

TRANSPEK INDUSTRY LTD

Result Update (PARENT BASIS): Q3 FY19

CMP: 1510.00

MAR 28th, 2019

Overweight

ISIN:
INE687A01016

Index Details

Stock Data

Sector	Commodity Chemicals
BSE Code	506687
Face Value	10.00
52wk. High / Low (Rs.)	1730.00/1170.00
Volume (2wk. Avg.)	1532
Market Cap (Rs. in mn.)	8440.90

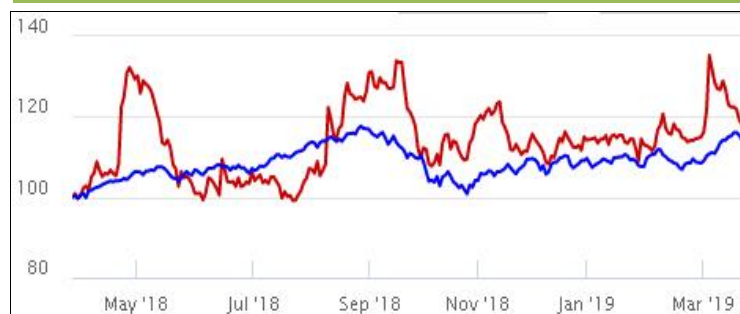
Annual Estimated Results(A*: Actual / E*: Estimated)

Years(Rs in mn)	FY18A	FY19E	FY20E
Net Sales	3690.00	6021.82	7226.18
EBITDA	566.80	1104.92	1299.64
Net Profit	264.00	492.40	584.94
EPS	47.23	88.09	104.64
P/E	31.97	17.14	14.43

Shareholding Pattern (%)

	As on Dec 2018	As on Sep 2018
Promoter	58.97	59.05
Public	41.03	40.95
Others	--	--

1 Year Comparative Graph



TRANSPEK INDUSTRY LTD

S&P BSE SENSEX

SYNOPSIS

- Transpek Industry Limited (TIL), a part of Shroff Group of organizations, engaged in the development and manufacturing of chemical products.
- Transpek Industry Ltd has achieved a turnover of Rs. 1672.90 mn for Q3 FY 2018-19 as against Rs. 965.40 mn in Q3 FY2017-18, up by 73.29%.
- During Q3 FY19, EBIDTA stood at Rs. 317.50 mn as against Rs. 160.20 mn in the corresponding period of the previous year, grew by 98.19%.
- Profit before tax (PBT) up by 120.31% to Rs. 226.70 mn in Q3 FY19 from Rs. 102.90 mn in Q3 FY18.
- During the quarter, net profit increased by 128.53% to Rs. 144.20 mn from Rs. 63.10 mn in the corresponding quarter ending of previous year.
- EPS of the company stood at Rs. 25.80 in Q3 FY19 as against Rs. 11.29 in the corresponding quarter of the previous year.
- During the nine months ended 31st Dec, 2018, Net sales increased by 62.65% to Rs. 4282.00 mn from Rs. 2632.70 mn for the nine months ended 31st Dec, 2017.
- In 9M FY19, PAT of the company was Rs. 356.40 mn against Rs. 164.70 mn in 9M FY18, up by 116.39%.
- Net Sales & PAT of the company are expected to grow at a CAGR of 26% and 29% over 2017 to 2020E, respectively.

PEER GROUPS	CMP	MARKET CAP	EPS(TTM)	P/E (X)(TTM)	P/BV(X)	DIVIDEND
Company Name	(Rs.)	Rs. in mn.	(Rs.)	Ratio	Ratio	(%)
Transpek Industry Ltd	1510.00	8440.90	81.56	18.51	3.42	90.00
Indo Amines Ltd	93.30	3111.40	6.38	14.62	4.03	10.00
Balaji Amines Ltd	494.60	16027.20	38.35	12.90	3.43	130.00
Sukhjit Starch and Chemicals Ltd	257.50	3800.60	22.96	11.22	1.46	65.00

