

**Initiating Coverage**
**Plastic Products**
**Time Technoplast**
**BUY**

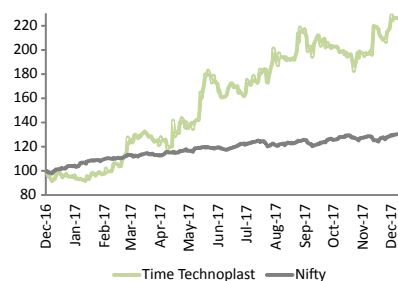
<b>CMP (Rs)</b>	206
<b>Target Price (Rs)</b>	264
<b>Potential Upside</b>	28.2%
<b>Sensex</b>	33,912
<b>Nifty</b>	10,491

**Key Stock data**

<b>BSE Code</b>	532856
<b>NSE Code</b>	TIMETECHNO
<b>Bloomberg</b>	TIME:IN
<b>Shares o/s, Cr (FV 1)</b>	22.6
<b>Market Cap (Rs Cr)</b>	4,715
<b>3M Avg Volume</b>	300,000
<b>52 week H/L</b>	225/85

**Shareholding Pattern**

(%)	Mar-17	Jun-17	Sep-17
<b>Promoter</b>	52.6	52.6	52.6
<b>FII</b>	24.3	19.5	19.4
<b>DII</b>	8.1	8.7	9.1
<b>Others</b>	15.0	19.2	18.9

**1 Year relative price performance**


Research Analyst

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**Beneficiary of shifting preferences**

Time Technoplast has a dominant position in the rigid packaging materials industry in 9 countries across South East Asia and Middle East. It is a leading manufacturer of polymer products like drums, barrels, jerry cans and pails used in various packaging requirements. The company caters to varied sectors like chemicals, paints and pigments, food and beverage, petroleum, industrial coatings, agricultural, pharmaceutical, etc.

**Investment rationale**

- Time offers a wide range of industrial packaging products like drums, containers, pails for varied packaging requirements. It also manufactures infrastructure related products like HDPE pipes, DWC pipes and storage batteries; technical and lifestyle related products like turfs and matts, disposal bins and auto components.
- The value added portfolio (18% of sales in H1FY18) includes Intermediate Bulk Container (IBC), Composite Cylinder & MOX films. We expect the contribution from value added products to increase in the next 3-4 years considering newly launched products, capacity expansion, robust demand and healthy order book.
- The domestic polymer products industry is expected to perform well driven by increase in penetration of polymer products in India and healthy demand from end-user industries. Factors like lower cost of polymer products and superior properties (such as corrosion resistance, lower weight, higher life and better aesthetics) have led to the replacement of metals, wood and paper by polymers.
- Notably, polymer drums are substituting metal drums in industrial applications such as packaging of chemicals. PVC pipes are substituting galvanised iron (GI) pipes in industries such as housing, irrigation, etc. We expect Time's HDPE and DWC pipes to report robust demand due to properties like anti-corrosive, leak proof, cost effective, low service cost and longer life. Penetration of Polymer Drums in Asia is just 16%, which provides huge potential in the Asian Polymer Drums market (overseas business potential). Time has operational footprints in Middle East and South East Asian countries like UAE, Bahrain, Egypt, Thailand, Vietnam, Malaysia, Indonesia and Taiwan with market leadership in 8 out of 9 countries.

**Outlook & Valuation**

Time Technoplast is likely to report superior earnings growth driven by enhanced product portfolio with higher room for market penetration, market leadership, focus on innovation and value-added products. MOX films, composite cylinders and IBCs have seen good demand in overseas markets, which would drive the overall revenue growth and margin improvement of the company. Also, we expect consumption to increase in products such as pipes and packaging (FMCG, consumer goods, chemicals, etc.) driven mainly by rise in per capita income, GDP growth, favourable demographics, increase in penetration, new product launches and strong clientele. We expect Time's Revenue and Net profit to increase at CAGR of 16% and 27.2% respectively over FY17-20E. We recommend a Buy on the stock with a target price of Rs. 264.

