

## Long term growth guidance intact...

**About the stock:** Time Technoplast is a leading manufacturer of polymer based packaging & composite products with 34 production facilities in 11 countries.

- Established products (industrial packaging, PE pipe, battery others) contribute ~80% to the topline while value added product category (IBC, composite cylinders, mox films) contributes 20% of revenue
- Focus is to increase revenue sharing from value added product category in the next five years from 20% to 22%

**Q1FY22 Results:** Revenue growth led by easing of lockdown restrictions.

- Revenue increased 59% YoY to ₹ 754 crore on a favourable base
- Gross margins were flat QoQ. Improved operating leverage drove EBITDA margin up 197 bps YoY to 13.3%
- Reported PAT of ₹ 29 crore vs. loss ~₹ 12 crore in base period

**What should investors do?** Time Technoplast's share price has grown by ~2.3x over the past year (from ~₹ 35 in August 2020 to ~₹ 80 level in July 2021).

- We maintain our BUY rating on the stock

**Target Price & valuation:** We roll over our valuation on FY23E and value Time Technoplast at ₹ 100 i.e. 5x EV/EBITDA on FY23E EBITDA.

**Key triggers for future price performance:**

- The company has laid out plans to achieve ₹ 5000 crore revenues by FY25 (implied CAGR of 14% in FY21-25). Value added product (20% of revenue will see 16% CAGR during the same period)
- Time Techno sees a strong revenue traction (of ₹ 2200 crore/annum) from its newly launched CNG cascade business (not built in future estimates)
- Improved product mix will drive EBITDA margin, going forward (aims to increase EBITDA margin to 15.5% FY25E)

**Alternate Stock Idea:** We like MoldTek Packaging in the packaging space.

- Strong volume growth of ~20% in FY21-23E led by capacity expansion and client additions in the high margin product categories
- BUY with a target price of ₹ 675



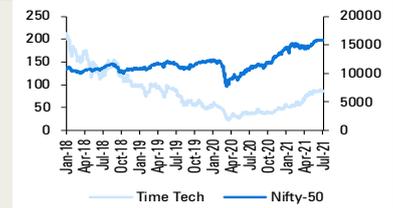
### Particulars

Particular	Amount
Market Cap (₹ Crore)	1,809.2
Total Debt (FY21) (₹ Crore)	677.3
Cash&Inv (FY21) (₹ Crore)	87.0
EV (₹ Crore)	2,399.5
52 week H/L	97/ 35
Equity capital (₹ Crore)	22.6
Face value (₹)	1.0

### Shareholding pattern

(in %)	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Promoter	51.3	51.3	51.3	51.3	51.3
FII	17.8	17.1	15.6	15.1	15.2
DII	11.6	10.5	10.4	11.0	11.3
Others	19.3	21.1	22.7	22.6	22.2

### Price Chart



### Recent event & key risks

- Key Risk:** (i) Delay in order execution (ii) Delay in passing on high input prices

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### Key Financial Summary

₹ Crore	FY19	FY20	FY21	5 Year CAGR (FY16-21)	FY22E	FY23E	2 Year CAGR (FY21-23E)
Net sales	3,563.7	3,578.0	3,004.9	4%	3,647.2	4,099.2	17%
EBITDA	523.5	498.9	387.1	2%	495.0	581.1	23%
EBITDA Margin (%)	14.7	13.9	12.9		13.6	14.2	
PAT	202.7	169.1	107.8	-5%	188.3	241.9	50%
EPS (₹)	9.0	7.5	4.8		8.3	10.7	
P/E (x)	8.9	10.7	16.8		9.6	7.5	
Price/Book Value (x)	1.1	1.0	1.0		0.9	0.8	
EV/EBITDA (x)	4.7	5.0	6.2		5.0	4.2	
RoE (%)	12.1	9.3	5.7		9.5	11.3	
RoCE (%)	15.0	12.5	8.7		12.2	13.9	

