



Time Technoplast Ltd. Q4 FY18 Quarterly Update

MARKET DATA

NSE TICKER	TIMETECHNO
Networth FY18 (Rs in Crs)	1493
P/BV Ratio (FY18) (x)	2.3X
EPS (FY18)(Rs.)	8.1
Market Price (Rs.)	153.5
P/E Ratio (FY18E) (x)	18.9
52 Week High(Rs)	116
52 Week Low (Rs)	232
Market Capitalisation (rs. Cr)	3453

AVERAGE MONTHLY VOLUME ('000)

BSE	38.6
NSE	251.6

SHARE HOLDING PATTERN

Promoter	52.4
FII	19.4
DII	9.0
Public	19.2

RETURN (%)

	3M	6M	1 Yr
Time Technoplast	-11.8	-18.2	12.8
Nifty	1.3	2.6	10.7

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Financial performance:

Results were in line with expectations in spite of a challenging environment. Sales grew by 13% to 3100cr although the pipes business shrunk by 0.8%. EBITDA increased by 17% to 475cr. The EBITDA margin expanded by 57 BPs due to greater contribution of value added products. This trend is expected to continue moving ahead. PAT increased by 22% to 185cr.

Challenge faced in Pipes Business is mostly resolved:

Under the new GST regime, the tax rate for pipes has been increased to 18% from the earlier combined VAT and excise rate of 17.2%. As a result, several EPC contractors are renegotiating their contracts with the government. Those players did not pick up the expected orders and as a result 130cr of unsold inventory of pipes is lying with Time Technoplast. These EPC players are expected to resolve this issue soon and the firm expects healthy growth in the pipes business moving ahead. The firm has set a target turnover of at least 400cr for this division in FY19. DWC pipes should add a significant contribution as well. Its order book has increased from 500 tons in FY18 to 3000 tons of outstanding orders for FY19. This should also boost profitability as DWC pipes have a higher margin profile of 18-20% compared to 14% margin for PE pipes

Doubled capacity of MOX films and Composite Cylinders

The firm has doubled the capacity of both MOX films and composite cylinders to 12,000 tons/year and 1,400,000 cylinders per year respectively. The effective output should increase even more significantly compared to FY18 as the utilization now has room to grow. Earlier, there were disruptions in the process when different thickness or colour films needed to be produced for MOX films or when there was a changeover in volume for composite cylinders. Now with parallel lines running, these disruptions in process can be reduced and hence the capacity utilization will increase. The added capacity combined with an increase in capacity utilisation should significantly boost volume. Furthermore, both these products have received great interest in the market and are expected to do well. Both the products have a high EBITDA margin which should boost profitability. CNG cylinders should provide another avenue for growth to the company in FY21-22.

EBITDA Margin to increase

In FY18 VAP (Value Added Products) grew at 51% compared to the growth of traditional business of 10%. Since, value added products are expected to grow faster than traditional business in the future, (40% expected growth of VAP in FY19 compared to 12-13% growth of traditional business) the revenue share of VAP will increase. This will boost EBITDA margin as VAP is higher margin than traditional products

Quarterly Performance:

Particulars (RS in crs)	Q4 FY18	Q4 FY17	YoY (%)	Q3 FY18	QoQ (%)	FY18	FY17	Y-o-Y
Net Sales	942.7	810.1	16.4	754.7	24.9	3100.9	2756.5	12.5
RM Cost	658.8	571.7	14.2	522.4	26.1	2131.2	1919.4	11.0
RM Cost as % of Sales	69.9	70.6	NA	69.2	NA	68.7	69.6	NA
Employee Cost	43.2	39.6	9.2	34.7	24.4	148.3	133.2	11.4
Other Operating Expenses	94.8	86.3	9.9	81.3	16.7	331.8	297.8	11.4
EBITDA	145.9	112.6	29.6	116.3	25.5	474.6	401.6	18.2
EBITDA Margin	15.5	13.9	NA	15.4	NA	15.3	14.6	NA
Interest	24.7	21.6	14.5	21.0	18.0	84.8	90.1	-5.8
PBT	83.7	59.9	39.8	62.1	34.8	252.3	198.2	27.3
Tax	26.7	16.1	65.5	14.0	90.3	63.1	49.4	27.7
PAT	57.1	43.8	30.4	48.1	18.7	183.8	144.5	27.1
EPS	2.5	2.0	21.3	2.1	18.4	8.1	6.4	27.1



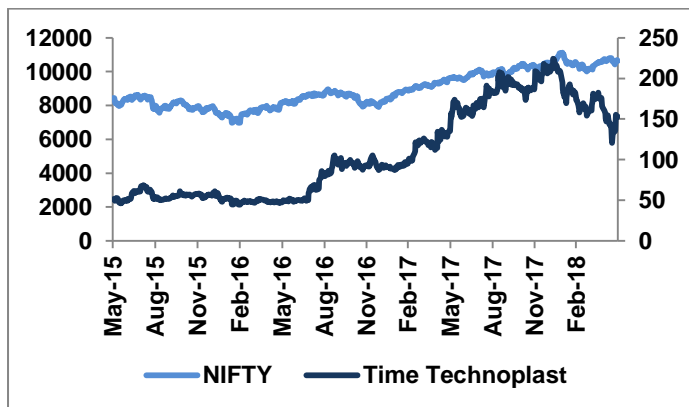
Interest rates to decline

The firm is issuing Commercial Paper at favourable interest rate compared to traditional loans and as a result its cost of borrowing should decline. The interest rate declined from 14.6% in FY17 to 13.3% in FY18. This decline should continue as the firm increases the proportion of borrowings from commercial paper

