

On a strong growth trajectory

Transpek Industry Limited (TIL) has posted revenue of INR 1,800mn with a 97.9% YoY increase, which was 11.7% above our estimate of INR 1,612mn. The revenue growth was mainly driven by strong volume recovery in key products due to higher offtake from MNC customers as the end-user market regained its momentum. Despite 329bps contraction in the gross margin, EBITDA margin improved by 183bps due to better cost management. The management is confident in enhancing the margin profile from the current level (guidance 18-20%) on the back of demand recovery in end-user industries and new product launches in the high margin category. TIL reported a PAT of INR 230mn compared to our estimate of INR 203mn due to better operational performance. Management is working on medium and long term contracts with other existing customers. The Company has introduced four new products in chlorination, catering to Agrochemical and Pharmaceutical industries. Some of these products have lower offtake initially and can have higher volume in the coming period. TIL is also working in non-chlorination and Agrochem intermediates products with higher complexity, yielding a better margin with limited competition. In a current geopolitical scenario, the Company is not witnessing any demand-side challenges in the export market. However, there are logistic delays as experienced by the Industries globally. The Company has been actively managing the issues to minimize the impact. TIL has applied with Government Authorities to increase its production capacity by 450MT-800MT per month. This expansion can generate additional revenue of INR 1,500mn-1,800mn at a peak utilization level. Management is confident to commence production in 9-12 months from the date of regulatory approval. Currently, the Company is operating at an 83-85% utilization level. With the existing capacity, the Company can generate revenue of INR 7,500mn, which we believe can be achieved in FY23e.

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook

Positive

Stock

CMP (INR)	1,850
Target Price (INR)	3,006
BSE code	506687
NSE Symbol	NA
Bloomberg	TPI IN
Reuters	TSPK.BO

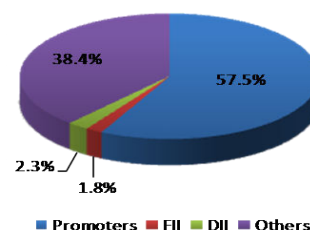
Key Data

Nifty	15,863
52WeekH/L(INR)	2,695/1,299
O/s Shares (Mn)	5.6
Market Cap (INR bn)	10.3
Face Value (INR)	10

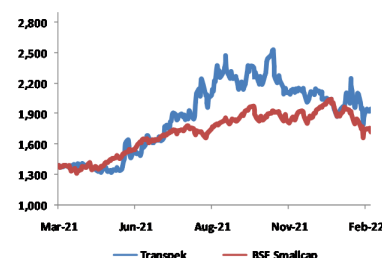
Average volume

3 months	4,890
6 months	5,630
1 year	8,160

Share Holding Pattern (%)



Relative Price Chart



Research Analyst

Nikhil Shetty

nikhilshetty@bpwealth.com

Key Financials					
YE March (INR. Mn)	FY20	FY21	FY22E	FY23E	FY24E
Net Sales	5,656	3,394	6,064	7,434	8,526
Growth %	-5%	-40%	79%	23%	15%
EBIDTA	1,179	472	1,071	1,424	1,713
Growth%	1%	-60%	127%	33%	20%
Net Profit	729	233	660	916	1,119
Growth %	11%	-68%	183%	39%	22%
Diluted EPS	131	42	118	164	200
Growth %	11%	-68%	183%	39%	22%
Profitability & Valuation					
EBIDTA (%)	20.8%	13.9%	17.7%	19.2%	20.1%
NPM (%)	12.9%	6.9%	10.9%	12.3%	13.1%
RoE (%)	22.4%	6.5%	16.1%	19.0%	19.2%
RoCE (%)	28.0%	13.7%	11.5%	23.1%	26.7%
P/E (x)	14.2	44.3	15.7	11.3	9.2
EV/EBITDA (x)	9.4	23.0	9.8	7.1	5.5
P/BV (x)	3.1	2.7	2.3	2.0	1.6

Source: Company, BP Equities Research

Transpek Industry Ltd.

