

Improvement in sales mix drives profitability...

Time Technoplast (TTL) is one of the leading players in the industrial packaging categories (plastic drums/jerry cans), which contribute ~70% to its total topline. Over the years, the company has diversified into polymer based valued added product categories such as composite cylinders, Mox films and DWC pipe categories. The revenue contribution of value added product category nearly doubled to 19.5% in the topline (FY19) in the last five years. The mix has further improved to ~22% in H1FY20. Further, the company reported revenue growth of ~5%, 8% in Q2FY20 and H2FY20 led by volume growth of 11%, 12%, respectively. The volume growth led by valued added product categories such as composite cylinders and Mox films wherein segment volume growth were higher at 17% and 18% YoY during H1FY20, respectively. The plastic division recorded volume growth of 11.5% YoY during H1FY20 while the company has passed on the benefit of lower raw material prices (~5%) to its clients. The management is confident of growth momentum in the topline to continue in H2FY20 with improving product mix. We model revenue, earning CAGR of ~10%, 9%, respectively, in FY19-21E with almost flattish EBITDA margin. Further, despite debt of ₹ 845 crore, the debt/equity is in the comfort zone at 0.5x. Hence, we believe the return ratios would gradually improve with moderation in capital expenditure and repayment of debt, going forward.

Volume growth drives topline

Volume growth came in at 12% during H1FY20. This was largely led by strong volume growth in the composite cylinder, Mox films and pipes categories by 17%, 18% and 13% YoY, respectively. On the other hand, despite lower industrial activities (including auto industry) the plastic division recorded a volume growth of 12% YoY during H1FY20. The management has reiterated the double digit volume growth in H2FY20 with recovery in demand of plastic division and strong order book of composite cylinder and piping divisions. We model revenue CAGR of 10% for FY19-21E led by 16% growth in the revenue of valued added product categories.

Increase in gross margin on better mix

Gross margins increased 196 and 70 bps YoY in Q2 and H1FY20, respectively, led by 12% increase in sales of valued added product categories. As a result, EBITDA margins came in at 13.9% in Q2 and 14.2% during H2FY20. We model FY20E EBITDA margin at the level of H1FY20 and see a slight improvement in FY21E.

Valuation & Outlook

We maintain our **HOLD** rating on the stock given its double digit volume growth, sustained EBITDA margin and debt/equity at comfort zone. We value stock at FY21E 3x EV/EBITDA with a revised target price of ₹ 60/share.



Particulars

Particular	Amount
Market Cap (₹ Crore)	1,221.2
Total Debt (FY19) (₹ Crore)	741.5
Cash & Inv (FY19) (₹ Crore)	49.1
EV (₹ Crore)	1,913.5
52 week H/L	116/ 52
Equity capital (₹ Crore)	22.6
Face value (₹)	1.0

Key Highlights

- Despite slowdown in industrial activity, volume growth at 12%
- Focus on improving mix of valued added products in topline
- Model revenue earnings CAGR of 10%, 9%, respectively, with slight improvement in EBITDA margin
- Maintain HOLD on stock with revised target price of ₹ 60 per share

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Key Financial Summary

₹ Crore	FY17	FY18	FY19E	FY20E	FY21E	CAGR (19-21E)
Net sales	2,754.6	3,102.7	3,563.7	3,884.0	4,310.4	10.0
EBITDA	404.2	473.1	523.5	555.8	624.3	9.2
EBITDA Margin (%)	14.7	15.2	14.7	14.3	14.5	
PAT	147.1	180.4	202.7	213.7	242.3	9.3
EPS (₹)	6.5	8.0	9.0	9.5	10.7	
P/E (x)	8.3	6.8	6.0	5.7	5.0	
Price/Book Value (x)	0.9	0.8	0.7	0.7	0.6	
EV/EBITDA (x)	4.4	3.9	3.7	3.6	3.2	
RoE (%)	11.1	12.2	12.1	12.0	12.4	
RoCE (%)	14.2	14.9	15.0	14.7	15.7	