QUARTERLY HIGHLIGHTS (PARENT BASIS)

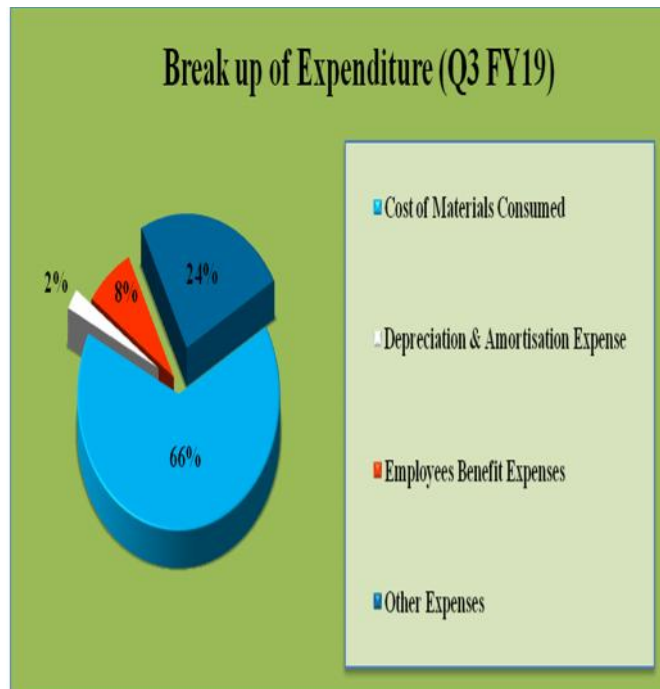
Results updates- Q3 FY19,

(Rs in million)	Dec-18	Dec-17	% Change
Revenue	1672.90	965.40	73.29%
Net Profit	144.20	63.10	128.53%
EPS	25.80	11.29	128.53%
EBIDTA	317.50	160.20	98.19%

Transpek Industry Ltd has achieved a turnover of Rs. 1672.90 million for the 3rd quarter of the FY 2018-19 as against Rs. 965.40 million in the corresponding quarter of the previous year, up by 73.29%. During the quarter, net profit increased by 128.53% to Rs. 144.20 million from Rs. 63.10 million in the corresponding quarter ending of previous year. Profit before interest, depreciation and tax stood at Rs. 317.50 million as against Rs. 160.20 million in the corresponding period of the previous year. Reported earnings per share of the company stood at Rs. 25.80 in Q3 FY19 as against Rs. 11.29 in the corresponding quarter of the previous year.

Break up of Expenditure

Break up of Expenditure	Value in Rs. Million		
	Q3 FY19	Q3 FY18	% Change
Cost of Materials Consumed	961.70	457.70	110%
Depreciation & Amortisation Expense	36.70	24.30	51%
Employees Benefit Expenses	112.80	95.80	18%
Other Expenses	352.60	209.90	68%



COMPANY PROFILE

Transpek Industry Limited (TIL), a part of Shroff Group of organizations and a listed company, engaged in the development and manufacturing of chemical products. There lies the origin of the word Transpek. Since then the Company has grown to become one of the leading manufacturers and exporters of a range of chemicals servicing the requirements of customers from a diverse range of industries - Textiles, Pharmaceuticals, Agrochemicals, Polymers, etc. Since inception, Transpek has evolved as a First Time Manufacturer of several products in India and also pioneered the development of the market for the same.

The Company's product portfolio comprises of various products which are used in a very broad range of applications. Through Chlorination, the Company manufactures many Acid Chlorides and Alkyl Chlorides. These products have global market & many big multinational chemical companies use Acid Chlorides & Alkyl Chlorides in very large quantity.

