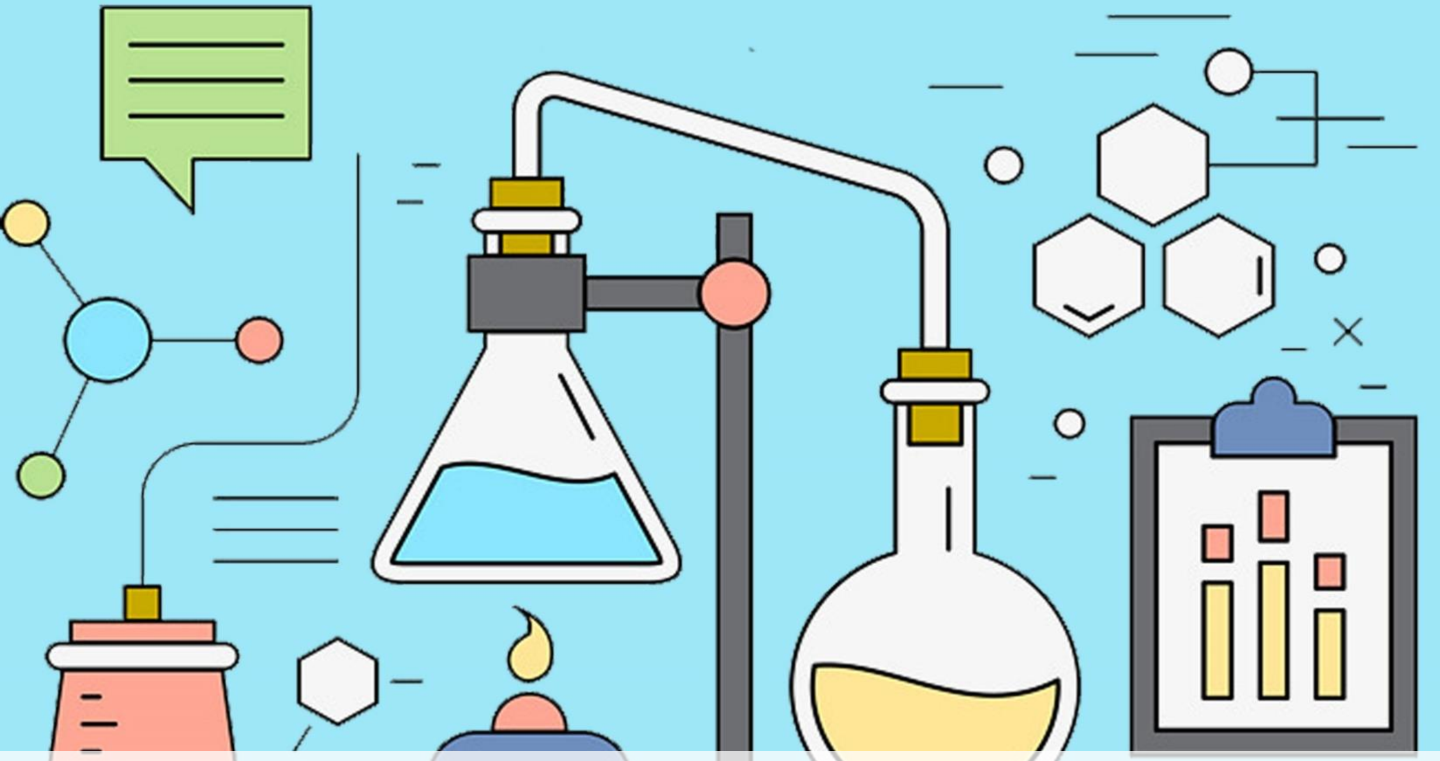
IG Petrochemicals Ltd.

- Strong play on PAN and MAN



Company Update

Aug 30, 2018

Company Update

NALANDA RESEARCH

August 30, 2018

IG Petrochemicals Ltd.

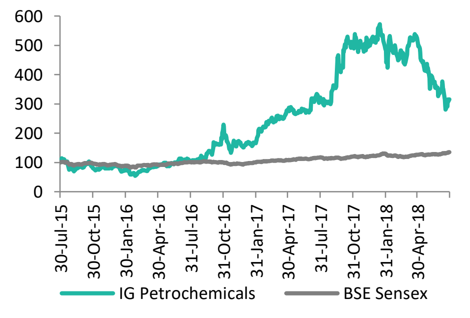
STRONG BUY *

Downside Scenario	Current Price	Price Target	Upside Scenario
	480	647	
		34.8%▲	

Stock Details	
Industry	Speciality chemicals
Sensex	38897
Nifty	11737
Bloomberg Code	IGPL:IN
Eq. Cap. (INR. Cr.)	30.8
Face Value (INR.)	10
52-w H/L	836/391
Market Cap (INR. Cr.)	1478.3

Valuation Data	FY18	FY19E	FY20E
P/E (x)	13.5	8.5	6.4
P/B (x)	3.7	2.2	1.7
EV/EBITDA(x)	7.6	4.8	3.8

IG Petrochemicals Ltd Vs SENSEX



Shareholding Pattern (in %)	Jun'18	Mar'18	Jun'17
Promoters	72.22	72.22	72.22
FIIs	1.79	2.99	1.74
DIIs	0.37	0.23	0.14
Retail	25.62	24.57	25.91
Total	**100.0**	**100.0**	**100.0**

Diversification in new verticals & PAN expansion to drive growth

We initiate coverage on **IG Petrochemicals Ltd** with a buy rating and target price of INR 647, implying ~34.8% upside potential from current levels. Our view stems from the fact that the company is the leading manufacturer of Phthalic Anhydride capturing 50% domestic market share and further diversification in forward integration will create a niche brand portfolio having presence across the entire value chain. The company plans to expand the PAN capacity to capture the growing PAN imports market in India. Also, recently acquired Maleic Anhydride business will fuel the growth going ahead. Hence, we expect EPS CAGR of 30.5% from FY18-21E.

Expansion of PAN capacity to boost sales growth going ahead

- With strong demand of Phthalic Anhydride(PAN) growing at 6-7% annually in the domestic market, the company plans to increase its capacity by 53,000 MTPA via brownfield expansion to 2,28,110 MTPA from the current 1,75,110 MTPA.
- We believe at optimum utilization levels, the company will generate incremental revenue of INR 450-500 crore. This expansion will provide strong visibility of the company in the domestic Phthalic Anhydride(PAN) market.
- We expect the PAN demand to grow in the range of 6-7% coupled with strong demand from the key end user industries like Plasticizers or PVC which is growing at 7-8% annually.

