India Equity Research | Others
January 9, 2018
Initiating Coverage

Your success is our success

Time Technoplast

Refer to important disclosures at the end of this report

Geared for accelerated growth

CMP	**Target Price**
Rs 212 as of (1/9/2018)	**Rs 272 (▲)** 12 months
Rating	**Upside**
BUY	**28.1 %**

- Established in 1992, Time Technoplast Ltd (TIME IN) is a prominent player in technological and innovative polymer products. We see TIME as a unique long-term play in the Packaging sector. TIME businesses (Industrial Packaging, HDPE Pipes, Composite Cylinders and MOX Films) have lucrative growth prospects in spite of their varied contribution to revenue and competitive dynamics, as TIME has scale advantages in each segment and a runway for growth.
- We believe TIME's Value Added Products (VAP) category would clock revenue CAGR of 39.5% over FY17-20E, with their revenue contribution increasing to 24% by FY20E from 13% in FY17. Performance of newly introduced products would drive VAP growth.
- TIME has got its product portfolio right in the current growth phase. Its VAP focused strategy will propel return ratios higher (RoCE/RoE will expand to 19.2%/16.8% by FY20E from 14%/11.9% in FY17). We initiate with a BUY and a TP of Rs272 (28% upside), underpinned by its quality Plastics business and improving financial profile.

Dominant position with scale advantage in niche markets

TIME enjoys a dominant position in rigid Industrial Packaging (IP) market in 9 countries across South East Asia and the Middle East. It is the largest producer of large sized Plastic Drums globally. It's the third largest global manufacturer of Intermediate Bulk Containers (IBC). Moreover, TIME is also the second largest Composite Cylinder manufacturer worldwide. We think all these businesses are quite lucrative in spite of their disparate competitive dynamics, as TIME has scale advantages in each of them and a runway for growth. The company's strategy is to replicate the successful Indian growth model while it penetrates other Asian markets, which present sizable business opportunities with large untapped demand and low penetration (only 16%) of polymer based rigid IP products. The company is leveraging its long-standing relationships with large clients expanding in these geographies.

Unconventional & diversified business model; improving financial profile; Initiate with BUY

TIME has a track record of developing high-growth potential products ahead of competition, which also gives it a first-mover advantage, thus helping scale up the business fast. TIME's competitive advantages in Industrial Packaging and fast-growing Plastic Piping stem from its unmatched manufacturing and distribution reach, and consistent new product launches, including VAP. This is corroborated by its high FCF generation of Rs5.3bn over FY14-17 (5.4% of revenues). High CFO (10.4% of FY18-20E revenue) will provide support for further product/capacity expansion (Rs7.5bn capex in FY18-20E), which will in turn lead to faster revenue growth (16.5% CAGR during FY18-20E). Debt will also fall from Rs7.2bn in FY17 to Rs6.6bn in FY20E, lowering the finance cost. As a result, PAT will increase at 27.9% CAGR over FY17-20E and lead to improvement in ROCE to 19.2% by FY20E from 14% in FY17. We initiate coverage with a BUY and a TP of Rs272 (20x FY20E EPS & 10.3x FY20E EV/EBITDA), reflecting its superior plastics business and improving financial profile.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18E	FY19E	FY20E
Net Sales	24,227	27,546	31,204	36,002	42,342
EBITDA	3,688	4,067	4,667	5,474	6,544
EBITDA Margin (%)	15.2	14.8	15.0	15.2	15.5
APAT	1,218	1,469	1,841	2,360	3,077
EPS (Rs)	5.8	6.5	8.1	10.4	13.6
EPS (% chg)	11.1	12.1	25.3	28.2	30.4
ROE (%)	11.1	11.9	13.1	14.8	16.8
P/E (x)	36.6	32.7	26.1	20.3	15.6
EV/EBITDA (x)	13.9	13.4	11.7	9.9	8.2
P/BV (x)	3.9	3.6	3.2	2.8	2.4

Source: Company, Emkay Research

Change in Estimates	
EPS Chg FY18E/FY19E (%)	NA
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	NA

Emkay vs Consensus

EPS Estimates	FY18E	FY19E
Emkay	8.1	10.4
Consensus	8.1	9.9
Mean Consensus TP (12M)		Rs 255

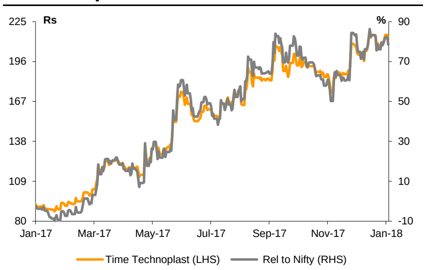
Stock Details	
Bloomberg Code	TIME IN
Face Value (Rs)	1
Shares outstanding (mn)	226
52 Week H/L	225 / 85
M Cap (Rs bn/USD bn)	48 / 0.76
Daily Avg Volume (nos.)	3,27,702
Daily Avg Turnover (US$ mn)	1.0

Shareholding Pattern Sep '17	
Promoters	52.6%
FIIs	19.4%
DIIs	9.1%
Public and Others	18.9%

Price Performance

(%)	1M	3M	6M	12M
Absolute	6	10	32	136
Rel. to Nifty	2	3	20	83

Relative price chart

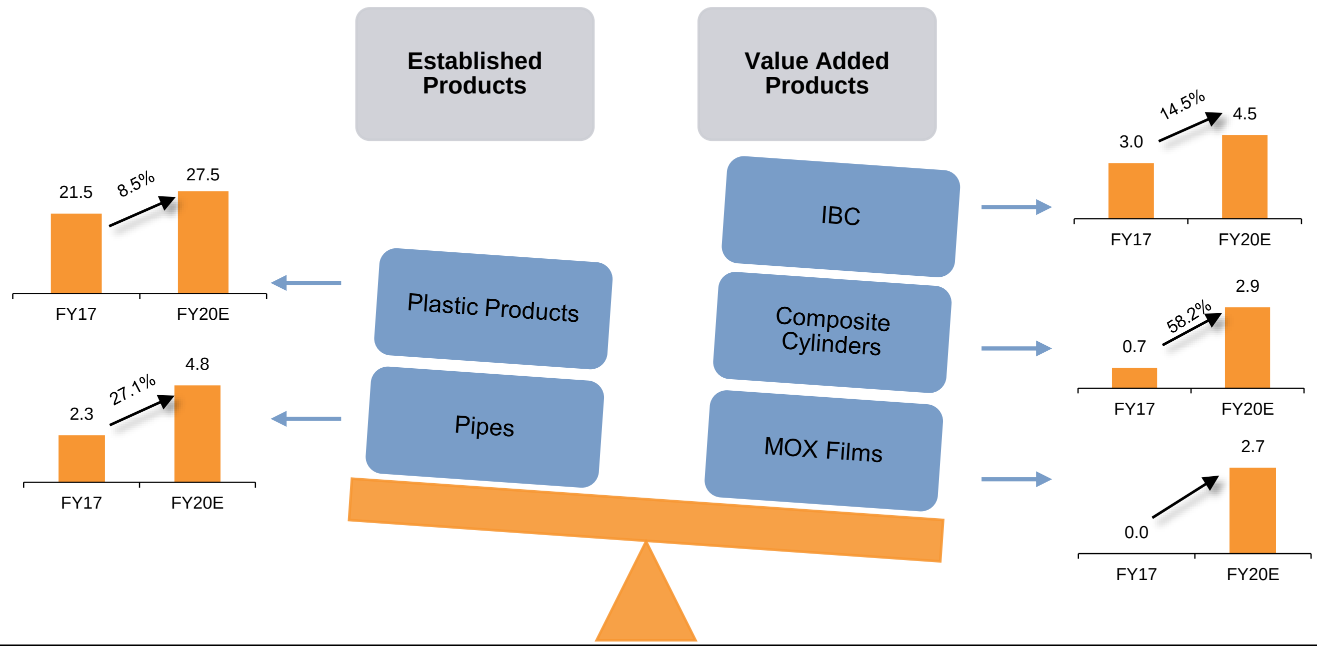


Source: Bloomberg

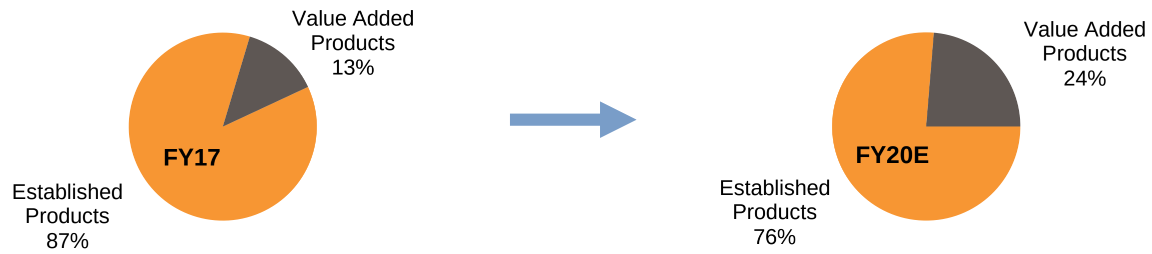
This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

Nitesh Dhoot
nitesh.dhoot@emkayglobal.com
+91-022-66242480

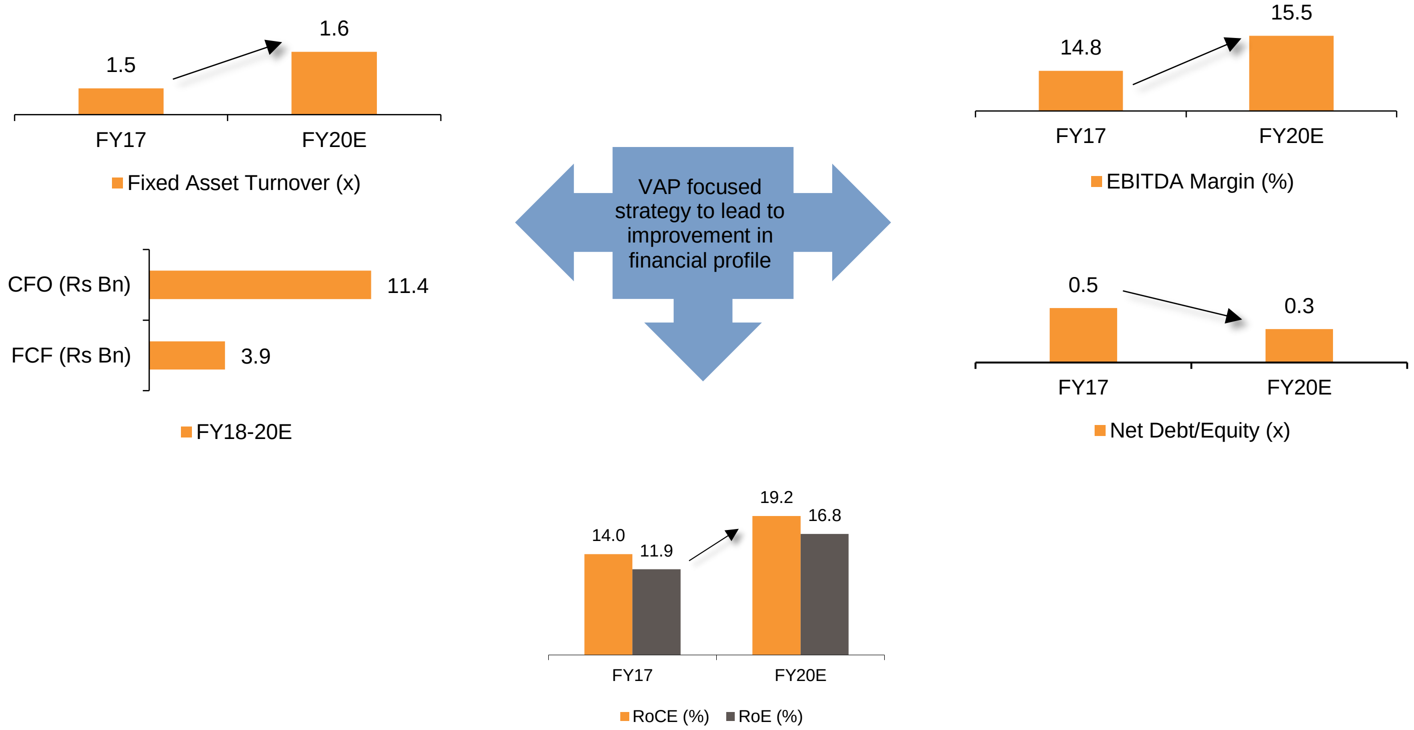
TIME's Value Added Products focused growth strategy will propel Return Ratios higher



VAP's contribution in TIME's revenues will increase significantly….



…. translating into an overall improvement in TIME's financial profile



Investment Rationale

Well diversified business model with efficient operations across verticals

TIME's revenue comes from well-diversified business segments, viz Industrial Packaging, Infrastructure, Technical & Lifestyle, Intermediate Bulk Containers, Composite Cylinders and MOX Films. Moreover, no single client contributes more than 4% to the consolidated topline, which is again well diversified across 900 institutional clients worldwide. TIME has 29 manufacturing locations in 9 countries, in close proximity to its clients, facilitating freight cost savings, just-in-time supply and reliable customer service. The company derives ~29% of its revenue from overseas markets. In India, TIME has 19 strategically located plants (within 300 kms range) for efficient distribution and inventory management. TIME's cost-efficient distribution set-up gives it a strong competitive advantage. Its de-risked and well-diversified business model enables it to mitigate underperformance by one segment/channel/client.

Exhibit 1: Business Segments

Business Segment	Established Products			Value Added Products		
	Industrial Packaging	Infrastructure	Technical & Lifestyle	Intermediate Bulk Containers (IBC)	Composite Cylinders	MOX Film
PRODUCTS	HDPE Plastic Drums/Jerry Cans and Pails	PE Pipes, Prefab Shelters, Energy Storage Devices	Turf & Matting, Disposable Bins, Auto Products	Intermediate Bulk Containers (IBC)	Composite LPG Cylinders	Multi layer multi axis Oriented X cross laminated film (MOX)
USAGE	Chemicals, Petrochemicals, Dye Intermediaries, FMCG, Paints, Inks, Pharmaceuticals, Foods	Irrigation, Sewage, Effluent Treatment, Desalination Plant,; Telecom, Railway, Renewable Energy	Lifestyle, Aesthetics, Public Hygiene, Automobiles	Petrochemicals, Food Solvents etc.	Household, Industrial, Trawlers, Caravans, BBQ, Street Cooking etc.	Agriculture, Infrastructure, Packaging, Commercial Vehciles etc.
BRAND	Techpack	Max'm PE Pipes, Max'm DWC Pipes; MAX Life, MAX Pro, Sun Qualita, MAX Qualita	DuroTurf, DuriSoft, DuroWipe, DuroMat, Meadows; Dumpo Bins; 3S Rainflaps, TechDAT & TechTANK	GNX Bulktainers	Litesafe	Techpaulin
RANGE	5 ltr to 250 ltr capacity	Pipe - 20mnn to 1400mm Battery - Upto 3000 Ah	Disposal Bins – 120 & 240 Lts	1000 Ltr	2kg-22kg	35-320 GSM thickness
MANUFACTURING LOCATIONS	India (15) & Overseas (10)	HDPE Pipes - India (4) DWC Pipes - India (3) Energy Storage- India (2)	T&M - India (2) Disposal Bins - India (1) Auto Products - India (3)	India (3) & Overseas (8)	India (1)	India (1)
KEY COMPETITORS	India-Balmer Lawrie Van Leer; Overseas-Mauser, Schutz, Greif	Jain Irrigation, Supreme Inds	Nilkamal, Supreme Inds	Overseas-Mauser, Schutz, Greif	India - Supreme Inds, Overseas- Hexagon Ragasco	Supreme Inds
REVENUE (%)	**87%**			**13%**		

Source: Company, Emkay Research

Exhibit 2: TIME's manufacturing set-up in Asia & MENA (9 countries)

Source: Company, Emkay Research

Exhibit 3: TIME's manufacturing footprint in 19 locations in India

Source: Company, Emkay Research

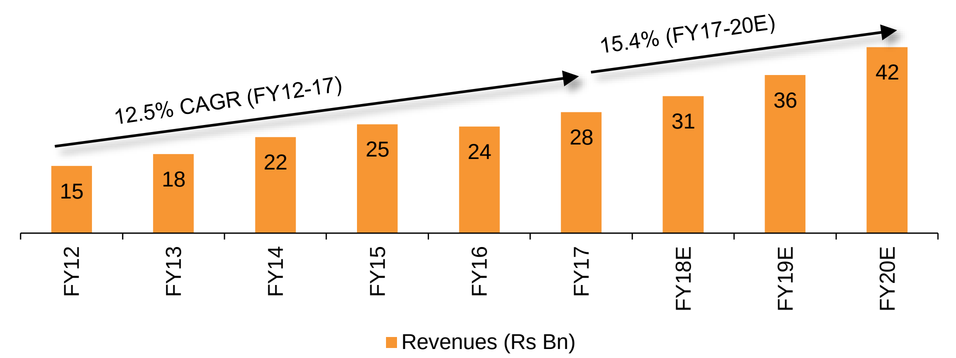
Distinctive business model compliments technological edge and revenue visibility

TIME has a track record of developing high-growth potential products ahead of competition, which also gives it a first-mover advantage, thus helping scale up the business fast. An integral aspect of TIME's business model is developing and manufacturing critical products with zero defects. Its ability to do this at a large scale gives it a solid competitive advantage. Further, large manufacturing capabilities and high capacity utilization in most business verticals drive economies of scale and sustainable margins. TIME's domestic capacity utilization stands at ~80%. Moreover, bulk procurement of raw materials also results in concessions from suppliers.