FINANCIAL HIGHLIGHT (PARENT BASIS)
(A* - Actual, E* -Estimations & Rs. In Millions)
Balance Sheet as of March 31, 2017 -2020E

	FY17A	FY18A	FY19E	FY20E
ASSETS				
Non-Current Assets				
a) Property, Plant and Equipment	1171.40	1786.10	2196.90	2548.41
b) Capital Work in Progress	130.30	563.70	507.33	527.62
c) Financial Assets				
i) Investments	1307.70	1435.40	1578.94	1689.47
ii) Loans	10.90	22.90	26.56	30.02
iii) Other Financial Assets	22.40	25.10	17.32	18.36
d) Other Non -Current Assets	27.40	59.20	33.15	35.47
1. Sub Total - Non Current Assets	2670.10	3892.40	4360.21	4849.34
Current Assets				
a) Inventories	370.80	459.70	542.45	607.54
b) Financial Assets				
i) Trade Receivables	672.30	934.40	915.71	961.50
ii) Cash And Cash Equivalents	3.70	5.70	14.80	17.46
iii) Other Bank Balances	8.90	10.00	10.10	10.61
iv) Loans	7.20	8.70	6.35	6.80
v) Other Financial Assets	7.80	0.00	0.20	0.22
c) Other Current Assets	123.20	351.90	373.01	387.93
2. Sub Total - Current Assets	1193.90	1770.40	1862.62	1992.06
Total Assets (1+2)	3864.00	5662.80	6222.83	6841.40
EQUITY AND LIABILITIES				
EQUITY				
a) Equity Share Capital	55.90	55.90	55.90	55.90
b) Other Equity	2000.40	2413.50	2905.90	3490.83
1. Total Equity	2056.30	2469.40	2961.80	3546.73
Liabilities				
Non Current Liabilities				
a) Financial Liabilities				
i) Borrowings	249.70	854.40	811.68	762.98
b) Provisions	29.00	31.10	34.21	36.60
c) Deferred Tax Liabilities (Net)	435.70	475.30	532.34	569.60
2. Sub Total - Non Current Liabilities	714.40	1360.80	1378.23	1369.18
Current Liabilities				
a) Financial Liabilities				
i) Borrowings	448.70	947.00	738.66	635.25
ii) Trade Payables	338.70	544.20	701.96	787.43
iii) Other Financial Liabilities	202.90	252.70	283.02	311.33
b) Other Current Liabilities	62.60	64.60	118.60	145.88
c) Provisions	24.20	17.90	22.91	25.66
d) Current Tax Liabilities	16.20	6.20	17.65	19.94
3. Sub Total - Current Liabilities	1093.30	1832.60	1882.81	1925.49
Total Equity And Liabilities (1+2+3)	3864.00	5662.80	6222.83	6841.40

Annual Profit & Loss Statement for the period of 2017 to 2020E

Value(Rs.in.mn)	FY17A	FY18A	FY19E	FY20E
Description	12m	12m	12m	12m
Net Sales	3277.00	3690.00	6021.82	7226.18
Other Income	74.30	43.30	164.15	172.36
Total Income	3351.30	3733.30	6185.97	7398.54
Expenditure	-2749.90	-3166.50	-5081.04	-6098.90
Operating Profit	601.40	566.80	1104.92	1299.64
Interest	-91.00	-117.40	-203.70	-236.29
Gross profit	510.40	449.40	901.23	1063.36
Depreciation	-86.30	-99.20	-142.14	-163.46
Profit Before Tax	424.10	350.20	759.09	899.90
Tax	-124.30	-86.20	-266.70	-314.97
Net Profit	299.80	264.00	492.40	584.94
Equity capital	55.90	55.90	55.90	55.90
Reserves	2000.40	2413.50	2905.90	3490.83
Face value	10.00	10.00	10.00	10.00
EPS	53.63	47.23	88.09	104.64

