

IG Petrochemicals Ltd

Good Q4, slowly returning to normalcy, Visible growth in FY28E, Maintain BUY

The company reported in-line topline but better operating performance than estimates because of inventory gains, higher MAN realizations, higher than anticipated PAN-Ox spreads & operating efficiencies. Spot PAN-Ox spreads had increased significantly post West Asia tensions (almost 2x pre-war spreads) & current spreads are still hovering at higher levels. Revenue grew by ~9% YoY & ~13% QoQ led by uptick in both realizations & volumes. Realizations were higher because of higher Ox prices. Gross margins were flat YoY but expanded staggering 1010bps QoQ to ~27.3% in Q4FY26. The company's new leg of greenfield capacity expansion for addition of advance plasticizers of 75K tons capacity with a capex of Rs1.65bn is expected start in coming month, supporting revenue contribution from Q2FY27E. Also, company has completed its de-bottlenecking its base capacity of DEP Plasticizer to 12KT from 8.4KT at a very minimal capex. A slew of this expansion will boost non phthalic business revenue share to 27-30% of revenues by FY28E (vs ~6.1% of Q4FY26 & ~7.6% of FY26 revenue) & will provide some stability in the margins. The company new venture of Compressed Biogas (CBG) plant with a project installing 25-30 tonnes capacity at an investment of Rs1bn in its wholly owned subsidiary IG Biofuels Ltd is slated to complete by July 26. Last quarter we stated that PAN-Ox spreads had bottomed out & West Asia tensions led supply chain disruptions became the driver for spreads. The growth in the subsequent year FY27E would be largely led by new plasticizer business coupled with higher spreads. The current demand environment has witnessed uptick led by GST rate cut & removal of US tariff uncertainty coupled with India EU FTA. Despite positive factors, we remain cognizant of the volatile nature of PAN-Ox spreads & factor in robust EBITDA growth over the next 2 years. We value the stock on March 28E & improve our target multiple to 12.5x (earlier 11x) as negatives now behind & arrive at target price of Rs 501 per share, upside of ~17% from current valuations.

Strong topline growth visible, Plasticizer ramp up to support growth going ahead

- The revenue growth of ~9% YoY is largely led by volumes supported by PA5, although realizations remained lower but ~13% QoQ growth is largely by realizations because of higher Ox prices led by West Asia tensions. The PA5 capacity of 53,000 TPA will gradually ramp up & optimum utilization will be achieved in the next 2 years, although a large part of volumes will be moved to plasticizers plant.
- At peak utilization levels, this capacity will generate Rs4.5-5bn revenue. But post commercialization of plasticizer capacity approx. 32-35K tonnes of volumes will be used captively. Netting the captive requirement, the net revenue addition from PA5 will be Rs1-1.5bn at peak utilization levels.
- For the greenfield expansion of plasticizers with a capacity 75K tonnes, the company now expects revenue contribution to start from Q2FY27E & expects 20-25KT volumes in FY27E & subsequent ramp up in FY28E. At full utilization, this will incrementally add Rs8-9bn to the topline at peak utilization levels.

PAN-Ox & MAN spreads improved from Q3 lows, expect gradual improvement going ahead

- The company reported gross margin expansion of 1010bps QoQ to 27.3% in Q4FY26 led by inventory gains, higher MAN realizations & better PAN-Ox & MAN spreads. MAN prices have increased to \$1000/ton vs earlier 650-700/ton range last quarter, although it's still lower by 20% compared with PAN prices.
- Volatility in spreads of PAN-Ox spreads has been the most in the recent months as West Asia tensions led to crude oil prices on the boil. Factoring uncertain news, PAN-Ox spreads can remain volatile in the near term & it has become very difficult to understand the behaviour of spreads, but we foresee that last quarter Q3 spreads have bottomed out & going ahead the spreads could remain higher than last 2 quarters range.
- Management believes that PAN-OX spreads average between \$150-250/ton in the long term, however it remains volatile & depends on demand, supply & other factors.

