

CMP: INR 91

Outlook: Positive

Stock Info

| | |
|--------------------------|-----------|
| BSE | 507753 |
| Bloomberg | TGVSL IN |
| Reuters | TGVS.BO |
| Sector | Chemicals |
| Face Value (INR) | 10 |
| Equity Capital (INR Mn) | 1,070 |
| Mkt Cap (INR Mn) | 9,800 |
| 52w H/L (INR) | 133 / 74 |
| Avg Yearly Vol (in 000') | 269 |

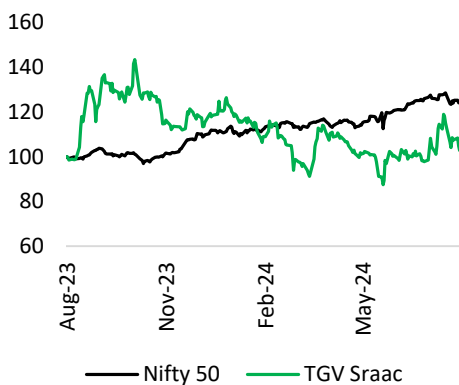
Shareholding Pattern %

(As on June, 2024)

| | |
|-----------------|-------|
| Promoters | 63.18 |
| Public & Others | 36.82 |

| Stock Performance (%) | 1m | 6m | 12m |
|-----------------------|------|------|------|
| TGV Sraac | 4.6 | -5.7 | 2.8 |
| Nifty 50 | -1.8 | 10.2 | 24.0 |

TGV Sraac Vs Nifty



Abhishek Jain
abhishek.jain@arihantcapital.com
Anmol Das
anmol.das@arihantcapital.com

TGV Sraac Ltd. (formerly known as Sree Royalaseema Alkali and Allied Chemicals Limited) is in the business of manufacturing Chloro-Alkali products, Chloromethane and also manufactures Castor Derivatives and Fatty Acids. It manufactures caustic soda, liquid chlorine, hydrochloric acid, hydrogen and barium sulphate. The Company has capacity to produce 332,150 MTPA of caustic soda. The Company's major revenues come from the production and sales of Caustic Soda (58% of revenue), Caustic Potash (16%) and Methylene Chloride (11%). The earlier Power business of the company is shut down since the expiry of Power Purchase Agreement by KPTCL. The Fatty Acids segment contributed 3% of the total revenue while the Company also produces significant amount of Chloroform along with ~13 other Chemicals selling mostly towards industries (B2B).

Investment Rationales:

Revival in Caustic Soda Prices reflecting demand uptrend

TGV Sraac gets almost 60% of revenues from Caustic Soda which is seeing a revival in demand leading prices on an uptrend. The Caustic Soda prices have increased from INR 26 per kg an year ago in mid Aug 2023 to INR 35 per kg currently (Caustic Soda Lye) while similarly, prices of Caustic Soda Flakes increased from INR 37 per kg in mid Aug 2023 to INR 44 per kg currently. With the industrial activity and manufacturing industries operating at higher efficiencies as seen with the Manufacturing PMI remaining above 55 every month for over an year now, we believe the demand to remain intact for the medium term, supporting TGV Sraac's topline growth along with improving margins in the future.

Chemicals segment revenues to increase further on account of capacity increases

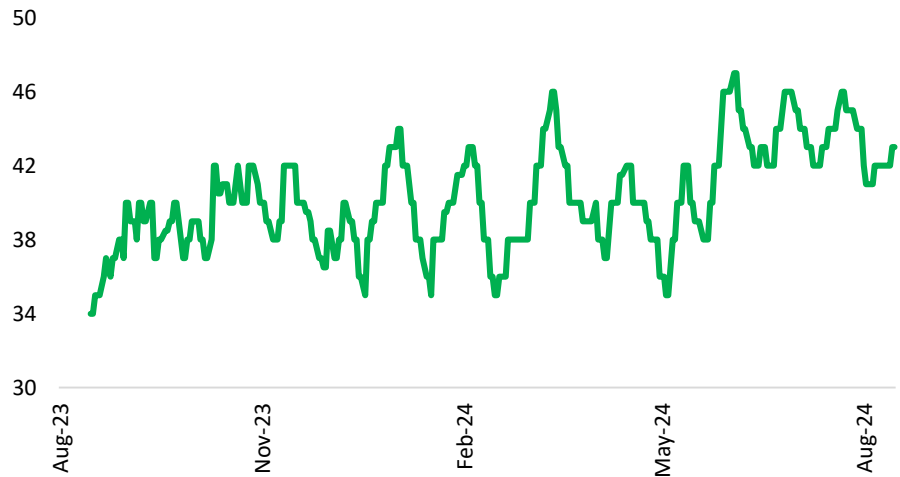
TGV Sraac expanded the production capacity of Caustic Soda from 259,150 MT to 332,150 MT in March 2024 along side increasing the production capacity of end product Methylene Chloride from 50,000 MTPA to 69,204 MTPA. With the additional capacity, the Company will be seeing higher sales volumes in FY25 & FY26 while industry macros remain favourable for the business.