Sole manufacturer of Maleic Anhydride business in India

- The company has acquired Maleic Anhydride(MA) business of Mysore Petrochemicals(MPCL) for INR 74.4 crore in April 2017.
- We believe this acquisition provides visibility in more value added products and helps the company rather being only a PAN player into diversified business model.
- Maleic Anhydride is a high margin business since the company uses wash water as raw material which is obtained from PAN facility to manufacture Maleic Anhydride.
- We expect the business to grow at a CAGR of 19.69% from FY18-20E and revenue contribution to be around INR 51 crore in FY20E as compared to INR 36 crore in FY18.

Forward integration in plasticizers to add value to the company

- The company plans to enter into forward integration by setting up dedicated production facility for plasticizers which constitutes approx 40-45% of PAN demand.
- Plasticizers are essentially used in making PVC products, shoe soles, cables, pipes, leather cloth etc.
- The company plans to install 50,000 MTPA plasticizers capacity and we expect the business to operate at 50% utilization in FY20E backed by strong demand. The plant is set to be operational by September 2019.

EBITDA margins to improve going ahead

- The company has consistently improved the EBITDA margins from 11.9% in FY16 to 23.4% in FY18. This was on the back of strong control on cost front and passing on price hike of inherent materials like ortho-xylene to the end consumer with a lag effect.
- In FY18, Maleic Anhydride business led to significant operating leverage, thereby, boosting margins.
- We expect upcoming PAN expansion, Installing new business vertical of plasticizers and high operating levels of Maleic Anhydride business backed by strong demand will lead to EBITDA margins of 27.7% by FY20E.

17%	28%	30%
Total Revenue CAGR FY18 -21E	*Total EBITDA CAGR FY18 -21E*	*Total PAT CAGR FY18 -21E*

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Valuation

We expect the company to notch re-rating in its valuations on the back of:

- Expansion of PAN facility of 53,000 MTPA coupled with strong demand will lead to strong volume offtake.
- Forward integration into Maleic Anhydride & plasticizers to improve the margins going ahead.
- Strong demand from key end user industries to sustain growth momentum.
- Lowest cost producer owing to proximity to JNPT port and in house captive power plant.

IGPL is the largest manufacturer of PAN in India and with expansion and strong demand we expect the company to capture the imports market in India. We value using average of DCF & EV/EBITDA and arrive at a target price of INR 647 per share, thereby, representing a potential upside of 34.8% from current valuations.

Financial Snapshot

Particulars (INR Crores)	FY16	FY17	FY18	FY19E	FY20E	FY21E
Net Sales	953	1037	1144	1328	1585	1836
Growth		*9%*	*10%*	*16%*	*19%*	*16%*
EBITDA	113	168	267	329	439	565
Growth		*49%*	*59%*	*23%*	*33%*	*29%*
PAT	60	102	146	174	231	324
Growth		*69%*	*44%*	*19%*	*33%*	*41%*
EBITDA Margin(%)	11.9%	16.2%	23.4%	24.8%	27.7%	30.8%
PAT Margin(%)	6.3%	9.8%	12.8%	13.1%	14.6%	17.7%
EPS	19.5	33.0	47.4	56.5	74.9	105.3
P/E	5.2	10.8	13.5	8.5	6.4	4.6

Source: NSPL Research

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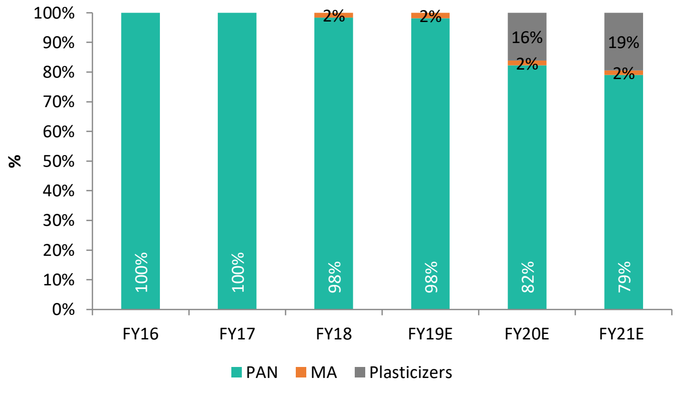
Investment Rationale

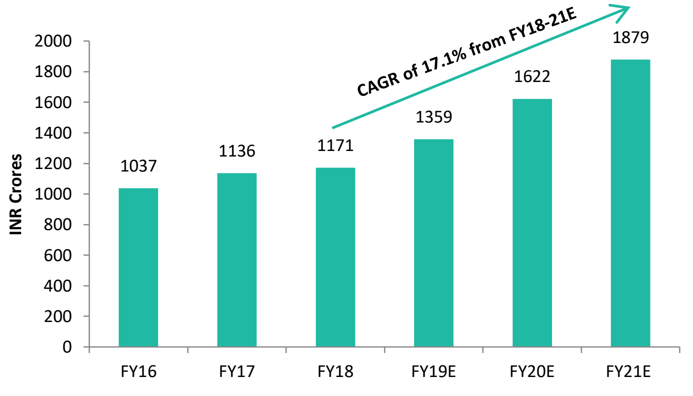
Segmental breakup of revenue



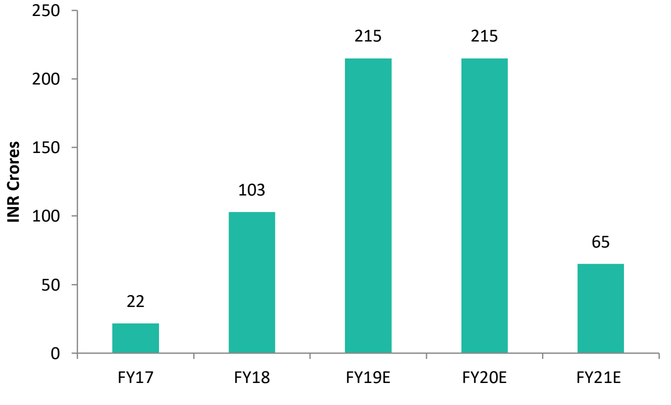
Revenue trajectory to be robust going ahead

- Historically till FY17, the company had only PAN product in their portfolio. Going ahead, the company is looking to forward integrate the business.
- The PAN business grew at a CAGR of 3.8% from FY16-18. Going ahead, we expect the PAN business to grow at a CAGR of 8% from FY18-20E.
- Maleic Anhydride business contribution is very marginal (approx. 2%) to the top line in FY18 and we expect it to remain in the same range going ahead.
- The Plasticizers business will start contributing to the revenues from FY20E. We expect the contribution of approx. 19-20% to the top line by FY21E.
- We also expect PAN prices to remain robust going ahead owing to stable crude prices. However, any Increase/decrease in crude price will have the vice-versa effect on PAN prices.
- We believe the expansion of 53,000 MTPA of PAN capacity, significant operating leverage from Maleic Anhydride business and forward integration into plasticizers will drive the overall growth going ahead.
- The company is all set to be in growth trajectory going ahead owing to improved visibility, coupled with strong demand which will eventually drive the capacity at optimum utilization levels.
- We expect overall revenues to grow at a CAGR of 17.1% from FY18-21E.