Valuation

- IGPL has a strong foothold in domestic market focussing on forward integration, diversified clientele set, long decadal experience & growth focussed management. We maintain our PAT estimates for FY27E but slightly cut by 4% in FY28E factoring slightly higher depreciation & lower other income than earlier anticipated.
- We value the stock on March 28E & the stock is currently trading at P/E of ~10.7x which looks inexpensive considering the growth trajectory from FY28E. We increase our target multiple to 12.5x (earlier 11x) as negatives are now behind and arrive at a target price of Rs 501, thereby, which offers upside of ~17% from current valuations.
- Hence, we maintain BUY rating on the stock.

Y/E Mar (Rs mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Q4FY26E	Var. (%)
Revenue	5,243	4,801	9.2	4,653	12.7	5,315	-1.4
Operating cost	4,577	4,328	5.7	4,568	0.2		
EBITDA	666	472	41.0	85	684.4		
Adjusted EBITDA	666	472	41.0	85	684.4	555	20.0
Adj EBITDA margin (%)	12.7	9.8	287 bps	1.8	1,088 bps	10.4	226 bps
Depreciation	204	164	24.6	164	24.1		
Interest	108	107	0.6	104	3.8		
Other Income	49	46	7.9	54	-8.3		
Exceptional Items	0	0	NA	0	NA		
PBT	404	247	63.3	-129	NA		
Taxes paid	123	58	113.5	-21	NA		
Reported PAT	281	190	48.1	-109	NA		
Adjusted PAT	281	190	48.1	-109	NA	281	-0.1

Source: Company, SMIFS Research

Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj PAT	YoY (%)	Adj EPS	RoE (%)	RoCE (%)	Adj P/E (x)	EV/EBITDA (x)
FY24	20,991	-10.8	1,054	5.0	395	-80.2	12.8	3.2	4.0	37.3	14.9
FY25	22,062	5.1	2,190	9.9	1,087	175.1	35.3	8.1	8.6	15.2	7.6
FY26	19,250	-12.7	946	4.9	22	-98.0	0.7	0.2	0.7	596.7	15.1
FY27E	26,221	36.2	1,183	4.5	176	693.5	5.7	1.3	2.8	75.2	12.9
FY28E	30,934	18.0	2,658	8.6	1,235	601.0	40.1	8.7	8.8	10.7	5.5

Source: Company, SMIFS Research Estimates



Rating: **BUY** Return: ~17%
 Current Price: **Rs 430** Target Price: **Rs 501**

Earlier recommendation

Previous Rating:	BUY
Previous Target Price:	461
Source:	SMIFS Research

Market data

Bloomberg:	IGPL: IN
52-week H/L (Rs):	519/318
Mcap (Rs bn/USD bn):	13.1/0.1
Shares outstanding (mn):	30.8
Free float:	31.2%
Daily vol. (3M Avg.):	0.04mn
Face Value (Rs):	10

Shareholding pattern (%)

	Mar-26	Dec-25	Sep-25	Jun-25
Promoter	68.7	68.7	68.7	68.7
FIs	2.9	2.9	3.0	3.1
DIs	1.5	1.2	1.0	1.0
Public/others	26.9	27.2	27.3	27.2