We believe TIME's revenue will grow at 15.4% CAGR over FY17-20E, propelled by robust growth in VAP

TIME's consolidated revenue grew at 12.5% CAGR in the last 5 years (FY12-17), led by robust ~16% growth in Industrial Packaging and ~17% growth in Pipes business. During this period, TIME struggled with its South Korea and North China operations and had to discontinue them in FY16. TIME's Telecom Batteries venture also faced headwinds. However, better performance in other regions/core segments helped it to drive consolidated sales in FY12-17. We believe that TIME's revenue will grow at 15.4% CAGR over FY17-20E, propelled by robust growth in VAP. Established Product's (EP) category sales are expected to grow at 10.6% CAGR during FY17-20E on the back of the Pipes segment. Pipes segment revenue has clocked 25% CAGR over FY15-17 and we believe this business should grow at 27% CAGR over FY17-20E to ~Rs4.8bn on account of robust demand from various infra projects. Plastic Products revenue is estimated to grow at 8.5% CAGR.

Exhibit 4: TIME's revenues to grow at 15.4% CAGR over FY17-20E



Source: Company, Emkay Research

Exhibit 5: TIME's clientele includes…

Chemicals		Petrochemicals/Lubricants	Others
Akzo Nobel	Huntsman	Shell	Cargill
BASF	Evonik	Sabic	Loreal
Clariant	DuPont	Indian Oil	Unilever
Dow	Purac	Gulf Oil	Tata Motors
Henkel	Solvay	Castrol	L&T
Bayer	Dow Corning	Total	GE
Aditya Birla	Cytec	Fuchs	Nestle

Source: Company, Emkay Research

Exhibit 6: Installed Capacity (Annual)

Segment	Unit	India	Overseas	Total
Plastic Products	('000 MT)	170	70	240
IBC	('000 Nos)	240	720	960
Pipes	('000 MT)	37	0	37
Batteries	(Mn Ahm)	300	0	300
Composite Cylinders	('000 Nos)	1400	0	1400
MOX Films	('000 MT)	6	0	6

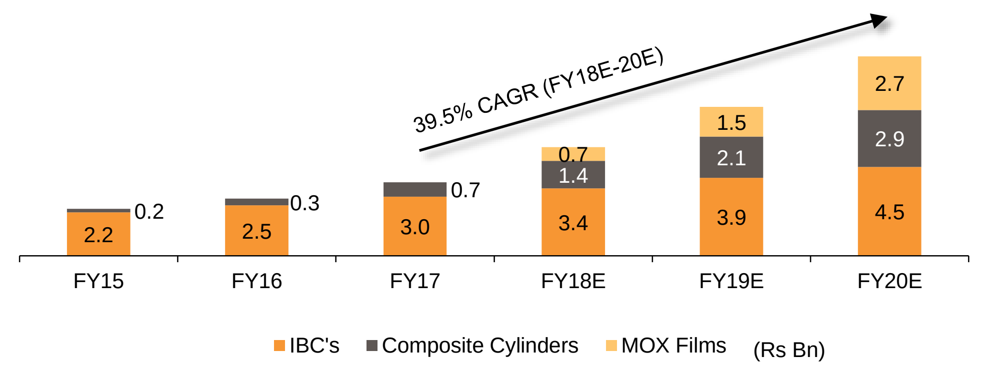
Source: Company, Emkay Research

Value Added Products (VAP) - the growth catalyst

VAP category would clock revenue CAGR of 39.5% over FY17-20E, with revenue contribution increasing to 24% in FY20E from 13% in FY17

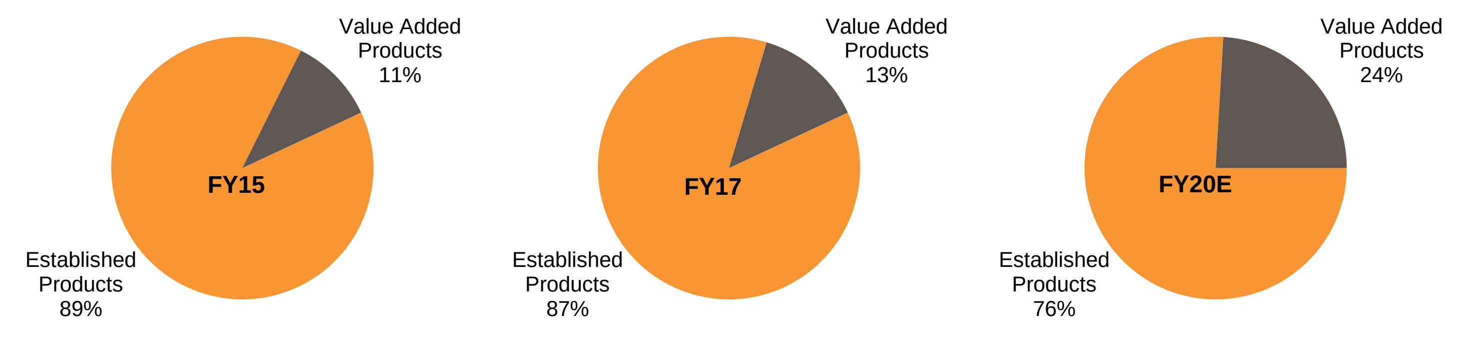
We believe that TIME's VAP category would clock revenue CAGR of 39.5% over FY17-20E, with revenue contribution increasing to 24% in FY20E from 13% in FY17. Growth in VAP would be driven by performance of newly introduced products. We expect Composite Cylinders business to grow at 58% CAGR over FY17-20E (from Rs724mn to Rs2.9bn). The company has increased its cylinder capacity to 1.4mn units and has an order book of 1.6mn units. MOX Films segment is likely to generate revenue of Rs840mn in FY18 (1st year of commercial operations), and grow to Rs3bn by FY20. MOX Films capacity utilization has been ramped up to 70% by the end of Q2FY18 (in first six months of commencing production) and capacity addition of further ~6,000mtpa by end-FY18 is in the pipeline (doubling capacity). TIME is expanding its distribution network for this business, with over 150 dealers having been appointed pan-India and fabrication facilities built at 5 locations (Silvassa, Hosur, Hyderabad, Baddi and Pantnagar) for timely delivery. IBC revenue is expected to grow at 14.5% CAGR over FY17-20E on the back of high growth in Asia, driven by increasing exports of bulk chemicals and oils to North America and Europe.

Exhibit 7: Robust growth in Value Added Products; 39.5% CAGR over FY17-20E



Source: Company, Emkay Research

Exhibit 8: Increasing revenue contribution of Value Added Products



Source: Company, Emkay Research

Favorable prospects for end-user industries

Indian Chemical industry is likely to grow at 9.3% CAGR to reach US$345bn by FY25. Indian Speciality Chemicals industry is expected to grow @ 12% CAGR to reach a size of US$86bn by FY25

As per industry research forecasts, the market for Industrial Packaging is likely to grow at a CAGR of 5.4% from US$55bn in 2016 to US$93bn by 2026, primarily driven by growth in end-user industries, especially Chemicals and Pharmaceuticals. TIME's key geography, i.e. Asia-Pacific is estimated to be a significant driver of growth in the global Industrial Packaging industry. This augurs well for TIME, as it generates ~74% of its revenue from Industrial Packaging business largely from Chemical and Pharmaceutical clients (over 2/3rd of Industrial Packaging revenue). The Indian Chemical industry's size is estimated to reach ~US$155bn in 2016 (contributes 3.4% to the global chemical industry), and is likely to grow at 9.3% CAGR to reach US$345bn by FY2025. At the same time, the Indian Speciality Chemicals industry was valued at US$31bn in FY2016 and is expected to grow @ 12% CAGR to reach a size of US$86bn by FY2025.

Indian Plastic Pipes industry is forecasted to grow at 10.4% CAGR up to 2021

Plastics plays a pivotal role in Water Management and scores over competitive materials. The Indian Plastic Pipes industry is forecast to grow at 10.4% CAGR up to 2021. Major growth drivers for this market are increase in government spending on infrastructure, residential & commercial construction, irrigation and replacement of ageing pipelines, with water and sewerage infrastructure development being the key engine of growth catalyst for the Plastic Pipes industry.

In India, LPG consumption has grown at a robust 10.8% CAGR over the last 15 years (FY02-17) and LPG is the preferred cooking fuel in ~235mn households

In India, LPG consumption has grown at a robust 10.8% CAGR over the last 15 years (FY02-17) and LPG is the preferred cooking fuel in ~235mn households. The potential opening up of the Indian market for Composite Cylinders should stand TIME in good stead going ahead. However, the prospects for the overseas markets are also favourable, as the global Composite Cylinder industry is expected to grow at a CAGR of 7.2% over 2017-2022 and reach an estimated size of US$968mn. Within the overall Composite Cylinders industry, LPG cylinders are expected to grow at 9.7% CAGR to US$189.7mn.

Sharp focus on increasing crop yields and quality will boost demand for MOX Films. Asia Pacific is likely to see robust growth in MOX Films, driven by growing population, increased demand for controlled agriculture and food in countries such as China and India.

Massive opportunity for composite cylinders exist as ~2.5bn steel cylinders are in use, with an annual replacement rate of 240mn

MOX has wide applications and a large market (Global agri-films market expected to reach US$10.6bn by 2022)

Considerable opportunity size for TIME's new product launches

We see good growth opportunities for TIME to replicate its success in Industrial Packaging in the new product categories. The addressable market for newly developed products is significantly large and would drive volume growth going forward. Composite Cylinders are likely to replace Steel Cylinders in high performance processes. TIME's Composite Cylinders are approved by authorities in 48 countries, with it currently exporting to 25 geographies. ~2.5bn Steel Cylinders are in use globally, with an annual replacement rate of over 240mn. MOX Films find applications in greenhouses, agriculture covers, transportation and industrial covers, civil engineering work, pond lining and numerous other areas. Moreover, the implementation of GST is expected to trigger a gradual shift in demand in favour of organised players. Export opportunities will also be tapped by TIME, leveraging the company's existing global distribution network. The Agricultural Films market is expected to reach US$10.6bn by 2022. Plentiful opportunities also exist for the Plastic Pipes industry in India owing to shortage in the Housing sector and lack of proper water management infrastructure (sewage/drainage). Government of India has earmarked an outlay of more than Rs2.5 trillion for improvement of basic infrastructure like Housing, Water, Sanitation etc.

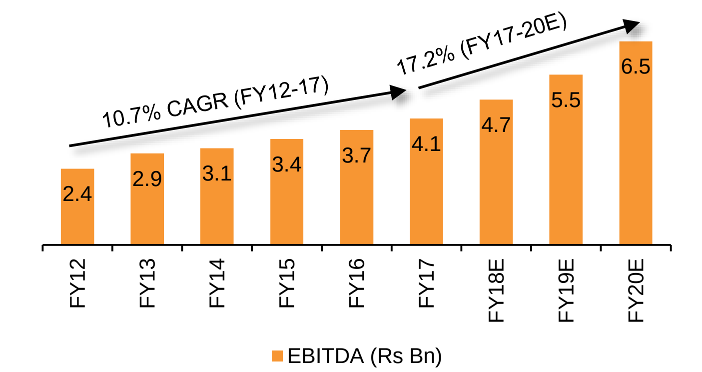
EBITDA margin would increase by 73bps over FY17-20E to 15.5% driven by increasing contribution of VAP (from ~13% in FY17 to ~24% in FY20E)

Rising contribution of VAPs to expand margins

TIME's key RMs comprise crude derivatives, viz Polyethylene (HDPE and LDPE) and Polypropylene. The input cost mix is HDPE (~75%), LDPE (~13%), PP (~10%) and Others (~2%). Being majorly into the B2B segment, most of TIME's large customers have contractual agreements, while smaller ones buy at market prices. Currently, ~40% of TIME's Industrial Packaging business is under contractual agreements, whereby pricing resets occur every quarter, while pass-through of input cost variation for the balance ~60% occurs without any delay. Hence, RM inflation is not expected to have any significant impact on TIME's operating margin. Moreover, as per industry majors, global ethylene operating rates are expected to fall in 2018, as incremental capacity outpaces incremental demand, which would help keep input prices subdued. In such a scenario, TIME is expected to benefit due to improving cost competitiveness of products against metal counterparts even though margins remain largely stable.

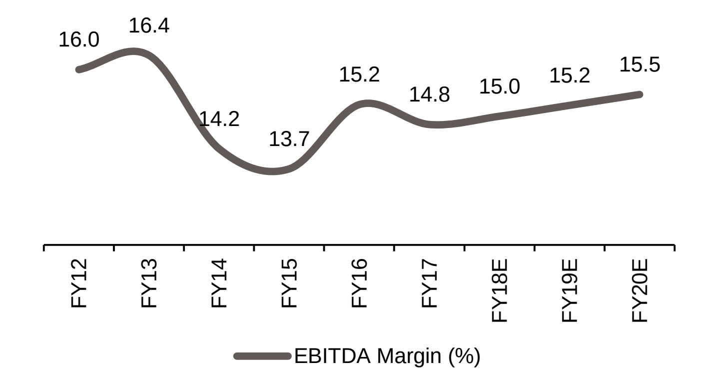
Consequently, the consolidated EBITDA margin would largely be driven by increasing contribution of VAP (from ~13% in FY17 to ~24% in FY20E). The difference between VAP and EP margins would widen from ~330bps in FY17 to ~570bps in FY20E. EP margin is expected to dip slightly (-17bps) with significant growth in lower margin Plastic Pipes business over FY17-20E. As a result, we believe that the overall EBITDA margin will increase by 73bps over FY17-20E to 15.5%.

Exhibit 9: EBITDA CAGR of 17.2% likely over FY17-20E



Source: Company, Emkay Research

Exhibit 10: EBITDA margin improvement of ~73bps likely by FY20E

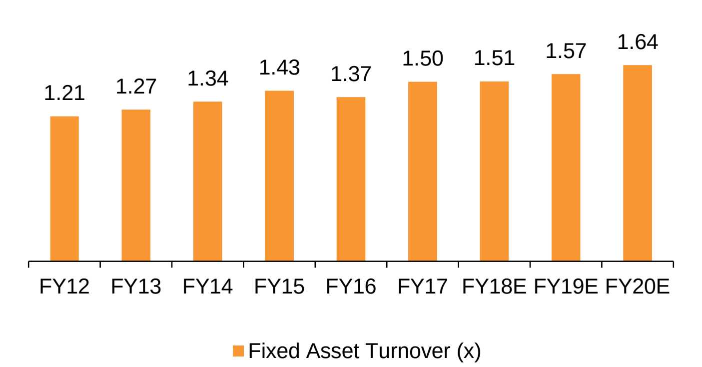


Source: Company, Emkay Research

Prudent capital allocation; steadily improving financial profile

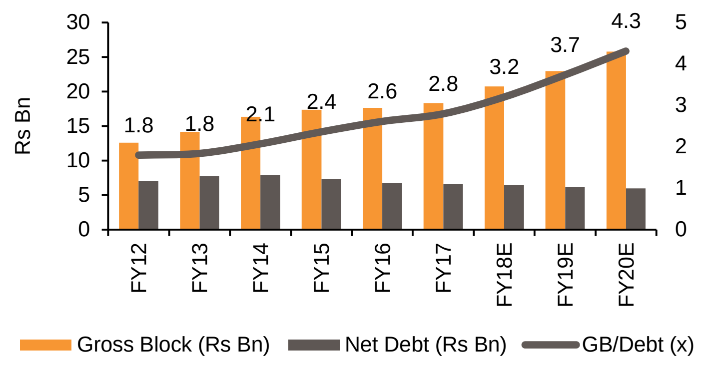
We believe that TIME's Fixed Asset Turnover will improve gradually from 1.50x in FY17 to 1.64x by FY20E on the back of higher capacity utilisation of overseas plants and ramp-up of new units. Large part of the capex undertaken over FY17-18 was towards high asset turn businesses like Pipes and VAP, which will aid improvement in overall asset turnover over the next few years. High CFO of Rs11.4bn over FY18-20E (10.4% of revenue) will provide support for further product/capacity expansion (Rs7.5bn capex over FY18-20E). We believe that the company will generate free cash flow (FCF) of Rs3.9bn over FY18-20E. Debt is likely to fall from Rs7.2bn in FY17 to Rs6.6bn in FY20E, thereby lowering TIME's finance cost. Net Debt/Equity has fallen from a high of 0.9x in FY13 to 0.5x in FY17, and is likely to improve further to 0.3x by FY20E owing to better operational performance and higher cash generation. Meanwhile, on a Net Debt/EBITDA basis, leverage has reduced from 2.9x in FY12 to 1.6x in FY17, and barring any significant acquisitions, we think Net Debt/EBITDA could be at 0.9x by FY20. Their VAP focused product strategy will lead to improvement in EBIT margin (~130bps during FY17-20E) and debt reduction will result in lower interest cost. Consequently, RoCE/RoE would expand to 19.2%/16.8% by FY20E from 14%/11.9% in FY17.