Strong revenue growth expected going ahead



Strong capex plans going ahead to boost sales growth



Source: NSPL Research

- The overall capex outlay for the next 2 years is approx. INR 400 crore excluding the maintenance capex.
- **The capex of INR 400 crore is divided into:**
  (A) INR 300 crore for PAN capacity expansion
  (B) INR 100 crore for plasticizers.
- The company plans to expand the capacity of PAN from 1,75,110 MTPA in FY18 to 2,28,110 MTPA by FY21E to improve its visibility in the domestic markets and to grab majority of domestic PAN market.
- Also, the company plans to foray in forward integration, thereby, installing dedicated production capacity for plasticizers and to completely integrate in the entire value chain.

Capex plans provides strong footing of future growth potential

Project	Planned Expansion	Commissioning	Status	Comments
Phthalic Anhydride (PAN)	53,000 MTPA	H2FY20	Ongoing	(A).Expansion of PAN capacity to improve visibility in the domestic markets. (B).To capture the ever growing imports of PAN in India. (C). To be the market leader in domestic PAN industry.
Plasticizers	50,000 MTPA	H2FY19	Ongoing	(A). To foray in forward integration of PAN business. (B). To diversify itself in the value chain.

Source: NSPL Research

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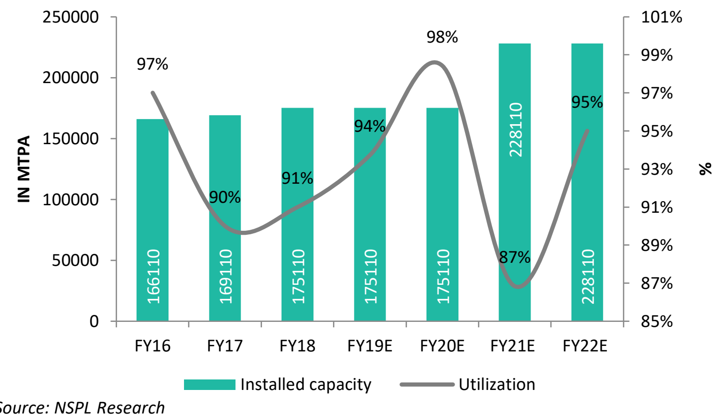
PAN capacity expansion to drive the next leg of growth going ahead

Expansion to kick in operating leverage

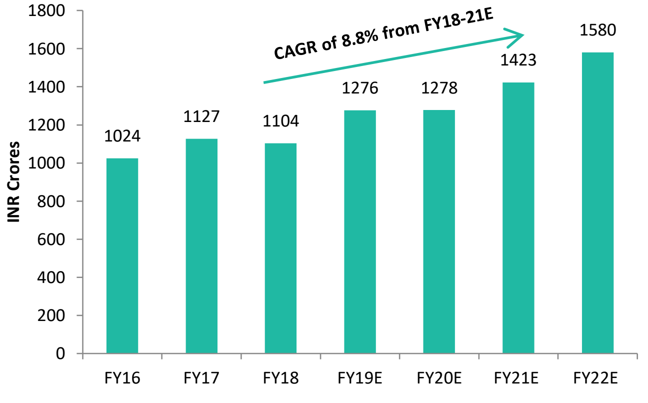


Source: NSPL Research

- Owing to strong demand and Indian domestic industry being the fastest growing consumer of PAN in the global economy, imports are set to grow by 18-20% in FY19E.
- IG Petrochemicals has plans to capitalize on this strong demand opportunity and have plans to expand the PAN capacity by approx. 53,000 MTPA by H2FY20E.
- Post expansion the total capacity will be 2,28,110 MTPA. At peak utilization the expanded capacity will generate incremental revenues of INR 400-425 crore.
- We believe the plant to operate at optimum utilization levels which will lead to significant operating leverage. We also believe that this expansion will create strong visibility of the company in the domestic market.

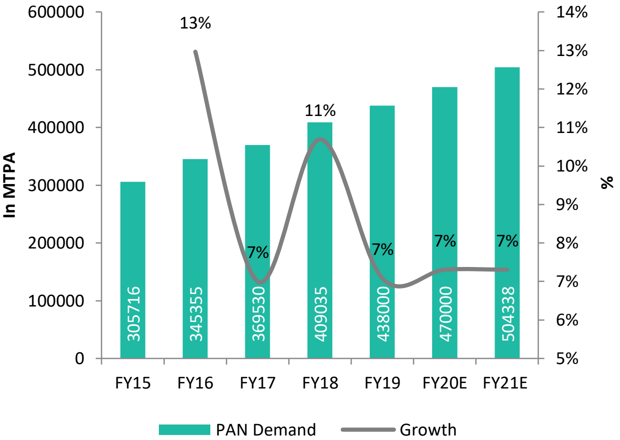
- In FY18, the company has undertaken de-bottlenecking to increase the capacity by around 6,000 MTPA. Also, utilization stood at 90-91%. Post expansion of 53,000 MTPA, we expect the operating levels to hover around 80-85% by FY21E.

PAN revenue growth to be robust going ahead



Source: NSPL Research

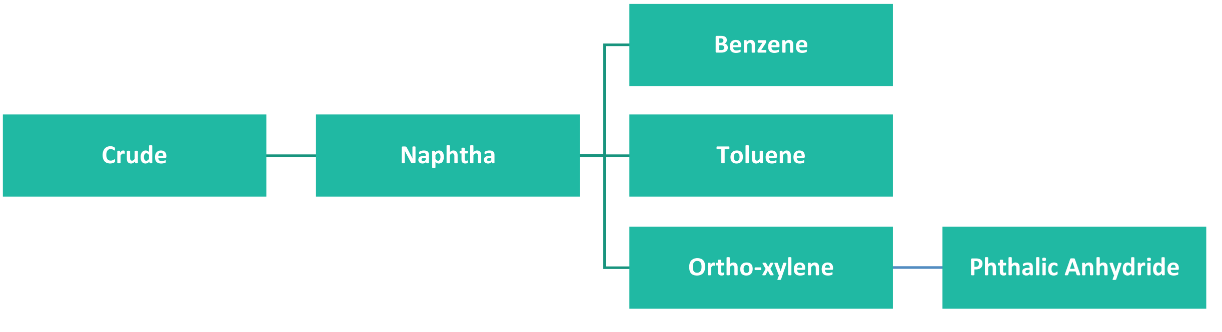
Implied demand of PAN in India



Source: Ministry of Chemicals & Fertilizers, NSPL Research

- We believe PAN prices to increase going ahead on the back of recent surge in crude prices which will lead to strong growth in revenues.
- We expect volume growth to be in the range of 6-7% in-line with the industry growth expectation from FY18-21E.
- Volume growth to be in-line with demand and we expect PAN demand to rise going ahead on the back of strong demand from key end user industries like Plasticizers or PVC products, Alkyd resins, Dyes & pigments etc.
- Therefore, we expect the company to post PAN revenue CAGR of 8.8% from FY18-21E.