Pro. Pledging

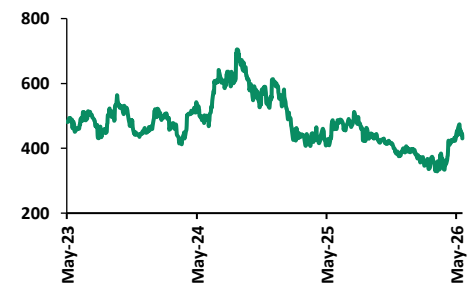
Pledging	-	-	-	-
Source:	BSE			

Price performance (%) *

	1M	3M	12M	36M
NIFTY 50	-3.6	-8.1	-4.8	29.1
NIFTY 500	-2.0	-4.2	-0.8	45.5
IGPL	0.5	15.1	-10.0	-12.1

*as on 23rd May 26; Source: AceEquity, SMIFS Research

3 Year Price Performance Chart



Source: NSE

Aditya Khetan

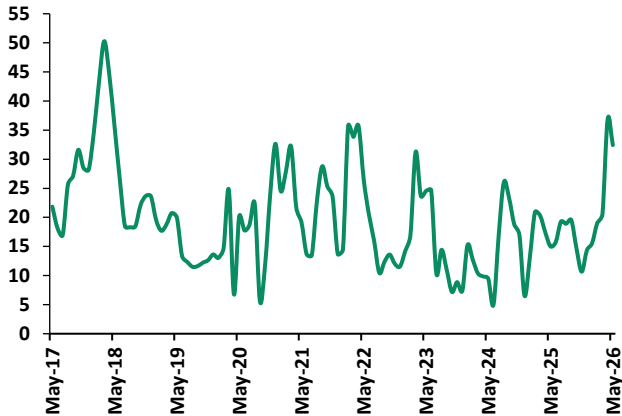
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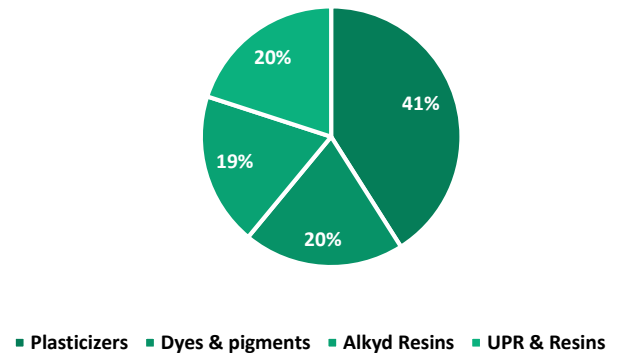
Story in Charts

Fig 1: PAN Ox Spreads (In Rs Per Kg)



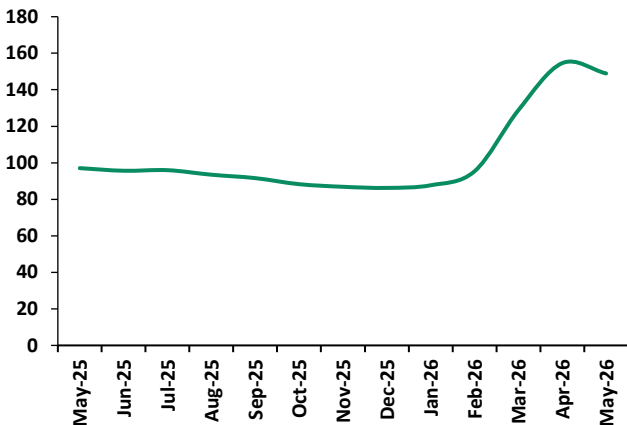
Source: Industry, SMIFS Research Note: Above spreads are indicative spreads and actual company reported spreads differs

Fig 2: PAN end usage industries



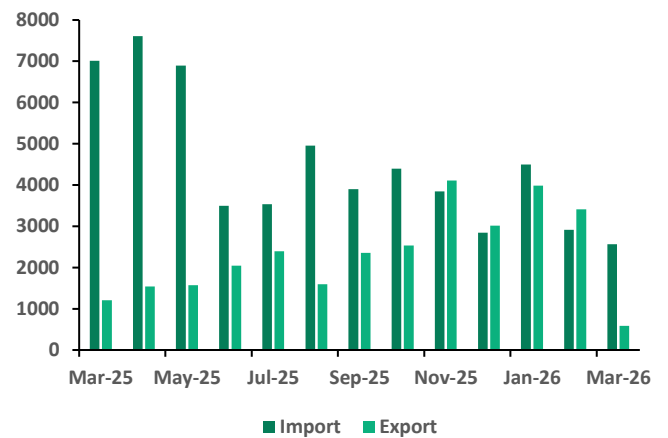
Source: Industry, SMIFS Research

Fig 3: Indian Phthalic Anhydride Prices (In Rs Per Kg)



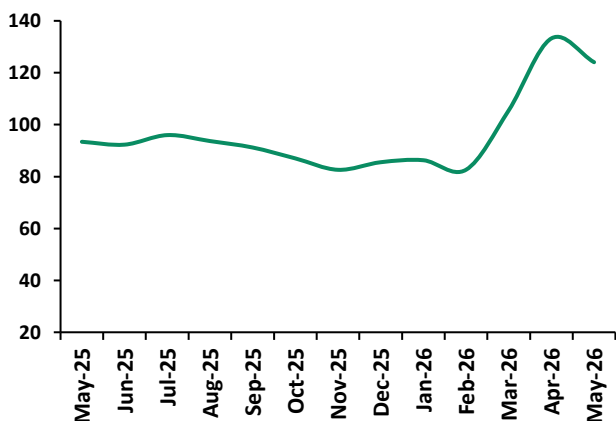
Source: Industry, SMIFS Research

Fig 4: India's Phthalic Anhydride Import & Export (In Tonnes)



