



1 September 2020

## Company Note

Rating

**BUY**

(Unchanged)

Company

# Sahamitr Pressure Container

Bloomberg      SET      Exchange      Sector  
**SMPC TB**      **SMPC**      **SET**      **Packaging**

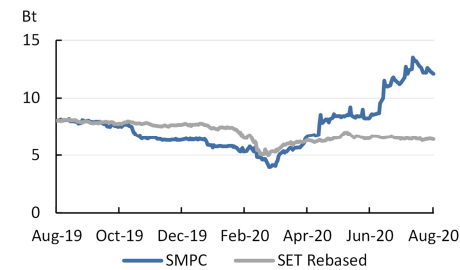
## Outlook intact, reiterate BUY

<b>12mth price target (THB)</b>	<b>Bt17.10</b>
Current price (31/08/2020)	Bt12.10
Upside/Downside	41%
CG rating	4
ESG rating	-
Thai CAC	Certified

### Share summary

Issue shares:	535.5m
Par value:	Bt1.00
Market capitalization:	Bt6.5bn
	US\$0.2bn
Avg. Daily Turnover:	Bt9.1m
	US\$0.3m
Foreign Limit/Actual (%)	49/2
Free Float:	39.3%
NVDR:	1.8%

### Share price / Rel. to SET



Performance (%)	1m	3m	12m
SMPC	6.14	43.20	50.31
SET	-1.35	-2.40	-20.80

### Major Shareholders

	%
Mrs. Patama Laowong	19.60
Mr. Thamik Ekahitanond	10.15
Mrs. Benjawan Tharincharoen	8.22

Source: Company data

### Sontanawoot Ratchatrakul

ID: (053288)  
 (66) 2633 6524  
 sontanawoo@tisco.co.th

### On track to meet full year sales target

During the conference call we hosted with SMPC, the company remained firm on 2H20 operations and retained its sales targets of 7.3m cylinders for 2020F and 8.4m cylinders for 2021F as customers in Bangladesh have resumed orders. The company also expects to keep its edge against Chinese competitors in the U.S. market going forward thanks to its tax advantage.

### Call highlights:

- 1) The superior GPM achieved in 2Q20 of 26.4% from 22.2% in 1Q20 was due to i) 2.1% QoQ weakening in the THB vs. USD and ii) 6% QoQ fall in raw material costs (HRC steel).
- 2) Steel price has increased slightly QTD but remains at a manageable level. The company has also been able to pass on part of the rise to customers. Management is more concerned about the 2% QTD strengthening of the THB vs. USD to 31.3.
- 3) Utilization rate in Jul-Aug remained high at roughly 80% (vs. 52% in 3Q19 and 79% in 2Q20)
- 4) Domestic sales revenue should accelerate in 2H20F after slowing from Covid-19 (1H20 domestic sales fell 64% YoY to Bt54m)
- 5) Management expects to see more competition in the U.S. market as new players have been trying to obtain qualifying licenses.
- 6) Overseas expansion plan (South Africa) is still under consideration but is likely to be delayed due to the Covid-19 pandemic.

### Our view

We still see scope for robust growth from SMPC's main customers, including those in Africa, Asia, and the US. These markets accounted for 34%, 26%, and 22%, respectively, of the company's total revenue in 1H20A, driven by both replacement and new LPG user adoption. We saw especially strong growth from the Africa and Asia markets of 43% YoY and 45% YoY, respectively, in 1H20A. We believe our full year GPM assumption of 22.5% (vs. 24.4% in 1H20) is still achievable amid the strengthening in the THB/USD. Positive outlook is also supported by cylinder export data (see figure 1) which showed robust growth of 74% YoY and 4% MoM in July'20.

### Reiterate our BUY rating with TP of Bt17.1

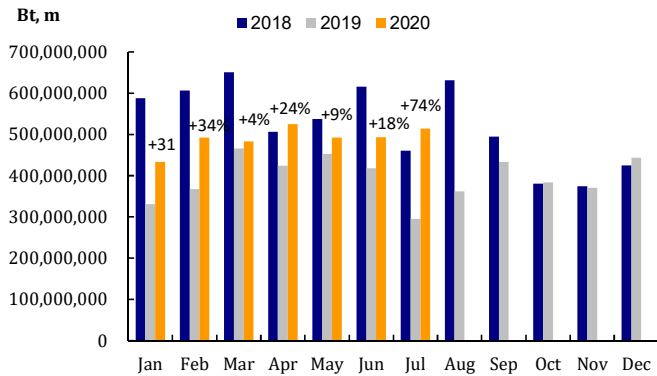
We employ a PER of 15x (+1 std vs. 5-year historical average). Share price now offers a 5-5.6% dividend yield p.a. while current catalysts for re-rating include record high earnings in 2020-21F. Key risk is stronger THB vs. USD.