**Financial Summary - Consolidated**

Particulars, Rs cr	FY17	FY18E	FY19E	FY20E
Net revenue	2,755	3,122	3,684	4,295
EBITDA	404	494	598	706
EBITDA (%)	14.7	15.8	16.2	16.4
Adj PAT	147	196	241	298
PATM (%)	5.3	6.3	6.5	6.9
EPS, Rs	6.5	8.7	10.6	13.2
RoE (%)	11.8	13.9	14.9	15.9
P/E (x)	29.9	23.7	19.4	15.6

Source : Company; RSL Research

The company offers wide range of products with leadership position in drums, barrels and jerry cans. The well established product range contributed 82% of its total sales in H1FY18

Time Technoplast caters to varied sectors like chemicals, paints and pigments, food and beverage, petroleum, industrial coatings, agricultural, pharmaceutical, mineral, packaging, automotive and building products

### Investment rationale

#### Wide range of well established products used in various industries

Time Technoplast offers a wide range of industrial packaging products like drums, containers, pails for varied packaging requirements. It also manufactures infrastructure related products like HDPE pipes, DWC pipes and storage batteries; Technical and lifestyle related products like turfs and matts, disposal bins and auto components. It caters to varied sectors like chemicals, paints and pigments, food and beverage, petroleum, industrial coatings, agricultural, pharmaceutical, mineral, packaging, automotive and building products. The company's established products contributed 87% and 82% of total revenue in FY17 and H1FY18 respectively. Time serves over 900 institutional customers with market leadership in industrial packaging in 8 out of 9 countries (South Asia and Middle East).

#### Well established product portfolio



Time produces Polymer drums / barrels, Jerry cans and Pails for varied packaging requirements in chemicals, paints, agriculture, FMCG, petroleum, etc. This forms the largest product of its entire product offerings.



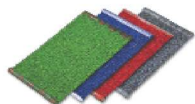
HDPE pipes are capable of handling semi-solid & gaseous effluents. They are lighter, easy to handle & install compared to heavier metallic or concrete pipes. They find application in irrigation, desalination plants.



Double layer Pipe with outer layer having corrugation and inner layer with a smooth surface. Technically superior and cost effective solution for drainage & sewerage systems over conventional DI & RCC pipes. They find application in irrigation, sewage, desalination plants, etc.



Time manufactures VRLA Batteries which are proprietary Grid alloy composition with high tin composition which improves the positive grid corrosion resistance and battery life. It is used in telecom, railway and renewable energy sectors.



Time is one of the leading players in the matting segment. It is used in hospitals, households, hotels, etc.



It also manufactures Disposal Bins from recyclable material, which find their applications in household, commercial and municipal places.



Time offers a range of high performance, dependable & long lasting Deaeration & Fuel Tanks, which are stronger, lighter in weight, corrosion resistant and more efficient to transfer the coolant, used in Automobiles.

Value added products (18% of total sales in H1FY18) are expected to grow at 25% over the next 3-4 years

IBCs, Composite cylinders and MOX film enjoy healthy operational margins compared to well established product range

Considering a healthy order book for its value added products, the company is expanding its capacities in the respective product segments

### Expanding range of value added products to enhance profitability

The company's value added portfolio includes Intermediate Bulk Container (IBC), Composite Cylinder & Multi-layer multi axis Oriented X cross laminated film (MOX) which contributed 13% and 18% of total revenue in FY17 and H1FY18. We expect the contribution from value added products to increase in the next 3-4 years considering newly launched products, low base and healthy order book.

#### Intermediate Bulk Containers



IBCs are mainly used for transportation or storage of petrochemicals, food products, solvents, etc. The rapid growth in chemical industries in Asian countries, increasing automation, improving economic scenario and features like space efficiency, durability, etc. augurs well for the growth of IBCs. The capacity of IBCs globally has gone up in many countries including India. During the current year, the company started IBC manufacturing in Vietnam and Malaysia and is looking to start one more facility in Sharjah.