Exhibit 11: Improving asset utilisation driving Fixed Asset Turn



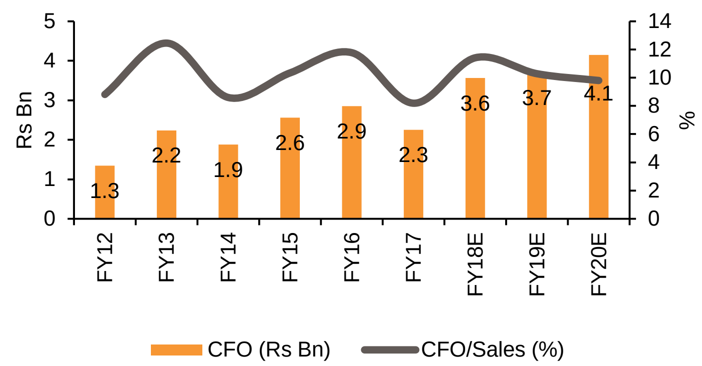
Source: Company, Emkay Research

Exhibit 12: Self-sustaining balance sheet augurs well



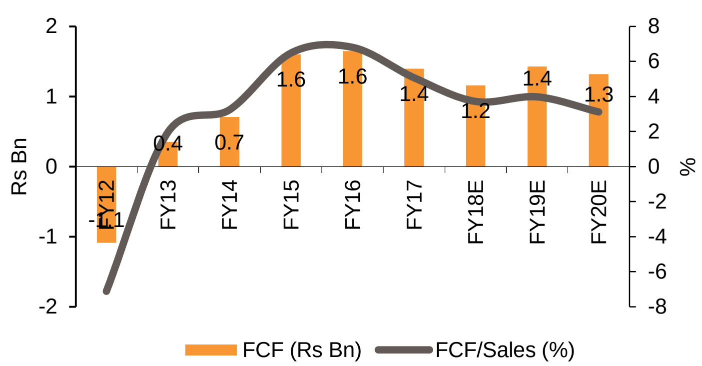
Source: Company, Emkay Research

Exhibit 13: High CFO to provide support for further capex



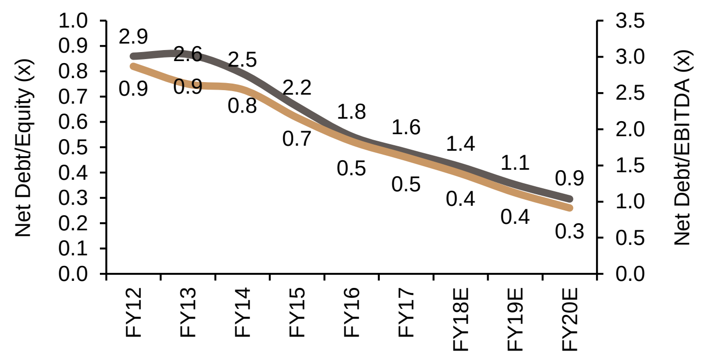
Source: Company, Emkay Research

Exhibit 14: Steady FCF generation; ~Rs4bn expected over FY18-20E



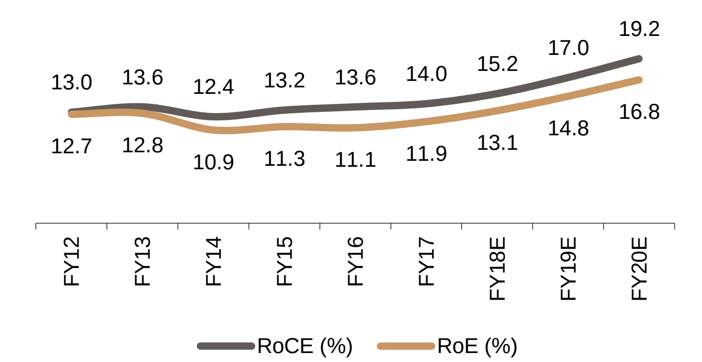
Source: Company, Emkay Research

Exhibit 15: Steady improvement in debt metrics



Source: Company, Emkay Research

Exhibit 16: Expansion in return ratios



Source: Company, Emkay Research

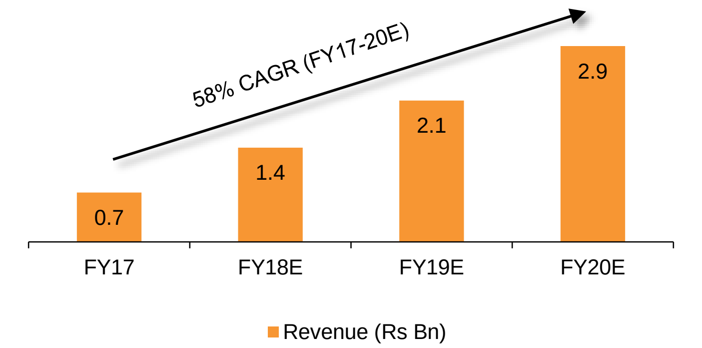
Composite Cylinders – Huge addressable opportunity

TIME's Composite Cylinder business is likely to grow at 58% CAGR over FY17-20E from Rs724mn to Rs2.9bn driven by resilient export demand from the Asia-Pacific region (TIME's stronghold)

TIME's current order book is 1.6mn cylinders and the manufacturing capacity has been doubled to 1.4mn units in Q2FY18

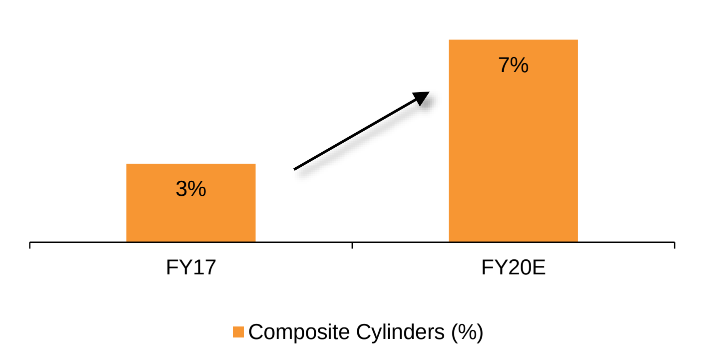
TIME is among the few established manufacturers of Composite Cylinders globally, with the largest product portfolio (2kg – 22kg) of LPG Cylinders. Apart from domestic and commercial cooking, Composite Cylinders are used for a wide variety of demanding applications. Although the Composite Cylinders are more expensive compared to the conventional Steel Cylinders, the price differential is justified given the superior safety features. There are 2.5bn Steel Cylinders in circulation worldwide with annual replacement of 240mn, implying significant addressable opportunity. TIME's current order book is 1.6mn cylinders - mostly export orders. The company has expanded its capacity to 1.4mn units in Q2FY18 (from 0.7mn units in FY17). Although there is no major breakthrough with Indian OMCs as yet with regard to the supply of Composite Cylinders, resilient export demand from the Asia-Pacific region (TIME's stronghold) will drive revenue. We expect this product to pick up gradually and boost revenue once the Indian market opens up to the idea of Composite Cylinders. LPG consumption has grown at a robust 10.8% CAGR over the last 15 years (FY02-17). TIME is also introducing Carbon Fiber based Composite Cylinders for CNG for automotive applications and has also announced successful trial production. These cylinders are likely to find their way both, in OEM as well as Aftermarket segments, and also has a huge export potential. TIME is planning to launch these cylinders in H2FY19 after obtaining necessary approvals and extensive trials. We expect TIME to grow this business at 58% CAGR over FY17-20E from Rs724mn to Rs2.9bn.

Exhibit 17: Composite Cylinders to clock 58% CAGR over FY17-20E



Source: Company, Emkay Research

Exhibit 18: Increasing share in company's revenues



Source: Company, Emkay Research

Exhibit 19: Lifesafe Composite Cylinders

Source: Company, Emkay Research

Exhibit 20: Composite Cylinder Manufacturing Process

Manufacturing process comprises of 3 major steps
(1) An inner liner of polyethylene (HDPE) is blow-molded
(2) Glass fibers and resin are then wound around the liner to create the pressure vessel
(3) To provide even greater strength and bring an element of design to the cylinder, an outer layer in the form of a polyethylene (HDPE) casing is added, which provides both protection and an ergonomic grip

Source: Company, Emkay Research

Superior features vs conventional cylinders; benefits outweigh price differential

Composite Cylinders are composed of seamless anti-permeation thermoplastic liner fully wrapped with epoxy resins, delivering an unmatched combination of high tensile strength and light weight, along with corrosion proof and UV resistance. Moreover, they are non-explosive, translucent and environmentally friendly.

Convenience, adaptability and safety allow Litesafe Cylinders to be used for a variety of demanding applications

Composite Cylinders have evoked a lot of interest and appreciation across the globe due to their superior features compared to the traditional Steel Cylinders. In India, a Composite Cylinder is likely to cost 30-40% more than the Steel Cylinder for which LPG distributors take a security deposit of ~Rs1,450. However, its benefits outweigh the price differential. Convenience, adaptability and safety allow Litesafe Cylinders to be used for a variety of demanding applications (besides domestic and commercial cooking), like cooking on crowded streets, in fishing boats, ballooning & camping, recreation vehicles, forklifts, caravans, gas cutting etc.

Exhibit 21: Conventional Steel Cylinders Vs Litesafe Composite Cylinders – A Comparison

Conventional Steel Cylinders	Litesafe Composite Cyliners
Carry explosion risk - spark susceptible	100% explosion proof
Heavy in weight - handling difficult	Light weight - handling easy
Unattractive aesthetics	Aesthetically superior, various colors/shapes
Rust and corrode	Do not rust or corrode
Refurbishing cost high	Negligible refurbishing cost
Undesired environmental effects	Environment friendly
High logistics cost	Low logistics cost
Opaque; gas content not visible	Translucent; gas content visible
Old and outdated technology	Advanced technology from aerospace
Shorter life cycle vs composites	Longer life cycle

Source: Company, Emkay Research

TIME is among the leading global players in Composite Cylinders with the widest portfolio

TIME's Composite Cylinders are manufactured in India at Daman (capacity: 1.4mn units/year) and are offered under the brand name Litesafe for LPG applications

TIME is among the few established manufacturers of Composite Cylinders globally with the largest product portfolio of LPG Cylinders (2– 22kgs). The technology was procured with the acquisition of a Czech Republic-based company, Kompozit-Praha s.r.o. in 2009 for US$5.2mn. TIME's Composite Cylinders are manufactured in India at Daman (capacity: 1.4mn units/year) and are offered under the brand name Litesafe for LPG applications.

Hexagon Ragasco, a subsidiary of the Hexagon Composites Group (Norway), is the leading manufacturer of LPG Composite Cylinders globally with 12mn cylinders in use and 17 years of experience. Since the introduction of these cylinders in 2000, the product offering has brought enormous advantages to the entire value chain, from gas companies to private and state-owned gas distributors and most importantly to the end consumers. Supreme Industries Ltd is the only other manufacturer of Composite Cylinders in India, with a production capacity of 0.5mn units/year at Halol (Gujarat) with 6 variants ranging between 5-14 kgs.

Exhibit 22: Leading Composite Cylinder Manufacturers

Company	Based in	Mfg Capacity (Units/Annum)	Key Markets	Size
Hexagon Ragasco	Norway	3.0 mn	Europe , Russia among others	5 - 14 kgs
Time Technoplast	India	1.4 mn	South Asia, Africa, Middle East, Russia, Egypt	2 - 22 kgs
Supreme Industries	India	0.5 mn	South Asia, Africa, Middle East, Russia, Egypt	5 - 14 kgs

Source: Company, Emkay Research

Product has to pass rigorous tests; TIME has approvals in 48 countries

TIME has received approvals for Composite Cylinders in 48 countries and has started exporting them to 25 geographies

Composite Cylinders pass through more than 39 rigorous tests like fire test, bullet test, extreme temperature test, burst test and other quality checks before the process of LPG filling to ensure that they are completely safe and reliable. Litesafe cylinders have received the highest accreditations under international and European standards from TUV Rheinland and several other international safety authorities. Litesafe cylinders have also obtained the necessary approvals from India's only approving authority PESO (Petroleum & Explosives Safety Organisation, Nagpur). TIME has received approvals for Composite Cylinders in 48 countries and has started exporting them to 25 geographies.

TIME plans to commercially launch Carbon Fiber based CNG Composite Cylinders in H2FY19

Introducing CNG Composite Cylinders for Auto sector

TIME has also announced successful trial production and testing of Carbon Fiber based CNG Composite Cylinders for automotive applications. The company has developed 60 litre and 30 litre non-metallic Type-4 Composite Cylinders, which are able to withstand burst pressure of over 550 bars (exceeding the requirement of ISO 11439 & IS 15935: 2011. Automotive companies are keen to replace metal cylinders with Composite Cylinders to reduce weight and improve fuel efficiency. These cylinders are likely to find their way in both, OEM as well as Aftermarket segments. They also have huge export potential. TIME is planning to launch these cylinders in H2FY19 after obtaining necessary approvals and extensive trials.

Large addressable market; product gaining wide acceptability

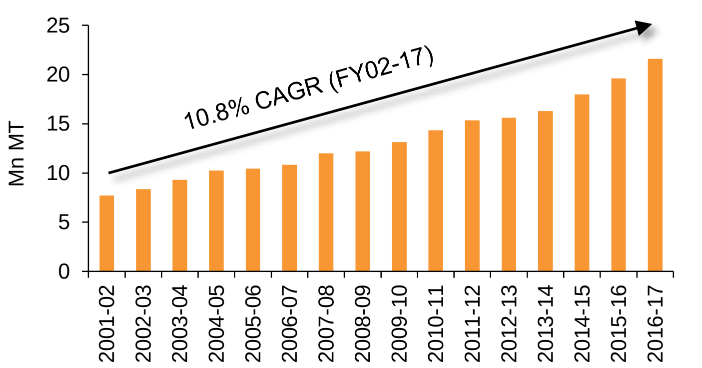
There are 2.5bn steel cylinders in circulation globally with annual replacement of 240mn, translating into a significant addressable opportunity. Since the mid-1990s, more than 20mn LPG Composite Cylinders have been sold, primarily to indoor and outdoor activities in Europe, Asia, USA and African markets. This new generation cylinders are gradually gaining wider acceptability within these markets.

Increasing demand for lightweight, explosion proof and non-corrosive cylinders along with growing LPG consumption in developing economies would propel demand for Composite Cylinders over the next 5 years

As per industry research, the global Composite Cylinder market is expected to grow at a CAGR of 7.2% from 2017 to 2022 and reach an estimated size of US$968mn. Within the overall Composite Cylinders space, LPG cylinders are expected to grow at 9.7% CAGR to US$189.7mn. Europe is expected to remain the largest market for Composite Cylinders due to the higher acceptance level and increasing use of lightweight cylinders. Major driving forces for high growth of this segment are alternative fuel vehicles and increasing requirement of weight reduction with higher gas carrying capacity. Kitchen & Domestic use is expected to remain the largest and fastest-growing application globally for LPG Composite Cylinders.

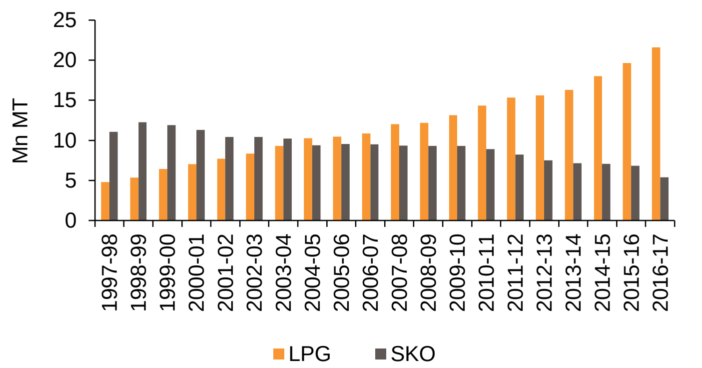
TIME is exporting to geographies like Bangladesh, Nepal, Russia, UAE, Ivory Coast, among others. In India, Reliance Gas will supply LPG through Composite Cylinders, with Litesafe trial runs already underway, which should crystalize in bigger orders in the future. Although there is no major breakthrough with Indian OMCs as yet, resilient export demand from the Asia-Pacific region (TIME's stronghold) will drive revenue. We expect this product to pick up gradually and boost revenue once the Indian market opens up to Composite Cylinders. LPG consumption has grown at a robust 10.8% CAGR over the last 15 years (FY02-17) and it remains the preferred cooking fuel in ~235mn households.

Exhibit 23: Steady growth in LPG consumption in India



Source: PPAC, Emkay Research

Exhibit 24: LPG vs Kerosene consumption trend



Source: PPAC, Emkay Research

Exhibit 25: Reasons for slow growth of Composite Cylinders

What is restricting rapid growth of Composite Cylinders?
Lack of user's understanding of the advantages of composite cylinders,
Higher prices given lower economies of scale as products demand is quite low relative to opportunity size
Consequently there is resistance to change by LPG steel cylinder distributors which have strong demand
Moreover, being a relatively new product in many countries there is absence of legislation/approval processes for composite cylinders and trial runs to prove their efficacy take substantial time
During initial development stages, leakage issues were reported in composite cylinders which had created a concern within the LPG industry. Even though this issue has long been sorted, traditional sectors still believe that they need to prove their value before becoming a mass market product.

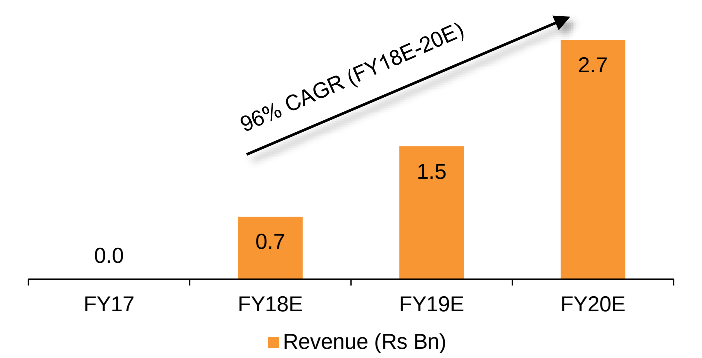
Source: Company, Emkay Research

However, we believe that the Composite Cylinders industry would vastly transform in the coming years, driven by the combination of knowledge & experience combined with the strong intent to turn it around in accordance with the established security & safety standards and consumer expectations.

MOX Films – Another high potential product

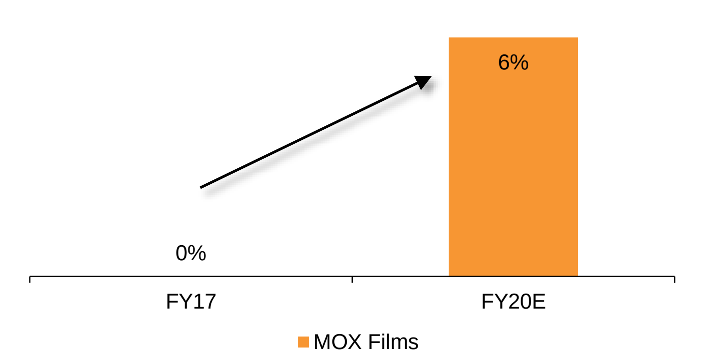
The latest introduction from TIME is MOX Films, a high potential product that endeavors to redefine the plastic flexible segment. The fast evolving MOX Films market provides noteworthy growth opportunity and has limited competition due to its technology intensive nature (dominated by Supreme Industries Ltd – capacity 27,000mtpa). Revenue generated from this business in H1FY18 was Rs279mn (product was commercially launched in Q1FY18). We expect MOX Films revenue at Rs705mn in FY18, which is likely to grow to Rs2.7bn by FY20.