Source: Company, ICICI Direct Research

## Key takeaways of recent quarter & conference call highlights

### Q1FY22 Results:

- The company reported revenue growth of 59% led by 57% YoY volume growth in Q1FY22. Strong recovery was witnessed in the composite products category with segment revenue growth of 62% to ₹ 229 crore. Polymer product revenue increased 58% YoY to ₹ 525 crore. The order book in the PE piping segment and Type IV CNG cascade was at ₹ 210 crore and ₹ 85 crore, respectively
- Gross margin remains intact QoQ (down 108 bps YoY) due to a sharp rise in input costs. However, EBITDA margin increased 197 bps YoY to 13.3% supported by improved operating leverage.
- PAT came in at ₹ 29 crore in Q1FY22 vs. loss of ₹ 12 crore in base period

### Q1FY22 Earnings Conference Call highlights

- Composite Cylinders for Type IV CNG cascade:**
  - The company is seeing a good response to its Type-IV composite cylinders for CNG cascade and has also started receiving orders for Type-IV cylinders for on-board application
  - Several tenders (worth ₹ 150 crore) are in the discussion stages and the company expects them to be finalised in coming months
  - Total order book for CNG application (Cascades) is at ~₹85 crore
- Composite Cylinders for LPG:**
  - The company currently exports to 48 countries and has approval to export to 55 countries
  - Time Techno has received trial order for ~30,000 cylinders from government owned OMCs
- Pipes:**
  - The current order book is at ~₹ 210 crore
  - Time Techno sees demand in this business aided by government projects such as Smart cities, Jal Jeevan Mission and Swachh Bharat mission
- Current capacity utilisation in Q1FY22 is at ~70%. The Company expects the same to improve by ~10-15% from upcoming quarters
- Time Techno has incurred a capex of ~ ₹ 30 crore in Q1FY22. The full year capex will be ~₹ 120 crore
- The management has guided a normalised EBITDA margin of ~14-14.5% for FY22
- The management has reiterated an RoCE of >19% in the next three years

### Exhibit 1: Peer Comparison

Sector / Company	CMP (₹)	TP (₹)	Rating	Mcap (₹ cr)	Sales growth (%)			EBITDA mar (%)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
EPL Ltd (ESSPRO)	234	275	Hold	7,378	12.0	10.2	11.2	19.8	19.7	21.0	13.0	11.8	9.7	16.2	17.7	20.8	14.8	16.6	18.9
Mold Tek Pack (MOLPAC)	495	675	Buy	1,372	9.0	30.0	15.0	19.7	19.1	21.0	15.6	12.2	9.4	21.0	25.0	29.0	21.0	22.0	24.0
Time Tech (TIMTEC)	80	100	Buy	1,809	-16.0	21.4	12.4	12.9	13.6	14.2	6.5	5.2	4.4	8.7	12.2	13.9	5.7	9.5	11.3

Source: Company, ICICI Direct Research

We build in revenue, PAT CAGR of 17% and 50% in FY21-23E led by increased utilisation level, incremental demand of composite products and improved EBITDA margin going forward. According to the management, the company has received increased inquiry of the type IV composite cylinders and revenue potential of this segment could be ₹ 2200 crore per annum (not built in our estimate). The management has also reiterated improvement in EBITDA margin in the near term to 14-14.5% from the current level. We maintain our BUY rating on the stock with a target price of ₹ 100/share.

Exhibit 2: Variance Analysis

	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	Comments
Revenue	754.4	475.2	58.7	951.2	-20.7	Revenue growth largely on a favourable base and additions of new revenue streams (type IV CNG cylinders)
Other Income	0.4	0.3	46.5	2.2	-83.5	
Raw Material Exp	529.7	328.5	61.2	667.5	-20.7	Delay in price hikes and change in revenue mix weigh on gross margin, which was down 100 bps YoY (flat QoQ)
Employee Exp	42.5	34.7	22.4	47.3	-10.2	
Other expenditure	81.7	58.0	40.7	107.3	-23.9	
EBITDA	100.5	53.9	86.4	129.1	-22.1	
EBITDA Margin (%)	13.3	11.4	197 bps	13.6	-24 bps	Cost optimisation measures YoY helped drive margin up in Q1FY22
Depreciation	38.5	37.5	2.7	38.3	0.5	
Interest	23.4	25.3	-7.5	23.7	-1.5	
PBT	39.0	-8.6	-554.8	69.3	-43.7	
Total Tax	9.8	3.0	224.5	17.5	-44.0	
PAT	29.2	-11.6	-352.2	53.8	-45.6	Higher EBITDA margin and savings in interest outgo drives bottomline
<b>Key Metrics</b>						
Polymer products	525.0	333.4	57.5	687.6	-23.6	Recovery in polymer product category led by 89% revenue growth of piping business largely on a lower base. The plastic division revenue also grew 59% YoY (91% recovery to its pre-Covid-19 level sales)
Composite products	229.4	141.8	61.7	263.6	-13.0	Strong recovery in the IBC business and new order inflows in the Type-IV composite cylinders drive overall segment recovery