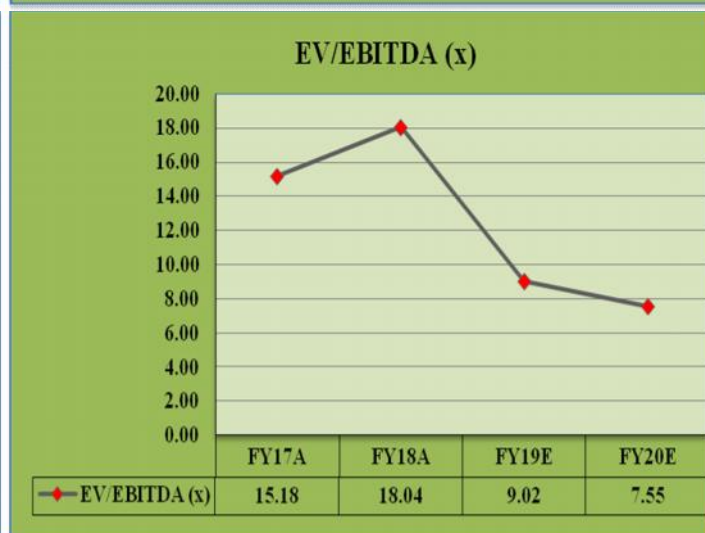
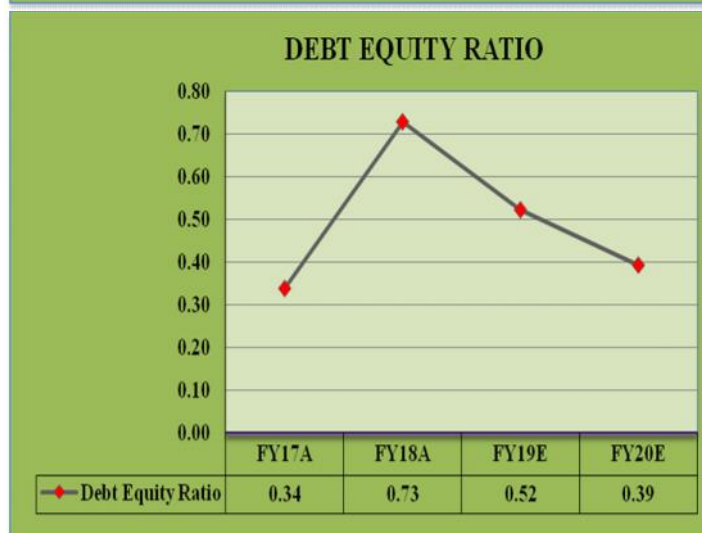
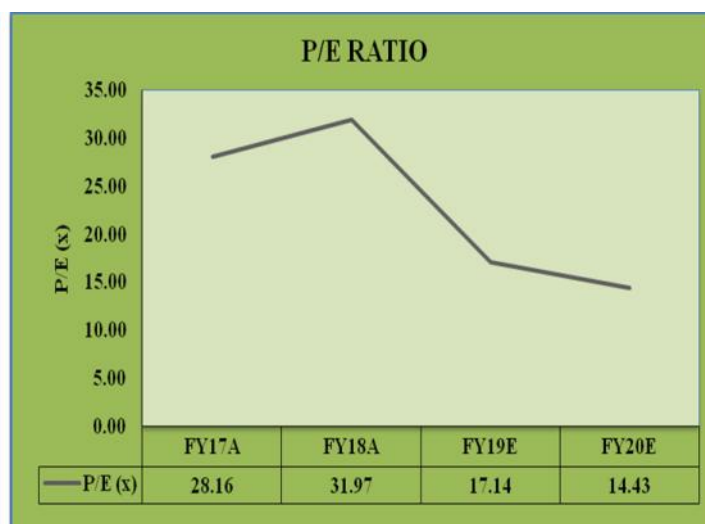
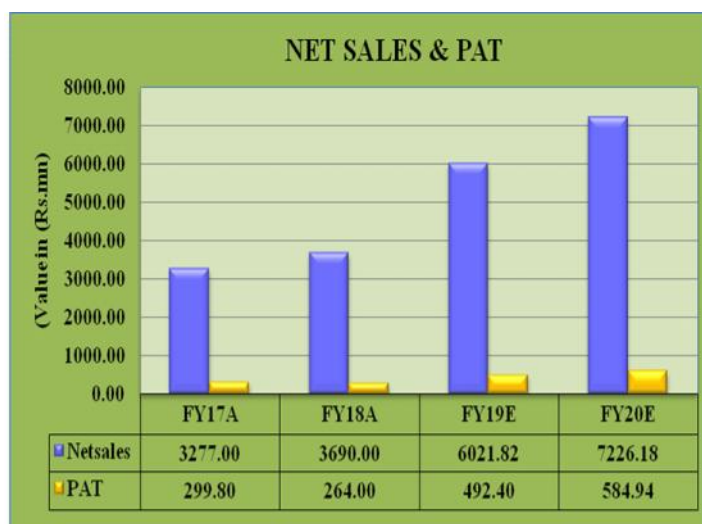
Quarterly Profit & Loss Statement for the period of 30th June, 2018 to 31st Mar, 2019E