Exhibit 26: MOX Films to grow to Rs2.7bn by FY20E



Source: Company, Emkay Research

Exhibit 27: Increasing share in company's revenues



Source: Company, Emkay Research

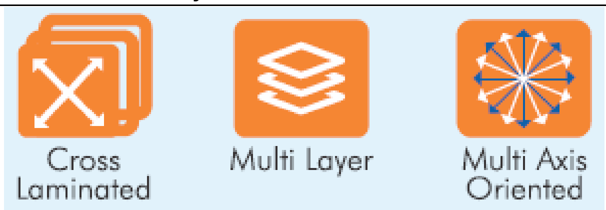
Advanced manufacturing technology delivering a superior product

Branded as Techpaulin, this product is a Multi-layer, multi-axis Oriented X cross laminated film (MOX), which has sturdy puncture resistant & barrier properties. Further, TIME's cutting-edge manufacturing technology has delivered a superior product that does not peel off, shred, crack or cause leak easily. It is extremely light weight but strong, and its high UV property delivers better crack and weather resistance. It is odorless, non-toxic, recyclable and food grade. The product comes in diverse sizes, colours and ranges between 35-320 GSM thickness.

Exhibit 28: Latest product introduction from TIME – MOX Films

Source: Company, Emkay Research

Exhibit 29: MOX-Multi layer multi axis Oriented X cross laminated film



It comprises of biaxial oriented layers of plastic film bonded to one another in the machine operating direction, transverse and angular axis all together in 16 directions bonded by a cold roll technique.

Source: Company, Emkay Research

Exhibit 30: Conventional Tarpaulin Vs Techpaulin – A Comparison

Conventional Tarpaulin	Techpaulin
Made of woven polyethylene fabric laminated with poly film	Multilayer multl axis Oriented X cross laminated film
Due to traditional manufacturing process, product gets delaminated, disoriented very fast with loose shreds and ends	Superior technology enables film to have excellent lamination and weathering resistance. Its 5 times more durable.
Poor barrier property; poor sunlight, water and weathering resistance	Does not shred or crack easily on exposure to sunlight, water etc.
Inherent product structure of conventional Tarpaulin including PVC Tarpaulin are heavy, not moisture resistant and difficult to handle	Techpaulin has exceptional strength, is light weight and easy to handle
Stitching is done for side reinforcement, but has poor life as stitch wears off. Eyelets provided on reinforced sides weakens tarpaulin as it tears off easily	Side reinforcement are done by ultrasonic welding technology, excellent weld property. Rigid eyelets are provided on side edges, does not weaken
Develops bad odor with moisture contact. Toxic and non-food grade	Odorless and non-toxic
Post service waste generated is not eco-friendly	Post service life, product is recyclable, eco-friendly

Source: Company, Emkay Research

Wide applications and cost effectiveness are key attributes

Optimizing operational costs is increasingly becoming an important issue for the farmers, and more durable films can lengthen the time between costly replacements

MOX Films find usage in a wide variety of applications like in greenhouse farming, agriculture covers, transportation & industrial covers, terrace, civil engineering work, pond lining and numerous other areas. The Agriculture industry is constantly striving to produce diverse and high quality crops by using natural pesticides and fumigants in view of growing health, safety and environmental concerns. These films are designed to withstand prolonged UV exposure, variable weather conditions and tough agro-chemical environment. It can handle temperatures varying up to 18 degrees, aiding in better plant growth. It helps in spreading sunlight evenly besides providing protection from insects & pests. Optimizing operational costs is also increasingly becoming an important issue for the farmers, and more durable films can lengthen the time between costly replacements.

Exhibit 31: Wide product applications present a big opportunity

MOX Film Applications	
Drying of agricultural products	Industrial & Transportation Covers
Silage and Grain Covers	Greenhouse Covers
Fumigation Barriers	Lumber Cover / Timber Pack
Poultry Curtains	Two Wheeler Covers
Vermibeds	Market Shelters
Pond Liners & Pond Covers	Temporary Tents
Civil Engineering/ Construction	Boat Covers

Source: Company, Emkay Research

Exhibit 32: Application of MOX Films for agriculture covers

Source: Company, Emkay Research

Exhibit 33: Application of MOX Films as transportation cover

Source: Company, Emkay Research

Exhibit 34: Application of MOX Films for pond lining

Source: Company, Emkay Research

Exhibit 35: Application of MOX Films for greenhouse cover

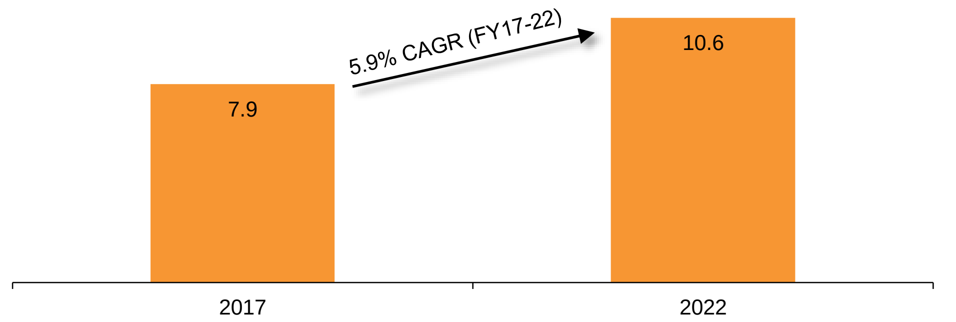
Source: Company, Emkay Research

The key driver of the market is the increasing need for optimum agriculture productivity in the wake of growing global population

Asia Pacific to drive market for agriculture films

The global agricultural films market was estimated at ~US$7.9bn in 2017 and is projected to grow at a CAGR of 5.9% to reach US$10.6bn by 2022, as per industry research. The key driver of the market is the increasing need for optimum agriculture productivity in the wake of growing global population. Focus on increasing yields and crop quality will boost the demand for agricultural films. Asia Pacific is likely to see robust growth in these films, driven by growing population, increasing demand for controlled agriculture practices, rising demand for food in countries such as China and India. TIME would leverage its wide distribution network across Asia Pacific to market the product overseas also.

Exhibit 36: Global Agricultural Films Market – US$10bn opportunity



Source: Industry Research, Emkay Research

Capacity addition to capitalize on the large opportunity

TIME commenced capacity of 6,000mtpa in Q1FY18. Revenue generated from this business in H1FY18 was Rs279mn. Capacity utilization in MOX Films was ramped up to 70% by the end of H1FY18 (in first 6 months of commencing production). This segment is poised to register strong growth given the robust demand and wide applications. The company's current capacity will get exhausted by catering to heavy demand from South India and capacity addition of further ~6,000mtpa by end-FY18 is in the pipeline (doubling capacity). TIME is also applying for Food Corporation of India (FCI) supplies. Supreme Industries Ltd and TIME are the only manufacturers of this product in India.

Distribution network also being expanded

TIME is fast expanding its distribution network for this business, with over 150 dealers appointed across the country. In addition, fabrication facilities have been built at 5 locations (Silvassa, Hosur, Hyderabad, Baddi and Pantnagar) for timely delivery.

Higher-than-average margins and asset turns to aid RoCE improvement

EBITDA margins are in excess of 20%, higher than the company's current margin of 15%. As this market operates on payment against supply or advance payment, it will help TIME to improve its working capital cycle in the long run and drive RoCE higher.

TIME's dominance in Industrial Packaging to stay intact

TIME is a dominant player in the Industrial Packaging (Polymer) space in Asia. Its IP business is likely to grow at 13.8% CAGR over FY17-20E to Rs30bn

TIME's Industrial Packaging (IP) portfolio comprises several rigid products, viz. Drums, Jerry Cans, Pails and Intermediate Bulk Containers (IBC). These products find applications in Chemicals, Dye & Dye Intermediates, Pharmaceuticals, Petrochemicals and Lubricants, among others. IP segment contributes ~74% to TIME's total topline (including ~11% from value added product IBC). The company enjoys a dominant market position for rigid IP products (polymers) in 9 countries in Asia and Middle East & North Africa (MENA) regions. We believe that the IP segment will grow at 13.8% CAGR over FY17-20E from Rs20.3bn to Rs30bn. Polymer Drums business would grow at 9.5% CAGR from Rs17.4bn in FY17 to Rs22.8bn in FY20E while value added IBC business is likely to grow at 14.5% CAGR from Rs3bn to Rs4.5bn during the same period. TIME enjoys a strategic vendor status with prominent global chemical companies, which is likely to aid the company in its quest for growth.

Chemicals and Pharmaceuticals are significant end-use markets

Industrial packaging industry to be driven by growth in end user industries, especially Chemicals and Pharmaceuticals

The Chemicals sector uses more than 75% of Steel Drums and rigid IBCs and more than 50% of all Plastic Drums. As per industry research, the global market for IP products is likely to grow at a CAGR of 5.4% from US$55bn in 2016 to US$93bn by 2026, primarily driven by growth in end-user industries, especially Chemicals and Pharmaceuticals. Growth in Chemicals industry would in turn be driven by the increasing use in manufacturing and other industrial applications whereas rising healthcare needs coupled with continuing innovations in drug development should drive growth in the Pharmaceuticals sector.

Rigid IP industry gravitating towards polymer drums

Asia-Pacific is likely to play a key role in the market for Industrial Packaging

The penetration of Polymer Drums in India is at ~55% whereas in Asia it is just ~16%, indicating significant headroom for growth in the latter geography. The highest growth in demand for rigid IP products is coming from Asia, with its total share in the world market growing to 34%. Low labor costs, large scale industrialization, good scope for FDI, emerging economic conditions, stable government scenarios and structural growth in sectors such as Auto, Chemicals and Construction will play a crucial role in the growth of IP market in the Asia-Pacific region.

Highly concentrated market, both globally and in India

The IP products (Polymers) market is highly concentrated globally as well as in India. Mauser (Germany), Schutz (Germany) and Greif (USA) are the leading IP products manufacturers, and command significant global market share (>75%). In India, TIME (along with its subsidiary TPL Plastech) dominate the Indian IP products (Polymers) market.

Aims to replicate successful Indian growth model in Asia Pacific

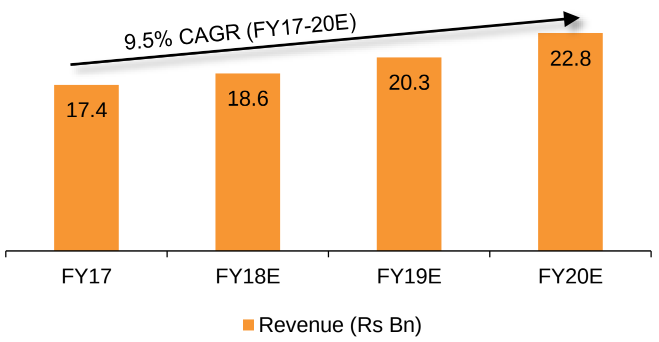
TIME's growth strategy is to replicate the successful Indian growth model in Asian and African countries, by leveraging long-standing global client relationships

Over the years, TIME has played a leading role in improving polymer penetration in India's IP products market and its long-term strategy is to replicate the successful Indian growth model, as it strives to penetrate deeper into the Asian and African geographies (which are sizable opportunities with large untapped potential and low penetration of polymer based rigid IP products). The company is leveraging its long-standing relationships with large clients to expand in these geographies.

Exhibit 37: Industrial Packaging Products – Drums and Jerry Cans

Source: Company, Emkay Research

Exhibit 38: Industrial Packaging (ex IBC) to grow at 9.5% (FY17-20E)



Source: Company, Emkay Research

Exhibit 39: Industrial Packaging Business Environment

Products	Asia (Mn Units)			Global (Mn Units)		
	India	Asia (ex-India)	Total	Asia	World (ex-Asia)	Total
Steel Drums	10	121	131	131	117	248
Polymer Drums	12	13	25	25	23	48
Total	**22**	**134**	**156**	**156**	**140**	**296**
IBC's	0.2	1.6	1.8	1.8	10.2	12

Source: Company, Emkay Research

Exhibit 40: Global IP (Polymer) Ranking

Company	Polymer Drums	IBC
Mauser	2	2
Schutz	3	1
Greif	4	4
Time	**1**	**3**

Source: Company, Emkay Research

Steady performance in Intermediate Bulk Containers to continue

IBC is likely to witness high growth in Asia, driven by increasing exports of bulk chemicals and oils to North America and Europe

TIME is the second largest IBC manufacturer in Asia and MENA regions and the third largest worldwide. IBC is likely to witness high growth in Asia, driven by increasing exports of bulk chemicals and oils to North America and Europe. We expect IBC business to grow at a CAGR of 14.5% from Rs3bn in FY17 to Rs4.5bn by FY20E and its contribution to TIME's revenue will remain steady at ~11%.

IBC, also known as pallet tank, is an industrial grade reusable container, which is used for storing and transporting bulk liquids, hazardous materials and granulated substances. IBCs also find applications in areas such as general bulk storage, collection of rainwater (for drinking or harvesting) and aquaponics. IBC is cubical in shape and thus it is capable of stacking. It can be moved by a pallet jack or forklift. Moreover, most of the rigid IBCs have a built-in faucet/tap at the base, which is used to transfer liquid content into smaller containers by attaching hoses/pipes. Three broad types of IBCs in use today are: (1) Rigid (2) Folding and (3) Flexible. Key factors driving the demand for rigid IBCs are cost-effectiveness and better operational performance.

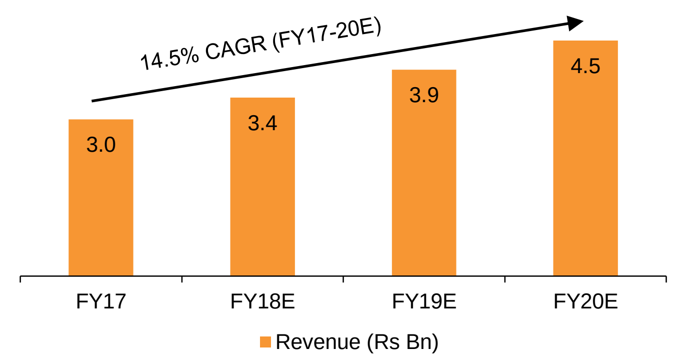
TIME's total installed IBC capacity has risen to 0.96mn units following the expansion in Vietnam, Sharjah and Malaysia (completed in FY18)

TIME's total installed IBC capacity has risen to 0.96mn units following the expansion in Vietnam, Sharjah and Malaysia (completed in FY18). With this, TIME has IBC manufacturing capacities in all 9 countries where it has operations. China is also not a competitive threat, given the fact that the IBC products are voluminous in nature and transportation of the same beyond a radius of 300 kms makes it economically unviable.

Exhibit 41: Intermediate Bulk Containers (IBC)

Source: Company, Emkay Research

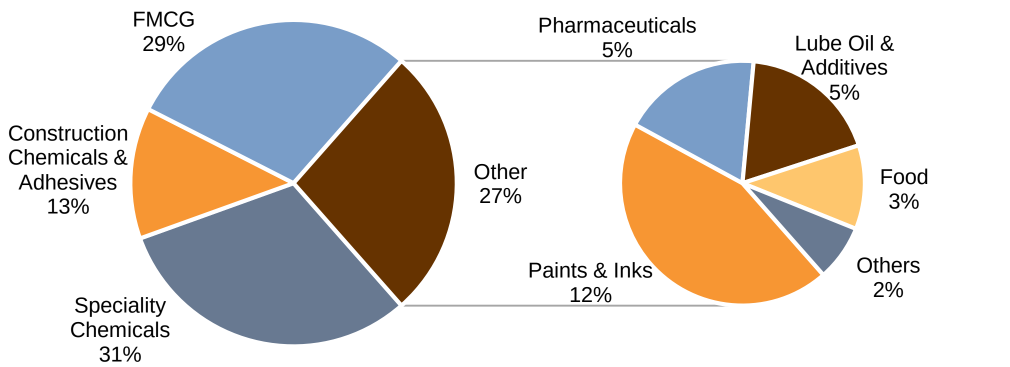
Exhibit 42: IBC revenue to grow at 14.5% CAGR over FY17-20E



Source: Company, Emkay Research

Chemical industry a key growth driver for TIME

Exhibit 43: User industry contribution in TIME's IP revenue



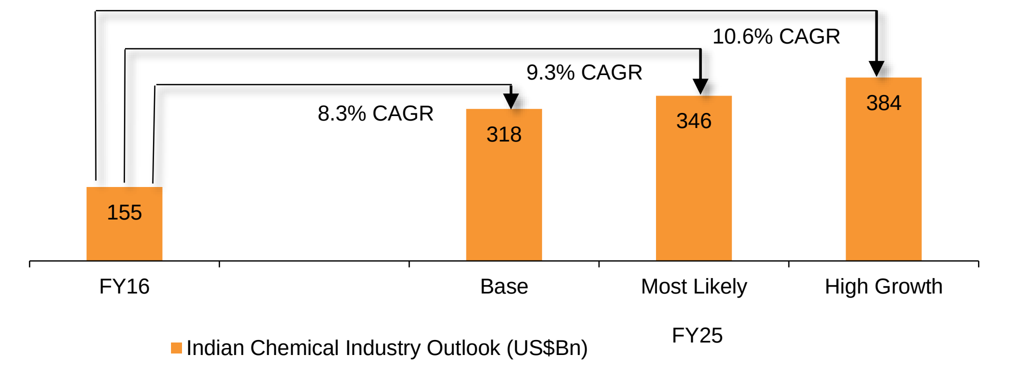
Source: Company, Emkay Research

The Chemicals industry is well diversified, spanning more than 80,000 commercial products. It provides key building blocks to several downstream industries, viz. Automobiles, Paints, Soaps & Detergents, Textiles, Papers, Pharmaceuticals, among others. It is a capital intensive industry employing ~2mn people in India.