Result Update Q3FY22

Variance Analysis

YE March (INR. Mn)	Q3 FY22	Q2 FY22	Q-o-Q change %	Q3 FY21	Y-o-Y change %
Net Sales	1,800	1,547	16.4%	910	97.9%
Other Operating Income	0	0		0	
Total Revenue	1,800	1,547	16.4%	910	97.9%
Less:					
Raw Material Cost	947	771	22.9%	449	111.1%
Operating & Manufacturing Expenses	405	342	18.4%	201	101.9%
Employee Cost	136	129	5.1%	119	13.8%
Total Expenditure	1,487	1,242	19.8%	768	93.6%
EBIDTA	313	305	2.5%	141	121.3%
Less: Depreciation	75	72	3.8%	71	6.2%
EBIT	238	233	2.1%	71	236.0%
Less: Interest	28.0	27	4.6%	27	2.3%
Add: Other income	105	38		47	
Profit before tax	315	244	29.3%	91	247.8%
Adjusted Profit before Tax	315	244	29.3%	91	247.8%
Less: Total Tax	85	68	25.8%	10	718.4%
Profit After Tax	230	176	30.7%	80	186.8%
Share of profit /(loss) of JVs	0	0		0	
Minority Interest	0	0		0	
Adjusted Profit After Tax	230	176	30.7%	80	186.8%
Diluted EPS (Rs.)	41.2	31.5	30.7%	14.4	186.8%
Adjusted Diluted EPS	41.2	31.5	30.7%	14.4	186.8%
Diluted No of Share (mn)	5.6	5.6		5.6	
Margin Analysis %			Change in bps		Change in bps
Gross Margin %	47.4%	50.2%	(278)	50.7%	(329)
EBIDTA Margin %	17.4%	19.7%	(235)	15.5%	183
EBIT Margin %	13.2%	15.1%	(184)	7.8%	543
NPM %	12.8%	11.4%	140	8.8%	396
Effective Tax Rate %	27.0%	27.8%	(75)	11.5%	1,553

Revenue came above our estimate mainly driven by strong volume recovery in key products as higher off-take from MNC customers

INR 67mn interim dividend from Silox resulted in higher other income

PAT came higher than our estimate due to better operational performance

Despite 329bps contraction in the gross margin, EBITDA margin improved by 183bps due to better cost management

