



## Time Technoplast Ltd. Q1 FY19 Quarterly Update

### MARKET DATA

NSE TICKER	TIMETECHNO
Networth FY18 (Rs in Crs)	1493
P/BV Ratio (FY18) (x)	2.1X
EPS (FY18)(Rs.)	8.1
Market Price (Rs.)	144
P/E Ratio (FY18E) (x)	17.7
52 Week High(Rs)	232.6
52 Week Low (Rs)	115.6
Market Capitalisation (rs. Cr)	3245

### AVERAGE MONTHLY VOLUME ('000)

BSE	43.9
NSE	294.2

### SHARE HOLDING PATTERN

Promoter	52.4
FII	19.3
DII	9.0
Public	19.3

### RETURN (%)

	3M	6M	1 Yr
Time Technoplast	-7	-21	-19
Nifty	6.4	5.6	13.5

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### Financial performance:

Results were in line with expectations; Q1 has historically been the weakest quarter with a contribution of 21-22% towards overall sales. Sales grew by 15% to 782cr. EBITDA increased by 19% to 120cr. The EBITDA margin expanded by 49 BPs due to greater contribution of value added products and lower raw material costs. This trend is expected to continue moving ahead as the contribution of VAP is expected to increase from 19% in Q1FY19 to 25% by FY21. PAT increased by 19% to 44cr.

### Challenge faced in Pipes Business is mostly resolved:

Under the GST regime, the tax rate for pipes has been increased from the earlier combined VAT and excise rate of 17.2% to 18%. Hence, several EPC players did not pick up the expected orders. As a result 130cr of unsold inventory of pipes was lying with Time Technoplast in Q4. That problem has now been resolved in favour of the EPC players and demand has started picking up in the pipes business. Current order book of PE and DWC pipes is 250cr and expected revenue from this division is over 350cr.

DWC pipes will largely be used as an alternative to cement pipes in sewage applications. Effluent leaks through cement pipes and contaminates the soil. Hence, the government has decided to use DWC pipes instead of cement pipes in future constructions. Strong demand is expected from the Smart Cities project. Most EPC firms have entered into an agreement with TTL for these pipes as the government wants a reliable source for the pipes. This should also boost profitability as DWC pipes have a higher margin profile of 18-20% compared to 14% margin for PE pipes

### New Products

CNG cylinder has received favourable response from customers. TTL has developed 2 variants. The first variant is for automobiles and will be sold to OEMs. OEMs want to reduce weight of the car- a 65L steel cylinder weighs 68 KG while a composite cylinder weighs just 17 KG. The second variant is caskets used in petrol pumps- a steel cylinder can store 2000 KG contrasted with 5000 KG capacity of composite cylinders; this is expected to reduce costs by 17%.

Another new product is power duct cable. The firm is also taking efforts to revive the lifestyle business with new product launches such as Durogel (anti-fatigue mat popular in North America being introduced to India) and Durocomfort, a soft mat for industrial use

### Expansion of ROCE

ROCE is 14.3% and improved by 86 BPs (13.52% last year). ROCE has improved by increasing margin by 50 BPs each year. Firm is not increasing pricing as it is targeting a 15% EBITDA margin and does not want to draw competition to the industry. Firm has an ROCE target of 20% within 3 years. The expansion of ROCE will be driven by expansion of margin as well as the reduction of the working capital requirement

### Quarterly Performance:

Particulars (RS in crs)	Q1 FY19	Q1FY18	YoY (%)	Q4 FY18	QoQ (%)	FY18	FY17	Y-o-Y
Net Sales	781.5	680.6	14.8	942.7	-17.1	3100.9	2756.5	12.5
RM Cost	539.5	470.5	14.7	658.8	-18.1	2131.2	1919.4	11.0
RM Cost as % of Sales	69.0	69.1	NA	69.9	NA	68.7	69.6	NA
Employee Cost	36.9	32.8	12.4	43.2	-14.7	148.3	133.2	11.4
Other Operating Expenses	84.7	75.8	11.8	94.8	-10.6	331.8	297.8	11.4
EBITDA	120.4	101.5	18.6	145.9	-17.5	474.6	401.6	18.2
EBITDA Margin	15.4	14.9	NA	15.5	NA	15.3	14.6	NA
Interest	22.7	21.0	7.9	24.7	-8.2	84.8	90.1	-5.8
PBT	59.0	48.0	22.8	83.7	-29.6	252.3	198.2	27.3
Tax	14.9	11.1	34.5	26.7	-44.0	63.1	49.4	27.7
PAT	44.0	36.9	19.3	57.1	-22.8	183.8	144.5	27.1
EPS	1.9	1.6	18.6	2.5	-22.0	8.1	6.4	27.1



## WC Cycle

WC is constrained as the firm maintains inventory to mitigate the impact of volatile polymer prices. 70% of raw material is imported and has a long lead time. Inventory level is dynamically managed and is increased when the prevailing commodity prices are low. Also, customers require time of at least one quarter for making payments. VAPs have a shorter WC cycle as credit is not given; sales are made to distributors contrasted with B2B sales for industrial packaging. Days receivable will reduce as the contribution of VAP will increase. Firm can stretch days payable but that comes with added interest cost.