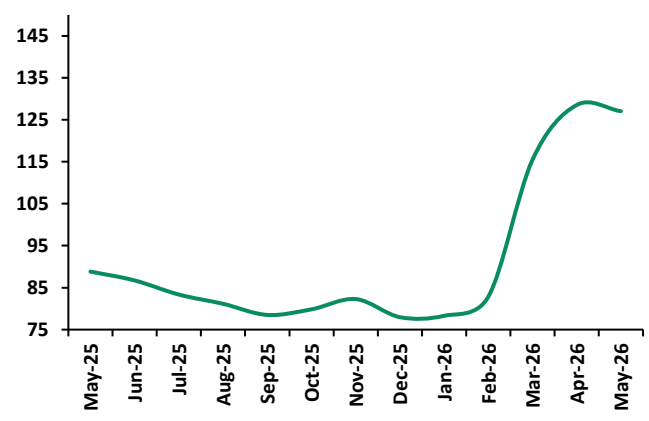
Source: Industry, SMIFS Research

Fig 5: Indian Maleic Anhydride Prices (In Rs per kg)



Source: Industry, SMIFS Research

Fig 6: Indian Orthoxylene Prices (In Rs per kg)



Source: Industry, SMIFS Research

Analyst Call Highlights

- **Demand outlook:** The demand improved in the domestic market led by GST rate cut supporting uptick in pigments, paints and plasticizer, although tariff related uncertainty remained during the quarter but is largely behind now from coming quarter. On plasticizers side demand remains healthy wherein imports are limited and products such as DIDP used in cable applications continue to witness good demand. The company stated that demand across downstream industries such as paints, plastics, pigments, agrochemicals, specialty chemicals and cables remain stable despite sharp raw material inflation. Most customers are still purchasing based on immediate production needs and maintaining low inventory levels. Management has not yet observed major demand destruction. The demand in domestic market is ~5.5 lakh tonnes and is expected to grow around 5-6% in the coming years. However, management also cautioned that if current elevated RM prices persist for another 3-6 months, some downstream sectors may witness 5-10% demand moderation. Sectors such as paints and specialty chemicals are currently better positioned to absorb and transfer inflationary pressures.
- **Completed plasticizers mechanical completion, debottlenecking in DEP plasticizers to add momentum, visible growth in sight:** The company new greenfield capacity expansion of 75,000 plasticizers tonnes at Taloja has completed mechanical completion & is undergoing sampling with its customers & pre-operating activities. The revenue contribution is expected from Q2FY27E. Since, the raw material is already backward integrated, this business at peak utilization would consume around 32,000-35,000 tonnes of PAN. Also, the company has completed is de-bottlenecking to 12KT from earlier 8KT in DEP Plasticizers. Under normalized utilization levels of around 80-90%, the plasticizer and PA5 projects together could contribute nearly Rs10-11bn of incremental revenue. Management expects FY27E plasticizer production volumes of approximately 20-25KT due to 9M operations in fiscal year 2027 and expects gradual ramp-up going ahead.
- **PAN-Ox Spread increased from Q3 led by West Asia tensions, trading in line than the long-term average:** The spreads of PAN-Ox increased significantly on QoQ basis led rise in PAN prices led by West Asia tensions disrupting supply chains globally. The current month market spreads of (\$150-200/ton) are also in line with Q4 spreads. The company continues to make much higher-than-normal spreads because of cost efficiencies and extra operating efficiency benefit of conversion from Ox to PAN. Due to volatile nature, management hasn't provided any guidance on the future PAN-Ox spreads, however they assume sustainable spreads to be around \$150-250/ton over the long term.
- **Maleic Anhydride price rebounded, win win for IG Petro:** As per management, MAN prices are quoting around \$1000/ton in Q4 vs \$650-700/ton in Q3, significantly higher than last quarter levels. But, MAN prices are still 20% lower than PAN prices. The prices are still volatile & witnessing huge fluctuations. The prices had remained depressed for roughly ~12-15 months now. Chinese players are still saddled with high inventory which is the major reason for weak prices & management expects this to normalize by calendar year end 2025. For IG Petro MAN is obtained as a by-product & any price increase is directly added in EBITDA.
- **Compressed Biogas (CBG) business project progressing well:** Since, green chemistry remains an untapped opportunity & bigger market to explore, to capitalize on the same, management has decided to make a new investment of Rs1bn in its wholly owned subsidiary IG Biofuels Ltd to set-up Compressed Biogas (CBG) plant to explore the green opportunities in India. The company is planning to install 25-30 tonnes capacity by July 2026. The feedstock used would be Napier Grass or Agricultural residue. Initially, the focus remains to set up a pilot plant with a capacity of 5 tonnes per day at very a small capex.
- **PAN volume guidance for FY27E:** Management guided for FY27E PAN sales volumes of around 2 lakh tons, broadly like FY26 levels. This conservative guidance factors in planned shutdowns for catalyst replacement and maintenance across multiple plants, as well as increasing internal consumption for downstream products like plasticizers and DEP.
- **Planned shutdowns for FY27E:** At least two PAN plants are expected to undergo planned maintenance shutdowns and catalyst replacements during FY27E, each lasting roughly 25-30 days. Management indicated that volume guidance already incorporates these shutdowns and therefore operational disruptions should not materially affect planned output levels.
- **Limited impact of energy cost inflation impact:** Management explained that around 85-90% of the company's energy requirements are fulfilled through waste heat recovery systems integrated into operations. Therefore, only 10-15% of total energy consumption depends on external fuels such as LSFO, diesel, and grid power. Although fuel prices have increased 20-40%, the overall impact on company cost structure remains relatively limited because of the efficient energy setup.
- **RM availability of Ox remains comfortable despite global volatility:** Management clarified that Ox availability is not a concern despite elevated global crude prices. Imports continue smoothly from Singapore, Taiwan, and Korea and supply chains are not materially disrupted. The primary challenge currently is elevated pricing rather than physical availability of raw materials.
- The non-phthalic business revenue stood at Rs320mn in Q4FY26 (~6.1% as on Q4FY26 revenue).