Indian Chemicals industry is estimated to be ~US$155bn in 2016 (3.4% of global Chemicals industry) and is likely to grow at 9.3% CAGR to reach US$346bn by FY25

The global Chemicals industry was valued at US$4.5Tn in 2016 and is expected to grow at 5.5% per annum till 2020, driven by demand from end-user industries. Indian Chemicals industry is estimated to be ~US$155bn in 2016 (contributes 3.4% to the global Chemicals industry) and is likely to grow at 9.3% CAGR to reach US$346bn by FY25. At the same time, the Indian Speciality Chemicals industry was valued at US$31bn in FY16 and is expected to grow at 12% CAGR to US$86bn by FY25. India's Chemicals trade balance is negative, with imports being significantly higher than the exports.

Exhibit 44: Future Outlook for Indian Chemicals Industry



Source: FICCI, Tata Strategic Analysis, Emkay Research

Key Catalysts of Indian Chemicals Industry

- Demand for Chemical products is expected to be driven by robust growth in end-user industries, primarily consumption-centric ones and the strong outlook for chemical demand should result in capacity additions and hence import substitution.

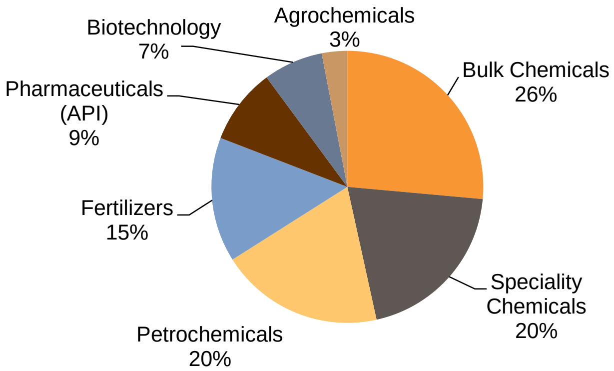
Government initiatives like 'Make in India' and GST will improve Indian Chemical Industry's competitiveness

- Government initiatives like 'Make in India' and GST will improve chemical industry's competitiveness. The 'Make in India' initiative is expected to propel growth in the Chemicals industry by enabling duty rationalization for feedstock, better infrastructure and enhanced R&D efforts (due to tax incentives), besides skill development initiatives and relaxed regulations for setting up 'Reverse SEZs'. Further, GST should lower the logistics costs by 10-15% and create a countrywide unified market.

India has a strong potential to emerge as a globally competitive player in the Speciality Chemicals space

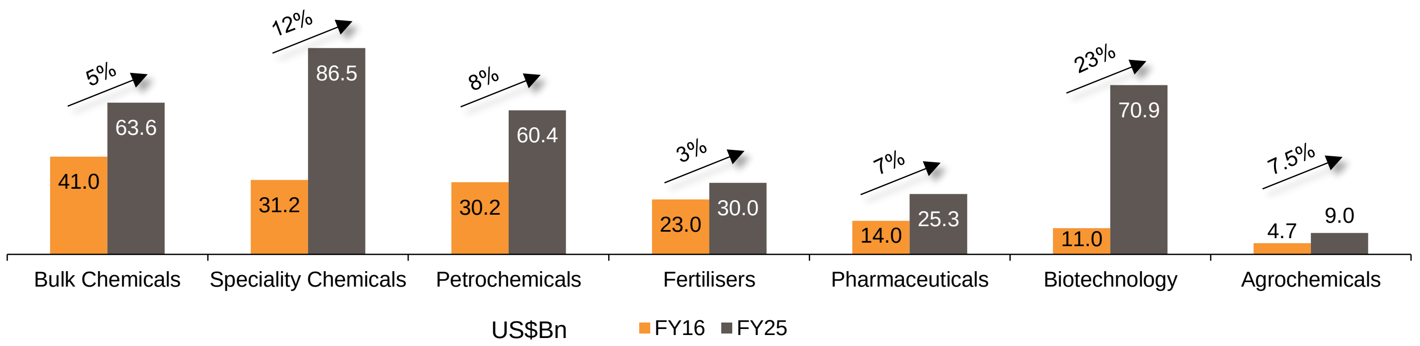
- The industry is increasingly shifting eastwards, in line with the shift of its key consumer industries (e.g. Automotive, Electronics etc.) to leverage superior manufacturing competitiveness of emerging Asian economies and to serve the growing local demand there. As a result of this shift, China has emerged as the largest contributor to the global chemicals industry with a 34% share followed by the European Union (17%) and North America (16%). India has a strong potential to emerge as a globally competitive player in the Speciality Chemicals space.

Exhibit 45: Indian Chemicals Industry Segments (FY16)



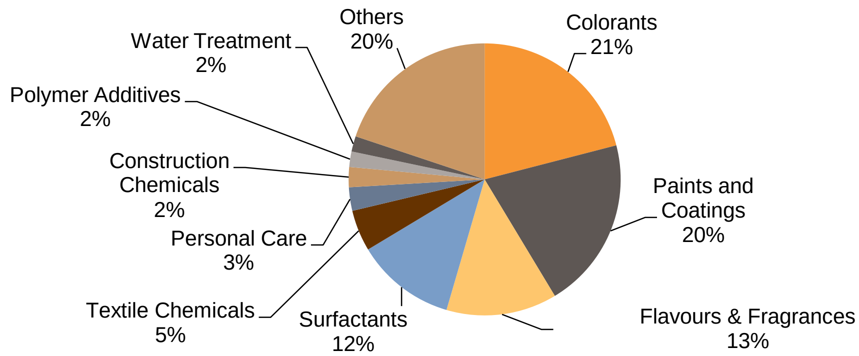
*Includes basic organic, inorganic and other chemical intermediaries
Source: FICCI, Tata Strategic Analysis, Emkay Research

Exhibit 46: Outlook of Key Segments of the Indian Chemicals Industry



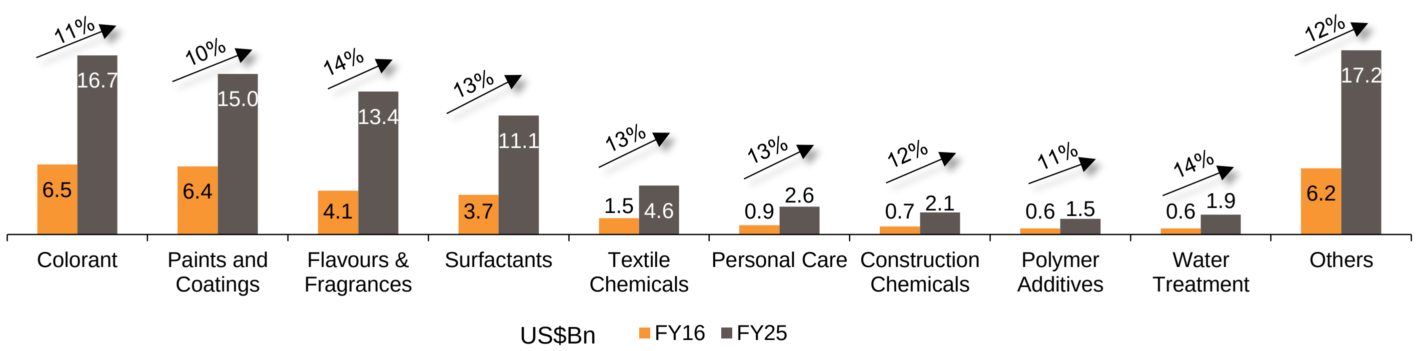
Source: FICCI, Tata Strategic Analysis, Emkay Research

Exhibit 47: Breakdown of Speciality Chemicals Segments by Value (% Share)



Source: FICCI, Tata Strategic Analysis, Emkay Research

Exhibit 48: Outlook of Key Segments of Indian Speciality Chemicals Industry



Source: FICCI, Tata Strategic Analysis, Emkay Research

Capitalizing on Pipes industry's bright prospects; augmenting capacity

TIME is augmenting capacity to meet demand growth. New product category (DWC pipes) added and well received

TIME is among the largest players in PE Pipes segment in India. At the end of FY17, TIME had an installed capacity of 28,000mtpa, which is being augmented to ~52,000mtpa by the end of FY18, supported by the growing demand for potable water supply, sewerage, agriculture and chemicals. Of this, DWC pipes capacity of 9,000mtpa was commenced in Q2FY18. The Pipes segment has grown at 25% CAGR over FY15-17 and contributes 8.5% to the company's total revenue. We believe this business should grow at 27% CAGR over FY17-20E to ~Rs4.8bn (11.6% of total revenue) on the back of robust demand. EBITDA margin at ~12% is lower than the overall company average of ~15%, but higher asset turns (>4x) results in superior RoCE of this business.

HDPE Pipes have wide application & score over conventional pipes, PVC

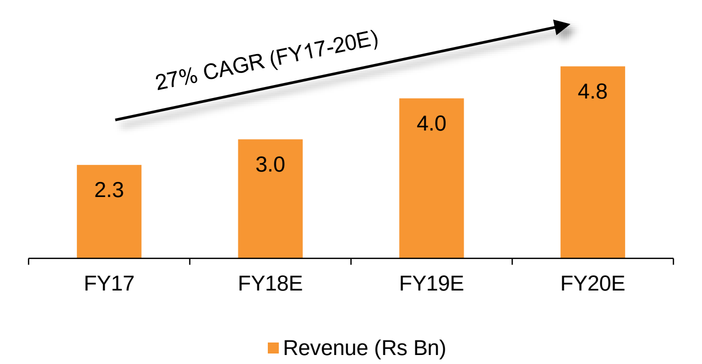
HDPE pipes score over conventional pipes and PVC and are fast replacing them in irrigation and water supply

HDPE Pipes have wide applications in water supply, irrigation, sewage & effluent treatment, desalination plants etc. HDPE Pipes are fast replacing conventional pipes (Ductile Iron, Mild Steel and Cast Iron pipes) in Irrigation and Water Supply due to their superior performance in terms of corrosion-resistance, leakage and handling pressure. They are 100% leak proof and are capable of handling semi-solid & gaseous effluents, and have unmatched resistance to corrosive chemicals. HDPE material is sturdier, more abrasive-friendly and has higher resistance to wear & tear and heat compared to PVC in addition to being lighter and easy to handle & install. Much lower surge pressure in HDPE results in a longer lifespan for pumping and valves.

New product category introduced; Healthy order book

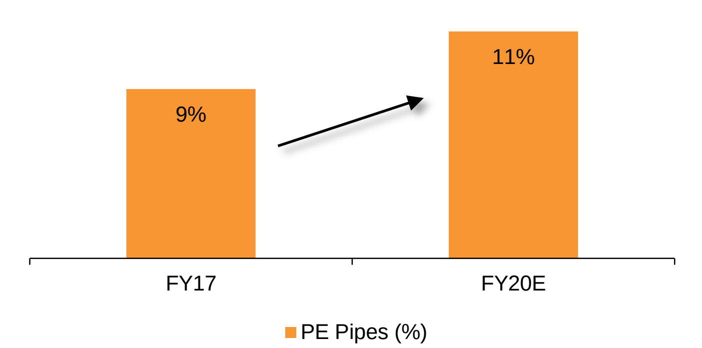
Further, TIME has added a new product category in the Pipes segment called Double Wall Corrugated Pipes (100 to 1200mm diameter). These are superior and cost-effective solutions for drainage and sewerage systems over traditional DI and RMC pipes. TIME has set up DWC pipes capacity of 9,000mtpa (total) at Silvassa, Pantnagar and Hyderabad. TIME's order book for PE pipes stands at 12,500MT (~Rs1.5bn) and for DWC pipes at 800MT (~Rs92mn), which is to be executed by the end of FY18.

Exhibit 49: PE Pipes poised for strong growth ahead



Source: Company, Emkay Research

Exhibit 50: Improving share in company's revenue



Source: Company, Emkay Research

Exhibit 51: PE Pipes - Regular

Source: Company, Emkay Research

Exhibit 52: PE Pipes – Double Wall Corrugated (DWC)

Source: Company, Emkay Research

Agriculture and Basic Infrastructure growth to drive Pipes demand in India

Plentiful opportunities exist for the Indian pipes industry on the back of housing shortage coupled with lack of proper water management system (sewarage/drainage)

Demand for pipes in Irrigation and Construction sectors has driven the rapid growth of the Indian Pipes industry in the past decade. Plastics plays a major role in water management and scores over alternate competitive materials. The Indian Plastics Pipes market is forecasted to grow at 10.4% CAGR up to 2021. The major growth drivers for this market are increase in government infrastructure spending, residential & commercial construction, irrigation and replacement of ageing pipelines, with water and sewerage infrastructure development being the key engines of growth acceleration. Growing urbanisation has led to land scarcity, housing shortfall, transit congestion and stress on basic amenities such as water, power and open spaces in towns & cities. Plentiful opportunities exist for the Indian pipes industry on the back of housing shortage coupled with lack of proper water management system (sewarage/drainage). This is being complimented by the government's thrust on transforming the country's basic infrastructure through schemes such as Housing for All by 2022, Swachh Bharat Mission and the Atal Mission for Rejuvenation & Urban Transformation (AMRUT).

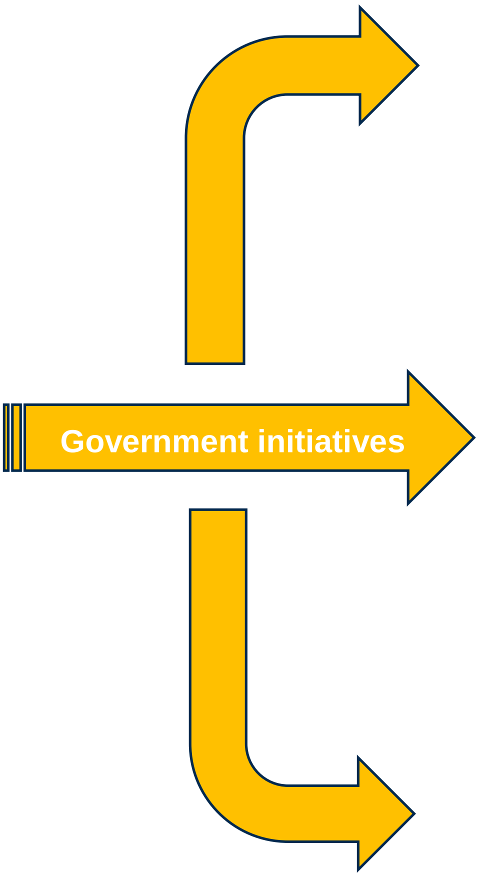


Exhibit 53: Abundant opportunities exist for pipes industry resulting from housing shortage

Housing for All by 2022
Growing urbanisation led to land scarcity, housing shortfall and transit congestion and stress on basic amenities such as water, power and open spaces in towns and cities.
Housing for All by 2022 scheme involves the following:
1) Slum rehabilitation of Slum Dwellers with participation of private developers using land as a resource
2) Promotion of affordable housing for weaker section through credit linked subsidy
3) Affordable housing in partnership with Public & Private sectors and
4) Subsidy for beneficiary-led individual house construction or enhancement.
Target: Through Pradhan Mantri Awas Yojana (PMAY), GoI plans to provide homes to ~18mn households in urban India and ~30mn households in rural India

Source: Government of India, Emkay Research

Exhibit 54: Lack of sanitation and drinking water facilities presents a big opportunity for plastic pipes industry

Swachh Bharat Mission
The purpose of SBM is to:
1) Bring about an improvement in the general quality of life, by promoting cleanliness, hygiene and eliminating open defecation.
2) Generate awareness about sanitation and its linkage with public health and effect behavioral change regarding healthy sanitation practices.
3) Encourage cost effective and appropriate technologies for ecologically safe and sustainable sanitation.
4) Develop Community managed sanitation systems wherever required, focusing on scientific Solid & Liquid Waste Management systems for overall cleanliness.
Target: Open-Defecation Free (ODF) India by 2019, by constructing 12 million toilets in rural India | Projected Cost: Rs1.96tn

Source: Government of India, Emkay Research

Exhibit 55: Flagship programme to improve infrastructure; key future growth driver of plastic pipes

AMRUT - Atal Mission for Rejuvenation & Urban Transformation
The purpose of AMRUT is to:
1) Ensure each household has access to a tap with assured water supply and a sewerage connection.
2) Increase amenity value of cities by developing and maintaining greenery and open spaces (e.g. parks).
3) Reduce pollution by switching to public transport or constructing facilities for non-motorized transport (e.g. walking and cycling).
Target: Upgrading urban infrastructure across 500 towns and cities | Total Outlay: Rs480bn

Source: Amrut.gov.in, Emkay Research

Pass-through of input cost variations

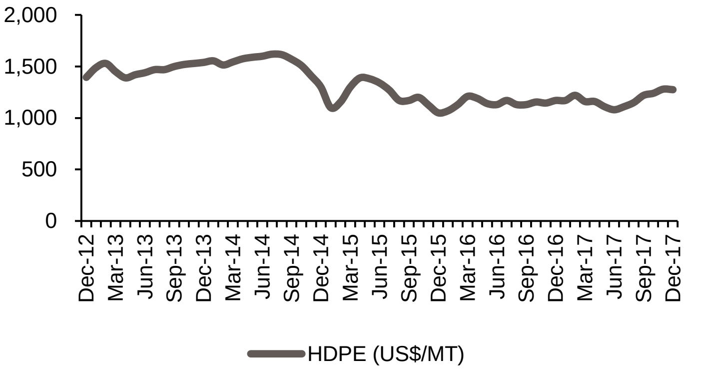
Input cost variations are largely passed on to customers, albeit with a lag

- TIME's key raw materials comprise crude derivatives, viz Polyethylene (HDPE and LDPE) and Polypropylene. The input cost mix is HDPE (~75%), LDPE (~13%), PP (~10%), & others (~2%). Being majorly in the B2B segment, most of TIME's large customers have contractual agreements, while smaller ones buy at market prices. Lower RM prices lead to lower selling prices and consequently higher volume and margins.
- Currently, ~40% of TIME's IP products business is under contractual agreements whereby pricing resets occur every quarter, while pass-through of input cost variations for the balance ~60% happens without any delay. In a scenario of rising RM inflation, TIME typically witnesses margin pressure, as it will not be able to reset prices immediately. Meanwhile, in other verticals, the RM contracts vary.