#### Composite Cylinders



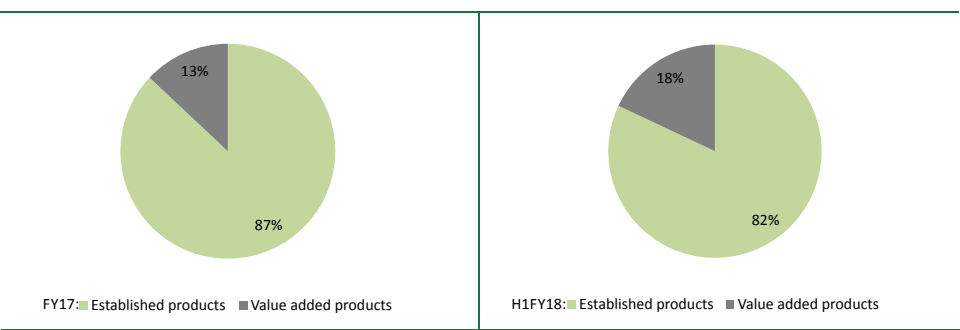
Another fast growing value added product is composite cylinders. Composite cylinders deliver clear advantages over traditional steel cylinder in the form of lower weight, no corrosion, translucence, explosion proof and user friendliness. The production of the same is carried out in facilities located in Daman, India. The Company has tapped several countries (received approvals from 48 countries) and secured orders from customers in Bangladesh, Nepal, Maldives, etc. The outlook for composite LPG cylinders is promising with increasing focus on health and safety. Also considering environmental impact of traditional cooking fuels, it is expected that demand for LPG would increase. It has already doubled its capacity from 0.7 mn units to 1.4 million units to cater to the rising order inflows. The current order book for composite cylinders stands at 1.65 million units. The management is expecting FY18E revenue from composite cylinders of Rs. 140 cr in FY18E compared to Rs. 72 cr in FY17.

#### MOX Film



The company launched its highly technical and innovative MOX film (Multi-layer Multi axis Oriented Cross Laminated Film) under the brand 'Techpaulin' in Q1FY18. The product has been receiving good response in the market. Mox films find application in agriculture, infrastructure, packaging and many more industries. Time has appointed distributors & dealers all over India and setup fabrication facility for MOX Films at existing locations in Silvassa, Hosur, Hyderabad, Baddi & Pantnagar for timely delivery to its customers. It is doubling its MOX film capacity from 6,000 tonnes to 12,000 tonnes (to be completed in H2FY18) to meet the rising demand. We expect demand for MOX films to remain strong with growth in India and Asian economies and Time is well placed to capitalize on the same with its strong distribution network in both domestic and overseas markets.

Increasing share of value added products in total sales



Source : Company; RSL Research

Shift in industrial packaging from steel drums to polymer drums augers well for growth

Superior properties such as corrosion resistance, lower weight, higher life and better aesthetics have led to the replacement of metals, wood and paper by polymers

The domestic polymer products industry is expected to continue to perform well driven by increase in penetration of polymer products in India and healthy demand from end-user industries. According to Crisil, the domestic polymer products industry has grown at 20% CAGR over the past five years. The primary reasons for this performance are lower cost of polymer products and superior properties (such as corrosion resistance, lower weight, higher life and better aesthetics) have led to the replacement of metals, wood and paper by polymers. Rise in awareness about the benefits of polymers and increase in their availability in India have supported substitution. Also the demand from end-user industries such as FMCG, pharma, beverages, industrial chemicals, housing and consumer durables has been robust, which is likely to continue going forward. The domestic per capita consumption of polymers at 9 kg is one of the lowest compared to the global average of 25 kg.

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The overall consumption is expected to rise in products such as pipes and packaging, as they offer more scope for penetration. The FMCG, beverages, consumer durables and pharma industries are expected to register healthy growth driven mainly by rise in per capita income, favorable demographics and increase in penetration.

Time Technoplast has seen significant improvement in profitability due to increase in share of value-added products, which have boosted realizations. The industry's healthy performance can be attributed to the substitution effect - polymers (polyethylene, polypropylene, polyvinyl chloride, polystyrene, etc.), which are replacing other packaging materials such as metals, glass, wood and paper due to low cost and superior properties.