Source: Company, ICICI Direct Research

Exhibit 1: Variance Analysis

	Q2FY20	Q2FY20E	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	Comments
Revenue	870.5	945.3	827.5	5.2	1,082.1	-19.5	Volume growth came in at 11% and 12% YoY during Q2 and H2FY20, respectively. Sharp reduction in HDPE/LDPE restricted any realisation growth during the same period
Other Income	0.5	0.2	0.2	211.6	2.4	-79.0	
Raw Material Exp	606.4	671.2	592.7	2.3	765.7	-20.8	Gross margin increased ~196 bps YoY largely due to change in product mix
Employee Exp	39.6	43.5	37.8	4.6	49.8	-20.5	
Other expenditure	103.6	102.1	89.4	15.9	97.0	6.8	
EBITDA	120.9	128.6	107.6	12.4	169.6	-28.7	
EBITDA Margin (%)	13.9	14.8	13.0	89 bps	15.7	-178 bps	Higher gross margin translated into increased EBITDA margin during Q2FY20
Depreciation	39.8	37.8	39.7	0.2	38.4	3.6	
Interest	28.0	27.3	23.9	17.2	27.4	2.1	Higher debt level resulting increase in interest outflow
PBT	53.6	63.7	44.1	21.5	106.1	-49.5	
Total Tax	13.6	19.7	11.2	21.5	30.3	-55.0	
PAT	39.2	43.1	32.9	19.0	73.7	-46.8	PAT growth largely led by improvement in EBITDA margin on a YoY basis
Key Metrics							
Polymer products	610.3	662.7	579.8	5.3	615.8	-0.9	Polymer product category growth largely driven PE pipes and MOX films, which increased ~10% and ~14% YoY, respectively, The plastic division sales growth at ~4% YoY led by volume growth of ~10% YoY
Composite products	260.2	282.6	247.7	5.0	252.3	3.1	Composite products revenue growth came on the back of composite cylinders wherein volume and value growth was at 14% and 13%, respectively

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

₹ Crore)	FY20E			FY21E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	3,921.5	3884.0	(1.0)	4,405.3	4310.4	(2.2)	Tweak revenue estimate considering current quarter performance
EBITDA	553.1	555.8	0.5	628.1	624.3	(0.6)	
EBITDA Margin %	14.1	14.3	21bps	14.3	14.5	18bps	Slightly tweak our EBITDA margin estimate due to better gross margin in H1FY20
PAT	211.2	213.7	1.2	245.8	242.3	(1.4)	Higher interest cost would weigh on PAT
EPS (₹)	9.3	9.5	1.3	10.9	10.7	(1.4)	

Source: Company, ICICI Direct Research

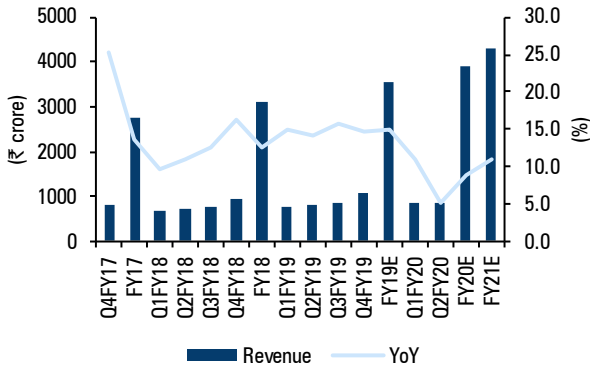
Exhibit 3: Assumptions

	Current				Earlier			Comments
	FY18	FY19E	FY20E	FY21E	FY20E	FY21E		
Established products	5.9	13.5	8.3	8.3	8.4	10.3	Revise EPs category sales CAGR to ~8% in FY19-21E (from earlier ~9%) supported by both plastic and PE pipe division	
Value added Products	55.7	21.1	11.2	21.5	16.1	20.1	Model revenue CAGR of 16% in FY19-21E led by MOX films and composite cylinder categories	