Source: Company, BP Equities Research

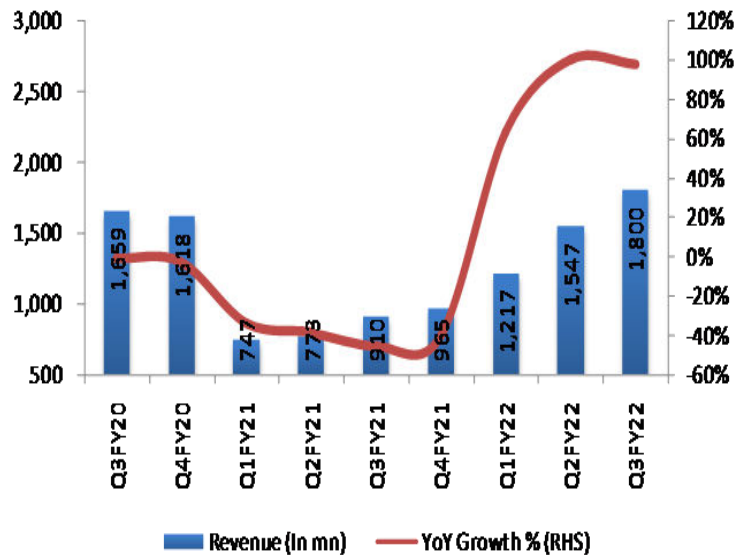
Valuation and Outlook

With over five decades of experience in manufacturing products using Sulphur and Chlorine chemistry, TIL has gradually diversified from pure high-volume, low-margin products to low-volume, high margin specialty products. It has set up high entry barriers in its business, supported by its niche product portfolio. We expect significant revenue growth with steady profitability, aided by volume recovery in the long-term supply contract (Polymer segment) and new product launches in the pharmaceutical and Agrochemical segment. Additionally, we believe the rising adoption of the 'China plus one strategy by various global MNCs augurs well for future growth opportunities of chemical companies like TIL. Considering the expected strong recovery in revenue/profitability, healthy balance sheet with improving return ratios, we are optimistic about the Company's long-term growth prospects. We maintain our BUY recommendation on the stock, with a target price of INR 3,006, based on 15x FY24e EPS.

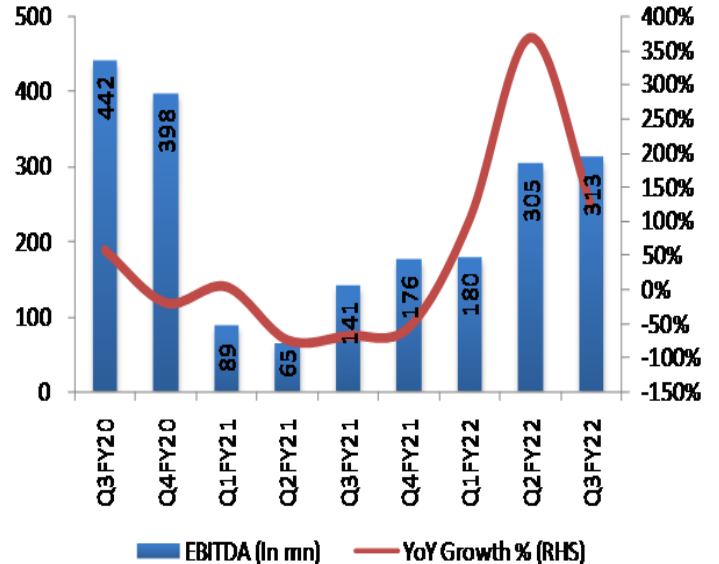
Transpek Industry Ltd.