Phthalic Anhydride value Chain



- Phthalic Anhydride is a downstream product of Ortho-xylene. Ortho-xylene is the 3rd derivative of crude and is the single raw material required in the production of PAN.
- The company procures 90% of raw material requirements from Reliance Industries Ltd.

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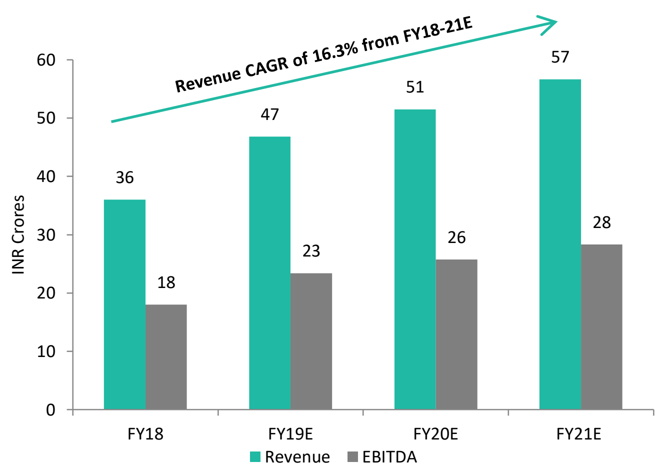
Sole manufacturer of Maleic Anhydride provides strong visibility

- IG Petrochemicals has acquired Maleic Anhydride(MA) business of Mysore Petrochemicals at a value of INR 74.48 crore in April 2017 which has to be equally paid over the next five years.
- The acquisition allows synergy between the company & Mysore petrochemicals as both the plants are at the same location, thereby, improvement in operating leverage and reducing logistics cost.
- We believe this acquisition will result in significant operating leverage, thereby, improving the profitability. We also believe that this acquisition will create strong visibility of the company in the domestic market.
- Maleic Anhydride has multiple application and is primarily used in paints, resins and food products etc.
- Around 50% of world maleic anhydride output is used in the manufacture of unsaturated polyester resins (UPR). Chopped glass fibers are added to UPR to produce fiberglass reinforced plastics that are used in a wide range of applications such as bathroom fixtures, automobiles, tanks and pipes.
- Maleic anhydride is hydrogenated to 1,4-butanediol (BDO), used in the production of thermoplastic polyurethanes, elastane/Spandex fibers, polybutylene terephthalate (PBT) resins and many other products etc.

Maleic Anhydride revenue to remain strong

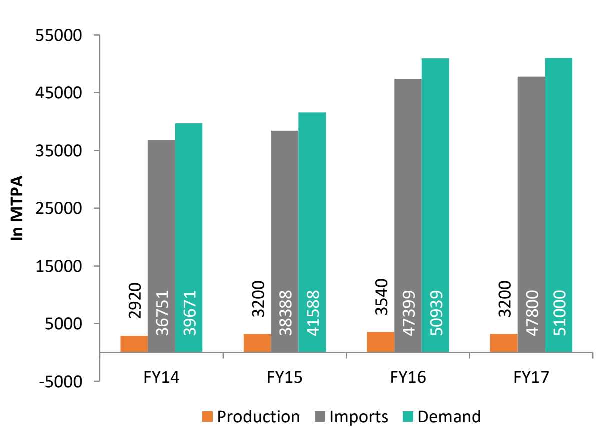


Source: NSPL Research

- The company has an installed capacity of 6,920 MTPA and is currently operating at about 50-55% in FY18.
- The MA business reported sales of INR 36 crore with an operating EBITDA of around INR 17-18 crore in FY18.
- Realization is around INR 100-105 per kg.
- MA can be manufactured using two ways:
  (i) N-butane
  (ii) wash water
- N-butane is 100% imported, hence, if one uses n-butane as primary raw material then it will increase the cost and may have an impact on the margins.
- However, the company uses wash water as primary raw material in the manufacturing of Maleic Anhydride which is obtained from the PAN facility as a by-product due to which operating margins are around 50-55%.

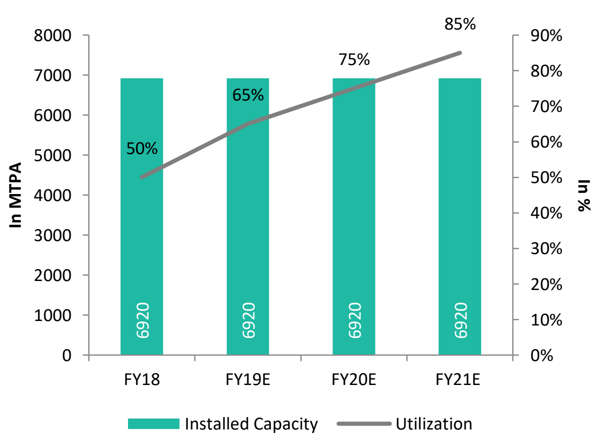
- Being the sole manufacturer of MA in India, we believe strong demand coupled with operating leverage will drive the growth going ahead.
- Going ahead we expect the MA revenue to grow at a CAGR of 16.3% from FY18-21E on the back of strong demand and low base effect.

Maleic Anhydride demand supply dynamics



Source: Statista.com, NSPL Research

Utilization to improve on back of strong demand



Source: NSPL Research

- The domestic demand stood at 51,000 MTPA in FY17 which is primarily catered by imports. Maleic Anhydride is forward integration of PAN and strong demand of PAN will ultimately drive the MA demand. Hence, we believe MA demand growth should be around 7-8% and with increased government spending on infrastructure and housing development schemes can even drive the growth above 10-11% levels.
- The global maleic anhydride market is projected to grow at a CAGR of 6.8% from 2015-2020 and to be around $ 5.05-5.08 billion by 2020. We believe rapid growth in end user industries such has automotive, construction & manufacturing etc are expected to drive the growth in emerging markets for Maleic Anhydride.
- Currently, India is a net importer of MA and IGPL acquisition will showcase huge scope for Maleic Anhydride business of the company going ahead.