Valuation and view

We like TTL due to its strong R&D, presence across a wide range of products, wide distribution network, and a solid pipeline of products. We have valued TTL using a P/E multiple of 15 on FY19 expected EPS of 11.3. The intrinsic value of 170 implies an upside of 10%

3-Yr Price comparison





Time Technoplast Ltd.- Statement of Profit & Loss				
Description	FY17	FY18	FY19E	FY20E
Net Sales	2756.5	3100.9	3625.8	3988.8
Expenditure:				
COGS	1919.4	2131.2	2471.5	2716.7
Power and fuel cost	92.5	104.1	123.3	135.6
Employee cost	133.2	148.3	164.9	182.9
Other operating expenses	209.8	242.7	285.4	309.2
EBITDA excluding OI	401.6	474.6	580.6	644.4
EBITDA margin	14.6%	15.3%	16.0%	16.2%
Depreciation	115.5	142.7	149.4	164.6
EBIT	286.1	331.9	431.3	479.8
OI	2.2	5.2	5.2	5.2
Interest	90.1	84.8	85.4	79.8
PBT before exceptional item	198.2	252.3	351.2	405.2
Exceptional item	0.0	0.0	0.0	0.0
PBT	198.2	252.3	351.2	405.2
Provision for tax	49.4	63.1	87.8	101.3
Minority interest	-4.3	-5.5	-7.6	-8.8
PAT	144.5	183.8	255.8	295.1
EPS	6.4	8.1	11.3	13.0

Time Technoplast Ltd.- Balance Sheet				
Description	FY17	FY18	FY19E	FY20E
Equity Share Capital	22.6	22.6	22.6	22.6
Total Reserves	1303.9	1470.0	1708.1	1985.5
Shareholder's Funds	1326.5	1492.6	1730.7	2008.1
Minority Interest	38.4	43.9	51.5	60.3
Total Borrowings	689.4	695.3	708.6	623.1
Other Long Term Liabilities	47.1	52.6	59.2	65.8
Total Non-Current Liabilities	736.5	747.9	767.8	688.8
Trade Payables	345.7	371.4	431.2	473.9
Other Current Liabilities	46.6	52.4	61.3	67.4
Total Current Liabilities	392.3	423.8	492.4	541.4
Total Liabilities	2493.7	2708.1	3042.4	3298.6
Fixed Assets	1109.7	1239.9	1340.5	1429.9
Other Non Current Assets	16.8	30.0	36.0	43.2
Total Non-Current Assets	1126.5	1269.9	1376.5	1473.1
Inventories	547.3	572.7	664.9	730.9
Sundry Debtors	578.1	601.7	703.6	774.0
Cash and Bank	65.6	65.6	65.6	65.6
Other Current Assets	176.2	198.2	231.8	255.0
Total Current Assets	1367.2	1438.2	1665.8	1825.5
Total Assets	2493.7	2708.1	3042.4	3298.6



Time Technoplast Ltd.- Operational Ratios				
DESCRIPTION	FY17	FY18	FY19E	FY20E
Operational & Financial Ratios				
Earnings Per Share- Normalised (Rs)	6.39	8.12	11.30	13.04
Book Value (Rs)	58.61	65.95	76.47	88.73
Margin Ratios				
PBIDTM (%)	14.6%	15.3%	16.0%	16.2%
EBITM (%)	10.4%	10.7%	11.9%	12.0%
PATM (%)	5.4%	6.1%	7.3%	7.6%
Performance Ratios				
ROA (%)	11.7%	13.5%	17.0%	17.4%
ROE (%)	11.7%	13.0%	15.9%	15.8%
ROCE (%)	15.1%	16.3%	19.2%	19.4%
Fixed Asset Turnover(x)	2.45	2.74	2.98	3.04
Inventory Turnover(x)	3.96	3.96	3.96	3.96
Debtors Turnover(x)	5.15	5.15	5.15	5.15
Efficiency Ratios				
Receivable days	70.83	70.83	70.83	70.83
Inventory Days	92.24	92.24	92.24	92.24
Payable days	59.81	59.81	59.81	59.81

Time Technoplast Ltd.- Cash flow statement				
Description	Mar-17	Mar-18	Mar-19 E	Mar-20 E
PAT	148.8	189.2	263.4	303.9
Changes in WC	219.6	59.5	158.9	110.7
Depreciation	115.5	142.7	149.4	164.6
Cash flow from operations	44.7	272.4	253.8	357.8
Cash flow from investment	124.8	260.7	249.4	254.6
Dividend and dividend tax	17.7	17.7	17.7	17.7
Proceeds from equity issue	150.0	0.0	0.0	0.0
Free cash flow	52.2	-6.0	-13.2	85.5
Opening cash	70.2	65.6	65.6	65.6
Closing cash	65.6	65.6	65.6	65.6
Opening debt	746.2	689.4	695.3	708.6
Change in debt	-56.8	6.0	13.2	-85.5
Closing debt	689.4	695.3	708.6	623.1



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