Result Update Q3FY22

Revenue surged by 98% YoY

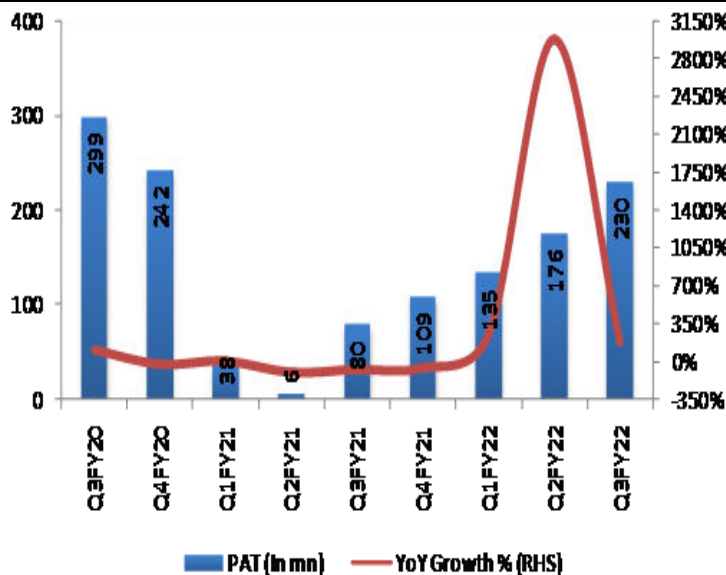


EBITDA grew by 121%

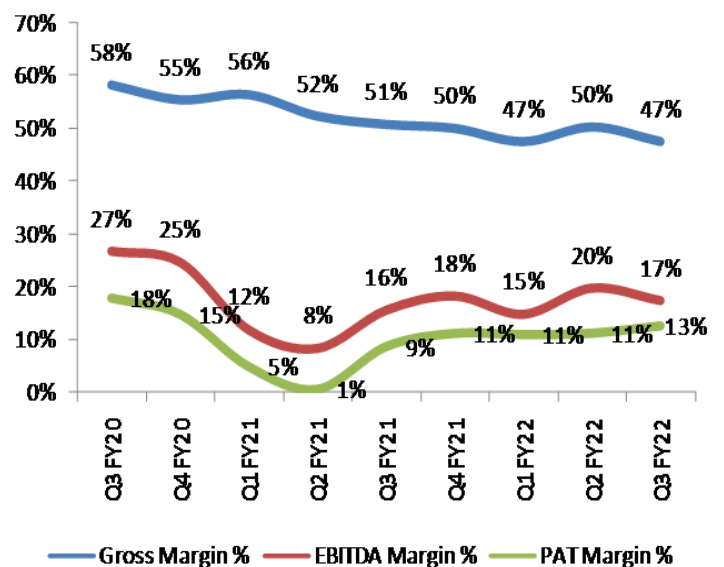


Source: Company, BP Equities Research

Better operational performance resulted in healthy PAT



Gross, EBITDA and PAT margin trend



Source: Company, BP Equities Research

Transpek Industry Ltd.

Result Update Q3FY22

Profit & Loss A/c (Consolidated)

YE March (INR. Mn)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Revenue	5,946	5,656	3,394	6,064	7,434	8,526
Growth %	64.6%	-4.9%	-40.0%	78.7%	22.6%	14.7%
Total Revenue	5,946	5,656	3,394	6,064	7,434	8,526
Less:						
Raw Material Consumed	3,010	2,603	1,626	2,963	3,560	4,001
Employee Cost	452	494	449	516	593	682
Other Expenses	1,317	1,380	848	1,514	1,857	2,129
Total Operating Expenditure	4,780	4,478	2,922	4,993	6,009	6,812
EBITDA	1,166	1,179	472	1,071	1,424	1,713
Growth %	147.6%	1.1%	-60.0%	126.9%	33.0%	20.3%
Less: Depreciation	141	259	285	301	349	397
EBIT	1,025	920	187	770	1,075	1,316
Growth %	175.7%	-10.2%	-79.7%	312.0%	39.7%	22.4%
Interest Paid	190	158	104	68	31	0
Non-operating Income	178	174	173	180	180	180
Extraordinary Income	0	0	0	0	0	0
Profit Before tax	1,013	935	255	882	1,224	1,496
Tax	356	206	22	222	309	377
Net Profit	657	729	233	660	916	1,119
Adjusted Profit	657	729	233	660	916	1,119
Reported Diluted EPS Rs	117.7	130.6	41.7	118.1	163.9	200.4
Growth %	149.0%	11.0%	-68.1%	183.1%	38.8%	22.2%
Adjusted Diluted EPS Rs	117.7	130.6	41.7	118.1	163.9	200.4
Growth %	149.0%	11.0%	-68.1%	183.1%	38.8%	22.2%

Source: Company, BP Equities Research

Cash Flows (Consolidated)