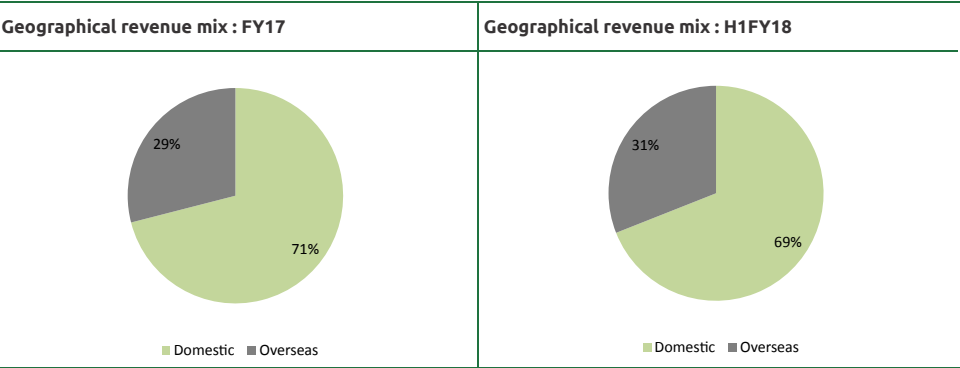
Further, polymer drums are substituting metal drums in industrial applications such as packaging of chemicals. The cost of these drums is lower compared to the metal drums and they also have a higher resale value. Properties such as anti-corrosion, better strength, etc. have led to the increase in penetration of polymer drums in India and other emerging countries. PVC pipes are substituting galvanized iron (GI) pipes in industries such as housing, irrigation, etc. This is mainly as cost of PVC pipes is 15-20% lower than that of GI pipes. We expect Time's HDPE and DWC pipes to report robust growth due to their properties like anti-corrosive, leak proof, cost effective, low service cost and longer life. Penetration of Polymer Drums in Asia is just 16% so there lies a huge potential in the Asian Polymer Drums market.

Time Technoplast caters to over 900 institutional customers and has market leadership in 8 out of 9 overseas markets

Market leadership in South East Asian countries

Time Technoplast began its operations in 1992 with a production facility for Drums in western region of India, followed by gradual diversification and expansion at 19 locations in India and 11 locations overseas. It has over 900 institutional customers globally and is increasing tie ups with MNCs across different countries. In India, it has 19 strategically located plants all across the county (with 300 kms range) for efficient distribution and inventory management. TimeTech has operational footprints in South East Asian countries like UAE, Bahrain, Egypt, Thailand, Vietnam, Malaysia, Indonesia and Taiwan with market leadership in 8 out of 9 countries.

The economic outlook for Middle East and South East Asian countries is improving with recovery in global commodity prices and pick up in trade. We expect the company to continue to report robust overseas business growth (currently 31% of total revenue) mainly due to addition of new products and clientele. MOX films, composite cylinders and IBCs have seen good demand in overseas markets, which will enhance the overall revenue growth and margins of the company.



Source : Company; RSL Research

### Company background

Incorporated in 1992, Time Technoplast has a dominant position in the rigid packaging materials industry in 9 countries across South East Asia and Middle East. It is a leading manufacturer of polymer products like drums, barrels, jerry cans and pails used in various packaging requirements. The company caters to varied sectors like chemicals, paints and pigments, food and beverage, petroleum, industrial coatings, agricultural, pharmaceutical, mineral, packaging, automotive and building products.

Time Technoplast is amongst India's leading Innovation and Technology driven companies with 30 manufacturing locations spread across the globe, of which 19 are in India. It has operational foot prints in geographies like India, UAE, Bahrain, Egypt, Thailand, Vietnam, Malaysia, Indonesia and Taiwan. The company's portfolio consists of technology driven Innovative Established Products (Packaging, Lifestyle, Automotive Components and Infrastructure related products) and Value Added Products (Intermediate Bulk Container - IBC, Composite Cylinders and MOX Film).

### Global Marquee Customers

Source : Company

### Risks

- The key raw materials used in manufacturing plastic products are PE granules (HDPE, PE, etc.), which are largely imported. Thus, high volatility in prices would impact Time's profitability to some extent.
- As Time Technoplast derives ~31% of its revenue from overseas operations in Middle East and South Asian countries, any geopolitical issues or slowdown in these countries would impact its sales and profitability.
- Going ahead if the demand for its value added products is below our expectations, the company would see a drop in its profit margins.



