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Q2FY21 results review
and earnings revision

Plastic

Target price: Rs84

Earnings revision

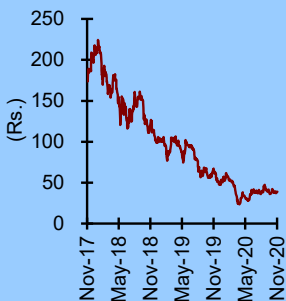
(%)	FY21E	FY22E
Sales	↑ 5.0	0.0
EBITDA	↑ 6.9	0.0
EPS	↑ 40.0	↑ 0.1

Shareholding pattern

	Mar '20	Jun '20	Sep '20
Promoters	51.3	51.3	51.3
Institutional investors	29.4	27.6	26.0
MFs and others	10.5	9.5	9.5
Insurance Cos.	0.8	0.8	0.9
Banks & FIs	0.1	0.1	0.0
FII	18.0	17.2	15.6
Others	19.3	21.1	22.7

Source: BSE

Price chart



Time Technoplast

BUY

Maintain

Rs39

Impressive performance

Time Technoplast (TTPL) reported better than expected PBT at Rs304mn (I-Sec: Rs160mn), down 43% YoY largely led by beat in revenues at Rs7.44bn (I-Sec: Rs6.79bn), down 14.6% YoY. Revenue beat was led by faster recovery in VAP segment with a decline of 10.3% YoY. EBITDA margin at 12.4% (I-Sec: 12%) was down 150bps YoY led by superior mix while gross margin was down 70bps YoY. Shift of chemicals business from China to other Asian countries for its packaging business, continuous improvement in VAP mix, new product opportunities in CNG cascade business along with selling of non-core assets and revocation of pledge is likely aid rerating in the stock going forward. Maintain BUY. Key risks to upside: sustained higher capex and capital allocation.

- **Valuation and outlook:** Factoring-in the Q2FY21 performance, we increase our revenue and earnings estimates by 5% and 40% for FY21E while FY22E estimates remain unchanged. We now expect TTPL to report revenue and PAT CAGRs of 1.3% and 6% respectively over FY20-FY22E. We maintain our rating on the stock at **BUY** with an unchanged target price of Rs84, valuing it at 10x FY22E earnings.
- **Revenues down 14.6% YoY led by VAP decline of 10.3% and established products decline of 15.7% YoY.** TTPL reported 14.6% YoY decline in revenues to Rs7.44bn (I-Sec: Rs6.79bn). This was largely due to faster recovery in VAP revenues with a decline of 10.3% YoY while established products declined 15.7% YoY. Under VAP, composite cylinder / IBC / MOX declined by 9% / 12% / 9% YoY respectively. Established products segment was dragged down by the pipes business declining by 43% YoY while packaging products was down 12% YoY. With strong orderbook in pipe segment and new opportunities in packaging, the company expects established products demand to recover in FY22E. We expect TTPL to report a revenue CAGR of 1.3% over FY20-FY22E.
- **EBITDA margin at 12.4% (I-Sec: 12%), down 150bps YoY, led by superior product mix.** EBITDA margin came in at 12.4% (I-Sec: 12%), down 150bps YoY, led by superior product mix with lower decline in VAP revenues. Gross margins were down 70bps/130bps YoY/QoQ respectively. Although Q2FY21 saw a steep polymer price increase, the benefit of inventory gains is likely to happen in Q3FY21. However, savings in some of the fixed costs restricted the fall in margins for the quarter. Going forward, we expect EBITDA margin to rebound to 14.5% by FY22E on the back of operating leverage, cost-saving initiatives and higher VAP mix.
- **PBT down 43.3% YoY to Rs304mn (I-Sec: Rs160mn).** TTPL posted better than expected PBT of Rs304mn (I-Sec: Rs160mn) driven by better than expected operational performance and lower interest and depreciation costs. TTPL reported PAT at Rs258mn, down 35.5% YoY.