YE March (INR. Mn)	FY19	FY20	FY21	FY22E	FY23E	FY24E
PAT	657	729	233	660	916	1,119
(Less)/Add: Extraordinary Income/Expense	0	0	0	0	0	0
Less: Non Operating Income	(178)	(174)	(173)	(180)	(180)	(180)
Add: Depreciation	141	259	285	301	349	397
Add: Interest Paid	190	158	104	68	31	0
Tax Adjustment	0	0	0	0	0	0
Operating Profit before Working Capital Changes	810	973	450	848	1,116	1,336
(Inc)/Dec in Current Assets	137	59	152	(745)	(382)	(305)
Inc/(Dec) in Current Liabilities	141	31	(265)	729	344	274
Changes in Inventory	(101)	64	129	(289)	(148)	(118)
Net Cash Generated From Operations	987	1,127	466	543	929	1,188
Cash Flow from Investing Activities						
(Inc)/Dec in Fixed Assets	(713)	(745)	(133)	(200)	(600)	(600)
(Inc)/Dec in Capital Work In Progress	236	141	47	0	0	0
(Inc)/Dec in Investment (Strategic)	17	8	(86)	(111)	(57)	(45)
(Inc)/Dec in Investment (Others)	(54)	311	(242)	0	0	0
Add: Non Operating Income	178	174	173	180	180	180
(Inc)/Dec in Intangible Assets	13	(0)	(25)	0	0	0
Net Cash Flow from/(used in) Investing Activities	(324)	(111)	(266)	(131)	(477)	(465)
Cash Flow from Financing Activities						
Inc/(Dec) in Total Loans	(463)	(379)	(66)	(250)	(250)	(213)
Inc/(Dec) in Reserves & Surplus	99	(389)	222	0	0	0
Inc/(Dec) in Equity	0	0	0	0	0	0
Dividend Paid	(112)	(70)	(42)	(56)	(56)	0
Less: Interest Paid	(190)	(158)	(104)	(68)	(31)	0
Adjustments	(7)	(16)	0	0	0	0
Exceptional Item	0	0	0	0	0	0
Net Cash Flow from Financing Activities	(672)	(1,012)	11	(373)	(337)	(213)
Net Inc/Dec in cash equivalents	(9)	4	211	39	116	509
Opening Balance	16	8	11	222	261	377
Closing Balance Cash and Cash Equivalents	8	11	222	261	377	886

Source: Company, BP Equities Research



Transpek Industry Ltd.

Result Update Q3FY22

Balance Sheet (Consolidated)						
YE March(INR. mn)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Liabilities						
Equity Capital	56	56	56	56	56	56
Reserves & Surplus	3,058	3,329	3,742	4,346	5,206	6,325
Equity	3,114	3,384	3,798	4,402	5,262	6,381
Net Worth	3,114	3,384	3,798	4,402	5,262	6,381
Minority Interest						
Net Deferred tax liability/(Asset)	643	697	687	687	687	687
Total Loans	1,202	769	713	463	213	0
Capital Employed	4,959	4,850	5,198	5,552	6,162	7,068
Assets						
Gross Block	2,685	3,430	3,563	3,763	4,363	4,963
Less: Depreciation	320	563	848	1,149	1,499	1,896
Net Block	2,365	2,867	2,715	2,614	2,865	3,068
Capital WIP	328	186	139	139	139	139
Investments	62	55	141	251	308	353
Non Current investment	1,490	1,179	1,421	1,421	1,421	1,421
Current Assets						
Inventories	561	497	367	656	804	922
Sundry Debtors	935	920	761	1,360	1,667	1,912
Cash and Bank Balance	8	11	222	261	377	886
Current Investments	0	0	0	0	0	0
Loans and Advances	208	179	186	333	408	468
Other Current Assets	16	1	0	0	0	0
Total Current Assets	1,727	1,608	1,537	2,610	3,257	4,189
Less:Current Liabilities & Provisions						
Sundry Creditors	592	522	362	750	920	1,055
Provisions	54	17	3	5	6	7
Other Current Liabilities	381	520	430	768	941	1,079
Total Current Liabilities & Provisions	1,028	1,059	794	1,523	1,867	2,141
Capital Applied	4,959	4,850	5,198	5,552	6,162	7,068