Source: Company, ICICI Direct Research

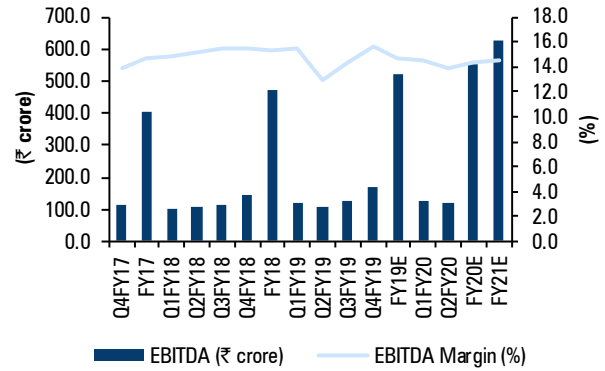
Financial story in charts

Exhibit 4: Revenue growth led by valued added products



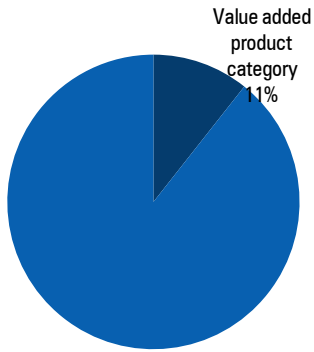
Source: Company, ICICI Direct Research

Exhibit 5: Sales mix to help in margin improvement



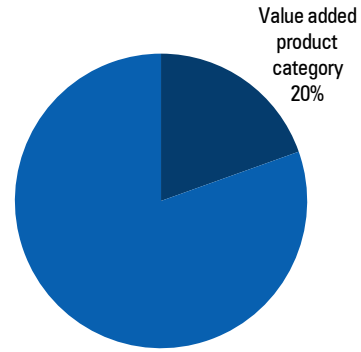
Source: Company, ICICI Direct Research

Exhibit 6: Value added products contribution during FY15



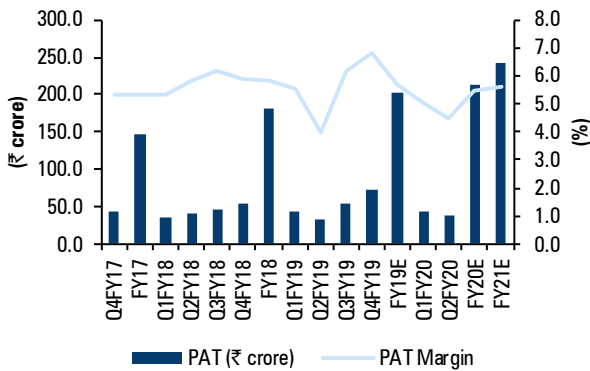
Source: Company, ICICI Direct Research

Exhibit 7: Value added products contribution in FY19



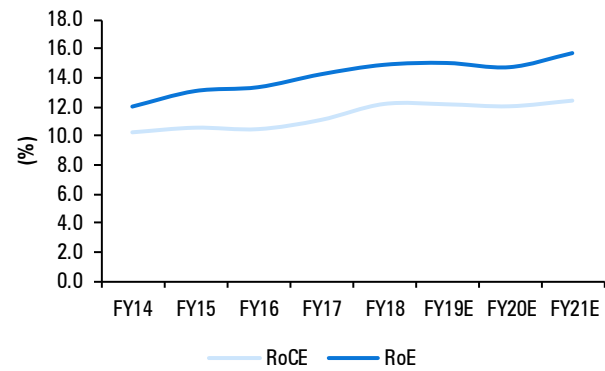
Source: Company, ICICI Direct Research

Exhibit 8: PAT growth in line with revenue growth



Source: Company, ICICI Direct Research

Exhibit 9: Return ratio trend



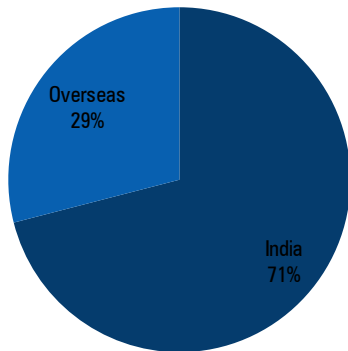
Source: Company, ICICI Direct Research

Exhibit 10: Product portfolio



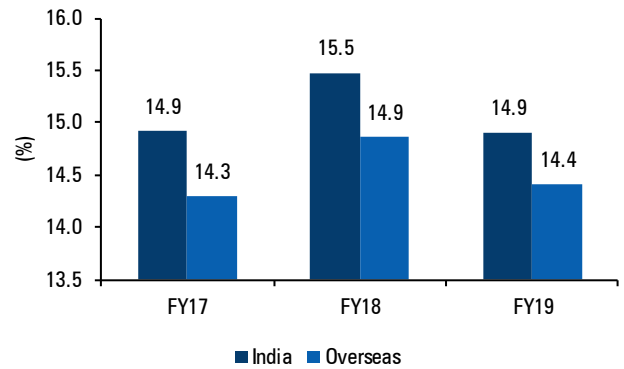
Source: Company, ICICI Direct Research

Exhibit 11: Revenue mix India and overseas



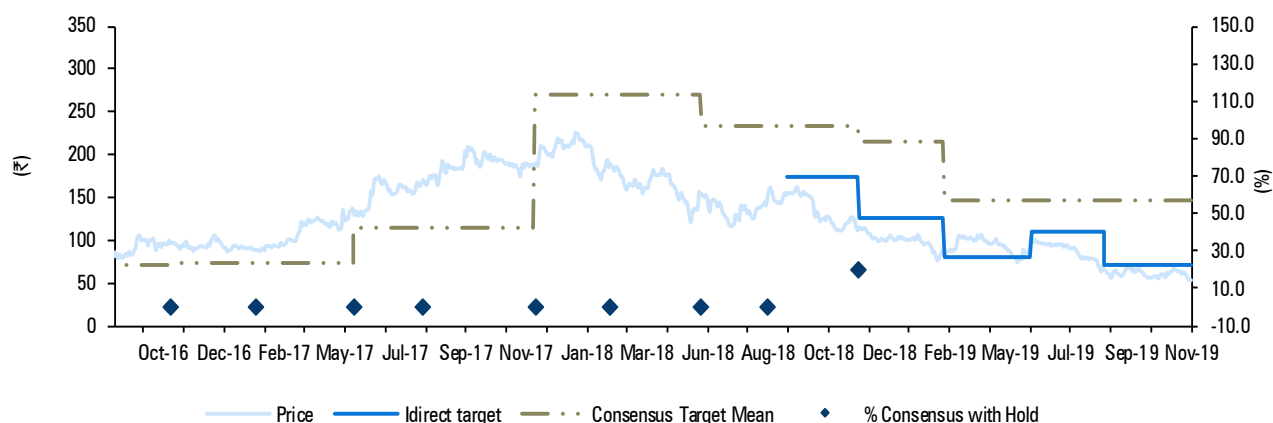
Source: Company, ICICI Direct Research

Exhibit 12: EBITDA margin mix India and overseas



Source: Company, ICICI Direct Research

Exhibit 13: Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

Exhibit 14: Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S Position (m)	Change (m)