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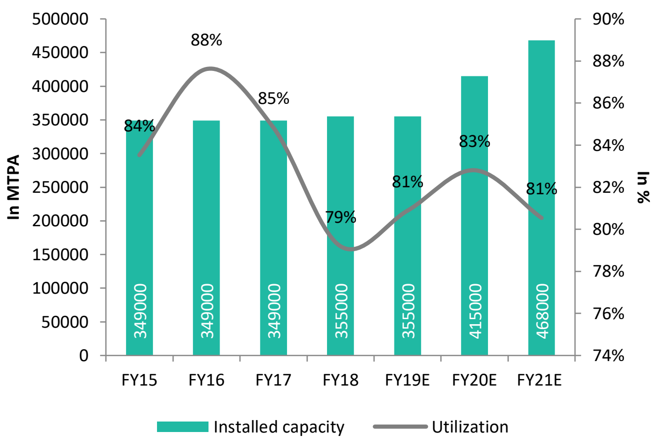
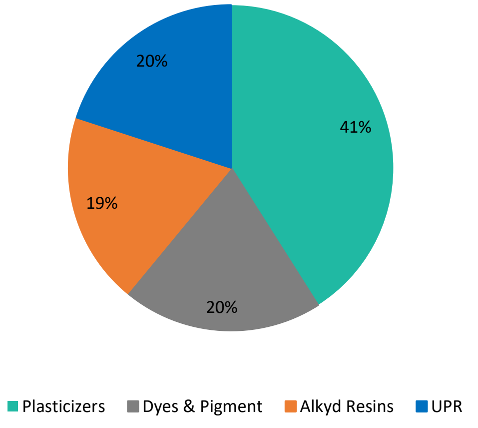
Industry Dynamics to favour future growth



Source: Ministry of Chemicals & Fertilizers, NSPL Research

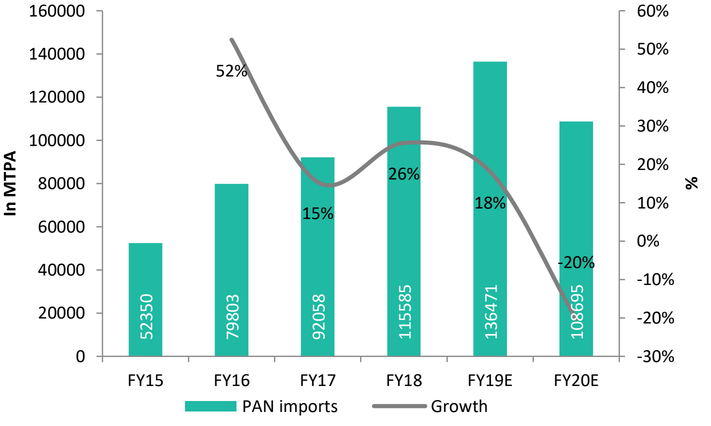
- The Indian PAN industry is one of the fastest growing market in the overall world economy.
- We expect the demand growth to be ~6-7% led by strong consumption of PAN in allied sectors like Plasticizers, Unsaturated polyester resins, CPC pigments etc.
- Increased focus of government on infrastructure and housing development schemes would lead to increased demand of Phthalic Anhydride in near future.
- The global PAN demand stood at 5 million TPA with Asia pacific consuming 55-60% of the global demand.
- The domestic demand of PAN stood at 4,09,035 MTPA in FY18 and ~70% of domestic demand is catered by only 2 players (IGPL & Thirumalai Chemicals) currently. Approximately 28-30% is met by imports.

Domestic consumption breakup of PAN



Source: Crisil Report, NSPL Research

Imports of PAN set to decline by FY20 on the back of capacity additions



Source: Ministry of Chemicals & Fertilizers, NSPL Research

A brief understanding of domestic PAN consumption in allied sectors is given below:

Plasticizers:
- Plasticizers accounted for 41% of PAN consumption.
- It has major applications in the automobile, housing and construction sectors.

Dyes and Pigments:
- Dyes and pigments constituted about 20% of PAN consumption.
- It is used to manufacture certain dyes like anthraquinone, phthalein, rhodamine, phthalocyanine, fluorescin, and xanthene dyes.
- Dyes and pigments have applications in sectors like paints, textiles, plastics, etc.
- Going forward, this segment is expected to grow on account of slowing imports due to stringent government regulations on environmental norms in foreign markets.

Alkyd resins:
- Alkyd resins accounted for about 19% of domestic PAN consumption.
- Alkyd resins are primarily used in the manufacture of oil based paints.
- This is expected to grow at a slow pace over 2020-21 on account shift to water-based paints which are high margin and less hazardous from the health perspective.

UPR and others:
- Unsaturated polyester resins (UPR) and others constituted about 20% of the total PAN consumption.
- UPR are known for their commercial usage in fiberglass reinforced plastics (FRP) as well as in applications and products such as boat and ship building, manufacturing of wind blades, electrical windmills, automotive applications, etc.

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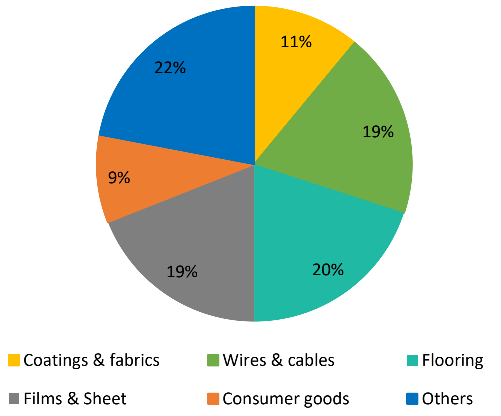
Plasticizers demand is expected to propel going ahead

Market share of Plasticizers in various applications

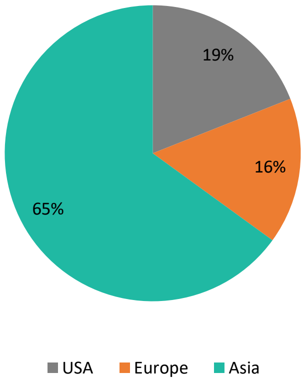


Source: Chemarc Report, NSPL Research

- Plasticizers are organic materials which on addition to plastic increases flexibility, toughness and process ability.
- 80-90% of plasticizers is consumed in PVC, especially in flexible PVC.
- Plasticizers are also used in paints, inks, textiles, coatings etc.
- Plasticizers are of basically 3 types:
  (i) Phthalate based plasticizers
  (ii) Non-Phthalate based plasticizer
  (iii) Bio- based plasticizer
- PAN production which is used in plasticizer is eventually used in Phthalate based plasticizer.
- Asia is the biggest market for plasticizer. Its market size is about 3.5 MMT per annum that amounts to 65% of world market size.
- Asia market size is growing at CAGR of 13%. USA is the major consumer of plasticizers.