WC cycle has been reduced from 103 days to 85 days. WC cycle is more intensive than competition like Supreme as the competition sells to distributors (no credit is provided) while Time sells to B2B business where it needs to sell at credit.

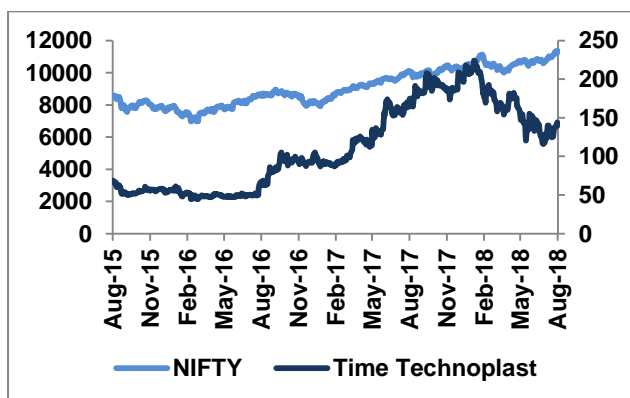
## Composite cylinders

In India, TTL has already sold 15,000 composite cylinders to an OMC and 2 more OMCs are testing pilot projects. A private player has expanded to 12 cities and has placed an order of 500,000 cylinders. Overseas market has great potential for composite cylinders and TTL currently exports to 28 countries. In India 55-60 million metal cylinders are sold every year and TTL expects significant penetration in this market before 2020. Current order book for composite cylinders is more than 1.5 million cylinders but this is phased over a couple of years. TTL has tied up with a South American company- that firm will start buying composite cylinders from next quarter for markets in South America and the Caribbean. TTL has a greater product range than that player. Cylinder capacity utilisation is low because of frequent switch over to different products. TTL aims capacity utilisation of at least 70% in this segment.

## 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 10.9. The intrinsic value of 163 implies an upside of 13%

## 3-Yr Price comparison



## Concall Highlights

- MOX films division has some pricing competition but it's not very intense. Some new comers have come up with similar look alike products but those products were of inferior quality. Those look alike products have already started receiving negative feedback from the market
- MOX films of similar densities are offered at similar price to Supreme but a lower GSM (compared to that required for Supreme products) can meet the requirements of customers. Hence, customers can get similar performance at a lower price
- Capacity utilisation of MOX films was 50-60%; expansion was carried out in April
- CRISIL improved ratings to CRISIL AA- for long term debt and CRISIL A1+ for short term debt. Both ratings have moved up by 1 notch
- Commodity price increase can be passed to customers with a lag of 3 months
- VAP contribution is expected to be 25% by 2021 and 20% by FY19. MOX films is expected to grow faster than other products
- Planned capex will be around 200cr and 35cr has already been done in Q1. 90cr is expended for maintenance, R&D, brownfield expansion, and automation. 100cr goes for expansion projects
- UAE plant for steel drums is still in planning stage. TTL has converted several customers from metal to plastic drums. Hence, it is not certain about the steel drum plant now
- Battery business environment is not favourable- not a priority for the firm. Excess capacity has been diverted elsewhere. Will continue to grow at 5-10%. TTL will exit this business at a right valuation
- Price of raw materials is expected to decline due to capacity expansion of raw material producers in Middle East and India. Low cost of HDPE, LDPE, and PP is in US due to shale gas. Freight costs have also reduced from US and this has put downward pressure on RM costs
- Currently operating at 60% CU for PE pipes