### Forecasts and ratios

Year ended Dec 31	2018	2019	2020E	2021E	2022E
Sales (Bt,m)	4,453	3,256	4,156	4,782	5,408
EBITDA (Bt,m)	739	513	721	834	940
Net profit (Bt,m)	558	375	550	612	692
NP (% from prev)			n.a.	n.a.	n.a.
EPS (Bt)	1.04	0.70	1.03	1.14	1.29
EPS (%YoY)	3.3	-32.8	46.5	11.4	13.1
EPS vs Cons (%)			(3.4)	(3.9)	1.8
PER (x)	13.5	13.4	12.3	10.6	9.4
Yield (x)	4.7	4.8	5.0	5.6	6.3
P/BV (x)	4.1	2.6	3.1	2.7	2.4
ROE (%)	34.9	21.1	28.3	27.1	27.2

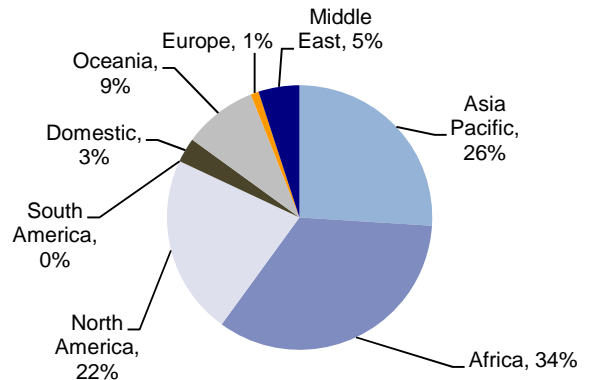
Source: Company data, TISCO Research estimates

**Figure 1. Exports of compressed/liquefied gas containers (capacity of 7.3-30 liters and others) jumped 74% YoY in July'20**