Source: Company, ICICI Direct Research

Exhibit 3: Change in estimates

₹ Crore)	FY22E			FY23E			Comments
	Old	New	% Chg	Old	New	YoY (%)	
Revenue	3,598.9	3647.2	1.3	4030.8	4099.2	1.7	We tweak our revenue estimate marginally
EBITDA	491.1	495.0	0.8	571.6	581.1	1.7	
EBITDA Margin (%)	13.6	13.6	-3bps	14.2	14.2	0bps	
PAT	192.8	188.3	(2.3)	243.6	241.9	(0.7)	
EPS (₹)	8.5	8.3	(2.3)	10.8	10.7	(0.7)	

Source: ICICI Direct Research

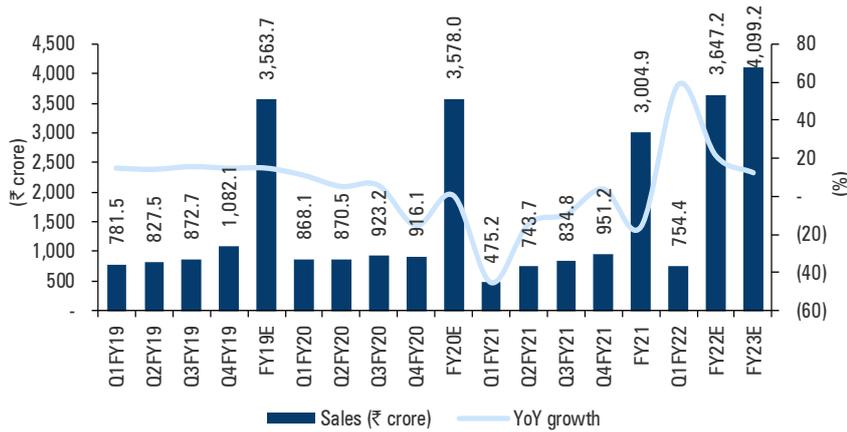
Exhibit 4: Assumptions

Growth (%)	Current				Earlier		Comments
	FY20	FY21	FY22E	FY23E	FY22E	FY23E	
Established products	0.0	-15.9	18.5	10.2	15.8	9.9	We model segent revenue CAGR of 14% considering improved demand conditions and a favourable base in FY21-23E
Value added Products	1.7	-16.3	32.7	20.3	35.3	19.2	Valued added category growth to be largely supported by new orders in composite cylinders (LPG, Cascade, on-board) and IBCs categories. We model revenue CAGR of 26% in FY21-23E