Improving demand prospects of polymer-based products given their cost-competitiveness vs metal counterparts

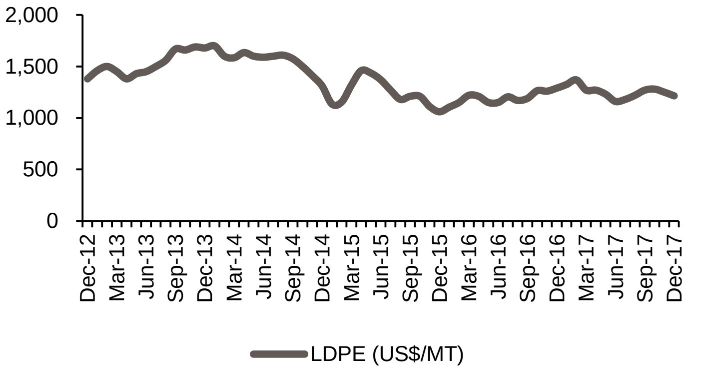
- While TIME has the ability to raise prices for non-contractual business, its implementation takes time. While RM pass-through lags do negatively impact margins in an inflationary environment, TIME can benefit when RM prices subside, as contractual resets for lower prices also lag by a quarter. However, volatility in RM prices is likely to create hindrances in the growth of its key business verticals.
- Demand for polymer-based IP products also depends to a great extent on the input prices of their metal counterparts. In the current scenario, the demand prospects for polymer-based products are improving, with their rising cost competitiveness vis-à-vis metal products due to the sharp uptick in steel prices.

Exhibit 56: High Density Polyethylene (HDPE)



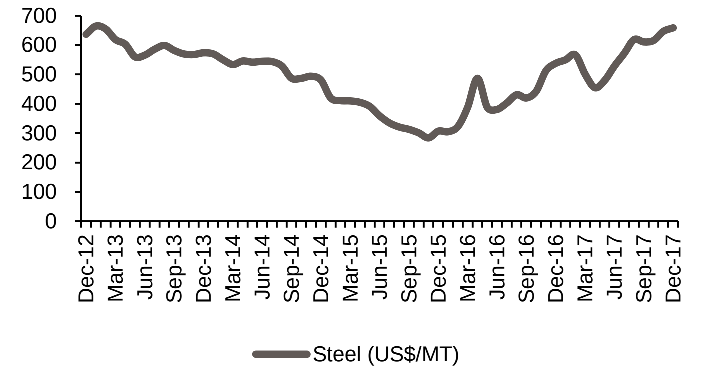
Source: Bloomberg, Emkay Research

Exhibit 57: Low Density Polyethylene (LDPE)



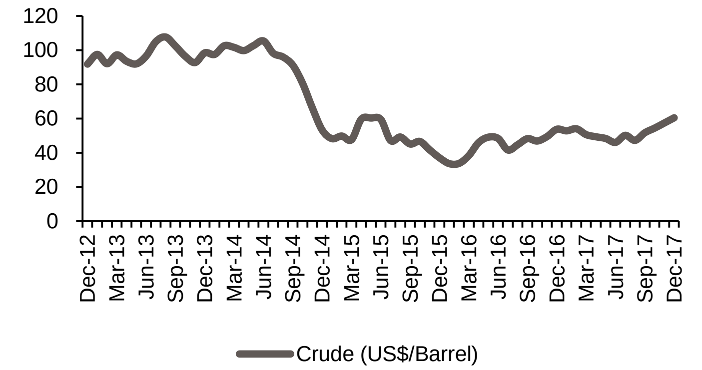
Source: Bloomberg, Emkay Research

Exhibit 58: Steel



Source: Bloomberg, Emkay Research

Exhibit 59: Crude Oil



Source: Bloomberg, Emkay Research

SWOT Analysis

STRENGTHS

- **Unconventional business model** – TIME has a track record of developing high potential products which usually bring in first mover advantage and help scale up the business fast. An integral element of TIME's business is developing and manufacturing critical products with zero defects and its ability to do this at a large scale gives it a solid competitive advantage.
- **Diverse product range:** The diverse range of product offerings make TIME a 'One Stop Shop' in rigid packaging solutions.
- **Proximity to customers:** TIME has 29 manufacturing locations in 9 countries, in proximity to clients, facilitating freight cost savings, just-in-time supply and reliable customer service.
- **SBU model drives efficiency in diverse manufacturing:** TIME operates across 5 verticals, which have individual accountability, hence efficiency runs through the system.

WEAKNESSES

- **Dependency on industrial packaging:** Industrial Packaging division contributes ~74% of TIME's topline and development of new substitute products or reduction in prices of existing alternatives impact revenues and profits.
- **Low capacity utilization of overseas facilities:** The capacity utilization of overseas business is low. Some overseas operations had been struggling for a while and been a drag on company's profitability, though all units have now turned profitable.
- **Performance of Battery Business:** Slowdown in telecom battery business is impacting TIME's overall performance.
- **Capital intensive business -** The business is capital-intensive and requires continuous reinvestment in gross block.

SWOT Analysis

OPPORTUNITIES

- **Rising metal prices:** With increasing steel prices, prices of steel drums and containers are on the uptrend. Consequently, the price sensitive end users are likely to switch to polymer products. The polymer packaging industry faces stiff competition from its metal counterparts, and rising metal prices is a great opportunity for TIME.
- **Subdued polymer prices:** As per industry majors, global ethylene operating rates are expected to fall in 2018 as incremental capacity outpaces incremental demand, which would keep input prices subdued. This would boost cost competitiveness vs metal substitutes.
- **Per capita consumption of plastics in India is low at ~11kg** compared to 109kg in US, 65kg in Europe and 38kg in China. Indian Government envisages doubling it to ~20kg/person by 2022.
- **Bright prospects of user industries:** The end use industries of TIME's products viz chemicals, pharmaceuticals, lpg, automotive, water management, agriculture, infrastructure are all very well poised for the future. This offers great leveraging opportunity for TIME.

THREATS

- **Largely polymer based manufacturing:** TIME's products are largely polymer based. Its cost-competitiveness can be adversely impacted if there is a significant increase in prices of key raw materials viz HDPE, LDPE, PP.
- **Increase in working capital cycl**e: Profitability may come under pressure with any increase in working capital cycle, as TIME expands its scale of operations.
- **Increase in competitive intensity**: TIME's competitive advantage would be reduced if competitors start innovating products or improve distribution reach.

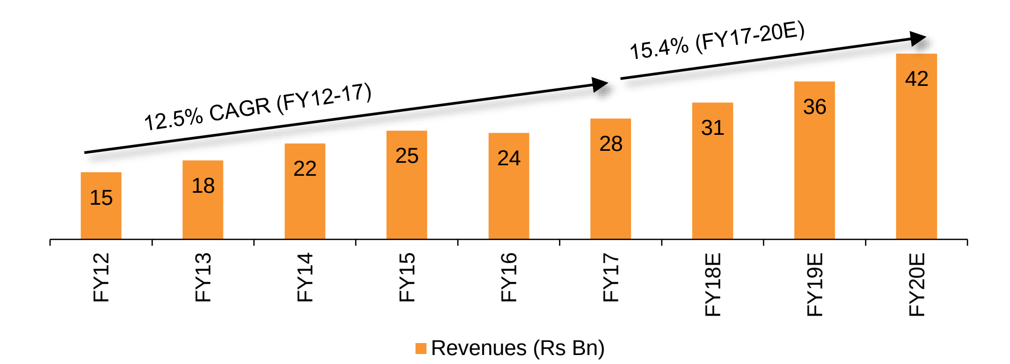
Financial Analysis

Consolidated revenue to grow at 15.4% CAGR over FY17-20E

We believe TIME's consolidated revenue will grow at 15.4% CAGR over FY17-20E, driven by robust growth in Value Added Products

TIME's consolidated revenue grew at ~12.5% CAGR in the last 5 years (FY12-17), led by robust ~16% growth in IP products and ~17% growth in Pipes business. During this period, TIME struggled with its South Korea and North China operations and had to discontinue them in FY16. TIME's Telecom Batteries venture also faced headwinds. However, better performance in other regions/core-segments helped it to drive consolidated sales in FY12-17. We believe that TIME's consolidated revenue will grow at 15.4% CAGR over FY17-20E, driven by robust growth in Value Added Products. We believe that TIME's VAP category would clock revenue CAGR of 39.5% over FY17-20E, with revenue contribution increasing to 24% by FY20E from 13% in FY17. Growth in VAP would be driven by performance of newly introduced products. Established Products category sales are expected to grow at ~10.6% CAGR during FY17-20E, driven by the Pipes segment.

Exhibit 60: Value Added Products to drive revenue CAGR of 15.4% over FY17-20E



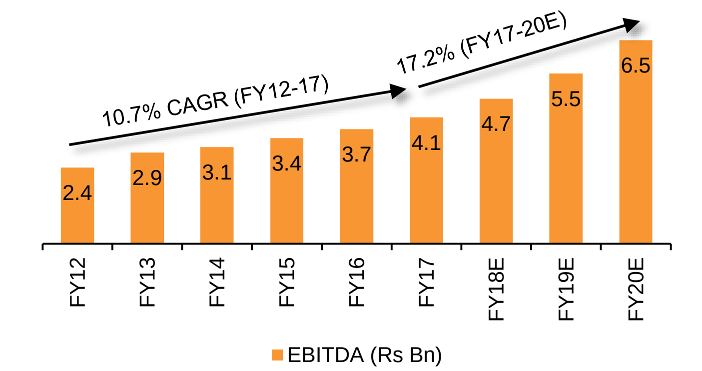
Source: Company, Emkay Research

Rising contribution of VAPs to expand EBITDA margins

RM prices are not expected to have any significant impact on TIME's operating margin. EBITDA margin would largely be driven by the increasing contribution of VAPs from ~13% in FY17 to ~24% in FY20E

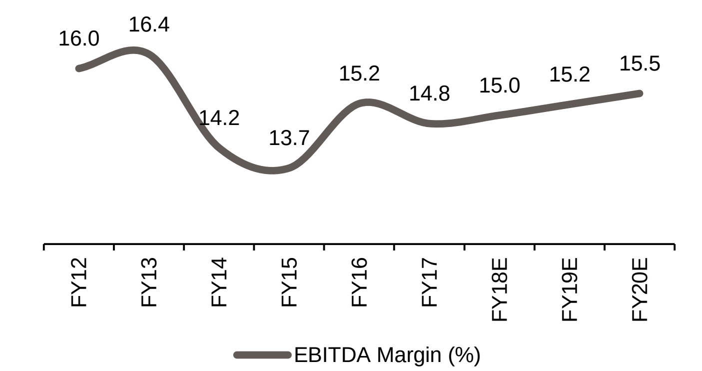
Being majorly in the B2B segment, most of TIME's large customers have contractual agreements, with pricing resets happening every quarter, while smaller ones buy at market prices. Therefore, RM prices are not expected to have any significant impact on TIME's operating margin. Moreover, as per industry majors, global Ethylene operating rates are expected to fall in 2018, as incremental capacity outpaces incremental demand, which would help to keep the input prices in check. In such a scenario, TIME is expected to benefit due to the improving cost competitiveness of its products vis-à-vis metal counterparts, even though product margins remain largely stable. Hence, the consolidated EBITDA margin would largely be driven by the increasing contribution of VAPs from ~13% in FY17 to ~24% in FY20E. The difference between VAP and EP margins would widen from ~330bps in FY17 to ~570bps in FY20E. EP margins are expected to slightly dip (-17bps) over FY17-20E owing to significant growth in low-margin Pipes business. As a result, we believe that the company-level EBITDA margin will increase by 73bps over FY17-20E to 15.5%.

Exhibit 61: EBITDA CAGR of 17.2% likely over FY17-20E



Source: Company, Emkay Research

Exhibit 62: EBITDA margin improvement of 73bps likely by FY20E



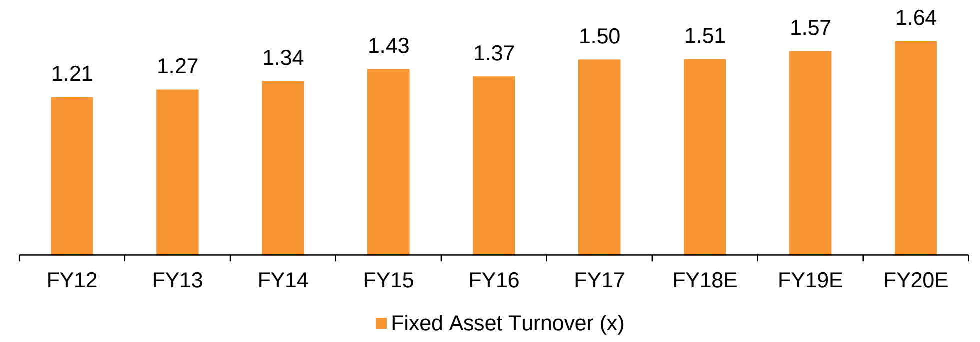
Source: Company, Emkay Research

Asset turnover to increase with improving capacity utilisation

Increase in capacity utilisation of overseas plants and ramp-up of new units would aid improvement in fixed asset turnover

We believe that the Fixed Asset Turnover will improve gradually from 1.5x in FY17 to 1.64x by FY20E on account of the increase in capacity utilisation of overseas plants and ramp-up of new units. Large part of the capex over FY17-18 is towards high asset turn pipe business and VAP, which will help to improve the overall asset turnover over next few years. Significant capacity is being added in Pipes segment in FY18, whereby DWC Pipes capacity of 9,000mtpa has already been commercialised and regular PE Pipes capacity is under augmentation from 28,000mtpa in FY17 to 43,000mtpa. MOX Films capacity of 6,000mtpa came onstream in Q1FY18 while the Composite Cylinders capacity was doubled to 1.4mn units in Q2FY18. IBC's brownfield expansion at overseas locations (Vietnam, Sharjah and Malaysia) was completed in H2FY18.

Exhibit 63: Asset Turnover Ratio to increase with improving capacity utilisation



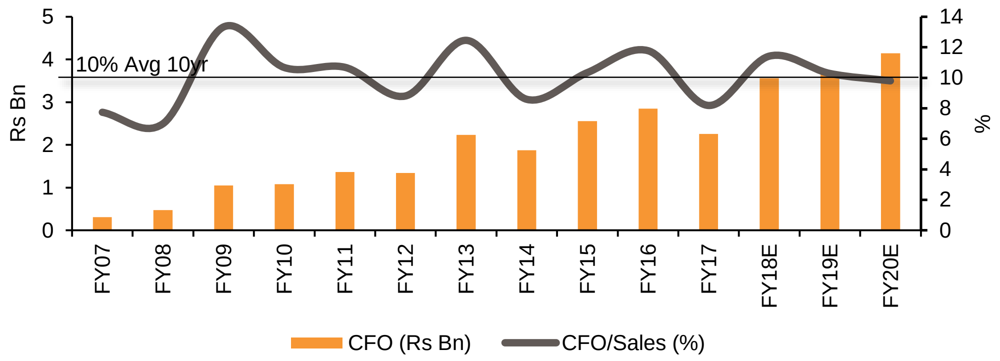
Source: Company, Emkay Research

High cash flow generation augurs well; self-sustained growth being pursued

TIME's cash from operations (CFO) averages 10% of revenues (10 years)

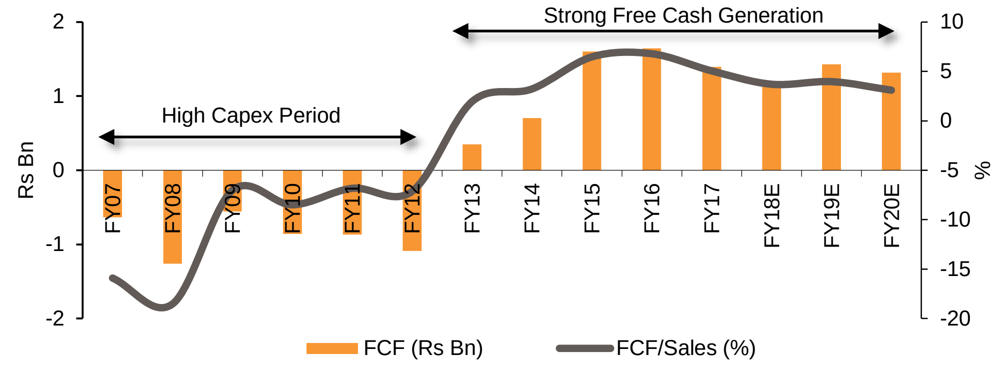
TIME's dominance in the IP products space and rapid growth in Plastic Pipes stem from its robust manufacturing capabilities, extensive distribution reach and consistent new product launches, including VAP. This is corroborated by its high FCF generation of Rs5.3bn over FY14-17 (5.4% of revenues). TIME's cash from operations (CFO) averages 10% of revenues (10years). High CFO of Rs11.4bn over FY18-20E (10.4% of revenues) will lend support for further product/capacity expansion (Rs7.5bn capex in FY18-20E), which will in turn lead to higher revenue growth (16.5% CAGR in FY18-20E). Further, debt will fall from Rs7.2bn in FY17 to Rs6.6bn in FY20E, lowering the company's overall finance cost.