Market Cap	Rs8.8bn/US\$118mn	Year to Mar	FY19	FY20	FY21E	FY22E
Bloomberg	TIME.BO/TIME IN	Net Revenue (Rs mn)	35,637	35,780	29,564	36,700
Shares Outstanding (mn)	226.1	Net Profit (Rs mn)	2,027	1,691	847	1,902
52-week Range (Rs)	63/24	Dil. EPS (Rs)	9.0	7.5	3.7	8.4
Free Float (%)	48.7	% Chg YoY	12.4	(16.6)	(49.9)	124.6
FII (%)	15.6	P/E (x)	4.2	5.0	9.9	4.4
Daily Volume (US\$'000)	353	CEPS (Rs)	15.4	14.4	10.7	16.2
Absolute Return 3m (%)	1.2	EV/EBITDA (x)	2.8	2.9	3.8	2.3
Absolute Return 12m (%)	(37.0)	Dividend Yield (%)	1.4	2.6	2.1	2.4
Sensex Return 3m (%)	13.8	RoCE (%)	15.9	13.0	8.1	13.0
Sensex Return 12m (%)	9.3	RoE (%)	12.5	9.4	4.5	9.8

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Table 1: Q2FY21 result review*(Rs mn, year ending March 31)*

Particulars	Q2FY21A	Q2FY21E	Q2FY20	YoY (%)	Q1FY21	QoQ (%)	H1FY21	H1FY20	YoY (%)
Net Sales	7,437.2	6,790.2	8,705.4	(14.6)	4,752.0	56.5	12,189.2	17,386.9	(29.9)
Other Op. Income									
Total Op. Income	7,437.2	6,790.2	8,705.4	(14.6)	4,752.0	56.5	12,189.2	17,386.9	(29.9)
Expenditure	6,518.3	5,975.0	7,496.0	(13.0)	4,212.6	54.7	10,730.9	14,913.8	(28.0)
Raw Materials	5,235.0	4,745.0	6,064.4	(13.7)	3,285.5	59.3	8,520.5	12,113.7	(29.7)
Cost of traded goods	0.0	0.0	0.0		0.0		0.0	0.0	
Staff Cost	382.6	380.0	395.7	(3.3)	346.7	10.4	729.3	792.3	(8.0)
Other Expenditure	900.7	850.0	1,035.9	(13.0)	580.4	55.2	1,481.1	2,007.8	(26.2)
Operating Profit	918.8	815.2	1,209.4	(24.0)	539.4	70.3	1,458.3	2,473.1	(41.0)
OPM (%)	12.4	12.0	13.9	-150bps	11.4	100bps	12.0	14.2	-220bps
Other Income	6.9	5.0	5.0	39.4	2.5	173.5	9.5	7.9	20.2
Interest	247.4	265.0	279.9	(11.6)	252.8	(2.1)	500.2	554.9	(9.9)
Depreciation	374.5	395.0	398.3	(6.0)	375.0	(0.1)	749.4	792.2	(5.4)
Exceptional income	0.0	0.0	0.0		0.0		0.0	0.0	
PBT	303.9	160.2	536.2	(43.3)	-85.8	(454.3)	218.1	1,133.9	(80.8)
Adjusted PBT	303.9	160.2	536.2	(43.3)	-85.8	(454.3)	218.1	1,133.9	(80.8)
Tax	45.8	40.5	136.3	(66.4)	30.2	51.9	75.9	287.4	(73.6)
Tax rate (%)	15%	25%	25%		-35%		35%	25%	
Reported PAT	258.1	119.7	399.9	(35.5)	-115.9	(322.6)	142.2	846.5	(83.2)
Adjusted PAT	258.1	119.7	399.9	(35.5)	-115.9	(322.6)	142.2	846.5	(83.2)
Adj NPM (%)	3.5	1.8	4.6	-110bps	-2.4	NA	1.2	4.9	-370bps

Source: Company data, I-Sec research

Table 2: Change in estimates

Estimates	Old		New		% change	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Revenue	28,150.0	36,700.0	29,564.0	36,700.0	5.0	0.0
EBITDA	3,519.0	5,322.0	3,763.5	5,324.1	6.9	0.0
EBITDA margins	12.5%	14.5%	12.7%	14.5%	20bps	0bps
PAT	605.0	1,900.0	846.8	1,901.9	40.0	0.1
EPS	2.7	8.4	3.7	8.4	38.7	0.1