Time Technoplast Ltd.- Statement of Profit & Loss				
Description	FY17	FY18	FY19E	FY20E
Net Sales	2756.5	3100.9	3638.0	4050.3
Expenditure:				
COGS	1919.4	2131.2	2484.9	2761.4
Power and fuel cost	92.5	104.1	123.7	137.7
Employee cost	133.2	148.3	164.9	182.9
Other operating expenses	209.8	242.7	286.2	312.9
<b>EBITDA excluding OI</b>	<b>401.6</b>	<b>474.6</b>	<b>578.3</b>	<b>655.4</b>
<b>EBITDA margin</b>	<b>14.6%</b>	<b>15.3%</b>	<b>15.9%</b>	<b>16.2%</b>
Depreciation	115.5	142.7	160.0	179.3
<b>EBIT</b>	<b>286.1</b>	<b>331.9</b>	<b>418.3</b>	<b>476.0</b>
OI	2.2	5.2	5.2	5.2
Interest	90.1	84.8	86.3	82.9
PBT before exceptional item	198.2	252.3	337.2	398.4
Exceptional item	0.0	0.0	0.0	0.0
<b>PBT</b>	<b>198.2</b>	<b>252.3</b>	<b>337.2</b>	<b>398.4</b>
Provision for tax	49.4	63.1	84.3	99.6
Minority interest	-4.3	-5.5	-7.3	-8.6
<b>PAT</b>	<b>144.5</b>	<b>183.8</b>	<b>245.6</b>	<b>290.2</b>
<b>EPS</b>	<b>6.4</b>	<b>8.1</b>	<b>10.9</b>	<b>12.8</b>

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	1697.9	1970.4
<b>Shareholder's Funds</b>	<b>1326.5</b>	<b>1492.6</b>	<b>1720.5</b>	<b>1993.0</b>
<b>Minority Interest</b>	<b>38.4</b>	<b>43.9</b>	<b>51.2</b>	<b>59.8</b>
Total Borrowings	689.4	695.3	723.2	657.7
Other Long Term Liabilities	47.1	52.6	59.2	66.0
<b>Total Non-Current Liabilities</b>	<b>736.5</b>	<b>747.9</b>	<b>782.4</b>	<b>723.7</b>
Trade Payables	345.7	371.4	433.4	481.7
Other Current Liabilities	46.6	52.4	61.5	68.5
<b>Total Current Liabilities</b>	<b>392.3</b>	<b>423.8</b>	<b>494.9</b>	<b>550.2</b>
<b>Total Liabilities</b>	<b>2493.7</b>	<b>2708.1</b>	<b>3049.1</b>	<b>3326.7</b>
Fixed Assets	1109.7	1239.9	1340.6	1430.2
Other Non Current Assets	16.8	30.0	36.0	43.2
<b>Total Non-Current Assets</b>	<b>1126.5</b>	<b>1269.9</b>	<b>1376.6</b>	<b>1473.4</b>
Inventories	547.3	572.7	668.4	742.9
Sundry Debtors	578.1	601.7	705.9	785.9
Cash and Bank	65.6	65.6	65.6	65.6
Other Current Assets	176.2	198.2	232.6	258.9
<b>Total Current Assets</b>	<b>1367.2</b>	<b>1438.2</b>	<b>1672.5</b>	<b>1853.3</b>
<b>Total Assets</b>	<b>2493.7</b>	<b>2708.1</b>	<b>3049.1</b>	<b>3326.7</b>



Time Technoplast Ltd.- Operation Ratios				
DESCRIPTION	FY17	FY18	FY19E	FY20E
<b>Operational &amp; Financial Ratios</b>				
Earnings Per Share- Normalised (Rs)	6.39	8.12	10.85	12.82
Book Value (Rs)	58.61	65.95	76.02	88.06
<b>Margin Ratios</b>				
PBIDTM (%)	14.6%	15.3%	15.9%	16.2%
EBITM (%)	10.4%	10.7%	11.5%	11.8%
PATM (%)	5.4%	6.1%	7.0%	7.4%
<b>Performance Ratios</b>				
ROA (%)	11.7%	13.5%	16.3%	16.9%
ROE (%)	11.7%	13.0%	15.3%	15.6%
ROCE (%)	15.1%	16.3%	18.6%	19.2%
Fixed Asset Turnover(x)	2.45	2.74	3.00	3.11
Inventory Turnover(x)	3.96	3.96	3.96	3.96
Debtors Turnover(x)	5.15	5.15	5.15	5.15
<b>Efficiency Ratios</b>				
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	252.9	298.8
Changes in WC	219.6	59.5	163.1	125.6
Depreciation	115.5	142.7	160.0	179.3
<b>Cash flow from operations</b>	<b>44.7</b>	<b>272.4</b>	<b>249.8</b>	<b>352.6</b>
<b>Cash flow from investment</b>	<b>124.8</b>	<b>260.7</b>	<b>260.0</b>	<b>269.3</b>
Dividend and dividend tax	17.7	17.7	17.7	17.7
Proceeds from equity issue	150.0	0.0	0.0	0.0
<b>Free cash flow</b>	<b>52.2</b>	<b>-6.0</b>	<b>-27.9</b>	<b>65.6</b>
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	723.2
Change in debt	-56.8	6.0	27.9	-65.6
<b>Closing debt</b>	<b>689.4</b>	<b>695.3</b>	<b>723.2</b>	<b>657.7</b>



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