Exhibit 64: Consistently high CFO (10% of revenues – 10 year average)



Source: Company, Emkay Research

Exhibit 65: Strong FCF generation of Rs4bn expected over FY18-20E



Source: Company, Emkay Research

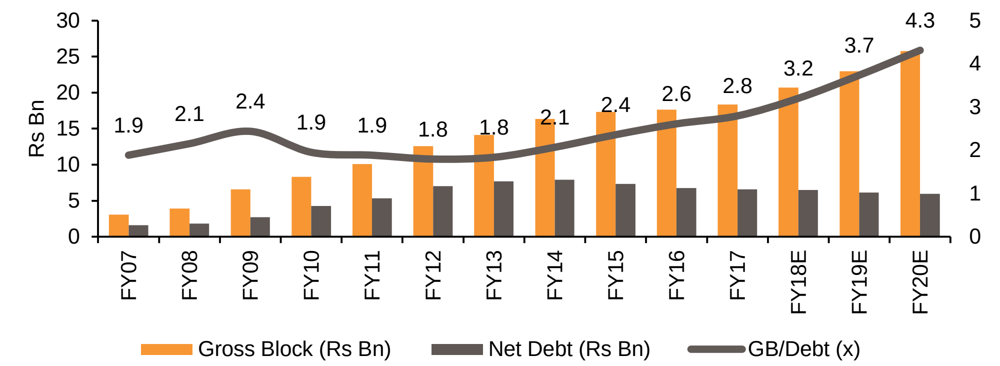
Continuous improvement in debt metrics gives comfort

Net Debt has fallen to Rs6.6bn with Net Debt/Equity having dropped from a high of 0.9x in FY13 to 0.5x in FY17

It is likely to improve further to 0.3x by FY20E as a result of better operational performance and higher cash generation

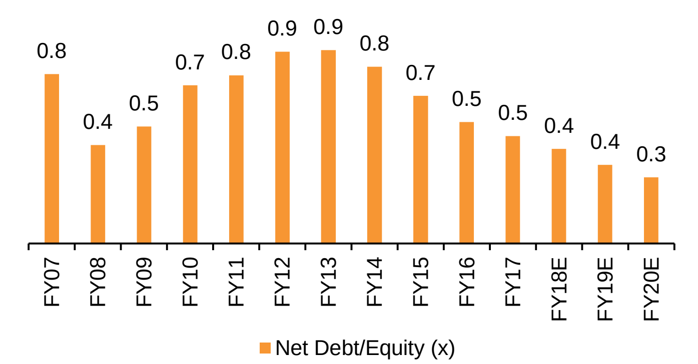
TIME's debt increased significantly (4.2x) from Rs1.8bn in FY08 to Rs7.7bn in FY13, as the company pursued aggressive capex with the Gross Block expanding from Rs3.9bn to Rs14.1bn (3.6x). Ever since then, we have witnessed consolidation in the business, as the management made necessary corrections in strategy with an enhanced focus on strengthening the balance sheet. As a result, the net debt has fallen to Rs6.6bn with Net Debt/Equity having dropped from a high of 0.9x in FY13 to 0.5x in FY17. It is likely to improve further to 0.3x by FY20E as a result of better operational performance and higher cash generation. Meanwhile, on a Net Debt/EBITDA basis, leverage has reduced from 2.9x in FY12 to 1.6x in FY17, and barring any significant acquisitions, we think Net Debt/EBITDA could be at 0.9x by FY20E. This improvement in debt metrics is in spite of the Rs7.5bn capex built in for FY18-20E.

Exhibit 66: Gross Block expansion from internal accruals enhancing TIME's financial profile



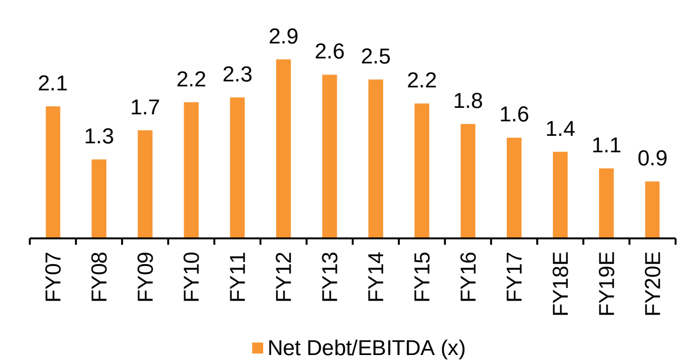
Source: Company, Emkay Research

Exhibit 67: Net Debt/Equity has consistently improved over FY13-17 from 0.9x to 0.5x; likely to advance further to 0.3x by FY20E



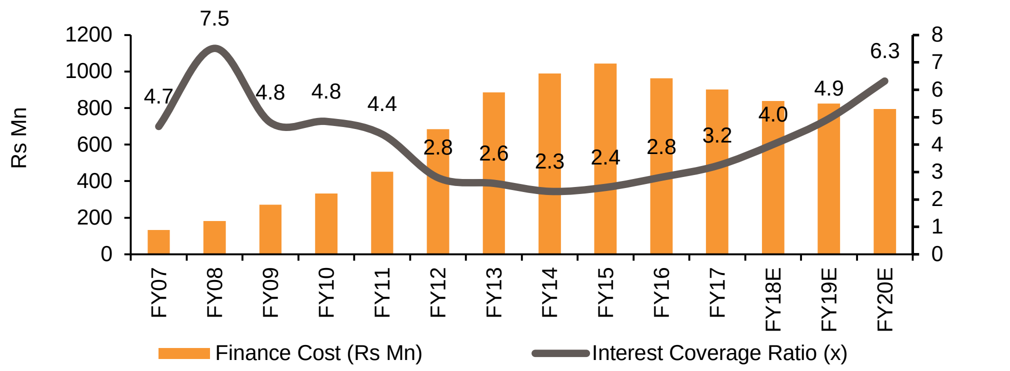
Source: Company, Emkay Research

Exhibit 68: On Net Debt/EBITDA basis, leverage reduced from 2.9x in FY12 to 1.6x in FY17; likely to be at 0.9x by FY20E



Source: Company, Emkay Research

Exhibit 69: Interest coverage has been increasing; to be 6.3x by FY20E - lending great BS comfort

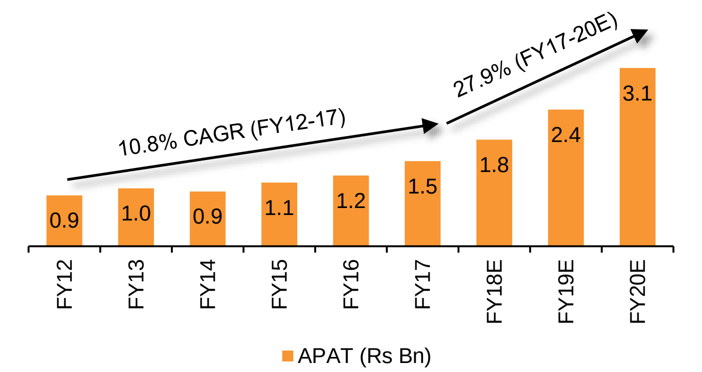


Source: Company, Emkay Research

PAT growth to be propelled by revenue & margin expansion, lower interest outgo

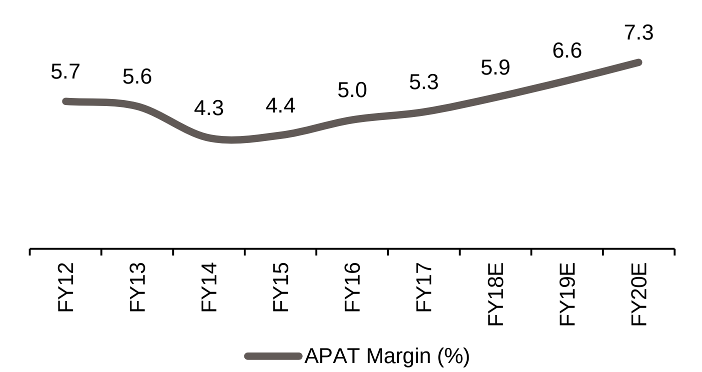
We expect TIME's PAT to grow at 27.9% CAGR over FY17-20E, driven by strong revenue growth, margin expansion (led by the rising share of VAP) and lower interest outgo on account of debt reduction. Finance cost is expected to reduce from Rs901mn in FY17 to Rs794mn in FY20E. Earlier, TIME had recorded slow ~11% PAT CAGR over FY12-17, owing to higher interest outgo and other challenges post a rapid expansion spree.

Exhibit 70: Profitability to increase at 27.9% CAGR over FY17-20E



Source: Company, Emkay Research

Exhibit 71: PAT margins to continue trending higher

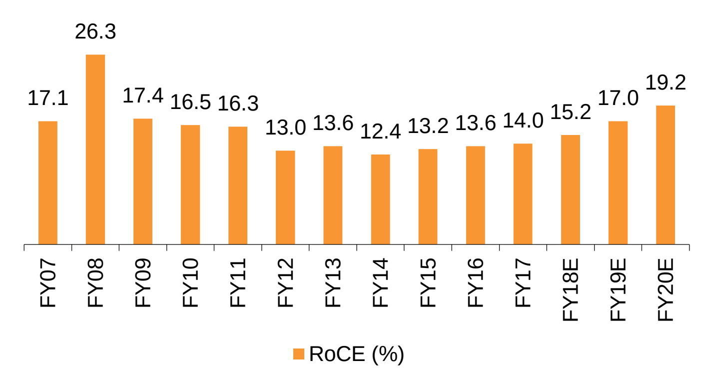


Source: Company, Emkay Research

RoCE and RoE set to expand with VAP focused strategy

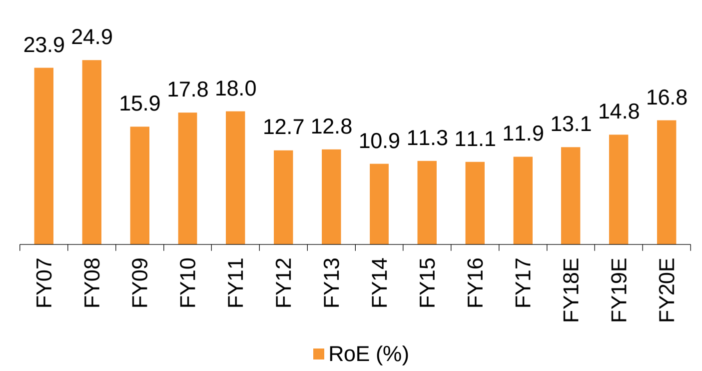
In our opinion, TIME has got its product portfolio right in the current phase of growth through capital deployment in high demand products such as HDPE Pipes, MOX Films and IBCs. The company's VAP focused strategy will lead to improvement in EBIT margin (~130bps during FY17-20E) and debt reduction will result in lower interest costs. As a result, RoCE/RoE are expected to rise to 19.2%/ 16.8% by FY20E from 14%/11% in FY17.

Exhibit 72: RoCE to be 19.2% by FY20E



Source: Company, Emkay Research

Exhibit 73: RoE to rise up to 16.8% by FY20E

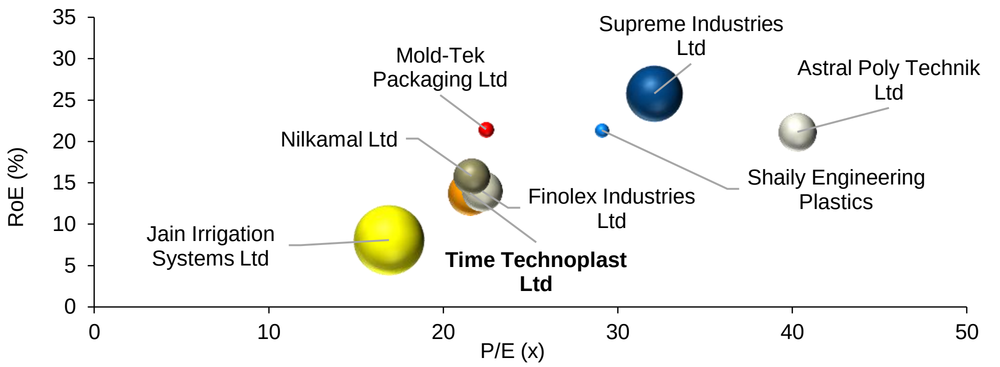


Source: Company, Emkay Research

Valuation and Recommendation

Demand for IP products is likely to grow steadily given the improving cost competitiveness of polymer products, led by low input prices vis-à-vis rising prices of metals. This, along with the bright prospects for TIME's end-user industries (especially Chemicals) and significant potential of the newly developed products like Composite Cylinders and MOX Films augurs well for TIME. The company has a good track record of developing high potential products ahead of competition, which usually gives it a first-mover advantage, thus helping it in scaling up the business fast. TIME's competitive advantages in the IP products segment and fast-growing Plastic Pipes stem from its robust manufacturing capabilities and extensive distribution reach, besides consistent new product launches, including VAP. This is corroborated by its high FCF generation of Rs5.3bn over FY14-17 (5.4% of revenues). Further, product/capacity expansion (Rs7.5bn capex in FY18-20E) will be supported by high CFO (10.4% of FY18-20E revenue), which will in turn lead to higher revenue growth (16.5% CAGR in FY18-20E). Debt will fall from Rs7.2bn in FY17 to Rs6.6bn in FY20E, lowering the company's finance cost. As a result, PAT will increase at 27.9% CAGR over FY17-20E and lead to improvement in return ratios (RoCE/RoE at 19.2%/16.8% by FY20E from 14%/11.9% in FY17). We have compared TIME to a few plastics industry players below; valuations are not strictly comparable to most players since there is no direct competition in its large IP products business. We initiate coverage on TIME with a BUY and a TP of Rs272 (20x FY20E EPS & 10.3x FY20E EV/EBITDA), reflecting its superior plastics business and improving financial profile.

Exhibit 74: Valuations of few listed industry players: RoE Vs PE (FY19E)



Source: Bloomberg, Emkay Research

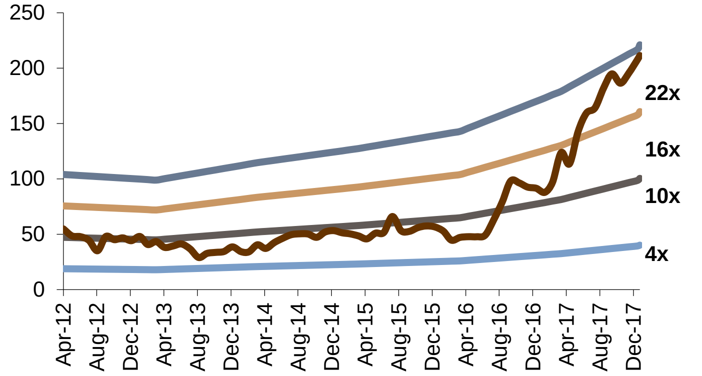
Exhibit 75: Valuations Table

Company	Price (Rs)	M Cap (Rs Mn)	Sales (Rs Mn)			EBITDA Margin %		
			FY17	FY18E	FY19E	FY17	FY18E	FY19E
Time Technoplast Ltd	212	48000	27546	31278	35868	14.7	14.9	15.0
Supreme Industries Ltd	1341	170330	44414	50292	58380	17.2	15.3	15.9
Astral Poly Technik Ltd	821	98316	18888	22424	26962	14.0	14.4	15.2
Finolex Industries Ltd	660	81922	29557	27180	29998	19.0	17.1	18.7
Jain Irrigation Systems Ltd	134	68308	67698	79840	91198	13.9	13.6	13.8
Nilkamal Ltd	2066	30824	20240	22166	24653	11.4	10.6	11.2
Mold-Tek Packaging Ltd	331	9178	3083	3508	4184	17.1	17.4	17.7
Shaily Engineering Plastics	1015	8442	2414	2912	3448	17.0	17.9	18.5

Company	EV / EBITDA			RoE			P/E			Net Debt/ Equity	Price/ Book
	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY19E
Time Technoplast Ltd	13.3	11.6	10.0	11.9	12.7	13.8	17.9	26.4	21.5	0.4	2.9
Supreme Industries Ltd	22.8	22.6	18.7	25.0	23.6	25.8	36.9	40.3	32.1	0.1	7.8
Astral Poly Technik Ltd	37.6	30.8	24.4	18.6	19.0	21.2	45.3	54.1	40.3	0.2	8.1
Finolex Industries Ltd	14.6	17.7	14.7	18.2	12.0	14.0	20.3	27.1	22.2	0.0	3.2
Jain Irrigation Systems Ltd	11.5	10.0	8.6	4.1	6.1	8.1	28.5	24.2	16.9	0.9	1.4
Nilkamal Ltd	13.8	13.6	11.6	17.9	14.9	15.8	23.8	26.4	21.6	0.1	3.2
Mold-Tek Packaging Ltd	18.6	16.1	13.2	19.8	20.1	21.5	23.7	27.7	22.4	0.3	4.7
Shaily Engineering Plastics	22.2	17.5	14.4	16.3	19.1	21.4	26.3	37.9	29.1	0.6	5.8

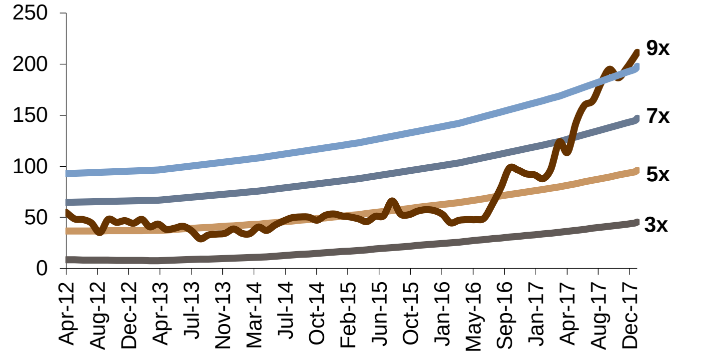
Source: Bloomberg, Emkay Research

Exhibit 76: Valuation Band – Price/Earnings



Source: Company, Emkay Research

Exhibit 77: Valuation Band – EV/EBITDA



Source: Company, Emkay Research

Key Risks

Performance of newly introduced products key to growth

TIME has launched new products such as MOX Films and is now gradually getting acceptance for Composite Cylinders in the overseas markets. These products have huge untapped potential and significant addressable opportunities for growth going forward. However, delay in achieving the desired performance, especially in Composite Cylinders, can negatively impact financials and valuations.

RM inflation could hamper growth

TIME's key inputs mix is: HDPE (~75%), LDPE (~13%), PP (~10%) & others 2%. Availability of RMs at competitive costs is a major challenge. Crude oil is a key feedstock required for these products and India relies heavily on crude imports to meet its requirement. Any volatility in RM prices could hinder its growth.

Improvement in capacity utilization of overseas facilities is also crucial

The capacity utilization of the company's overseas businesses is low at present, especially in IBCs. Volume growth from the overseas markets would be a key revenue driver for TIME. Any setback on this front may negatively impact the company's guided financial performance.