## Initiating Coverage

## Plastic Products Time Technoplast

### P&L Account- consolidated

Particulars, Rs cr	FY17	FY18E	FY19E	FY20E
Net revenue	2,754.6	3,121.8	3,683.8	4,295.3
Expenditure				
Raw material consumed	1,919.4	2,139.0	2,512.0	2,917.7
Employee cost	133.2	146.5	169.9	200.5
Other expenses	297.8	342.5	404.1	470.8
Total expenditure	2,350.4	2,628.0	3,086.0	3,589.0
<b>EBITDA</b>	<b>404.2</b>	<b>493.8</b>	<b>597.7</b>	<b>706.3</b>
<b>OPM (%)</b>	<b>14.7</b>	<b>15.8</b>	<b>16.2</b>	<b>16.4</b>
Other income	2.2	2.3	2.5	2.6
Depreciation	115.5	130.3	138.8	145.2
<b>PBIT</b>	<b>291.0</b>	<b>365.8</b>	<b>461.4</b>	<b>563.7</b>
Interest expenses	90.1	78.0	82.8	78.1
<b>PBT</b>	<b>200.9</b>	<b>287.9</b>	<b>378.6</b>	<b>485.6</b>
Exceptional items	0.0	0.0	0.0	0.0
Tax	49.4	86.4	124.9	160.2
Tax rate %	24.6	30.0	33.0	33.0
<b>PAT</b>	<b>151.4</b>	<b>201.5</b>	<b>253.7</b>	<b>325.4</b>
Less: Share of minority interest	-4.3	-5.2	-13.0	-27.3
<b>Adjusted Net Profit</b>	<b>147.1</b>	<b>196.3</b>	<b>240.7</b>	<b>298.0</b>
<b>PATM (%)</b>	<b>5.3</b>	<b>6.3</b>	<b>6.5</b>	<b>6.9</b>
<b>EPS</b>	<b>6.5</b>	<b>8.7</b>	<b>10.6</b>	<b>13.2</b>

Source : Company; RSL Research

### Balance sheet- consolidated

Particulars, Rs cr	FY17	FY18E	FY19E	FY20E
Share Capital	22.6	22.6	22.6	22.6
Reserves & Surplus	1,303.9	1,481.8	1,706.6	1,996.2
<b>Total Shareholder's Fund</b>	<b>1,326.5</b>	<b>1,504.4</b>	<b>1,729.2</b>	<b>2,018.8</b>
Minority interest	38.4	38.4	38.4	38.4
<b>Non-Current Liabilities</b>	<b>305.3</b>	<b>307.6</b>	<b>297.2</b>	<b>287.5</b>
Long term borrowing	258.2	258.2	245.3	233.0
Deferred tax liability	47.1	49.4	51.9	54.5
<b>Current Liabilities</b>	<b>901.2</b>	<b>984.4</b>	<b>1,060.6</b>	<b>1,143.3</b>
Short term borrowing	372.8	391.5	391.5	391.5
Trade payables	345.7	397.5	461.1	530.3
Short term provisions	51.2	57.3	63.0	69.3
Other current liabilities	131.5	138.1	145.0	152.2
<b>Total liabilities</b>	<b>2,571.3</b>	<b>2,834.9</b>	<b>3,125.5</b>	<b>3,488.1</b>
Fixed Assets	1,187.4	1,293.8	1,255.0	1,209.8
Long Term loans & advances	9.4	9.8	10.0	10.2
Other non-current assets	7.5	7.5	7.5	7.5
<b>Current Assets</b>	<b>1,367.2</b>	<b>1,523.8</b>	<b>1,853.0</b>	<b>2,260.6</b>
Inventories	547.3	602.0	690.5	792.7
Trade receivables	578.2	647.6	744.7	849.0
Cash & Cash equivalents	65.6	90.9	227.0	420.3
Short term loans and advances	53.9	55.0	56.1	57.2
Other current assets	122.2	128.3	134.7	141.5
<b>Total assets</b>	<b>2,571.3</b>	<b>2,834.9</b>	<b>3,125.5</b>	<b>3,488.1</b>