Source: Company, BP Equities Research

Key Ratios (Consolidated)						
YE March (INR in mn)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Key Operating Ratios						
EBITDA Margin (%)	19.6%	20.8%	13.9%	17.7%	19.2%	20.1%
Tax / PBT (%)	35.1%	22.0%	8.7%	25.2%	25.2%	25.2%
Net Profit Margin (%)	11.1%	12.9%	6.9%	10.9%	12.3%	13.1%
RoE (%)	23.5%	22.4%	6.5%	16.1%	19.0%	19.2%
RoCE (%)	21.6%	28.0%	13.7%	11.5%	23.1%	26.7%
Current Ratio (x)	1.7x	1.5x	1.9x	1.7x	1.7x	2.0x
Dividend Payout (%)	17.0%	9.6%	18.0%	18.0%	18.0%	18.0%
Book Value Per Share (Rs.)	558	606	680	788	942	1,142
Financial Leverage Ratios						
Debt/ Equity (x)	0.4x	0.2x	0.2x	0.1x	0.0x	0.0x
Interest Coverage (x)	6.1x	7.4x	4.5x	15.8x	45.8x	#DIV/0!
Net Debt / EBITDA						
Growth Indicators %						
Growth in Net Block (%)	32.4%	21.2%	(5.3%)	(3.7%)	9.6%	7.1%
Sales Growth (%)	64.6%	(4.9%)	(40.0%)	78.7%	22.6%	14.7%
EBITDA Growth (%)	147.6%	1.1%	(60.0%)	126.9%	33.0%	20.3%
Net Profit Growth (%)	149.0%	11.0%	(68.1%)	183.1%	38.8%	22.2%
Diluted EPS Growth (%)						
Turnover Ratios						
Debtors Days	57	59	82	82	82	82
Creditors Days	45	43	45	45	45	45
Inventory Days	34	32	39	39	39	39
	62	79	160	157	140	130

Source: Company, BP Equities Research



Research Desk

Tel: +91 22 61596406

Institutional Sales Desk

Tel: +91 22 61596403/04/05

Disclaimer Appendix**Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

We analysts and the authors of this report, hereby certify that all of the views expressed in this research report accurately reflect our personal views about any and all of the subject issuer (s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation (s) or view (s) in this report. Analysts aren't registered as research analysts by FINRA and might not be an associated person of the BP Equities Pvt. Ltd. (Institutional Equities).

General Disclaimer

This report has been prepared by the research department of BP EQUITIES Pvt. Ltd, is for information purposes only. This report is not construed as an offer to sell or the solicitation of an offer to buy or sell any security in any jurisdiction where such an offer or solicitation would be illegal.

BP EQUITIES Pvt. Ltd have exercised due diligence in checking the correctness and authenticity of the information contained herein, so far as it relates to current and historical information, but do not guarantee its accuracy or completeness. The opinions expressed are our current opinions as of the date appearing in the material and may be subject to change from time to time. Prospective investors are cautioned that any forward looking statement are not predictions and are subject to change without prior notice.

Recipients of this material should rely on their own investigations and take their own professional advice. BP EQUITIES Pvt. Ltd or any of its affiliates or employees 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. BP EQUITIES Pvt. Ltd. or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

BP EQUITIES Pvt. Ltd and/or its affiliates and/or employees may have interests/ positions, financial or otherwise in the securities mentioned in this report. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This report is not directed to or intended for display, downloading, printing, reproducing or for distribution to or use by any person in any locality, state and country or other jurisdiction where such distribution, publication or use would be contrary to the law or regulation or would subject to BP EQUITIES Pvt. Ltd or any of its affiliates to any registration or licensing requirement within such jurisdiction.

Corporate Office:

4th floor,
Rustom Bldg,
29, Veer Nariman Road, Fort,
Mumbai-400001
Phone- +91 22 6159 6464
Fax-+91 22 6159 6160
Website- www.bpwealth.com

Registered Office:

24/26, 1st Floor, Cama Building,
Dalal street, Fort,
Mumbai-400001

BP Wealth Management Pvt. Ltd.
CIN No: U67190MH2005PTC154591

BP Equities Pvt. Ltd.
CIN No: U67120MH1997PTC107392