1	Parekh (Narendrakumar Kalyanji)	30-Sep-19	10.7	54.3
2	Parekh (Madhukar Balvantray)	30-Sep-19	10.2	52.1
3	Parekh (Ajay Balvantray)	30-Sep-19	9.3	47.4
4	Parekh (Sushil Kumar Kalyanji)	30-Sep-19	8.1	41.4
5	Devkalyan Sales Pvt. Ltd.	30-Sep-19	5.2	26.2
6	Ishijas Chemical Pvt. Ltd.	30-Sep-19	4.9	24.9
7	Axis Asset Management Company Limited	30-Sep-19	3.3	17.0
8	Life Insurance Corporation of India	30-Sep-19	3.3	16.6
9	Harton Pvt. Ltd.	30-Sep-19	2.4	12.4
10	Vaccum Forming Company Pvt. Ltd.	30-Sep-19	2.3	11.5

Source: Reuters, ICICI Direct Research

Exhibit 15: Recent Activity

Buys			Sells		
Investor name	Value(m)	Shares(m)	Investor name	Value(m)	Shares(m)
Life Insurance Corporation of India	34.0	1.7	Capital Research Global Investors	-23.1	-1.1
Parekh (Aparva N)	16.3	0.9	Fidelity International	-17.1	-1.0
Axis Asset Management Company Limited	7.4	0.4	Driehaus Capital Management, LLC	-8.3	-0.4
IDFC Asset Management Company Private Limited	3.8	0.2	Parekh (Sushil Kumar Kalyanji)	-4.1	-0.2
kumar (Ajay)	1.7	0.1	Genesis Investment Management, LLP	-3.6	-0.2

Source: Reuters, ICICI Direct Research

Exhibit 16: Shareholding Pattern

(in %)	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19
Promoter	51.2	51.2	51.2	51.2	51.2
FII	28.3	21.8	21.8	20.3	19.8
DII	9.0	9.0	9.0	10.8	10.7
Others	11.5	18.0	18.0	17.7	18.4