Source : Company; RSL Research

## Cash Flow statement- consolidated

Particulars, Rs cr	FY17	FY18E	FY19E	FY20E
Profit Before Tax	200.9	287.9	378.6	485.6
Add: Depreciation	115.5	130.3	138.8	145.2
Add: Interest cost	90.1	78.0	82.8	78.1
Others	-35.4	0.0	0.0	0.0
Op profit before working capital changes	371.1	496.2	600.2	708.9
Changes In working Capital	-145.3	-64.8	-114.6	-129.2
Direct taxes	-39.7	-86.4	-124.9	-160.2
<b>Cash Flow From Operating Activities</b>	<b>186.2</b>	<b>345.0</b>	<b>360.6</b>	<b>419.4</b>
<b>Cash Flow from Investing Activities</b>				
Purchase of Fixed assets	-212.4	-235.0	-100.0	-100.0
Sale of Fixed assets	0.5	0.0	0.0	0.0
<b>Cash Flow from Investing Activities</b>	<b>-211.9</b>	<b>-235.0</b>	<b>-100.0</b>	<b>-100.0</b>
<b>Cash from Financing Activities</b>				
Proceeds from issuance of shares	147.7	0.0	0.0	0.0
Net proceeds from borrowings	0.0	18.6	-12.9	-12.3
Dividend (incl dividend tax)	-14.2	-23.6	-28.9	-35.8
Interest cost	-90.1	-78.0	-82.8	-78.1
Others	-24.0	0.0	0.0	0.0
<b>Cash Flow from Financing Activities</b>	<b>19.3</b>	<b>-82.9</b>	<b>-124.6</b>	<b>-126.1</b>
<b>Net Cash Inflow / Outflow</b>	<b>-6.4</b>	<b>27.1</b>	<b>136.1</b>	<b>193.3</b>
Opening Cash & Cash Equivalents	70.2	63.8	90.9	227.0
<b>Closing Cash &amp; Cash Equivalent</b>	<b>63.8</b>	<b>90.9</b>	<b>227.0</b>	<b>420.3</b>

Source : Company; RSL Research

## Key Financial ratios- consolidated

Particulars, Rs cr	FY17	FY18E	FY19E	FY20E
Dividend per share Rs	0.5	0.9	1.1	1.3
Dividend Yield (%)	0.0	0.0	0.1	0.1
Payout %	8.2	10.0	10.0	10.0
EPS Rs	6.9	8.7	10.6	13.2
Book Value per share Rs	58.3	66.6	76.5	89.3
<b>Profitability Ratios</b>				
EBITDA / Total income (%)	14.7	15.8	16.2	16.4
PBT/Total income (%)	7.3	9.2	10.3	11.3
NPM / Total income (%)	5.3	6.3	6.5	6.9
ROCE (%)	15.3	17.4	20.0	22.0
ROE (%)	11.8	13.9	14.9	15.9
<b>Liquidity ratios</b>				
Debt-Equity Ratio	0.5	0.4	0.4	0.3
Current Ratio	1.5	1.5	1.7	2.0
Interest Cover Ratio	3.2	4.7	5.6	7.2
<b>Turnover ratios</b>				
Total Asset Ratio	1.1	1.2	1.2	1.3
Fixed Assets Ratio	2.6	2.7	3.1	3.8
Debtors Velocity Overall (Days)	70.9	71.7	69.0	67.7
Inventory (Days)	68.3	67.2	64.0	63.0
Creditors Velocity (Days)	44.3	43.4	42.5	42.1
Cash Conversion cycle	94.9	95.4	90.5	88.6
<b>GROWTH YOY%</b>				
Sales Growth %	13.7	13.3	18.0	16.6
Operating Profit %	16.2	22.2	21.0	18.2
Net Profit Growth %	6.5	33.4	22.6	23.8
<b>VALUATION</b>				
P / E Ratio	29.9	23.7	19.4	15.6
P / BV Ratio	3.5	3.1	2.7	2.3
EV / EBITDA	13.1	10.7	8.6	7.0

Source : Company; RSL Research



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Statements on ownership and material conflicts of interest, compensation—Research Analyst (RA)

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

S. No.	Statement	Answer	
		Tick appropriate	
		YES	NO
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		NO
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		NO
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		NO
	I/we have received any compensation from the subject company in the past twelve months?		NO
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		NO
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		NO
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		NO
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		NO
	I/we have served as an officer, director or employee of the subject company?		NO
	I/we have been engaged in market making activity for the subject company?		NO

Nature of Interest ( if answer to F (a) above is Yes :

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above, are given below]

SS.No	Name(s) of RA	Signatures of RA	Serial Question of question which the signing RA needs to make separate declaration / answer	YES	NO

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