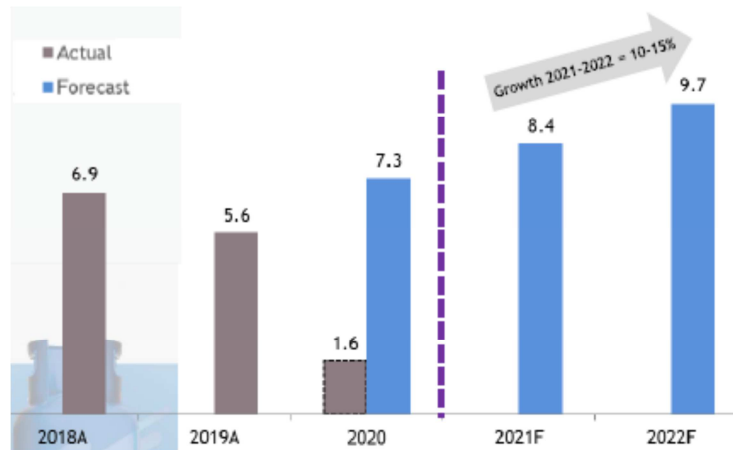
Source: customs

**Figure 2. Revenue breakdown for 1H20A**



Source: customs

**Figure 3. Company targets 7.3m cylinders for 2020F**



Source : Company data

## Sahamitr Pressure Container (SMPC)

Rating : BUY

Bloomberg: SMPC TB	Target price (THB)		17.10		Market Capitalization	
	Current Price (THB)		12.10		THBm	6,480
	52-week Range		3.96 - 13.5		USDm	209
<b>Fiscal year end 31-Dec</b>	<b>2018</b>	<b>2019</b>	<b>2020F</b>	<b>2021F</b>	<b>2022F</b>	
<b>Income Statement (THBm)</b>						
Sales and Service Incomes	4,453	3,256	4,156	4,782	5,408	
Cost of Sales and Services	3,509	2,589	3,221	3,701	4,186	
Gross Profit	944	667	935	1,081	1,222	
S&A Expenses	478	365	457	521	590	
Interest Expense	14	14	6	7	7	
Net Result of Inv. in Asso.	0	0	0	0	0	
Interest Income	0	0	0	0	0	
Income Tax from Operations	138	89	127	148	168	
Net (Profit) Loss of M.I.	531	351	525	612	692	
Net Profit before Extra. Items	531	351	525	612	692	
Extra items	0	0	0	0	0	
Net Profit	558	375	550	612	692	
<b>Cash Flow (THBm)</b>						
Net Profit	558	375	550	612	692	
Depreciation and Amortization	57	60	62	67	72	
Change in working capital	-282	337	-282	-152	-152	
<b>Cash flow from operations (CFO)</b>	<b>477</b>	<b>892</b>	<b>434</b>	<b>676</b>	<b>780</b>	
Investment	0	0	0	0	0	
Capex	-201	-55	-150	-155	-160	
<b>Cash flows from Investing (CFI)</b>	<b>-291</b>	<b>-121</b>	<b>7</b>	<b>-155</b>	<b>-160</b>	
Debt financing	252	-403	36	27	27	
Dividend paid	-346	-304	-259	-343	-385	
Share capital and premium	20	0	0	0	0	
<b>Cash flows from Financing (CFF)</b>	<b>-74</b>	<b>-707</b>	<b>-223</b>	<b>-315</b>	<b>-358</b>	
<b>Net cash increase/Decrease</b>	<b>112</b>	<b>64</b>	<b>218</b>	<b>206</b>	<b>262</b>	
<b>Balance Sheet (THBm)</b>						
Current Assets	1,523	1,293	1,520	1,786	2,090	
Current Liabilities	900	587	616	702	789	
Total Assets	2,705	2,473	2,793	3,149	3,543	
Total Liabilities	943	641	670	757	844	
Minority Interest	0	0	0	0	0	
Total Equity	1,762	1,832	2,123	2,392	2,700	
Paid-up Capital	536	536	536	536	536	
Share Premium	55	55	55	55	55	
Warrant	0	0	0	0	0	
Retained Earnings	1,118	1,188	1,479	1,748	2,056	
Equity Adjustment	55	55	55	55	55	
<b>Key Company Metrics</b>						
Sales growth (%)	2.9	-26.9	27.6	15.1	13.1	
Net Profit growth (%)	5.0	-32.8	46.5	11.4	13.1	
Gross Margin (%)	21.2	20.5	22.5	22.6	22.6	
SG&A to sale (%)	10.7	11.2	11.0	10.9	10.9	
EBITDA Margin (%)	16.6	15.8	17.3	17.4	0.0	
Net Margin (%)	12.5	11.5	13.2	12.8	12.8	
ROE (%)	33.9	20.9	27.8	27.1	27.2	
ROA (%)	21.7	14.5	20.9	20.6	20.7	
Net debt/equity (x)	0.3	0.1	0.0	0.0	0.0	
Net interest cover (x)	50.5	33.2	116.2	117.5	119.8	
<b>Key Assumptions</b>						
Sales (m.cylinder)	6.9	5.6	7.3	8.4	9.7	
Average selling price(Bt)	645	581	569	569	569	
Capacity (m.cylinder)	8.7	10.0	10.0	10.0	10.0	
THB/USD	32.3	31.0	32.0	32.0	32.0	
GPM (%)	21.2	20.5	22.5	22.6	22.6	
<b>Quarterly Results (THBm)</b>						
	<b>2Q19</b>	<b>3Q19</b>	<b>4Q19</b>	<b>1Q20</b>	<b>2Q20</b>	
Sales and Service Incomes	905	722	851	945	1,093	
Cost of Sales and Services	695	570	687	735	805	
Gross Profit	210	152	164	210	288	
S&A Expenses	110	76	102	95	103	
Interest Expense	4	3	3	2	2	
Net Result of Inv. in Asso.	-	-	-	-	-	
Interest Income	-	-	-	-	-	
Income Tax from Operations	29	21	18	36	43	
Net (Profit) Loss of M.I.	-	-	-	-	-	
Net Profit before Extra. Items	112	89	70	122	181	
Extra items	10	1	8	24	1	
Net Profit	122	90	78	146	182	

Source: Company data, TISCO Research estimates

### Company profile

SMPC manufactures LPG cylinders for both household, recreational, industrial, and the newly-developed energy sectors. With the global demand for alternative energy, the company has now ventured and succeeded in developing and manufacturing LPG cylinders for the automobile and other vehicles uses. In addition, the company is facilitated in terms of both staff and equipment to recondition pre-owned LPG cylinders. SMPC also has contracts with numerous domestic and global customers in the manufacturing and supply of LPG cylinders in a wide array of sizes, dimensions and colors. Inclusive of such segments, our current production capacity stands at an impressive 10 million LPG cylinders per year.