Source: Company, ICICI Direct Research

Financial summary

Exhibit 17: Profit and loss statement				
	₹ crore			
Year end March	FY18	FY19E	FY20E	FY21E
Net sales	3102.7	3563.7	3884.0	4310.4
Expenditure				
Raw material	2152.8	2511.3	2704.0	3012.3
Employee Expenses	145.1	163.9	181.4	199.6
Other Expenses	331.8	365.0	442.8	474.1
Total expenditure	2629.7	3040.2	3328.1	3686.1
EBITDA	473.1	523.5	555.8	624.3
Other income	2.1	3.2	3.6	4.0
EBITDA (incl. other income)	475.2	526.7	559.4	628.3
Depreciation	137.2	146.1	155.4	172.4
EBIT	338.0	380.6	404.1	455.9
Interest	87.5	98.6	110.6	124.7
PBT before Exc. Items	250.4	281.9	293.5	331.2
Less: Exc. Items	0.0	0.0	0.0	0.0
PBT after Exc. Items	250.4	281.9	293.5	331.2
Tax	65.2	73.4	76.7	86.7
PAT	180.4	202.7	213.7	242.3

Source: Company, ICICI Direct Research

Exhibit 19: Balance sheet				
	₹ crore			
Year end March	FY18	FY19E	FY20E	FY21E
share capital	22.6	22.6	22.6	22.6
Reserve and Surplus	1460.1	1646.6	1757.0	1932.6
Total Shareholder's Fund	1482.8	1669.2	1779.6	1955.2
Total Debt	685.1	741.5	841.5	821.5
Deferred Tax liability	58.1	73.0	73.0	73.0
Minority Interest	40.5	46.3	46.3	46.3
Total Assets	2266.4	2529.9	2740.3	2896.0
Gross Block				
Gross Block	2070.3	2295.8	2515.8	2735.8
Accumulated Depreciation	870.6	1016.8	1172.1	1344.5
Net Block	1199.7	1279.1	1343.7	1391.3
Capital WIP	94.1	98.3	98.3	98.3
Total Fixed Assets	1293.8	1377.4	1442.0	1489.6
Investments	22.0	27.4	27.4	27.4
Current Assets				
Inventory	640.9	737.3	808.7	897.5
Debtors	670.3	784.2	840.6	932.9
Other Current Assets	205.5	224.4	244.6	271.4
Cash	59.1	49.1	89.2	55.5
Total Current Assets	1575.8	1795.0	1983.1	2157.3
Current Liabilities				
Creditors	437.0	475.0	500.1	543.2
Provisions	8.3	9.2	9.7	10.5
Other current liabilities	179.8	185.7	202.4	224.6
Total Current Liabilities	625.1	669.9	712.2	778.4
Total Liabilities	2266.4	2529.9	2740.3	2896.0

Source: Company, ICICI Direct Research

Exhibit 18: Cash flow statement				
	₹ crore			
Year end March	FY18	FY19E	FY20E	FY21E
Profit/(Loss) after taxation	180.4	202.7	213.7	242.3
Add: Depreciation & Amortization	137.2	146.1	155.4	172.4
Add: Interest Paid	87.5	98.6	110.6	124.7
CF bef working capital chg.	405.2	447.5	479.7	539.4
Net Increase in Current Assets	-205.8	-229.2	-148.0	-208.0
Net Increase in Current Liabilities	96.8	44.7	42.3	66.2
Net CF from operating act.	296.2	263.1	374.0	397.6
(Purchase)/Sale of Fixed Assets				
(Purchase)/Sale of Fixed Assets	-243.7	-229.7	-220.0	-220.0
Others	7.9	15.2	0.0	0.0
Net CF from Investing act.	-235.7	-214.5	-220.0	-220.0
Pro/(Rep) of debt				
Pro/(Rep) of debt	54.1	56.4	100.0	-20.0
Payment of Div & Div tax	-21.3	-14.2	-66.6	-66.6
Int. paid	-87.5	-98.6	-110.6	-124.7
Net CF from Financing act	-57.6	-58.6	-113.9	-211.3
Net Cash Flow	2.9	-10.0	40.1	-33.7
Cash & Cash Equi at beg	56.2	59.1	49.1	89.2
Cash & Cash Equi at end	59.1	49.1	89.2	55.5