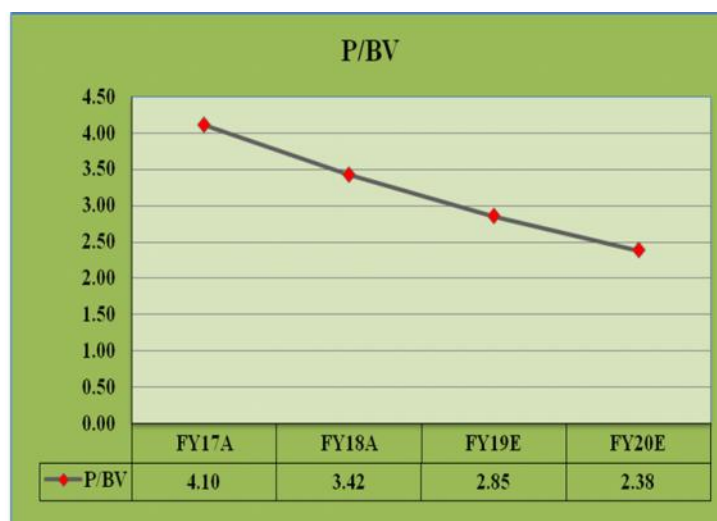
Value(Rs.in.mn)	30-Jun-18	30-Sep-18	31-Dec-18	31-Mar-19E
Description	3m	3m	3m	3m
Net sales	1176.80	1432.30	1672.90	1739.82
Other income	65.50	29.10	36.80	32.75
Total Income	1242.30	1461.40	1709.70	1772.57
Expenditure	-1008.40	-1210.30	-1392.20	-1470.14
Operating profit	233.90	251.10	317.50	302.42
Interest	-51.30	-46.90	-54.10	-51.40
Gross profit	182.60	204.20	263.40	251.03
Depreciation	-32.40	-34.50	-36.70	-38.54
Profit Before Tax	150.20	169.70	226.70	212.49
Tax	-47.30	-60.40	-82.50	-76.50
Net Profit	102.90	109.30	144.20	136.00
Equity capital	55.90	55.90	55.90	55.90
Face value	10.00	10.00	10.00	10.00
EPS	18.41	19.55	25.80	24.33

Ratio Analysis

Particulars	FY17A	FY18A	FY19E	FY20E
EPS (Rs.)	53.63	47.23	88.09	104.64
EBITDA Margin (%)	18.35%	15.36%	18.35%	17.99%
PBT Margin (%)	12.94%	9.49%	12.61%	12.45%
PAT Margin (%)	9.15%	7.15%	8.18%	8.09%
P/E Ratio (x)	28.16	31.97	17.14	14.43
ROE (%)	14.58%	10.69%	16.62%	16.49%
ROCE (%)	18.70%	10.95%	21.34%	22.98%
Debt Equity Ratio	0.34	0.73	0.52	0.39
EV/EBITDA (x)	15.18	18.04	9.02	7.55
Book Value (Rs.)	367.85	441.75	529.84	634.48
P/BV	4.10	3.42	2.85	2.38