Valuation and Recommendations

IGPL has a strong foothold in domestic market focussing on forward integration, diversified clientele set, long decadal experience & growth focussed management. We maintain our PAT estimates for FY27E but slightly cut by 4% in FY28E factoring slightly higher depreciation & lower other income than earlier anticipated.

We value the stock on March 28E & the stock is currently trading at P/E of ~10.7x which looks inexpensive considering the growth trajectory from FY28E. We increase our target multiple to 12.5x (earlier 11x) as negatives are now behind and arrive at a target price of Rs 501, thereby, which offers upside of ~17% from current valuations

Therefore, we maintain our **BUY** rating on the stock.

Fig 7: 1-Year Forward EV/EBITDA



Source: Company, SMIFS Research

Fig 8: Change in Estimates

	New Estimates		Old Estimates		Change (%)	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Revenue	26221	30934	25411	29766	3%	4%
EBITDA	1183	2658	1108	2615	7%	2%
EBITDA Margin (%)	4.5%	8.6%	4.4%	8.8%	15 bps	(19) bps
PAT	176	1235	174	1290	1%	-4%

Source: Company, SMIFS Research Estimates

- We have modelled slightly higher realizations for FY27E/28E leading to revenue growth.
- We have slightly increased our PAN-Ox spreads estimate for FY27E & almost maintained for FY28E.
- PAT estimates are unchanged for FY27E but cut by ~4% in FY28E factoring higher depreciation & lower other income than earlier anticipated.

