

Analyst Meet update

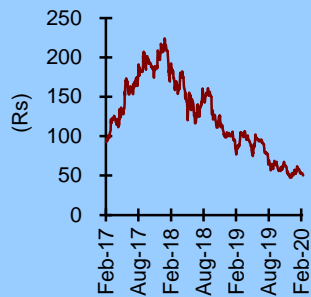
Plastic

Shareholding pattern

	Jun '19	Sep '19	Dec '19
Promoters	51.2	51.2	51.2
Institutional investors	31.3	31.2	29.9
MFs and others	10.8	10.5	10.6
FIs/Banks	0.0	0.9	0.9
Insurance	0.2	0.1	0.1
FIIIs	20.3	19.8	18.3
Others	17.5	17.6	18.9

Source: NSE

Price chart



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Encouraging outlook

Rs50

We attended analyst meet of Time Technoplast (TTL) to understand its business model, recent developments across business segments and the management's stance on the much-awaited restructuring of its business. The management sounded optimistic and has guided for double-digit volume growth for the next two years. TTL also highlighted a) strong growth potential in VAP portfolio and expected potential for upcoming VAPs like CNG cylinders and cascade in particular; b) probability of improvement in its growth prospects on the back of the recent breakout of corona virus issue and c) keenness to restructure/hive off non-core operations (particularly the battery business) for which it has recently hired E&Y. The stock appears attractively valued at 5.6x its TTM earnings.

Key takeaways from the analyst meet:

- ▶ **Healthy growth guidance:** Company has guided for 10-12% volume growth in FY20 and 15% volume growth in FY21. The higher growth expectation in FY21 is driven by likely traction from US operations and sustained double-digit growth in its value-added products. With the expected higher growth in VAPs and recent and targeted introduction of other VAPs, this would aid scalability and sustained growth in VAPs over next few years
- ▶ **Business mix:** In 9MFY20, India business contributed 70% to the business with overseas business contributing the rest.
- ▶ **Volume mix:** While India business grew 12% in volumes in 9MFY20, overseas business grew 11%. The overall volume growth for the company stood at 11%.
- ▶ **VAP performance:** VAPs grew 11% YoY in 9MFY20 and accounted for 20% of the revenues.
- ▶ **Key VAPs include** intermediate bulk containers (IBC), LPG composite cylinders and cross-laminated films.
- ▶ **Recently launched VAPs** include type-IV carbon wound composite cylinders, composite air tanks, diesel exhaust fluid tanks and composite leaf springs.
- ▶ **CNG cylinders and CNG cascade:** The management seems very optimistic for these niche products as they will open up incremental market worth of Rs6.5bn after the next two years.
- ▶ **Type-IV carbon wound composite cylinder (30ltr-156ltr)** is designed to replace metal CNG cylinders that are mounted on all automobiles. This product is likely to be significantly light-weight, and will increase efficiency.
- ▶ **While composite air tanks would be used** for vehicle air brake system in commercial vehicles (CVs), **DEF (urea) tanks:** Diesel exhaust fluid dispenser tanks are used in CVs.
- ▶ **Company has already incurred capex** of Rs1.07bn until 9MFY20 and is likely to end the year with a capex of Rs1.4bn and Rs2bn in FY21 (including Rs1bn for maintenance).

Market Cap	Rs11.3bn/US\$159mn	Year to Mar	FY16	FY17	FY18	FY19
Reuters/Bloomberg	TIME.BO/TIME IN	Revenue (Rs mn)	24,227	27,546	31,027	35,637
Shares Outstanding (mn)	22.5	Adj. Net Profit (Rs mn)	1,381	1,471	1,804	2,027
52-week Range (Rs)	109/42	Dil. Rec. EPS (Rs)	6.6	6.9	8.0	9.0
Free Float (%)	48.8	% Chg YoY	-	6.5	22.6	12.4
FII (%)	18.3	P/E (x)	7.7	7.3	6.3	5.6
Daily Volume (US\$/000)	71.2	CEPS (Rs)	-	-	-	-
Absolute Return 3m (%)	(16.6)	EV/E (x)	4.5	4.2	3.7	3.4
Absolute Return 12m (%)	(40.1)	Dividend Yield (%)	1.1	1.3	1.6	1.8
Sensex Return 3m (%)	1.6	RoCE (%)	17.0	17.4	17.7	18.1
Sensex Return 12m (%)	16.5	RoE (%)	11.8	11.1	12.2	12.2

- **Healthy orderbook in pipes and composite cylinder business:** TTL has an orderbook of Rs3.5bn in pipes business while orderbook of composite cylinder business continues to remain healthy.
- **MOX films (new products/geographies):** Company is innovating new applications for MOX films. The company is launching new products in market segments like truck covers, pond liners, mulching film & poly house films and focusing on new export markets i.e. Thailand, Malaysia, Germany, UK & USA.
- TTL has confirmed that there is no impact of Corona Virus on its existing operations. While company is hopeful of better growth opportunities in the area of fine chemicals, the manufacturing base of which is likely to shift to India and other countries (where MNC chemical giants have their base) from China.
- The management might **restructure/hive off its non-core operations (particularly the battery business)** for which it has recently hired E&Y. The strategy report from E&Y with recommendations is likely to be submitted to the management by mid-FY20 and the same is likely to get executed starting FY21.

