



## Time Technoplast Ltd. Q2 FY19 Quarterly Update

### MARKET DATA

NSE TICKER	TIMETECHNO
Networth FY18 (Rs in Crs)	1493
P/BV Ratio (FY18) (x)	1.7X
EPS (FY18)(Rs.)	8.1
Market Price (Rs.)	111.6
P/E Ratio (FY18E) (x)	13.7
52 Week High(Rs)	232.6
52 Week Low (Rs)	109.2
Market Capitalisation (rs. Cr)	2524

### AVERAGE MONTHLY VOLUME ('000)

BSE	19.3
NSE	109.5

### SHARE HOLDING PATTERN

Promoter	51.2
FII	21.2
DII	9.0
Public	18.6

### RETURN (%)

	3M	6M	1 Yr
Time Technoplast	-22	-12	-41
Nifty	-6.2	-5.5	4.5

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### Financial performance:

Time Technoplast posted disappointing results in the quarter; however performance is expected to improve looking ahead. Sales grew by 14% to 827cr. EBITDA on the other hand decreased by 2% to 108cr. The EBITDA margin deteriorated by 208 BPs due to increased COGS; the gross margin shrunk by 248 BPs. PAT decreased by 24% to 33cr

### Gross margin is expected to improve:

In Q2FY19, the gross margin declined by 248 BPs to 28.4%. This was largely caused by increase in cost of polymer raw materials and due to the depreciation of INR by 6%- polymer which is mostly imported witnessed a 6% increase in price. Diesel prices also increased by 7% which impacted transportation costs- net impact to Time Technoplast due to this was a reduction in margin by 0.5%.

Management now expects the Rupee to stabilize around 74.3 INR against the USD; management also expects polymer prices to stabilize. Furthermore, diesel prices have also started coming down. In addition, the management retains optimism about future procurement of raw materials because US will now increase polymer sales to India as China has imposed a 25% duty on polymer imports. New polymer capacity is also coming online in the next few months which should put downward pressure on polymer prices.

While the outlook on polymer prices is positive, company maintains an inventory of 65-70 days of raw materials- the lower price inventory purchased earlier explains why gross margin wasn't impacted in Q1 in spite of increasing input prices. As a result, the input prices are expected to remain high in Q3. However, this should not affect margins as the company is able to pass on higher prices to customers with a lag of 3 months. Thus, management is optimistic about elevating the gross margin to a higher level. In fact, management is confident of compensating for the lower profits in H1 in H2FY19.

### New Products

VAP grew by 25% in H1FY19. VAP constituted 20% of sales in H1FY19 as opposed to 18% sales in H1FY18.

Newly launched multi-layer PE pipe for power and communication cables is witnessing encouraging results from the market.

Composite cylinders are witnessing positive response globally and foreign sales are expected to grow at 20%. New countries are being added for this product line and trial orders are being converted to fresh orders. In addition, a domestic private gas player is increasing orders every month.

Company has already achieved sales of 63cr for MOX films against a full year target of 120cr. While peak sales of this product occur during the rainy season, dealers typically start building an inventory earlier. Firm is investing in capex for new applications for MOX films; this initiative should expand the market. Currently around 20% of MOX films is exported but this is potentially a very large export market- conventional tarpaulin is still used in several countries. Firm has achieved encouraging sales of MOX films in Thailand and is now setting up a fabrication unit there.

### Quarterly Performance:

Particulars (RS in crs)	Q2 FY19	Q2 FY18	YoY (%)	Q1 FY19	QoQ (%)	FY18	FY17	Y-o-Y
Net Sales	827	725	14%	782	6%	3101	2757	12%
RM Cost	593	501	18%	540	10%	2131	1919	11%
RM Cost as % of Sales	71.6%	69.1%	248 bps	69.0%	259 bps	68.7%	69.6%	-90 bps
Employee Cost	38	34	10%	37	2%	148	133	11%
Other Operating Expenses	89	80	12%	85	5%	332	298	11%
EBITDA	108	109	-2%	120	-11%	475	402	18%
EBITDA Margin	13.0%	15.1%	-208 bps	15.4%	-240 bps	15.3%	14.6%	74 bps
Interest	24	21	15%	23	5%	85	90	-6%
PBT	44	57	-22%	59	-25%	252	198	27%
Tax	11	13	-16%	15	-25%	63	49	28%
PAT	33	43	-24%	44	-25%	184	145	27%
EPS	1.4	1.9	-25%	1.9	-26%	8.1	6.4	27%



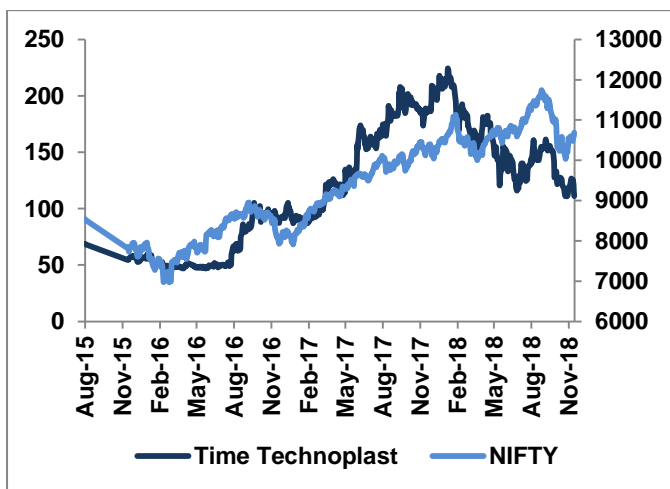
## Changes in model:

- Full year sales growth has been reduced to account for slower than expected growth from the packaging business. However, this was partially offset by encouraging results from the pipes business
- FY19 gross margin was reduced on account of unfavourable performance in Q2FY19. However, the gross margin is expected to improve in subsequent quarters

## 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 9. The intrinsic value of 136 implies an upside of 21%

## 3-Yr Price comparison



## Concall Highlights

- Management expects full year ROCE to be in the range of 15.5-16.5%
- MOX films have an EBITDA margin in the range of 18-22%
- Company hedging policy- maximum 15 million USD exposure may remain unhedged
- Time has no current plans for expansion of MOX films capacity. Company will carry out expansion in FY20 or FY21
- 50% of polymer plants are gas based while 50% are oil based. Most new polymer plants are gas based
- Bank borrowing has increased in last 6 months as buyers credit facility has been stopped (RM accounts for 68% of cost and 65% of raw material is bought internationally)- bank credit has stopped and has been converted into a loan. Furthermore, working capital requirement increased due to 10% sales increase and 10% increase in cost of RM. In addition, there has been an increase in interest rate as MCLR for banks has gone up
- Transportation cost accounts for 5-6% of sales
- Capex in H1 is 110cr, full year capex will be in the range of 200cr
- 12-14% of pipe business is fixed price business (price increase of up to 3% during contingencies can be carried out)  
Cylinder business has a contracted price- once an order is received, delivery needs to be made only at that price  
For the packaging business, the price is decided at the beginning of the month and that price is contracted. 30 to 40 days lag exists in this business for passing on price hikes
- Diesel price increased by 7%- this is 50% of transporter cost. Net impact to Time is 0.5% reduction in margin. This additional expense was offset by benefits gained from operational leverage



Time Technoplast Ltd.- Statement of Profit & Loss				
Description	FY17	FY18	FY19E	FY20E
Net Sales	2756.5	3100.9	3581.5	3995.4
Expenditure:				
COGS	1919.4	2131.2	2488.3	2768.7
Power and fuel cost	92.5	104.1	121.8	135.8
Employee cost	133.2	148.3	164.9	182.9
Other operating expenses	209.8	242.7	282.8	309.6
<b>EBITDA excluding OI</b>	<b>401.6</b>	<b>474.6</b>	<b>523.8</b>	<b>598.3</b>
<b>EBITDA margin</b>	<b>14.6%</b>	<b>15.3%</b>	<b>14.6%</b>	<b>15.0%</b>
Depreciation	115.5	142.7	160.0	179.3
<b>EBIT</b>	<b>286.1</b>	<b>331.9</b>	<b>363.8</b>	<b>419.0</b>
OI	2.2	5.2	5.2	5.2
Interest	90.1	84.8	88.2	89.5
PBT before exceptional item	198.2	252.3	280.8	334.8
Exceptional item	0.0	0.0	0.0	0.0
<b>PBT</b>	<b>198.2</b>	<b>252.3</b>	<b>280.8</b>	<b>334.8</b>
Provision for tax	49.4	63.1	70.2	83.7
Minority interest	-4.3	-5.5	-6.1	-7.3
<b>PAT</b>	<b>144.5</b>	<b>183.8</b>	<b>204.5</b>	<b>243.8</b>
<b>EPS</b>	<b>6.4</b>	<b>8.1</b>	<b>9.0</b>	<b>10.8</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	1656.8	1882.9
<b>Shareholder's Funds</b>	<b>1326.5</b>	<b>1492.6</b>	<b>1679.4</b>	<b>1905.5</b>
<b>Minority Interest</b>	<b>38.4</b>	<b>43.9</b>	<b>50.0</b>	<b>57.2</b>
Total Borrowings	689.4	695.3	752.0	735.0
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>811.2</b>	<b>801.0</b>
Trade Payables	345.7	371.4	433.6	482.5
Other Current Liabilities	46.6	52.4	60.5	67.5
<b>Total Current Liabilities</b>	<b>392.3</b>	<b>423.8</b>	<b>494.1</b>	<b>550.1</b>
<b>Total Liabilities</b>	<b>2493.7</b>	<b>2708.1</b>	<b>3034.7</b>	<b>3313.8</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	668.6	744.1
Sundry Debtors	578.1	601.7	695.0	775.3
Cash and Bank	65.6	65.6	65.6	65.6
Other Current Assets	176.2	198.2	229.0	255.4
<b>Total Current Assets</b>	<b>1367.2</b>	<b>1438.2</b>	<b>1658.2</b>	<b>1840.4</b>
<b>Total Assets</b>	<b>2493.7</b>	<b>2708.1</b>	<b>3034.7</b>	<b>3313.8</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	9.04	10.77
Book Value (Rs)	58.61	65.95	74.21	84.20
<b>Margin Ratios</b>				
PBIDTM (%)	14.6%	15.3%	14.6%	15.0%
EBITM (%)	10.4%	10.7%	10.2%	10.5%
PATM (%)	5.4%	6.1%	5.9%	6.3%
<b>Performance Ratios</b>				
ROA (%)	11.7%	13.5%	13.6%	14.4%
ROE (%)	11.7%	13.0%	12.9%	13.6%
ROCE (%)	15.1%	16.3%	16.2%	17.0%
Fixed Asset Turnover(x)	2.45	2.74	2.95	3.07
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	210.6	251.1
Changes in WC	219.6	59.5	149.6	126.3
Depreciation	115.5	142.7	160.0	179.3
<b>Cash flow from operations</b>	<b>44.7</b>	<b>272.4</b>	<b>221.0</b>	<b>304.1</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>-56.7</b>	<b>17.1</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	752.0
Change in debt	-56.8	6.0	56.7	-17.1
<b>Closing debt</b>	<b>689.4</b>	<b>695.3</b>	<b>752.0</b>	<b>735.0</b>



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