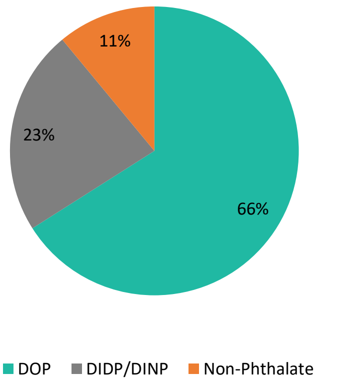
- Phthalates is the largest segment of the plasticizers market, owing to availability at cheap rates and wide usage in various industries. Dioctyl Phthalate (DOP) and Diisononyl Phthalate (DINP) / Diisodecyl Phthalate (DIDP) / Di(2-propylheptyl) Phthalate (DPHP) are the most commonly used phthalate plasticizers in the market. Their excellent properties, such as high durability, stability, and strong performance are also driving the phthalates market.
- DOP is widely used plasticizer with low price and high performance. The global DOP plasticizer market was valued at USD 14.85 billion in 2015 and is expected to reach USD 23.87 billion by 2024, growing at a CAGR of 5.3%

Plasticizers region wise market share



Source: Chemarc Report, NSPL Research

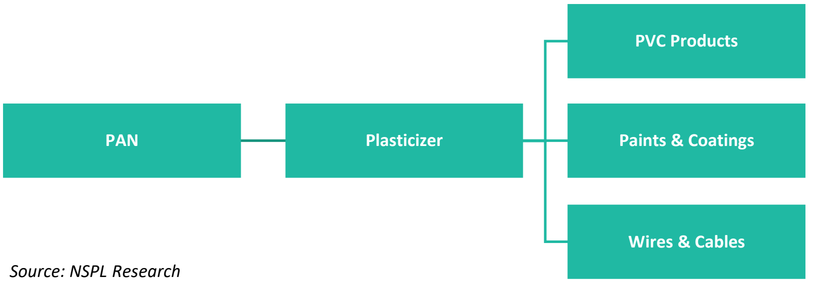
Market share of various Plasticizers



Source: Chemarc Report, NSPL Research

- Total capacity of plasticizers in India is about 0.35-0.4 MMT per annum. India is projected to be the fastest growing plasticizers market due to increasing domestic demand.
- The key factors driving the industry are (i) growing demand in Asia Pacific (ii) escalating PVC demand (iii) Development of non-phthalates plasticizers.
- India's per capita PVC consumption is around INR 2 per kg which is very low as compared with INR 11.8 per kg in US & INR 10 per kg in China.
- Therefore, there is a good potential for growth of plasticizer in India.

End users of plasticizers



Source: NSPL Research

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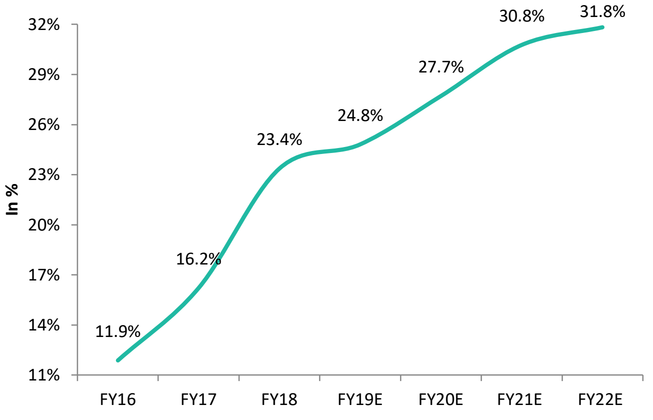
EBITDA margins to improve going ahead

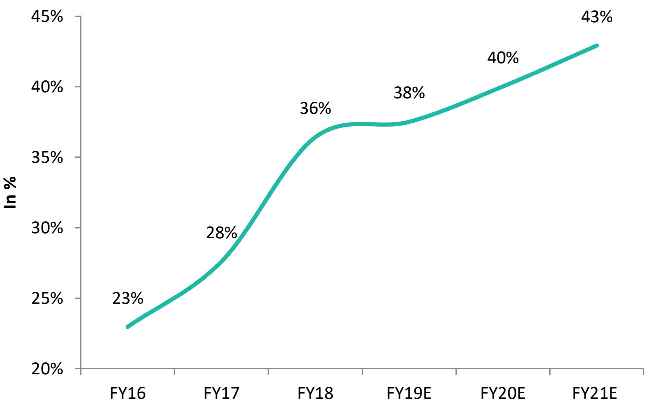
Margin trajectory to remain strong



- The company has consistently improved the EBITDA margins from 11.9% in FY16 to 23.4% in FY18. This was on the back of strong control on cost front and subsequently passing on price hike of inherent materials like ortho-xylene to the end consumer with a lag effect.
- We believe upcoming PAN expansion, Installing new business vertical of plasticizers and high operating levels of Maleic Anhydride business backed by strong demand will lead to expansion of EBITDA margins.
- Also, increasing price spread between ortho-xylene & PAN prices will lead to improvement in margins.
- Also, steady or falling crude oil prices will help in maintaining the margins of the company in the long run.
- We expect EBITDA margins to be around 30.8% by FY21E.

Easy raw materials access improves gross margins

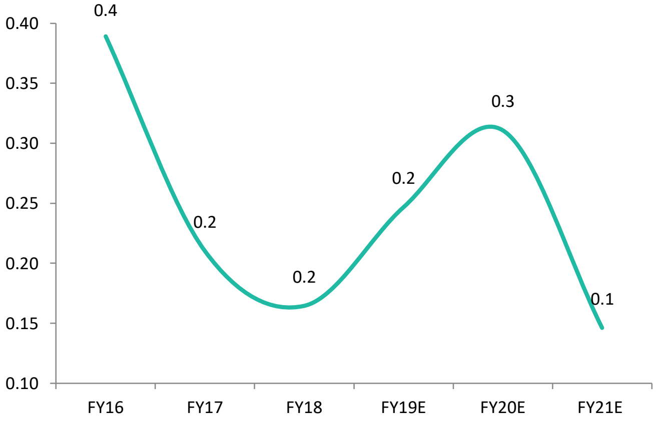
Gross margins to improve going ahead



- The company procures 85-90% of raw material from Reliance Industries Ltd.
- The manufacturing plant is located at 50 km from JNPT, Maharashtra. We believe this gives the company advantage of: (i) In the vicinity of the chemical belt in western India where majority end users are located. (ii) Close proximity to JNPT port where 90% of PAN exports happen.
- We believe this will lead to significant reduction in logistical cost thereby, improving margins.
- The company is also one of the lowest cost PAN manufacturer owing to in-house establishment of captive power plant.
- We expect gross margins to significantly improve and hover around 42-43% by FY21E as compared to 36% in FY18.

