

**India Glycols Limited**

Market Cap (Rs. Cr) **384.74**

52 Week-H/L(Rs)

**281.60/122.50**

**CMP**

**Rs. 138.00**

**Target Price**

**Rs. 170/195**

Bloomberg [IGLY@IN](#)

Reuters

[IGLY.BO](#)

BSE **500201**

NSE

[INDIAGLYCO](#)

**Investment Arguments**

Company is pioneer in manufacturing Ethylene Oxide [EO] and MEG through agro route, using molasses. Soon it became an integrated player making range of products viz. - Ethanol, ENA, Glycols, Glycol ethers, Ethoxylates, esters and range of performance chemicals. It also manufactures products like - Guar gum powder and Ind. gases. To improve raw material security, company has commissioned a RAB facility to produce molasses directly from sugarcane juice, to reduce dependance on molasses from sugar factories. Company has manufacturing facility in Kashipur, Uttaranchal; which is hub of sugar industry with enough molasses.

Main product MEG is key ingredient to make any kind of polyester [fibre, yarn, film, chips etc], while many other products finds applications in - oil & gas, mining, pharmaceuticals, agrochemicals, food processing, paints, adhesives and personal care products. MEG is a commodity and moves with prices of crude, so high oil prices is boon for company as it pushes the price of MEG, while company is making MEG through molasses route benefits as its input cost won't rise. **MEG capacity was also expanded in recent past.** Additionally, company will benefit significantly in current year **due to sharp fall in prices of molasses, which came down from 2200/Mt 4-6 months back to current price of 750-800/Mt.** [excluding excise]. This will boost the margins of the company in quarter ending March and also in coming quarters as the MEG prices are steady to somewhat better in recent times.

Further company is derisking the business by putting more focus on making a range of EO derivatives and performance chemicals for various industries through **technology tie ups and also internal R&D.** This will gradually increase the proportion of value added products in total sales, leading to lesser volatility in earnings with MEG price movement and also better and stable margins. Looking to present **low prices of molasses and expanding MEG capacity,** the performance of company will improve from current quarter. In long term increased focus on high margin performance chemicals will drive margins. **Stock is available at 6.6X EPS for '07 and less than 5X 08 EPS; P/BV 1 and 2X EBIDTA for '08. BUY**

**Financials for the year ended ( in Rs. Crores)**

PARTICULARS	Mar 06	Mar 07 E	Mar 08 E
Gross Sales	<b>797.67</b>	<b>1050.00</b>	<b>1340.00</b>
PBIDT	125.01	146.00	191.00
Interest	21.15	36.00	42.00
Depreciation	36.72	48.00	52.00
PAT	58.57	56.00	81.00
EPS ( in Rs)	<b>21.01</b>	<b>20.09</b>	<b>29.05</b>
CEPS ( in Rs)	<b>34.18</b>	<b>37.30</b>	<b>47.70</b>
Book Value ( in Rs)	<b>103.00</b>	<b>120.00</b>	<b>143.00</b>
Face Value ( in Rs)	10.00	10.00	10.00
Dividend ( in%)	30.00	30.00	40.00
Deividend Yeild (%)	2.17	2.17	2.90
Net Worth	287.27	334.00	399.00
Debt	499.26	550.00	500.00
Equity Capital	<b>27.88</b>	<b>27.88</b>	<b>27.88</b>
P.E. (x)	6.57	6.87	4.75
NPM %	7.34	5.33	6.04
Operating Margin %	15.67	13.90	14.25

**Latest result update ( in Rs. Crores)**

PARTICULARS	12/2006 (9 Month)	12/2005 (9 Month)	% change
Total Income	<b>805.71</b>	577.65	39.48
PBIDT	<b>110.75</b>	92.81	19.33
Net Profit	<b>42.94</b>	57.78	(25.68)
Equity	<b>27.88</b>	27.88	0.00
EPS	<b>15.40</b>	20.72	(25.68)

**Technical Trend:-**



**After making a top of Rs 281 in Sept'05, the stock prices went in to a deep correction and touched a low of Rs 97.**

**Off late it started bottoming out and is now decisively moved above all the short/medium/long term moving averages, confirming the up trend. Weekly RSI moved abopve 50 but is still at 60 only indicating enough acope to move significantly higher from current levels.**

**Short term players can keep stop loss of 115 & medium term 100; with short term target of Rs 170 and medium term target of Rs 195.**

**Shareholding Pattern**