Financial summary

Table 1: Profit & loss statement

(Rs mn, year ending March 31)

	FY16	FY17	FY18	FY19
Net Revenues	24,227	27,546	31,027	35,637
Operating Expenses	20,749	23,504	26,297	30,402
EBITDA	3,478	4,042	4,731	5,235
% margins	14.4%	14.7%	15.2%	14.7%
Depreciation & Amortisation	988	1,155	1,372	1,461
Gross Interest	962	901	875	986
Other Income	21	22	21	32
Recurring PBT	1,549	2,009	2,504	2,819
Less: Taxes	326	494	652	734
Less: Minority Interest	37	43	49	58
Add: Share of profit of associates	-	-	-	-
Net Income (Reported)	1,186	1,471	1,804	2,027
Extraordinaries (Net)	(195)	-	-	-
Recurring Net Income	1,381	1,471	1,804	2,027

Source: Company data, I-Sec research

Table 2: Balance sheet

(Rs mn, year ending March 31)

	FY16	FY17	FY18	FY19
Assets				
Total Current Assets	12,023	13,840	15,982	18,224
of which cash & cash eqv.	702	656	740	666
Total Current Liabilities & Provisions	5,354	5,284	6,251	6,699
Net Current Assets	6,669	8,556	9,731	11,525
Investments	-	-	-	-
Net Fixed Assets	10,211	11,004	11,997	12,791
Capital Work-in-Progress	707	869	941	983
Goodwill	1,258	-	-	-
Total Assets	18,845	20,430	22,668	25,299
Liabilities				
Borrowings	6,011	6,310	6,851	7,415
Deferred Tax Liability	391	471	581	730
Minority Interest	761	384	405	463
Equity Share Capital	210	226	226	226
Face Value per share (Rs)	1	1	1	1
Reserves & Surplus*	11,472	13,039	14,605	16,466
Less: Misc. Exp. n.w.o.	-	-	-	-
Net Worth	11,682	13,265	14,831	16,692
Total Liabilities	18,845	20,430	22,668	25,299

*Excluding revaluation reserves

Source: Company data, I-Sec research

Table 3: Cashflow statement

(Rs mn, year ending March 31)

	FY16	FY17	FY18	FY19
Cash and Cash Equivalents at Beginning of the year	691	702	656	740
Cash Flow From Operating Activities	2,888	1,880	3,033	2,815
Cash Flow from Investing Activities	(1,202)	(2,119)	(2,442)	(2,305)
Cash Flow From Financing Activities	(1,675)	193	(508)	(583)
Net Inc./(Dec.) in Cash and Cash Equivalent	11	(46)	84	(74)
Cash and Cash Equivalents at End of the year	702	656	740	666

Source: Company data, I-Sec research

Table 4: Key ratios

(Year ending March 31)

	FY16	FY17	FY18	FY19
Per Share Data (Rs)				
EPS	6.6	6.9	8.0	9.0
Dividend per share (DPS)	0.6	0.7	0.8	0.9
Book Value per share (BV)	55.6	58.7	65.6	73.8
Growth (%)				
Net Sales		13.7	12.6	14.9
EBITDA		16.2	16.9	10.8
PAT		6.5	22.6	12.4
Valuation Ratios (x)				
P/E	7.7	7.3	6.3	5.6
P/BV	0.9	0.9	0.8	0.7
EV / EBITDA	4.5	4.2	3.7	3.4
EV / Sales	0.7	0.6	0.6	0.5
Operating Ratio				
Other Income / PBT (%)	1.4	1.1	0.9	1.1
Effective Tax Rate (%)	21.0	24.6	26.0	26.0
Working Capital (days)	93.0	98.7	105.2	106.2
Inventory Turnover (days)	104.6	97.5	99.2	88.5
Receivables (days)	74.0	70.8	73.4	80.2
Payables (days)	56.8	51.9	54.3	57.0
Net D/E Ratio (x)	0.5	0.4	0.4	0.4
Return/Profitability Ratio (%)				
Net Income Margins	5.7	5.3	5.8	5.7
RoACE	17.0	17.4	17.7	18.1
RoAE	11.8	11.1	12.2	12.2
Dividend Payout	8.4	9.4	10.0	10.0
Dividend Yield	1.1	1.3	1.6	1.8
EBITDA Margins	14.4	14.7	15.2	14.7

Source: Company data, I-Sec research

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