

**TPL Plastech Ltd.****₹ 326****Using Plastic is going to be drastic...!!! Buy**

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**Company Background**

TPL is one of the leading plastic processing group in Asia and also having the distinction of being the first manufacturers in bulk packaging. Incorporated in September 1992, Tainwala Polycontainers is promoted by Tainwala Chemicals & Plastics. It has a plant at Silvassa manufacturing high-molecular high-density polyethylene containers with capacity upto 220 ltr, plastic fuel tanks for two-wheelers, cars and commercial vehicles and other blow-moulded articles with technical assistance from S T Soffiaggio Technical, Italy. It has added 6 more machines of imported/indigenous origin and also commissioned units at Jammu, Gadarpur, Kutch & last but not least Ratlam to cater to major clients in Western, Northern & Central India. Products are manufactured from special grade of High Molecular-High Density Polyethylene. It makes drums lightweight, durable, chemically inert, stable, with a high Environmental Stress Cracking Resistance. Company produces 4 types of Products; Narrow Mouth Drums, Narrow mouth & Wide Mouth Carboys, Open Top Drums-Bulk & Medium and PE Pipes. It has an in-house facility for testing Raw material; MFI Testing & for finished products, it do Drop test, Stack Load test, Leakage test, Hydraulic Pressure test, Vibration test, Top load Resistance test etc. HMHDPE containers are used for packaging chemicals, dyestuffs, bulk pharmaceuticals, explosives and petrochemicals.

**Key Highlights**

- ➔ For 2016-17 Net sales was improved by 1.1% to ₹ 1801.5 mn, operating profit rose by 2.4% to ₹ 220.5 mn and net profit jumped by 31.3% to ₹ 112.8 mn on yearly basis.
- ➔ Company has operations in Drums and cans & HDPE Pipes and its revenue contribution is 87% and 13% respectively.
- ➔ During the CY company has started production of DWC Piper in Gadarpur. DWC pipes requires almost the minimum raw material and thus the effect on the environmental aspects is greatly reduced.
- ➔ TPL has become the 2nd largest manufacturer of drums, especially Bulk Packaging and has a huge client base catering to more than 225 customers in chemical & petrochemical industry.

**Key Financials**

Year Ended 31 <sup>st</sup>	Mar 15	Mar 16	Mar 17
Revenue (INR mn)	2,042.0	1,990.7	2,020.4
Rev. growth (%)	(3.92)	(2.51)	1.49
EBITDA (INR mn)	174.2	182.3	215.3
Net profit (INR mn)	76.1	85.9	112.8
Shares outstanding (mn)	7.8	7.8	7.8
EPS (INR)	9.4	11.0	14.5
EPS growth (%)	6.08	16.99	31.22
P/E (x)	15.13	15.10	35.87
RONW (%)	18.53	17.83	19.82
ROCE (%)	18.53	23.01	22.04

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**Info Codes**

Reuters	: TPLP.BO
Bloomberg	: TPPL IN
NSE	: TPLPLASTEH
BSE	: 526582

**Market Data**

52 Wk Range (₹)	: 318/781
Shares in Issue (mn)	: 7.8
Market. Cap ( bn)	: 2.54
BSE 2 Wk Avg Vol	: 4862

**Share Holding Pattern (%)**

Promoters Holding	: 75.00
Public & Others	: 17.08
Corporate Holding	: 00.00
Foreign Institution	: 05.79
Institutions	: 00.08
Government	: 02.05

**Investment Theme**

Global industrial drum market is estimated to witness expansion at 7.1% CAGR during 2017-27. Market is anticipated to reach valuation of approximately \$ 17 bn by end of 2027. Food and beverage, Pharmaceuticals, chemicals and fertilizers, building and construction, paint, inks & dyeing and petroleum & lubricants are the key end-users of the industrial drums. Government of India, allowed 100% FDI in this sector. Government is taking aggressive steps to boost the infrastructure with investments of ₹ 25 lakh crore over the next 3 years in roads, railways & shipping it is a positive sign for the pipe industry. The current low levels of per capita consumption 11 Kg, Domestic consumption of plastic is expected to touch 20 mn Metric Tonnes by 2020.

**2nd Largest Drum manufacturer in India...!!!**

## Financial Statements

## Income Statement

(₹ mn)

Year end	Mar 15	Mar 16	% Chg	Mar 17	% Chg
Net Sales	1,831.6	1,781.7	(2.7)	1,801.5	1.1
Other Income	0.1	4.9	4,800.0	2.1	(57.1)
Change in Stocks	33.4	21.8	(34.7)	81.9	275.7
Raw Material Con.	1,470.8	1,437.0	(2.3)	1,471.3	2.4
Employee Exp.	47.0	51.3	9.1	67.6	31.8
Indirect Taxes	210.3	204.1	(2.9)	216.8	6.2
Other Exp.	(45.2)	(99.4)	119.9	(90.7)	(8.8)
Operating Exp.	1,682.9	1,593.0	(5.3)	1,665.0	4.5
Operating Profit	182.2	215.4	18.2	220.5	2.4
Total Interest	54.6	50.9	(6.8)	45.0	(11.6)
Gross Profit	127.6	164.5	28.9	175.5	6.7
Net Dep.	27.7	29.1	5.1	28.5	(2.1)
Total Taxation	23.8	49.5	108.0	34.2	(30.9)
Net Profit/Loss	76.1	85.9	12.9	112.8	31.3