Charts





OUTLOOK AND CONCLUSION

- At the current market price of **Rs. 1510.00**, the stock P/E ratio is at 17.14 x FY19E and 14.43 x FY20E respectively.
- Earning per share (EPS) of the company for the earnings for FY19E and FY20E is seen at Rs. 88.09 and Rs. 104.64 respectively.
- Net Sales and PAT of the company are expected to grow at a CAGR of 26% and 29% over 2017 to 2020E, respectively.
- On the basis of EV/EBITDA, the stock trades at 9.02 x for FY19E and 7.55 x for FY20E.
- Price to Book Value of the stock is expected to be at 2.85 x and 2.38 x for FY19E and FY20E respectively.
- Hence, we say that, we are Overweight in this particular scrip for Medium to Long term investment.

INDUSTRY OVERVIEW

The Company is a leading supplier of Chlorinated products to producers of Polymers, Pharmaceuticals, Agrochemicals, Flavours & Fragrances and Dyes and Pigments globally. The Chlorination chemistry is one of the fundamental chemistries providing vast opportunity for manufacturing & supply of intermediates and specialty chemicals for a multitude of applications. The Chemical Industry in India is currently in a growth phase mainly because of significant reduction in production and supply of chemicals from China. This has presented an excellent opportunity to Indian Chemical Sector for quick & significant growth. The Company has built an excellent reputation globally for high quality, large volume Acid & Alkyl Chlorides. Due to its technical expertise in handling hazardous chemicals and strong focus on safety & environment protection, the Company has built solid reputation with world's leading chemical giants.

While there are many opportunities for growth, the government policies need improvements to provide more supportive business environment to the Chemical Industry. One major initiative by the Government is “Make in India” which is a very welcome step. The Company is poised to capture the growth potential expected at present and in near future.

Opportunities:

The Company is a leader in production of chlorides required for manufacturing of high strength polymers having mission critical applications. The products manufactured by the Company are considered favourably by most of the global manufacturers of these Polymers. The Company is well poised to take advantage of this favourable situation & has taken steps to maximize capacity utilisation through de-bottlenecking and improvements.

In other application segments, it is expected that there will be good growth opportunities in the coming days, considering the current business environment and potential for significant growth for Indian Chemical Industry.

The Company has already started taking necessary steps to capture these opportunities.

Outlook for the Industry:

Due to steady global demand and significant reduction in production of Chemicals in China, the overall outlook for Indian Chemical Industry is looking very positive. In addition, the “Make in India” initiative of the Indian Government should provide further impetus for fast growth. There is a visible shift in sourcing location henceforth considered by global chemical companies. It is noted that such global giants are now increasing their reliance on India for the Raw Materials and Intermediates. While the outlook for Indian Chemical Industry looks very positive, it is imperative that the Indian Chemical Industry will need to improve and upgrade its safety & environment protection practices substantially. The Company has robust, efficient & effective safety & environment protection practices in place. This, combined with very strong relationships with customers has enabled the Company to capture good growth for the current and coming period.

Disclosure Section

The information and opinions in Firstcall Research was prepared by our analysts and it does not constitute an offer or solicitation for the purchase or sale of any financial instrument including any companies scrips or this is not an official confirmation of any transaction. The information contained herein is from publicly available secondary sources and data or other secondary sources believed to be reliable but we do not represent that it is accurate or complete and it should not be relied on as such. Firstcall Research or any of its affiliates shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Firstcall Research and/or its affiliates and/or employees will not be liable for the recipients' investment decision based on this document.