Debt to equity to remain in control

D/E to improve considerably by FY21E



Source: NSPL Research

- The company's total debt including current maturities stood at INR 86 crore in FY18.
- The company plans to incur an capex of INR 400 crore out of which INR 200 crore will be from debt and remaining through internal accruals.
- The company is planning to raise INR 125 crore through equipment finance loan from Germany and INR 75 crore will be general corporate debt.
- We expect the total debt to be around INR 270-275 crore by FY20E and with strong profit generation debt to decline to ~INR 172 crore in FY21E.
- Correspondingly, we expect the D/E to increase to around 0.3x in FY20E and correspondingly fall drastically in FY21E to around 0.1x owing to strong cash generation.

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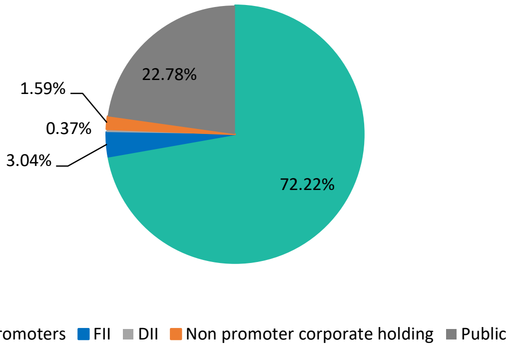
Management Team

Name	Designation
M M Dhanuka	Chairman
J K Saboo	Executive Director
P H Ravi Kumar	Director
Rajesh Muni	Director
Nikunj Dhanuka	Designation
A K A Rathi	Managing Director & CEO
Vaijayanti Pandit	Director

Source: NSPL Research

Shareholding Pattern

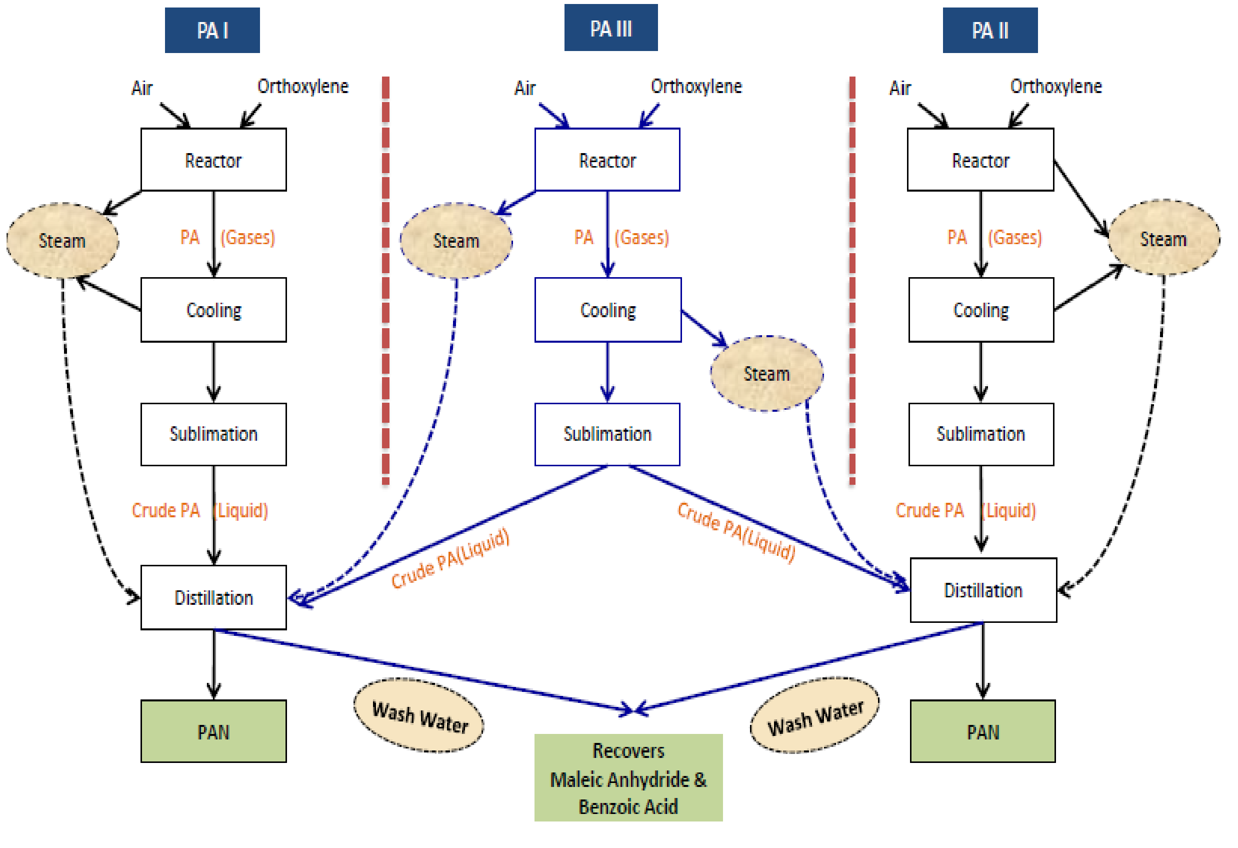


Source: NSPL Research

About the Company

- Incorporated in 1988, IG Petrochemicals (IGPL) Ltd is promoted by the Dhanuka group. The company is the largest producer of Phthalic Anhydride in India with a capacity of 1,75,110 MTPA.
- The company is one of the largest manufacturer in the domestic market capturing 50% of domestic market.
- The company has three units located in MIDC Taloja, Raigad in Maharashtra.
- The company operates its plant based on the processes of the licensor M/s Wacker Chemie GmbH, Germany.
- The company has been named in the Fortune India Next 500 in July 2015 edition, a monthly magazine covering the ranking of India's mid Sized companies. The company is ranked at 168.