Quarterly financials, operating metrics and key performance indicators

Fig 9: Quarterly Financials

Y/E March (Rs mn)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26
Net Sales	5851	5830	5581	4801	4700	4653	4653	5243
Raw Materials	4530	4419	4433	3493	3788	3574	3851	3810
Employee Costs	229	233	240	257	238	240	236	252
Other Expenditure	474	552	434	579	682	638	481	514
EBITDA	618	626	474	472	-7	202	85	666
Depreciation	162	163	164	164	163	160	164	204
Interest	94	161	26	107	87	112	104	108
Other Income	92	41	78	46	100	56	54	49
PBT	453	343	362	247	-156	-14	-129	404
Exceptional items	0	0	0	0	0	0	0	0
PBT After Exceptional Items	453	343	362	247	-156	-14	-129	404
Tax	103	81	77	58	-26	6	-21	123
<i>Tax rate (%)</i>	23	24	21	23	17	-42	16	30
Reported PAT	350	262	285	190	-130	-20	-109	281
Adjusted PAT	350	262	285	190	-130	-20	-109	281
YoY Growth (%)								
<i>Revenue</i>	5.4	16.2	14.3	-13.3	-19.7	-20.2	-16.6	9.2
<i>EBITDA</i>	4.4	141.5	-905.3	80.6	NA	-67.7	-82.1	41.0
<i>Adj PAT</i>	-1.7	159.8	-287.3	109.8	NA	NA	NA	48.1
QoQ Growth (%)								
<i>Revenue</i>	5.6	-0.4	-4.3	-14.0	-2.1	-1.0	0.0	12.7
<i>EBITDA</i>	136.2	1.3	-24.3	-0.3	-101.5	NA	-58.0	684.4
<i>Adj. PAT</i>	287.6	-25.3	9.0	-33.6	NA	NA	NA	NA
Margin (%)								
<i>Gross</i>	22.6	24.2	20.6	27.2	19.4	23.2	17.2	27.3
<i>EBITDA</i>	10.6	10.7	8.5	9.8	NA	4.3	1.8	12.7
<i>Adj PAT</i>	6.0	4.5	5.1	3.9	NA	NA	NA	5.4
<i>Employee cost as % of sales</i>	3.9	4.0	4.3	5.4	5.1	5.2	5.1	4.8
<i>Other expenses as % of sales</i>	8.1	9.5	7.8	12.1	14.5	13.7	10.3	9.8

Source: Company, SMIFS Research

Financial Statements (Consolidated)

Income Statement					
YE March (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Revenues	20,991	22,062	19,250	26,221	30,934
Raw Materials	17,338	16,874	15,023	20,430	23,334
% of sales	82.6	76.5	78.0	77.9	75.4
Personnel	812	959	966	1,344	1,557
% of sales	3.9	4.3	5.0	5.1	5.0
Other Expenses	1,787	2,039	2,314	3,265	3,384
% of sales	8.5	9.2	12.0	12.5	10.9
EBITDA	1,054	2,190	946	1,183	2,658
Other Income	306	256	259	215	185
Depreciation &	521	653	691	775	839
EBIT	838	1,794	514	622	2,005
Finance cost	304	388	410	387	355
Core PBT	229	1,149	-154	21	1,464
Exceptional items	0	0	0	0	0
PBT	534	1,406	104	235	1,650
Tax-Total	139	319	82	59	415
Tax Rate (%) - Total	26.0	22.7	78.7	25.2	25.2
PAT	395	1,087	22	176	1,235
Share of Profit/Loss of	0	0	0	0	0
Adjusted PAT	395	1,087	22	176	1,235