Valuation & View: TGV Sraac with their large Chemicals Portfolio is expected to see robust growth of around 30-35% (base case) in their topline considering the added capacity of 73,000 MTPA (28% increase) of Caustic Soda which makes up 58% of total revenue in FY23, coupled with increase in Caustic Soda prices which also have increased by 34% for Lye and 18% for flakes. In Q1FY25 earnings, the Company has reported EBITDA margins of 10.7%, up 828 bps QoQ / down 39 bps YoY while the Revenue has grown by 3% QoQ / down 8.7% YoY. **We believe going forward, TGV Sraac will see a revenue jump of 30-35% in FY25 & FY26 on account of the favourable price trends and capex concluded. The Company's Power & Fuel costs have already come down in Q1FY25. While the Company's current borrowings increased from INR 1427 mn in FY23 end increased to INR 2215 mn in FY24 end, the increased debts are expected to be paid up from healthy Cash flows expected in FY25 & FY26. We are working on detail number and have a positive outlook on the stock.**

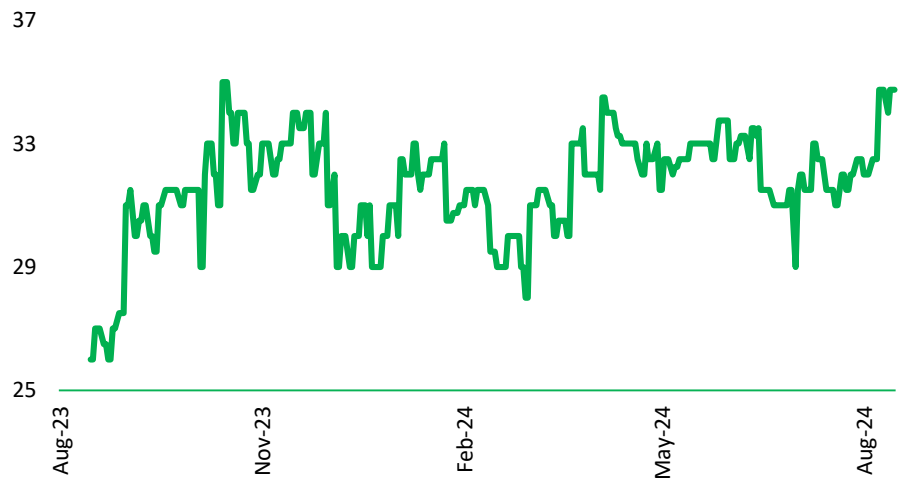
Caustic Soda Prices – Flakes & Lye

The Caustic Soda prices have been fluctuating but show an increasing trend over the last year. The Caustic Soda Lye prices have increased from INR 26 per kg an year ago in mid Aug 2023 to INR 35 per kg currently (increasing by around 34% YoY) while prices of Caustic Soda Flakes increased from INR 37 per kg in mid Aug 2023 to INR 44 per kg currently (increasing by around 19% YoY).

Caustic Soda Flakes (Price per Kg)



Caustic Soda Lye (Price per Kg)



Source: indianpetrochem.com

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park
Building No. 10, 1st Floor
Andheri Ghatkopar Link Road
Chakala, Andheri (E)
Mumbai – 400093
Tel: (91-22) 42254800
Fax: (91-22) 42254880

Registered Office

Arihant House
E-5 Ratlam Kothi
Indore - 452003, (M.P.)
Tel: (91-731) 3016100
Fax: (91-731) 3016199

Stock Rating Scale

| | |
|------------|-------------|
| BUY | >20% |
| ACCUMULATE | 12% to 20% |
| HOLD | 5% to 12% |
| NEUTRAL | -5% to 5% |
| REDUCE | -5% to -12% |
| SELL | <-12% |

Absolute Return**Research Analyst
Registration No.**

INH000002764

Contact

SMS: 'Arihant' to 56677

Website

www.arihantcapital.com

Email Id

instresearch@arihantcapital.com

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Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880