

Tamilnadu Petro. Ltd.

₹ 13

Growth manufactured in LAB!**Buy**

Aug 22, 2014

Company Background

Tamilnadu Petroproducts Limited (TNPPL), was incorporated in the year 1984 with the objective of setting up a 50,000 MTA Linear Alkyl Benzene (LAB) project. Since then it imprinted winning hall marks successively over the years in Corporate India and the Petrochemical Industry in particular. Over more than a decade, TNPPL grew in strength, thinking differently, harnessing the resources by laying a fundamental platform for financial strength and responding to customers innovatively by bringing in new products and services. The LAB plant is located in the Manali Industrial Belt, 25 KMs away from Chennai City. The various infrastructure facility at Manali, the advantages of a Metropolitan city, hi-tech communication interface and cosmopolitan culture, synergise with the vision of promoters business plans. TNPPL continues to march ahead excellent track record and its achievements in a short time frame stand out distinctly, propelled by continuous upgradation of technology, quality human resource and utmost customer satisfaction thus surging ahead with laurels for a promising future.

Key Highlights

- ➔ LAB the prime product of TNPPL have appreciated more than 300% in the market in the last 3 years and the current conditions does not warrant any reduction in global demand of the same.
- ➔ There are only 4 to 5 LAB manufacturers in India out of which Nirma though a producer of LAB does not suffice its internal consumption. This is one of the reason that India is an over all importer of LAB. The domestic market share of LAB from TNPPL is over 40%.
- ➔ The recent environmental policy changes in China pertaining to the Chemical segment as an aftermath of 3 consecutive large scale chemical disasters in less than a years time have made china to initiate a comply or perish regime to a stricter set of environmental laws this will ensure that the cost effectiveness of most companies who survive and also create a large chemical market in China itself.
- ➔ Indian Government has extended the anti-dumping duty on LAB for the current year and expected to do so for the next year as well.

Key Financials

Year Ended 31 st	Mar 12	Mar 13	Mar 14
Revenue (INR mn)	12,577.7	12,984.6	10,682.4
Rev. growth (%)	14.70	3.24	(17.73)
EBITDA (INR mn)	756.0	272.5	113.6
Net profit (INR mn)	59.4	(505.6)	(373.0)
Shares outstanding (mn)	90.0	90.0	90.0
EPS (INR)	0.7	(5.6)	(4.1)
EPS growth (%)	(79.84)	(951.18)	(26.23)
P/E (x)	24.0	(1.9)	(2.6)
RONW (%)	0.9	(14.9)	(13.6)
ROCE (%)	0.6	(9.8)	(8.6)

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Info Codes

Reuters	: TPL.BO
Bloomberg	: TNPP@IN
NSE	: TNPETRO
BSE	: 500777

Market Data

52 Wk Range (₹)	: 7 / 17
Shares in Issue (mn)	: 90
Mkt. Cap (₹ bn)	: 1.17
BSE 2 Wk Avg Vol	: 61000

Share Holding Pattern (%)

Promoters	: 34.54
FII's	: 0.00
DII's	: 4.99
Others	: 60.47

Investment Theme

On a close look of the list of chemicals shortlisted for stricter norms by China one can clearly see Benzene in the list. This is the sole reason that as companies with Benzene products are being trimmed up in China, Globally Linear Alkyl Benzene prices are rising, LAB has appreciated almost 300% in the last 3 years. The raw material prices for LAB have however not shot to that extent. This brings in tremendous scope of growth in TNPPL. The company is currently facing some sale issues due to cheap imports from the Middle East where Raw materials are very cheap however the extension of anti-dumping duty and the fact that China is itself a very big consumer of LAB should clae growth prospects of TNPPL. Since there are just 4 to 5 manufacturers of LAB in India and TNPPL commands the highest production and highest domestic consumption of LAB.

40% in India uses TNPPL LAB.

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 12	Mar 13	% Chg	Mar 14	% Chg
Total Sales + Excise	13684.0	14326.1	4.69	11729.0	(18.13)
Other Income	118.6	235.8	98.82	108.5	(53.99)
Change in Stocks	276.5	583.5	111.03	(268.6)	(146.03)
Raw Material Con.	7874.0	8359.7	6.17	6489.8	(22.37)
Employee Exp.	295.1	295.2	0.03	238.7	(19.14)
Indirect Taxes	1237.8	1588.4	28.32	1178.9	(25.78)
Other Exp.	3919.8	4632.7	18.19	3548.5	(23.40)
Operating Exp.	13050.2	14292.5	9.52	11724.5	(17.97)
Operating Profit	633.8	33.6	(94.70)	4.5	(86.61)
Total Interest	316.6	348.7	10.14	364.2	4.45
Gross Profit	435.8	(79.3)	(118.20)	(251.2)	216.77
Net Dep.	371.3	646.0	73.98	304.8	(52.82)
Total Taxation	5.1	(219.7)	(4407.84)	(183.0)	(16.70)
Net Profit/Loss	59.4	(505.6)	(951.18)	(373.0)	(26.23)