Source: Company data, I-Sec research

Key highlights from Q2FY21 conference call

- **Segment wise revenue decline:** Overall revenue declined by 14.6% YoY led by packaging segment declining 12% YoY, Pipes segment by 43% YoY, IBC down by 12% YoY, Composite Cylinders down by 9% YoY and MOX films down by 9% YoY.
- **VAP revenue** decline was only 10.3% YoY company will continue to focus on increasing VAP mix.
- Overseas revenue declined by 15% YoY while domestic revenue declined by 14% YoY. Overseas revenue was impacted by lockdown and logistical issues faced by companies in different geographies like Saudi Arabia, Bahrain, etc.
- Although polymer prices have increased by 5-7% in Q2FY21 sequentially the benefit will be seen in Q3FY21.
- **Packaging business opportunities:** Company expects chemicals business shift from China to other Asian countries like India, Indonesia, Thailand and Vietnam has brought better opportunities in its drums business.
- **Revenue guidance:** Company expects sequential improvements going forward with Q3FY21 to better than Q2FY21 and Q4FY21 to be better than Q3FY21

- **Pipe business** continues to remain under pressure due to contractors facing delays in project money from government. However, company expects the demand in pipes likely to recover from Oct'20 onwards. Company has a healthy order book in this business and expects to do Rs2bn of revenue for FY21
- **Composite cylinder:** It expects to report 7lacs volume in CC in FY21
- **IBC USA:** Company has recently started its USA unit in Iowa and trial testing of the products have started. The sale is expected to start from Q4FY21 onwards from that plant. It expects USD35-40mn worth of revenue at full capacity utilization from these units with EBITDA margin of 16-17%.
- Company is expecting E&Y report on restructuring and selling of non-core business before end of FY21.
- **CNG cascade opportunity:** Company has already started receiving initial small orders from few gas companies and it expects strong push from government on increasing CNG stations going forward.
- It expects incrementally 7300 CNG stations across India to be set up by companies and those stations require 2-3 cylinder cascades per station and once cascade has approx. 60-70 cylinders and one cylinder selling price would be Rs75000-Rs80,000. Company is currently using CC capacity to produce these CNG cylinders but when it will start receiving big orders it will incur a capex for the same.
- Currently there are only two players one in Norway and one in South Korea who manufacture type 4 CNG cascade and hence company has next to none competition in this segment.
- **Capex for FY21** is likely to be around Rs1bn including 0.36bn capex already spent in H1FY21. 30% of the capex is likely to be for VAP and rest for established products
- **Total Debt** in H1FY21 reduced to Rs8.16bn as against Rs8.32bn in FY20
- **Promoter Pledge:** The promoter companies' debt for which promoter companies have pledged TTPL shares have been reduced to Rs500mn by Rs200mn post Q2FY21 and correspondingly the pledge is likely to get reduced.

Financial summary

Table 3: Profit & loss statement

(Rs mn, year ending March 31)

	FY19	FY20	FY21E	FY22E
Net Revenues	35,637	35,780	29,564	36,700
Operating Expenses	30,402	30,791	25,801	31,376
EBITDA	5,235	4,989	3,763	5,324
% margins	14.7%	13.9%	12.7%	14.5%
Depreciation & Amortisation	1,461	1,562	1,579	1,759
Gross Interest	986	1,082	1,010	973
Other Income	32	23	25	30
Recurring PBT	2,819	2,367	1,199	2,622
Less: Taxes	734	617	301	660
Less: Minority Interest	58	59	51	60
Add: Share of Profit of Associates	-	-	-	-
Net Income (Reported)	2,027	1,691	847	1,902
Extraordinaries (Net)	-	-	-	-
Recurring Net Income	2,027	1,691	847	1,902

Source: Company data, I-Sec research

Table 4: Balance sheet

(Rs mn, year ending March 31)