IGPL Production Process



Source: Company Investor presentation, NSPL Research

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Profit & Loss (INR Crores)	FY16	FY17	FY18	FY19E	FY20E	FY21E
Net sales	**953**	**1037**	**1144**	**1328**	**1585**	**1836**
COGS	734	751	728	830	951	1048
Employee Expenses	30	39	56	61	68	78
Other Expenses	76	79	94	107	128	145
EBITDA	**113**	**168**	**267**	**329**	**439**	**565**
D&A	18	21	26	36	43	47
Other income	4	3	4	2	2	3
EBIT	**99**	**150**	**245**	**296**	**398**	**520**
Interest Expense	23	18	15	29	48	30
PBT	**77**	**132**	**230**	**267**	**350**	**490**
Tax	16	30	84	93	120	166
PAT	**60**	**102**	**146**	**174**	**231**	**324**
EPS in INR	**19.5**	**33.0**	**47.4**	**56.5**	**74.9**	**105.3**

Balance Sheet (INR Crores)	FY16	FY17	FY18	FY19E	FY20E	FY21E
Share Capital	31	31	31	31	31	31
Reserves & Surplus	267	361	497	652	859	1153
Shareholder's Funds	**298**	**392**	**528**	**683**	**889**	**1184**
Long term borrowings	92	60	29	103	197	130
Other financial liabilities	0	0	38	38	38	38
Provisions	2	2	3	3	3	4
Deferred tax liabilities(Net)	0	2	37	48	59	61
Total Non-current liabilities	**94**	**64**	**107**	**192**	**296**	**233**
Short term borrowings	0	2	33	43	53	33
Trade payables	153	171	150	214	255	262
Other financial liabilities	25	21	29	26	32	15
Other current liabilities	6	8	13	5	5	5
Short-term provisions	0	1	1	1	1	1
Total Current liabilities	**184**	**203**	**225**	**289**	**345**	**316**
Total Equity and Liabilities	**577**	**658**	**860**	**1163**	**1531**	**1733**
Fixed Assets	**327**	**324**	**401**	**580**	**752**	**770**
Capital work in progress	4	11	89	105	105	105
Goodwill	0	0	2	2	2	2
Other intangible assets	0	0	0	0	0	0
Intangible assets under develop	0	0	1	1	1	1
Investment in a joint venture	0	9	9	9	9	9
Non current Investments	0	8	10	12	14	16
Other financial assets	8	2	3	4	5	6
Non current tax assets	0	1	7	8	9	11
Other non current assets	14	13	24	28	33	38
Total Non-current Assets	**353**	**368**	**545**	**748**	**929**	**957**
Inventories	0	0	41	41	41	41
Current Investments	83	97	94	110	150	252
Trade receivables	109	150	139	189	289	365
Cash and cash equivalents	17	30	22	54	97	91
Short term loans & advances	0	0	1	1	1	1
Other financial assets	5	2	0	0	0	1
Other current assets	9	11	19	21	23	26
Total Current Assets	**223**	**290**	**315**	**415**	**601**	**776**
Total Assets	**577**	**658**	**860**	**1163**	**1531**	**1733**

Source: NSPL Research

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Cash Flow (INR Crores)	FY16	FY17	FY18	FY19E	FY20E	FY21E
PBT	77	132	230	267	350	490
Operating profit before working capital changes	109	158	268	331	441	567
Operating profit after working capital changes	-23	-35	-13	-10	-93	-194
Less income tax paid	-17	-29	-54	-93	-120	-166
Cash Flow from Operating	**69**	**94**	**201**	**229**	**229**	**208**
(Incr)/ Decr in Gross PP&E	-9	-32	-124	-215	-215	-65
Purchase of Investments	0	-17	-42	-2	-2	-2
Cash Flow from Investing	**-6**	**-42**	**-164**	**-217**	**-217**	**-67**
(Decr)/Incr in Debt	-22	-32	-12	84	103	-87
Finance costs	-16	-11	-12	-29	-48	-30
Dividend Paid	-4	-7	-11	-19	-24	-30
Cash Flow from Financing	**-64**	**-50**	**-35**	**37**	**32**	**-146**
Incr/(Decr) in Balance Sheet Cash	**-1**	**2**	**2**	**49**	**43**	**-5**
Cash at the Start of the Year	18	1	3	5	54	97
Cash at the End of the Year	**17**	**3**	**5**	**54**	**97**	**91**

RATIOS	FY16	FY17	FY18	FY19E	FY20E	FY21E
Profitability						
Return on Capital (%)	25%	33%	42%	36%	35%	39%
Return on Equity (%)	20%	26%	28%	25%	26%	27%
Margin Trend						
EBITDA Margin (%)	11.9%	16.2%	23.4%	24.8%	27.7%	30.8%
PBT Margin (%)	8.0%	12.7%	20.1%	20.1%	22.1%	26.7%
Net profit Margin (%)	6.3%	9.8%	12.8%	13.1%	14.6%	17.7%
Gross Margin (%)	23.0%	27.6%	36.4%	37.5%	40.0%	42.9%
Solvency						
Debt / Equity	0.4	0.2	0.2	0.2	0.3	0.1
Debt / Assets	0.2	0.1	0.1	0.1	0.2	0.1
Interest Coverage	4.4	8.2	16.4	10.2	8.4	17.5
Valuation Ratios						
P/E	5.2	10.8	13.5	8.5	6.4	4.6
P/B	1.1	2.8	3.7	2.2	1.7	1.2
EV/EBITDA	3.7	6.8	7.6	4.8	3.8	2.8

Source: NSPL Research

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IG Petrochemicals Ltd				Rating Legend	
Date	**CMP (INR)**	**Target Price (INR)**	**Recommendation**	**Strong Buy**	More than 15%
August 30, 2018 (Company Update)	480	647	Strong Buy	**Buy**	5% - 15%
August 01, 2018 (Result Update)	450	649	Strong Buy	**Hold**	0 – 5%
				Reduce	-5% - 0
				Sell	Less than -5%

Following table contains the disclosure of interest in order to adhere to utmost transparency in the matter;

Disclosure of Interest Statement	
Details of Nalanda Securities Pvt. Limited (NSPL)	• NSPL is a Stock Broker registered with BSE, NSE and MCX - SX in all the major segments viz. Cash, F & O and CDS segments. Further, NSPL is a Registered Portfolio Manager and is registered with SEBI • **SEBI Registration Number: INH000004617**
Details of Disciplinary History of NSPL	No disciplinary action is / was running / initiated against NSPL
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Has research analyst or NSPL or its associates received any compensation or other benefits from the subject company or third party in connection with the document.	NO
Has research analyst served as an officer, director or employee of the subject company	NO
Has research analyst or NSPL engaged in market making activity for the subject company	NO
Other disclosures	NO

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