Increase in the working capital cycle

Profitability may come under pressure with any increase in the company's working capital cycle, as TIME expands its scale of operations.

Promoter's stake pledged

As per the latest filing on exchanges, 9.04% of promoters' stake is pledged.

About the company

Established in 1992, Time Technoplast Ltd (TIME IN) has leadership in technological and innovative polymer products. The company's products span IP solutions, infrastructure & construction, lifestyle products, automotive components, material handling solutions and composite cylinders. TIME has more than 900 institutional customers and 20 recognized brands, besides an extensive domestic and international distribution network, strong R&D capabilities and captive machine building expertise. The company has a multi-locational advantage and is in close proximity to customers through its presence at 29 locations spanning 9 countries, viz Bahrain, Egypt, Indonesia, India, Malaysia, U.A.E, Taiwan, Thailand and Vietnam.

Exhibit 78: TIME's management comprises qualified professionals with decades of experience

Mr. Anil Jain **Managing Director**	**Mr. Bharat Vageria** **Wholetime Director - Finance**	**Mr. Raghupathy Thyagarajan** **Wholetime Director - Marketing**	**Mr. Naveen Jain** **Wholetime Director - Technical**
• Founder of TIME and since inception he has worked towards making TIME a leading polymer product company in India. • Prior to TIME, he has worked with BHEL, Voltas, Prestige HM Poly containers. • Degrees in Science, Engineering and Business Management. • Over 29 years experience in this field.	• Responsible for Accounts, Finance, Corporate Affairs, Taxation and Legal Affairs of the company. • Degree in Commerce and a Fellow of Institute of Chartered Accountants of India (FCA). • Over 26 years experience in the polymer industry.	• Manages oversees Marketing and Sales Functions, Regional Operations, Systems and Commercial Functions of the company at the corporate level. • Degree in Science and Masters in Business Administration from Mumbai University • Over 25 years of industrial experience.	• Responsible for Plant Operations, Technical Developments and Technology Upgradation at the corporate level. • Degree in Engineering from IIT Delhi. • Over 25 years experience in production, quality management and projects management.

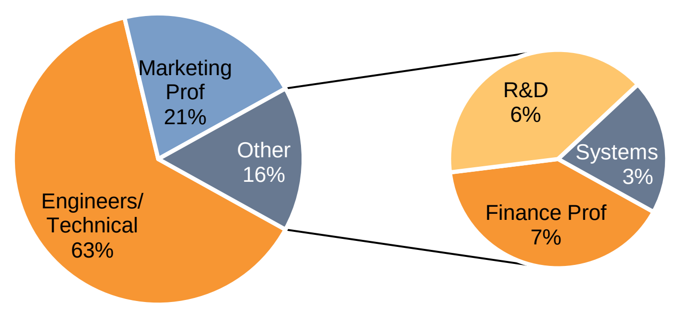
Source: Company, Emkay Research

Exhibit 79: Employee Structure

Total Employee Strength	**3650+**
Permanent Employees	2138
Permanent Women Employees (Included above)	51
Contracted Workforce (Ancillary/Non-Core Activites)	1370
No. of Foreign Nationals	428
No. of Professionals	435
R&D	30
Median Age (Years)	31.9

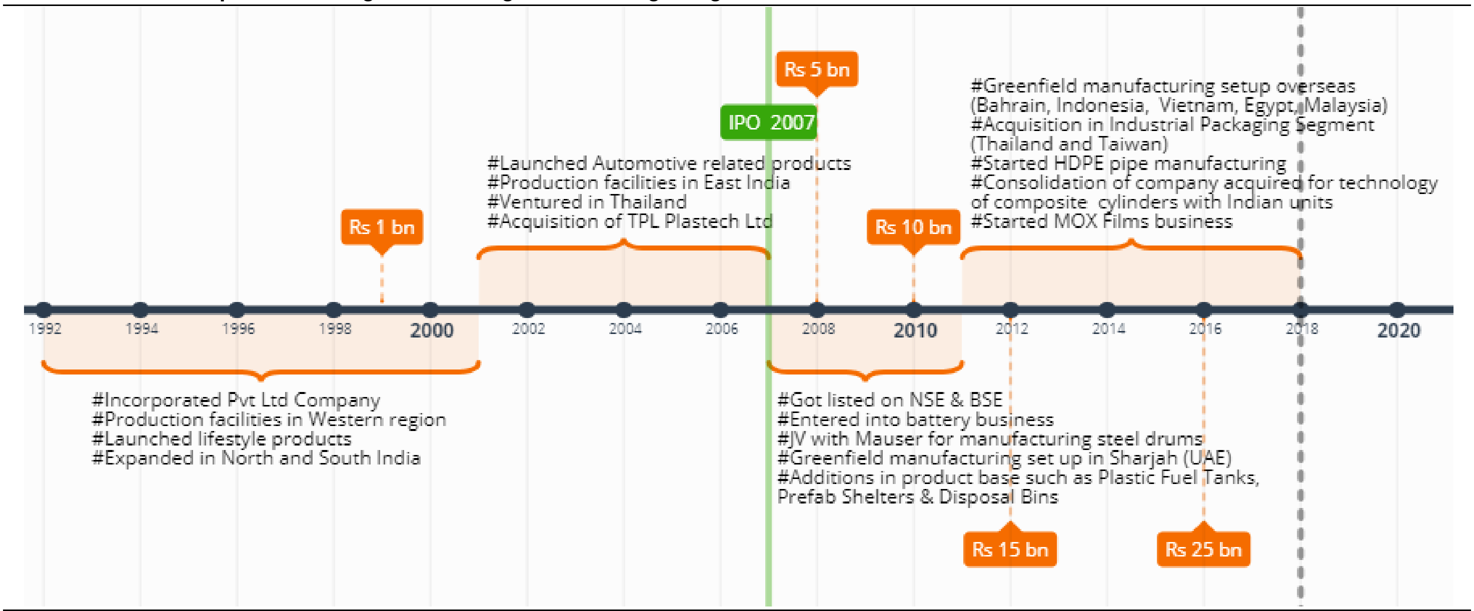
Source: Company, Emkay Research

Exhibit 80: Distribution of Professionals



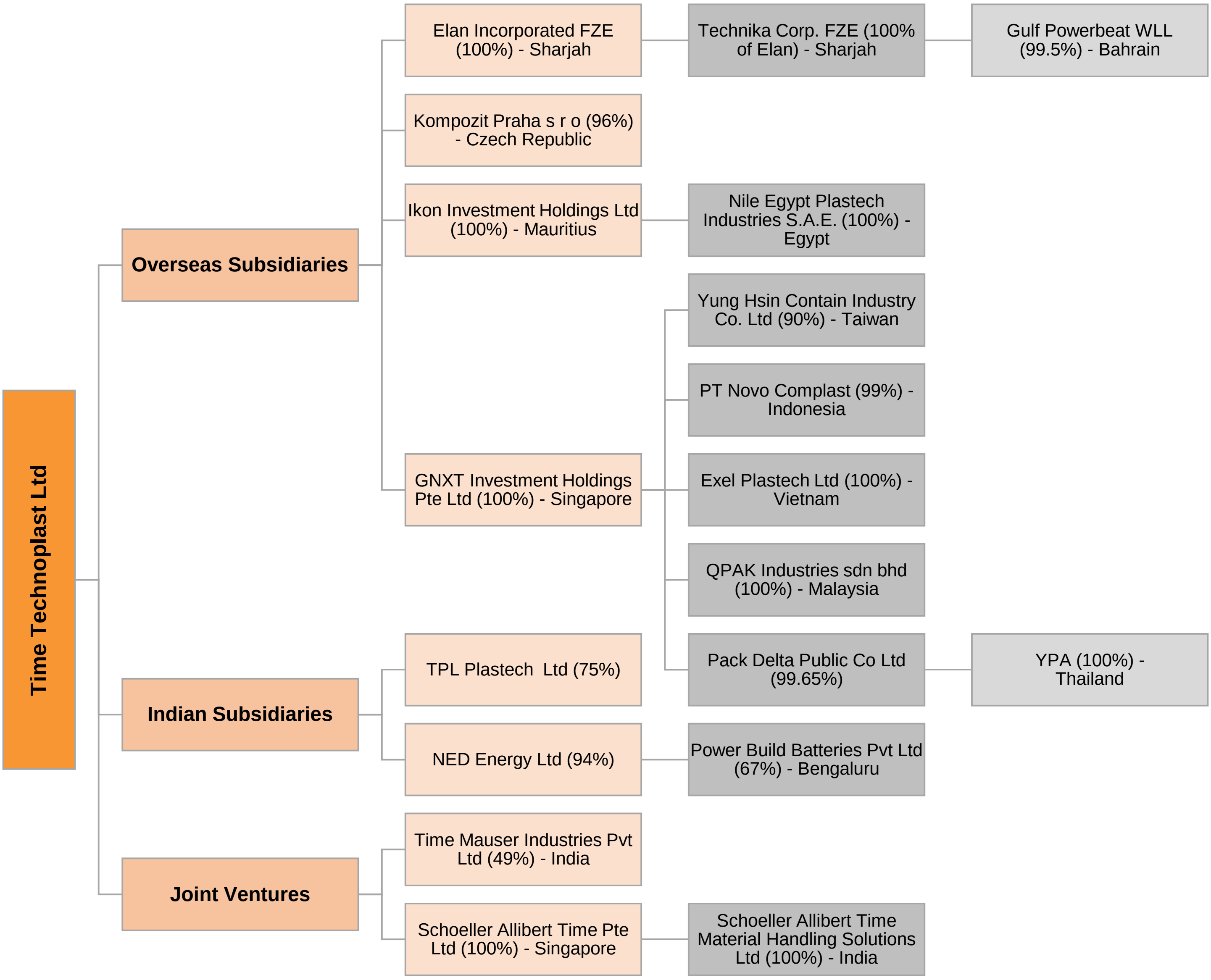
Source: Company, Emkay Research

Exhibit 81: TIME's expansion through a mix of organic and inorganic growth



Source: Company, Emkay Research

Holding Structure



Key Financials (Consolidated)

Income Statement

Y/E Mar (Rs mn)	FY16	FY17	FY18E	FY19E	FY20E
Net Sales	**24,227**	**27,546**	**31,204**	**36,002**	**42,342**
Expenditure	**20,539**	**23,479**	**26,537**	**30,528**	**35,798**
EBITDA	**3,688**	**4,067**	**4,667**	**5,474**	**6,544**
Depreciation	988	1,155	1,304	1,400	1,533
EBIT	**2,685**	**2,887**	**3,338**	**4,049**	**4,987**
Other Income	21	22	24	25	26
Interest expenses	962	901	839	824	794
PBT	**1,744**	**2,009**	**2,522**	**3,250**	**4,219**
Tax	288	494	635	845	1,096
Extraordinary Items	164	2	2	2	2
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	**1,381**	**1,471**	**1,843**	**2,362**	**3,079**
Adjusted PAT	**1,218**	**1,469**	**1,841**	**2,360**	**3,077**

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18E	FY19E	FY20E
Equity share capital	210	226	226	226	226
Reserves & surplus	11,472	13,039	14,697	16,823	19,594
Net worth	**11,682**	**13,265**	**14,923**	**17,049**	**19,820**
Minority Interest	**761**	**384**	**384**	**384**	**384**
Loan Funds	**7,462**	**7,221**	**7,210**	**6,900**	**6,600**
Net deferred tax liability	391	471	471	471	471
Total Liabilities	**20,295**	**21,341**	**22,988**	**24,804**	**27,275**
Net block	**11,494**	**11,004**	**12,078**	**12,925**	**14,199**
Investment	**0**	**0**	**0**	**0**	**0**
Current Assets	**11,998**	**13,840**	**15,109**	**16,752**	**18,839**
Cash & bank balance	702	656	735	750	621
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	**3,903**	**4,372**	**5,068**	**5,741**	**6,633**
Net current assets	**8,095**	**9,468**	**10,041**	**11,010**	**12,207**
Misc. exp	0	0	0	0	0
Total Assets	**20,296**	**21,341**	**22,988**	**24,804**	**27,275**

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18E	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	**1,723**	**1,986**	**2,498**	**3,225**	**4,193**
Other Non-Cash items	(6)	(2)	0	0	0
Chg in working cap	(595)	(1,419)	(495)	(954)	(1,326)
Operating Cashflow	**2,831**	**2,232**	**3,537**	**3,676**	**4,121**
Capital expenditure	(1,217)	(886)	(2,403)	(2,272)	(2,832)
Free Cash Flow	**1,614**	**1,346**	**1,133**	**1,404**	**1,289**
Investments	0	0	0	0	0
Other Investing Cash Flow	10	25	0	0	0
Investing Cashflow	**(1,185)**	**(839)**	**(2,380)**	**(2,247)**	**(2,806)**
Equity Capital Raised	0	1,476	0	0	0
Loans Taken / (Repaid)	(582)	(240)	(11)	(310)	(300)
Dividend paid (incl tax)	(108)	(120)	(184)	(236)	(308)
Other Financing Cash Flow	17	(1,654)	(43)	(43)	(43)
Financing Cashflow	**(1,635)**	**(1,439)**	**(1,078)**	**(1,413)**	**(1,445)**
Net chg in cash	**11**	**(46)**	**79**	**15**	**(130)**
Opening cash position	691	702	656	735	750
Closing cash position	**702**	**657**	**735**	**750**	**621**

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18E	FY19E	FY20E
EBITDA Margin	15.2	14.8	15.0	15.2	15.5
EBIT Margin	11.1	10.5	10.7	11.2	11.8
Effective Tax Rate	16.5	24.6	25.2	26.0	26.0
Net Margin	6.0	5.5	6.0	6.7	7.4
ROCE	13.7	14.0	15.2	17.1	19.3
ROE	11.1	11.9	13.1	14.8	16.8
RoIC	14.5	15.0	16.3	18.2	20.4

Per Share Data (Rs)	FY16	FY17	FY18E	FY19E	FY20E
EPS	5.8	6.5	8.1	10.4	13.6
CEPS	10.6	11.7	14.0	16.7	20.5
BVPS	55.1	58.3	65.6	75.0	87.2
DPS	0.5	0.5	0.7	0.9	1.1

Valuations (x)	FY16	FY17	FY18E	FY19E	FY20E
PER	36.6	32.7	26.1	20.3	15.6
P/CEPS	20.1	18.1	15.1	12.7	10.3
P/BV	3.9	3.6	3.2	2.8	2.4
EV / Sales	2.1	2.0	1.7	1.5	1.3
EV / EBITDA	13.9	13.4	11.7	9.9	8.2
Dividend Yield (%)	0.2	0.3	0.3	0.4	0.5

Gearing Ratio (x)	FY16	FY17	FY18E	FY19E	FY20E
Net Debt/ Equity	0.6	0.5	0.4	0.4	0.3
Net Debt/EBIDTA	1.8	1.6	1.4	1.1	0.9
Working Cap Cycle (days)	26.2	53.1	52.8	52.6	54.5

Growth (%)	FY16	FY17	FY18E	FY19E	FY20E
Revenue	(2.2)	13.7	13.3	15.4	17.6
EBITDA	8.4	10.3	14.7	17.3	19.5
EBIT	6.9	7.5	15.6	21.3	23.2
PAT	26.0	6.5	25.3	28.2	30.4

Quarterly (Rs mn)	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18
Revenue	6,536	6,711	8,101	6,806	7,248
EBITDA	973	1,026	1,126	1,015	1,094
EBITDA Margin (%)	**14.9**	**15.3**	**13.9**	**14.9**	**15.1**
PAT	356	366	430	363	420
EPS (Rs)	**1.7**	**1.7**	**1.9**	**1.6**	**1.9**

Source: Company, Emkay Research

Shareholding Pattern (%)	Dec-16	Jan-17	Mar-17	Jun-17	Sep-17
Promoters	56.6	52.6	52.6	52.6	52.6
FIIs	26.2	31.5	24.3	19.5	19.4
DIIs	8.7	8.1	8.1	8.8	9.1
Public and Others	8.4	7.8	15.0	19.1	18.9

Source: Capitaline

Emkay Rating Distribution

BUY	Expected total return (%) (Stock price appreciation and dividend yield) of over 25% within the next 12-18 months.
ACCUMULATE	Expected total return (%) (Stock price appreciation and dividend yield) of over 10% within the next 12-18 months.
HOLD	Expected total return (%) (Stock price appreciation and dividend yield) of upto 10% within the next 12-18 months.
REDUCE	Expected total return (%) (Stock price depreciation) of upto (-) 10% within the next 12-18 months.
SELL	The stock is believed to underperform the broad market indices or its related universe within the next 12-18 months.

Completed Date:
Dissemination Date:

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Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

SINGAPORE

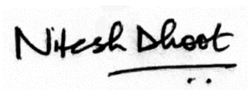
DBS Bank Ltd
Contact: Janice Chua
12 Marina Boulevard, Marina Bay Financial Centre Tower 3
Singapore 018982
Tel. 65-6878 8888
Fax: 65 65353 418
e-mail: equityresearch@dbs.com
Company Regn. No. 196800306E

THAILAND

DBS Vickers Securities (Thailand) Co Ltd
Contact: Chanpen Sirithanarattanakul
989 Siam Piwat Tower Building,
9th, 14th-15th Floor
Rama 1 Road, Pathumwan,
Nagkok Thailand 10330
Tel. 66 2 857 7831
Fax: 66 2 658 1269
e-mail: research@th.dbs.com
Company Regn. No 0105539127012
Securities and Exchange Commission, Thailand

INDONESIA

PT DBS Vickers Sekuritas (Indonesia)
Contact: Maynard Priajaya Arif
DBS Bank Tower
Ciputra World 1, 32/F
JI. Prof. Dr. Satrio Kav. 3-5
Jakarta 12940, Indonesia
Tel. 62 21 3003 4900
Fax: 62 21 3003 4943
e-mail: research@id.dbsvickers.com



Nitesh Dhoot, B.Com (H), MBA
nitesh.dhoot@emkayglobal.com
+91-022-66242480