Analyst Certification

The following analysts hereby state that their views about the companies and sectors are on best effort basis to the best of their knowledge. Unless otherwise stated, the individuals listed on the cover page of this report are research analysts. The analyst qualifications, sectors covered and their exposure if any are tabulated hereunder:

Name of the Analyst	Qualifications	Sectors Covered	Exposure/Interest to company/sector Under Coverage in the Current Report
Dr.C.V.S.L. Kameswari	M.Sc, PGDCA, M.B.A, Ph.D (Finance)	Pharma & Diversified	No Interest/ Exposure
U. Janaki Rao	M.B.A	Capital Goods	No Interest/ Exposure
B. Anil Kumar	M.B.A	Auto, IT & FMCG	No Interest/ Exposure
V. Harini Priya	M.B.A	Diversified	No Interest/ Exposure

Important Disclosures on Subject Companies

In the next 3 months, neither Firstcall Research nor the Entity expects to receive or intends to seek compensation for any services from the company under the current analytical research coverage. Within the last 12 months, Firstcall Research has not received any compensation for its products and services from the company under the current coverage. Within the last 12 months, Firstcall Research has not provided or is providing any services to, or has any client relationship with, the company under current research coverage.

Within the last 12 months, Firstcall Research has neither provided or is providing any services to and/or in the past has not entered into an agreement to provide services or does not have a client relationship with the company under the research coverage.

Certain disclosures listed above are also for compliance with applicable regulations in various jurisdictions. Firstcall Research does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, No-Weight and Underweight are not the equivalent of buy, hold and sell. Investors should carefully read the definitions of all weights used in Firstcall Research. In addition, since Firstcall Research contains more complete information concerning the analyst's views, investors should carefully read Firstcall Research, in its entirety, and not infer the contents from the weightages assigned alone. In any case, weightages (or research) should not be used or relied upon as investment advice. An investor's decision to buy or sell should depend on individual circumstances (such as the investor's own discretion, his ability of understanding the dynamics, existing holdings) and other considerations.

Analyst Stock Weights

Overweight (O): The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E): The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

No-weight (NR): Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U): The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the weights included in Firstcall Research does not indicate any price targets. The statistical summaries of Firstcall Research will only indicate the direction of the industry perception of the analyst and the interpretations of analysts should be seen as statistical summaries of financial data of the companies with perceived industry direction in terms of weights.

Firstcall Research may not be distributed to the public media or quoted or used by the public media without the express written consent of Firstcall Research. The reports of Firstcall Research are for Information purposes only and is not to be construed as a recommendation or a solicitation to trade in any securities/instruments. Firstcall Research is not a brokerage and does not execute transactions for clients in the securities/instruments.

Firstcall Research - Overall Statement		
S.No	Particulars	Remarks
1	Comments on general trends in the securities market	Full Compliance in Place
2	Discussion is broad based and also broad based indices	Full Compliance in Place
3	Commentaries on economic, political or market conditions	Full Compliance in Place
4	Periodic reports or other communications not for public appearance	Full Compliance in Place
5	The reports are statistical summaries of financial data of the companies as and where applicable	Full Compliance in Place
6	Analysis relating to the sector concerned	Full Compliance in Place
7	No material is for public appearance	Full Compliance in Place
8	We are no intermediaries for anyone and neither our entity nor our analysts have any interests in the reports	Full Compliance in Place
9	Our reports are password protected and contain all the required applicable disclosures	Full Compliance in Place
10	Analysts as per the policy of the company are not entitled to take positions either for trading or long term in the analytical view that they form as a part of their work	Full Compliance in Place
11	No conflict of interest and analysts are expected to maintain strict adherence to the company rules and regulations.	Full Compliance in Place
12	As a matter of policy no analyst will be allowed to do personal trading or deal and even if they do so they have to disclose the same to the company and take prior approval of the company	Full Compliance in Place
13	Our entity or any analyst shall not provide any promise or assurance of any favorable outcome based on their reports on industry, company or sector or group	Full Compliance in Place

14	Researchers maintain arms length/ Chinese wall distance from other employees of the entity	Full Compliance in Place
15	No analyst will be allowed to cover or do any research where he has financial interest	Full Compliance in Place
16	Our entity does not do any reports upon receiving any compensation from any company	Full Compliance in Place

Firstcall Research Provides

Industry Research on all the Sectors and Equity Research on Major Companies forming part of Listed and Unlisted Segments

*For Further Details Contact:
Mobile No: 09959010555*

*E-mail: info@firstobjectindia.com
info@firstcallresearch.com
www.firstcallresearch.com*