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 11	Mar 12	Mar 13	Mar 14
SOURCES OF FUNDS	4,924.2	5,418.9	5,222.7	4,468.8
Equity Share capital	899.7	899.7	899.7	899.7
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	2,854.7	2,861.9	2,356.3	1,983.3
Long Term Loans	819.4	646.7	527.0	398.4
Short Term Loans	350.4	1,010.6	1,439.7	1,187.4
USES OF FUNDS	4,924.2	5,418.9	5,222.7	4,468.8
Gross Block	12,398.5	12,492.6	12,742.2	12,716.8
Less : Revaluation Reserves	204.7	202.6	200.6	198.6
Less : Accumulated Depreciation	8,933.3	9,297.9	9,607.7	9,838.8
Net Block	3,260.5	2,992.1	2,933.9	2,679.4
Capital Work in Progress	82.4	361.8	154.9	144.6
Investments	1,422.1	1,377.8	920.9	920.9
Current Assets	2,631.0	2,918.0	3,951.9	3,192.2
Less : Current Liabilities	2,471.8	2,230.8	2,738.9	2,468.3
Total Net Current Assets	159.2	687.2	1,213.0	723.9
Misc. Expenses not written	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	1,377.8	1,377.8	920.9	920.9
Mkt Val. Quoted Investments	85.8	0.0	0.0	0.0
Contingent Liabilities	310.3	361.8	362.5	383.5
Dividend (%)	10	5	0	0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Jun 13	Sep 13	Dec 13	Mar 14
Net Sales	2258.4	2387.2	3062.3	2810.3
Cost Of Sales	2469.1	2342.5	2982.3	2774.5
Operating Profit	(210.7)	44.7	80.0	35.8
Recurring Income	12.3	12.4	15.8	80.7
Adjusted PBDIT	(198.4)	57.1	95.8	116.5
Financial Expenses	71.8	77.6	89.9	83.4
Depreciation	92.8	93.7	93.5	24.3
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	(363.0)	(114.2)	(87.6)	8.8
Tax Charges	0.0	0.0	(28.0)	3.0
Adjusted PAT	(363.0)	(114.2)	(59.6)	5.8
Non Recurring Items	120.1	37.9	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Net Profit	(242.9)	(76.3)	(59.6)	5.8

52 Week Index Relative Percentage Appreciation



TNPPL vs SENSEX

Risks Associated

➔ Risk of Environmental Laws

Since the company operates in the chemical sector the most important risk is of the Environmental Laws, Any change in the environmental laws of the state or country of the country of export would damage the current business position.

➔ Increase in Raw Material Prices

Major raw materials to the company are always under inflationary pressure this is usually due to supply and demand of the raw materials coupled with the fact that Companies like Reliance Industries and Indian Oil Company are in competition to TNPPL.

➔ The Fluctuating Rupee

Considering the fact that its raw materials are imported the risk return of purchase is tied up to the fluctuating Rupee any depreciation in the Currency would bring in pressures on margins.

➔ Competition

Being a global player, the company is also exposed to competition not only from domestic players but also large international players. Cheap imports especially from countries like China & Middle East could pose problems, which would have to be faced appropriately.



In a Nutshell

TNPPL commenced its operation with a 50,000 tons per annum LAB capacity in 1988 with technology from UOP, USA. The Company's strong emphasis on continuous upgradation of technology to match the state of art has been the prime reason for its success in realizing the full potential and its confident march into the competitive future. The LAB manufacturing facility is integrated with the production unit of intermediate, Normal Paraffin. The feedstock, Kerosene and Fuel Oil required as fuel are sourced from M/s. Chennai Petroleum Corporation Limited (CPCL) and pumped through dedicated pipelines ensuring safe handling & minimizing transportation risks. LAB's primary use is in the manufacture of Linear Alkyl Benzene Sulfonates (LAS), which finds extensive application in the manufacture of Domestic Detergents, Institutional and Industrial Cleaners. The LAB market for TNNPL is revolving on a stable market platform, growing day-to-day with a dominant market share for its brand "SUPERLAB". It is not an exaggeration to state that around 40% of the detergents used in households for fabrics washing constitute TNNPL's products. The per capita consumption of LAB used in the detergents in the country has a very large latent potential from the current level, as India is one of the largest consumer markets in the Asia-Pacific Region with emerging economic outlook. Further the ready acceptance of TNNPL's LAB by industry majors in several parts of the world has resulted in a sizeable export market. No wonder that LAB is truly the Jewel in the Crown for TNNPL.

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Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months	Reduce : Expected to depreciate up to 10% over 12-months
Accumulate : Expected to appreciate 10% to 20% over 12-months	Sell : Expected to depreciate 10% or more over 12-months
Trade Buy : Expected to appreciate more than 10% over 45-days	Trade Sell : Expected to depreciate more than 10% over 45-days

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