546	722	761	794
Change in Working Capital	-282	-624	-350	-189	-440
Total Tax Paid	-613	-84	-330	-627	-967
Cash flow from operating Activities	2,325	372	1,363	2,453	3,255
Net Capital Expenditure	-2,395	-1,733	-1,000	-1,000	-700
Change in investments	-284	386	0	0	0
Other investing activities	125	202	310	310	310
Cash flow from investing activities	-2,554	-1,146	-690	-690	-390
Equity raised / (repaid)	0	0	0	0	0
Debt raised / (repaid)	747	980	0	0	0
Dividend (incl. tax)	-303	-308	-228	-226	-290
Other financing activities	-237	-193	-378	-378	-378
Cash flow from financing activities	206	479	-606	-604	-668
Net Change in cash	-23	-295	66	1,159	2,196

Valuation Ratios

	FY23	FY24	FY25E	FY26E	FY27E
Per Share Data					
EPS	65	13	32	61	94
Growth %		-80%	151%	90%	54%
Book Value Per Share	401	405	430	483	568
Return Ratios					
Return on Assets (%)	11%	2%	5%	8%	11%
Return on Equity (%)	17%	3%	8%	13%	18%
Return on Capital Employed (%)	17%	5%	9%	13%	17%
Turnover Ratios					
Asset Turnover (x)	1.3	1.0	1.1	1.1	1.2
Sales / Gross Block (x)	1.8	1.4	1.4	1.5	1.7
Working Capital / Sales (x)	14%	14%	13%	14%	18%
Receivable Days	52	57	54	51	51
Inventory Days	32	38	47	51	51
Payable Days	68	77	78	80	82
Working Capital Days	17	19	24	21	20
Liquidity Ratios					
Current Ratio (x)	1.6	1.5	1.5	1.7	1.9
Interest Coverage Ratio (x)	12.2	2.8	4.5	7.6	11.2
Total Debt to Equity	0.2	0.3	0.2	0.2	0.2
Net Debt to Equity	0.0	0.1	0.1	0.0	-0.1
Valuation					
PE (x)	6.4	35.4	13.5	7.1	4.6
Earnings Yield (%)	16%	3%	7%	14%	22%
Price to Sales (x)	0.5	0.7	0.6	0.5	0.4
Price to Book (x)	1.0	1.1	1.0	0.9	0.8
EV/EBITDA (x)	4.2	13.3	7.0	4.3	3.0
EV/Sales (x)	0.6	0.7	0.6	0.5	0.4

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%
18 th November 2024	BUY	538	+31.4%
17 th February 2025	BUY	436	+40.2%

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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Compliance Officer: Mr. Jairaj Nair; Tel: 022-68266000; email id: jairaj@keynoteindia.net

Registered Office: 9th Floor, The Ruby, Senapati Bapat Marg, Dadar West, Mumbai – 400028, Maharashtra. Tel: 022 – 68266000.

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