Source: Company, ICICI Direct Research

Exhibit 20: Key ratios				
	₹ crore			
Year end March	FY18	FY19E	FY20E	FY21E
EPS	8.0	9.0	9.5	10.7
Cash EPS	14.0	15.4	16.3	18.3
DPS	0.9	0.6	2.9	2.9
BV per share	65.6	73.8	78.7	86.5
Profitability Ratio				
EBITDA Margin	15.2	14.7	14.3	14.5
PAT Margin	5.8	5.7	5.5	5.6
Return Ratio				
RoCE	14.9	15.0	14.7	15.7
RoE	12.2	12.1	12.0	12.4
RoIC	14.6	14.7	14.5	15.2
Valuation Ratio				
P/E	6.8	6.0	5.7	5.0
EV/EBITDA	3.9	3.7	3.6	3.2
Mcap/Sales	0.4	0.3	0.3	0.3
Price to BV	0.8	0.7	0.7	0.6
Activity Ratios				
Inventory Days	75.4	75.5	76.0	76.0
Debtors Days	78.9	80.3	79.0	79.0
Creditors Days	51.4	48.6	47.0	46.0
Gross Block Turnover	1.5	1.6	1.5	1.6
Solvency Ratios				
Debt/Equity	0.5	0.4	0.5	0.4
Debt/Ebitda	1.4	1.4	1.5	1.3
Current Ratio	3.4	3.6	3.7	3.8
Quick Ratio	2.0	2.1	2.1	2.2

Source: Company, ICICI Direct Research

Exhibit 21: ICICI Direct Coverage Universe (Consumer Discretionary)

Sector / Company	CMP			M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)	Rating		FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E
Asian Paints (ASIPAI)	1,685	2,050	Buy	161,592	23.0	32.1	38.5	73.2	52.4	43.7	45.2	38.4	31.8	30.4	32.1	33.6	23.2	28.1	28.2
Astral Polytechnik (ASTPOL)	1,080	1,275	Hold	16,271	13.1	18.1	23.7	82.5	59.7	45.6	44.8	35.4	27.6	20.8	22.2	25.4	15.5	17.8	19.2
Bajaj Electricals (BAJELE)	321	270	Sell	3,276	16.3	3.3	11.0	19.7	98.7	29.3	13.9	19.6	14.1	13.8	9.4	12.6	15.5	3.3	10.5
Havells India (HAVIND)	640	720	Hold	39,930	12.7	13.3	18.0	50.4	48.2	35.5	34.5	35.4	26.5	25.3	23.7	27.5	18.7	19.0	22.0
Kansai Nerolac (KANNER)	525	620	Buy	28,293	8.7	11.9	13.7	60.5	44.2	38.4	39.0	32.1	26.5	20.2	21.6	22.9	13.6	17.4	17.5
Pidilite Industries (PIDIND)	1,291	1,475	Hold	66,187	18.8	19.2	24.1	68.6	67.3	53.6	50.4	40.6	35.7	29.6	33.6	34.5	22.7	26.9	27.3
Essel Propack (ESSPRO)	159	95	Reduce	4,996	6.2	7.1	8.0	25.7	22.3	19.9	7.5	6.8	5.9	16.9	16.6	18.5	13.9	13.9	14.9
Supreme Indus (SUPIND)	1,137	1,420	Buy	14,443	35.3	43.0	49.3	32.2	26.4	23.0	19.2	18.0	14.5	25.0	24.7	27.6	18.7	23.1	22.8
Symphony (SYMLIM)	1,176	1,295	Hold	8,227	13.0	23.0	34.1	90.4	51.2	34.5	39.2	65.9	32.4	41.3	18.7	34.0	31.5	16.2	29.2
V-Guard Ind (VGUARD)	228	230	Hold	9,705	3.9	5.0	5.7	58.5	45.6	40.1	53.2	45.0	33.9	23.7	23.7	29.1	17.7	18.4	22.1
Voltas Ltd (VOLTAS)	690	765	Hold	22,821	15.5	18.7	24.3	44.4	36.9	28.4	33.5	35.3	26.3	19.8	17.3	22.5	14.8	12.7	16.3
Time Techno (TIMTEC)	53	60	Hold	1,199	9.0	9.5	10.7	5.9	5.6	4.9	3.9	3.7	3.6	14.9	15.0	14.7	12.2	12.1	12.0

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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