## 4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 <sup>st</sup>	Mar 14	Mar 15	Mar 16	Mar 17
<b>SOURCES OF FUNDS</b>	<b>810.7</b>	<b>857.5</b>	<b>761.1</b>	<b>980.6</b>
Equity Share capital	78.0	78.0	78.0	78.0
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	304.3	360.9	446.5	535.6
Secured Loans	355.0	418.6	236.6	367.0
Unsecured Loans	73.4	0.0	0.0	0.0
<b>USES OF FUNDS</b>	<b>810.7</b>	<b>857.5</b>	<b>761.1</b>	<b>980.6</b>
Gross Block	706.3	714.8	515.3	562.2
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	236.2	264.8	29.1	53.6
Net Block	470.1	450.0	486.2	508.6
Capital Work in Progress	0.0	0.0	12.0	61.4
Investments	0.0	0.0	0.0	0.0
Current Assets	728.4	771.2	768.1	871.6
Less : Current Liabilities	336.3	310.4	470.6	422.2
Total Net Current Assets	392.1	460.8	297.5	449.4
Misc. Expenses not writtenoff	(51.5)	(53.3)	(34.6)	(38.8)
<b>NOTE</b>				
Book Value of Unquoted Investments	0.0	0.0	0.0	0.0
Market Value of Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	22.3	16.1	17.4	38.5
Dividend (%)	20.0	20.0	25.0	30.0

**Quarterly Income Sheets**

(₹ mn)

Quarter Ended	Mar 17	Jun 17	Sep 17	Dec 17
Net Sales	493.8	431.9	454.7	469.7
Cost Of Sales	434.5	376.4	399.1	410.8
Operating Profit	59.3	55.5	55.6	58.9
Other Income	0.1	0.0	0.0	0.0
Adjusted PBDIT	59.4	55.5	55.6	58.9
Financial Expenses	10.6	10.8	10.8	10.8
Depreciation	7.1	7.6	7.2	8.4
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	41.7	37.1	37.6	39.7
Tax Charges	8.3	12.8	7.2	12.9
Reported Profit	33.4	24.3	30.4	26.8
Extra Ordinary Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	33.4	24.3	30.4	26.8

**52 Week Index Relative Percentage Appreciation**

**TPL Plastech vs SENSEX**
**Risks Associated**

- ➔ As the company importing raw materials, there will be a chance to get impact company's revenue if there is any changes in Foreign exchange rates. Due to exchange rate changes raw materials become costly and then ultimately final product also become costly.

**Scope of Growth**

- ➔ Robust growth in chemical and pharmaceutical sectors is anticipated to be the major driving factor for the growing demand of global industrial drums market.
- ➔ Government has ambitious plans of doubling the current per capita consumption of plastics from the present 11 kg per person to 20 kg per person by 2022. Export of plastic goods from India expected to double from 7.9 bn \$ currently to about 15 bn \$ in 5 years.
- ➔ India's plastics industry is targeting at least a 3% share of the global polymer export market by 2025, to be achieved by a combination of capacity expansion and technology upgrades. Plastics are among the fastest growing industries in India and offers immense potential in terms of capacity, infrastructure and skilled manpower.
- ➔ India's plastics exports for April-December 2017 stood at \$5.46 bn, up 14.4% year on year, due to increased exports to US, Europe and also to emerging markets in Latin America, Africa and ASEAN.
- ➔ Indian plastic pipe market is forecast to grow at a CAGR of 10.4 % from 2016 to 2021. Major growth drivers for this market are the growth of government infrastructural spending, increasing residential and commercial construction, industrial production, irrigation sector, and replacement of aging pipelines.
- ➔ As the plastic industry is heavily dependent on automotive sector, launching of new cars in the small segments are expected to drive the demand for plastics.

**In a Nutshell**

TPL is one of the leading plastic processing company, became the 2nd largest manufacturer of drums in India, especially Bulk Packaging. Clients for chemicals; Godrej Industries, Grasim, Cansec, Atul, Etc., Petrochemicals; Gulf, Petrochem, Savita, Etc. and Others; L&T, Jubliant, Sanstar , UPL, Shapoorji Pallonji, NCC Etc. It has 5 manufacturing facilities at Silvassa, Jammu, Bhuj, Gadarpur and Ratlam. Recently started DWC Pipes process with investment of ₹ 123.9 mn. Company offers a comprehensive range of narrow mouth, wide mouth and open top drums ranging from 25 Ltr to 250 Ltr capacity. It also manufacturing High Pressure HDPE Pipes and DWC Pipes. Pipes helps to meet requirement of sewerage & drainage systems, effluent/sewerage treatment plants, destination, offshore & industrial piping, telecom & power cable ducting etc. Government has focused on Swachh Bharat Abhiyan, Sanitation and affordable houses to all and development of 100 smart cities, this should give boost to demand of company's products in future. Government focused to develop infrastructure sector with huge investment in the next 3 years in roads, railways and shipping infrastructure. Investments in water and sanitation management, irrigation, building & construction, power, transport and retail have been encouraged. Plastics play an important role in these sectors through various products like pipes, wires & cables, water proofing membranes, wood PVC composites and other sectors. Consequently, higher investments in these sectors will drive the demand for plastics. The fragmented plastics industry in India is beginning to consolidate, governmental regulations and trade barriers are coming down due to India's recent admission to the WTO.

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**Rating Interpretation**

**Buy** : Expected to appreciate 20% or more over 12-months

**Accumulate** : Expected to appreciate 10% to 20% over 12-months

**Trade Buy** : Expected to appreciate more than 10% over 45-days

**Reduce** : Expected to depreciate up to 10% over 12-months

**Sell** : Expected to depreciate 10% or more over 12-months

**Trade Sell** : Expected to depreciate more than 10% over 45-days

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