Source: Company, SMIFS Research Estimates

Key Ratios					
YE March	FY24	FY25	FY26	FY27E	FY28E
Growth Ratio (%)					
Revenue	-10.8	5.1	-12.7	36.2	18.0
EBITDA	-66.8	107.8	-56.8	25.0	124.8
Adjusted PAT	-80.2	175.1	-98.0	693.5	601.0
Margin Ratios (%)					
Gross Profit	17.4	23.5	22.0	22.1	24.6
EBITDA	5.0	9.9	4.9	4.5	8.6
EBIT	4.0	8.1	2.7	2.4	6.5
Core PBT	1.1	5.2	-0.8	0.1	4.7
Adjusted PAT	1.9	4.9	0.1	0.7	4.0
Return Ratios (%)					
ROE	3.2	8.1	0.2	1.3	8.7
ROCE	4.0	8.6	0.7	2.8	8.8
Turnover Ratios (days)					
Gross Block Turnover (x)	1.5	1.4	1.1	1.4	1.3
Adj OCF/Adj PAT (%)	45.2	207.9	2,890.5	410.8	133.7
Inventory	34.7	48.6	39.2	40.0	40.0
Debtors	58.5	47.2	66.4	55.0	55.0
Creditors	65.6	74.9	73.4	70.0	70.0
Cash conversion cycle	27.7	20.9	32.3	25.0	25.0
Solvency Ratio (x)					
Debt-equity	0.3	0.2	0.3	0.3	0.2
Net debt-equity	0.1	0.0	0.1	0.2	0.1
Gross Debt/EBITDA	3.5	1.2	3.8	2.8	1.2
Current Ratio	1.5	1.5	1.4	1.2	1.3
Interest coverage ratio	2.8	4.6	1.3	1.6	5.6
Dividend					
DPS	7.5	10.0	5.0	7.5	10.0
Dividend Yield (%)	1.6	1.9	1.2	1.7	2.3
Dividend Payout (%)	58.5	28.3	693.8	131.1	24.9
Per share Ratios (Rs)					
Basic EPS (reported)	12.8	35.3	0.7	5.7	40.1
Adjusted EPS	12.8	35.3	0.7	5.7	40.1
CEPS	29.8	56.5	23.1	30.9	67.3
BV	404.9	434.7	432.8	431.0	461.1
Valuation (x)					
Adj P/E	37.3	15.2	596.7	75.2	10.7
P/BV	1.2	1.2	1.0	1.0	0.9
EV/EBITDA	14.9	7.6	15.1	12.9	5.5
EV/Sales	0.7	0.7	0.7	0.6	0.5
Adj Market Cap /Core PBT	52.4	12.0	-68.9	582.2	7.8
Adj Market Cap /Adj OCF	67.0	6.1	16.6	16.5	6.9

Source: Company, SMIFS Research Estimates

Balance Sheet					
YE March (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Source of funds					
Share Capital	308	308	308	308	308
Reserves & Surplus	12161	13080	13021	12966	13893
Shareholders' Funds	12469	13388	13329	13274	14201
Total Loan Funds	3677	2692	3606	3355	3080
Other Liabilities	1004	1083	1688	1823	1882
Total Liabilities	17150	17162	18623	18453	19163
Application of funds					
Gross Block	15703	16028	16109	18909	19509
Net Block	9844	9722	9113	11138	10899
Capital WIP	1576	2341	1731	378	390
Quasi cash investments	41	19	19	19	19
Other Investments	519	497	2364	2364	2364
Other Non-Current Assets	927	778	893	1035	1141
Inventories	1996	2938	2069	2874	3390
Sundry Debtors	3367	2853	3503	3951	4661
Cash & Bank Balance	1836	1839	1860	652	1137
Current Investments	886	830	725	630	630
Other current assets	358	291	728	941	1037
Total Current Assets	8443	8751	8885	9048	10855
Sundry Creditors	3772	4528	3870	5029	5933
Other current liabilities	428	418	511	501	574
Total Current Liabilities	4200	4947	4381	5530	6506
Net Current Assets	4243	3804	4504	3519	4349
Total Assets	17150	17162	18623	18453	19163

Source: Company, SMIFS Research Estimates

Cash Flow					
YE March (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Operating profit before WC changes					
	1,080	2,277	1,388	1,397	2,844
Net changes in working capital					
	-624	485	-304	-228	-423
Tax Paid					
	-84	-152	-62	-59	-415
Cash flow from operating activities					
	372	2,610	1,022	1,110	2,005
Adj. OCF					
	179	2,259	641	724	1,650
Capital expenditure					
	-3,663	-552	-81	-2,800	-600
Adj FCF					
	-3,484	1,707	560	-2,076	1,050
Cash flow from investing activities					
	-1,146	-920	-890	-1,353	-612
Debt					
	980	-796	-282	-348	-245
Dividend					
	-308	-231	-308	-231	-308
Interest and Lease					
	-193	-350	-380	-387	-355
Cash flow from financing activities					
	479	-1,377	-526	-966	-908
Net change in cash					
	-295	312	-394	-1,208	485

Source: Company, SMIFS Research Estimates

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