	FY19	FY20	FY21E	FY22E
Assets				
Total Current Assets	17,950	19,050	17,891	20,276
of which cash & cash eqv.	666	825	836	1,391
Total Current Liabilities & Provisions	6,699	6,555	5,107	6,176
Net Current Assets	11,251	12,495	12,784	14,100
Investments	274	294	314	334
Net Fixed Assets	12,791	13,494	13,715	13,456
Capital Work-in-Progress	983	805	-	-
Goodwill	-	-	-	-
Total Assets	25,299	27,088	26,813	27,890
Liabilities				
Borrowings	7,415	7,624	7,374	6,724
Deferred Tax Liability	730	792	842	892
Minority Interest	463	522	540	560
Equity Share Capital	226	226	226	226
Face Value per share (Rs)	1	1	1	1
Reserves & Surplus*	16,466	17,925	17,831	19,488
Less: Misc. Exp. n.w.o.	-	-	-	-
Net Worth	16,692	18,151	18,057	19,714
Total Liabilities	25,299	27,088	26,813	27,890

*Excluding revaluation reserves

Source: Company data, I-Sec research

Table 5: Quarterly trend

(Rs mn, year ending March 31)

	Dec-19	Mar-20	Jun-20	Sep-20
Net revenues	9,232	9,161	4,752	7,437
% growth (YoY)	5.8	(15.3)	(45.3)	(14.6)
EBITDA	1,336	1,180	539	919
Margin (%)	14.5	12.9	11.4	12.4
Other income	5	10	3	7
Extraordinaries (Net)	-	-	-	-
Net profit	485	383	(117)	245

Source: Company data, I-Sec research

Table 6: Cashflow statement

(Rs mn, year ending March 31)

	FY19	FY20	FY21E	FY22E
Operating Cashflow	3,489	3,253	2,426	3,661
Working Capital Changes	(1,629)	(1,030)	(1,023)	(781)
Capital Commitments	(2,297)	(2,088)	(995)	(1,500)
Free Cashflow	(438)	136	409	1,381
Cashflow from Investing Activities	(54)	10	20	20
Issue of Share Capital	-	-	-	-
Inc (Dec) in Borrowings	564	209	(250)	(650)
Dividend paid	(145)	(259)	(218)	(245)
Change in Deferred Tax Liability	148	62	50	50
Chg. in Cash & Bank balance	75	159	11	556

Source: Company data, I-Sec research

Table 7: Key ratios

(Year ending March 31)

	FY19	FY20	FY21E	FY22E
Per Share Data (in Rs.)				
EPS	9.0	7.5	3.7	8.4
Cash EPS	15.4	14.4	10.7	16.2
Dividend per share (DPS)	0.5	1.0	0.8	0.9
Book Value per share (BV)	73.8	80.3	79.8	87.2
Growth (%)				
Net Sales	14.9	0.4	-17.4	24.1
EBITDA	10.7	-4.7	-24.6	41.5
PAT	12.4	-16.6	-49.9	124.6
Cash EPS	12.4	-16.6	-49.9	124.6
Valuation Ratios (x)				
P/E	4.2	5.0	9.9	4.4
P/CEPS	2.4	2.6	3.5	2.3
P/BV	0.5	0.5	0.5	0.4
EV / EBITDA	2.8	2.9	3.8	2.3
EV / Sales	0.4	0.4	0.5	0.3
Operating Ratios				
Raw Material / Sales (%)	71.9	70.1	71.3	70.3
Employee cost / Sales (%)	4.6	4.4	6.0	5.4
SG&A / Sales (%)	10.2	6.7	10.0	9.8
Other Income / PBT (%)	1.1	1.0	2.1	1.1
Effective Tax Rate (%)	26.0	26.1	25.1	25.2
Working Capital (days)	107.2	115.8	130.0	110.0
Inventory Turnover (days)	75.5	77.3	84.0	75.0
Receivables (days)	80.3	83.7	92.0	80.0
Payables (days)	48.6	45.2	46.0	45.0
Net D/E Ratio (x)	0.4	0.4	0.4	0.3

Profitability Ratios (%)

Net Income Margins	5.7	4.7	2.9	5.2
RoACE	15.9	13.0	8.1	13.0
RoAE	12.5	9.4	4.5	9.8
Dividend Payout	7.2	15.3	25.7	12.9
Dividend Yield	1.4	2.6	2.1	2.4
EBITDA Margins	14.7	13.9	12.7	14.5

Source: Company data, I-Sec research

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