### Valuation

We base our target price on a relative approach using PER of 15x.

### Risk

Key downside risks: 1) stronger THB/USD 2) Trade barrier 3) Brexit 4) Economic slowdown in Bangladesh, Sri Lanka and Africa and 5) LPG consumption slowdown.

Sontanawoot Ratchatrakul  
+66 (2) 633 6524  
sontanawoo@tisco.co.th

# TISCO Securities Company Limited

www.tiscosec.com

## Bangkok

48/8 TISCO Tower 4th Floor, North Sathorn Road,  
Bangkok 10500, Thailand  
Tel : (66) 2633 6000 Ext.5  
Fax : (66) 2633 6490, (66) 2633 6660

## Nakhon Pathom

386, 388 Petchkasem Road, Prapatone, Muang District, Nakhon  
Pathom 73000  
Tel: 0 3414 2000 Fax: 0 3425 1676

## Udon Thani


227/1 Soi Udondussadee 3, Udondussadee Road, Muang District,  
Udon Thani 41000  
Tel: 0 4224 6888 Fax: 0 4224 5793

## Chiang Mai

275/4, 2nd Floor, Chang Phuak Road, Chang Phuak, Muang  
District, Chiang Mai 50300  
Tel. 0 5322 4722 Fax. 0 5322 4711

## Nakhon Ratchasima

1936/3 Zone A, Mittraphap Road, Naimuang, Muang District,  
Nakhon Ratchasima 30000  
Tel: 0 4425 7752 Fax: 0 4425 3752

	Score Range	Level	Description
 <p><b>Corporate Governance Report of Thai Listed Companies 2019</b></p>	90 - 100	5	Excellent
	80 - 89	4	Very Good
	70 - 79	3	Good
	60 - 69	2	Satisfactory
	50 - 59	1	Pass
	< 50	n.a.	n.a.
		N/R	Does not appear in the CGR report

### Anti-Corruption Progress Indicator :

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018) are categorised into :

Certified :	Companies certified by CAC.
Declared :	Companies that have declared their intention to join CAC.
Ensure its compliance by parent company	Ensure its compliance by parent company The company declares that its parent company is under the Bribery Act or other similar laws that required parent company to be responsible for bribery act of its overseas subsidiaries. Such responsibilities shall include the establishment of policy, practices and investigation and ensure that its subsidiaries regularly comply with the policy and practices.
n.a.	Not intention to join CAC. / no policy

### Disclaimer

The disclosure of the Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018)

Since this survey or assessment result is only the survey or assessment result as of the date appearing in the survey or assessment result only, it may be changed after that date or when there is any change to the relevant information. Nevertheless, TISCO Securities Company Limited does not confirm, verify, or certify the accuracy and completeness of the survey or assessment result.

### ESG Rating

The Thaipat ESG Index is designed to represent the performance of the selected Thai listed companies that are constituents of the ESG100 Universe, the 100 outstanding performers in terms of Environmental, Social and Governance (ESG) listed in Thai stock market (Both SET and mai), assessed by ESG Rating company, a whole subsidiary of Thaipat Institute.

The information, statements, forecasts and projections contained herein, including any expression of opinion, are based upon sources believed to be reliable but their accuracy completeness or correctness are not guaranteed. Expressions of opinion herein were arrived at after due and careful consideration and they were based upon the best information then known to us, and in our opinion are fair and reasonable in the circumstances prevailing at the time. Expressions of opinion contained herein are subject to change without notice. This document is not, and should not be construed as, an offer or the solicitation of an offer to buy or sell any securities. TISCO and other companies in the TISCO Group and/or their officers, directors and employees may have positions and may affect transactions in securities of companies mentioned herein and may also perform or seek to perform investment banking services for these companies. No person is authorized to give any information or to make any representation not contained in this document and any information or representation not contained in this document must not be relied upon as having been authorized by or on behalf of TISCO. This document is for private circulation only and is not for publication in the press or elsewhere. TISCO accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or its content. The use of any information, statements forecasts and projections contained herein shall be at the sole discretion and risk of the user.