Source: ICICI Direct Research

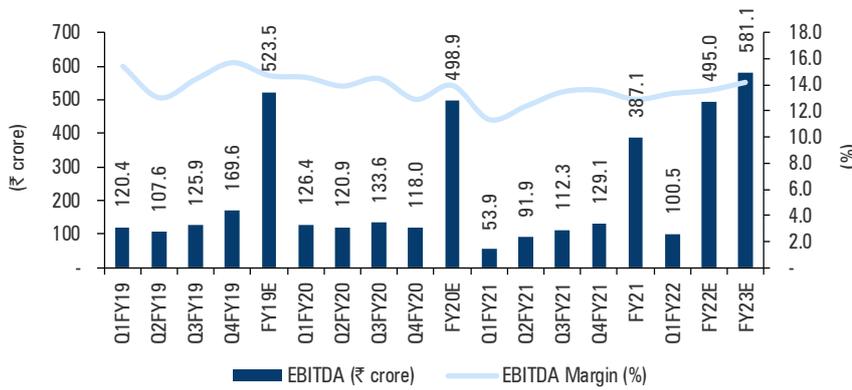
## Financial story in charts

Exhibit 1: Overall revenue trend



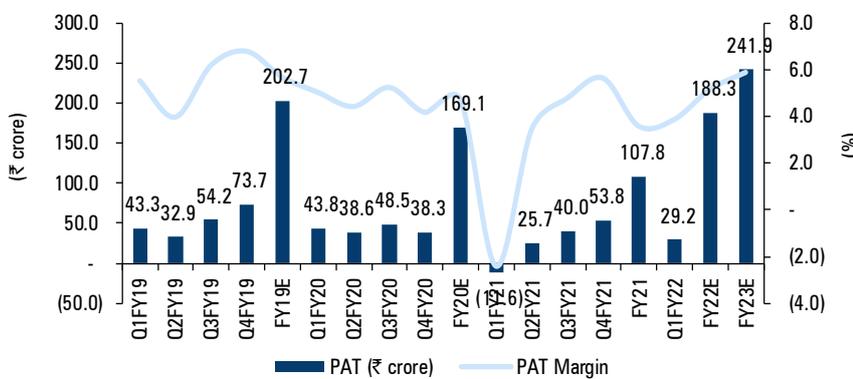
Source: Company, ICICI Direct Research

Exhibit 2: EBITDA and EBITDA margin trend



Source: Company, ICICI Direct Research

Exhibit 3: PAT trend



Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 4: Profit and loss statement					₹ crore
Year end March	FY20	FY21	FY22E	FY23E	
<b>Net sales</b>	<b>3578.0</b>	<b>3004.9</b>	<b>3647.2</b>	<b>4099.2</b>	
<b>Expenditure</b>					
Raw material	2504.4	2102.9	2560.2	2828.4	
Employee Expenses	170.4	159.4	172.6	189.5	
Other Expenses	404.4	355.5	419.4	500.1	
<b>Total expenditure</b>	<b>3079.1</b>	<b>2617.8</b>	<b>3152.2</b>	<b>3518.0</b>	
<b>EBITDA</b>	<b>498.9</b>	<b>387.1</b>	<b>495.0</b>	<b>581.1</b>	
Other income	2.3	3.8	4.3	4.7	
EBITDA (incl. other income)	501.2	391.0	499.3	585.9	
Depreciation	156.2	151.0	156.8	172.2	
EBIT	344.9	240.0	342.5	413.7	
Interest	108.2	97.7	93.2	90.6	
PBT before Exc. Items	236.7	142.2	249.3	323.1	
Less: Exc. Items	0.0	0.0	0.0	0.0	
PBT after Exc. Items	236.7	142.2	249.3	323.1	
Tax	61.7	36.4	61.0	81.2	
<b>PAT</b>	<b>169.1</b>	<b>107.8</b>	<b>188.3</b>	<b>241.9</b>	

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement					₹ crore
Year end March	FY20	FY21	FY22E	FY23E	
Profit/(Loss) after taxation	169.1	107.8	188.3	241.9	
Add: Depreciation & Amortization	156.2	151.0	156.8	172.2	
Add: Interest Paid	108.2	97.7	93.2	90.6	
CF bef working capital chg.	433.5	356.6	438.4	504.7	
Net Increase in Current Assets	-94.1	15.3	-250.3	-153.9	
Net Increase in Current Liabilities	-72.5	-57.3	64.3	74.9	
<b>Net CF from operating act.</b>	<b>266.9</b>	<b>314.5</b>	<b>252.3</b>	<b>425.7</b>	
(Purchase)/Sale of Fixed Assets	-208.8	-42.3	-125.0	-200.0	
Others	68.2	-64.8	0.0	0.0	
<b>Net CF from Investing act.</b>	<b>-140.6</b>	<b>-107.1</b>	<b>-125.0</b>	<b>-200.0</b>	
Pro/(Rep) of debt	20.9	-85.1	-20.0	-20.0	
Payment of Div & Div tax	-25.3	-15.8	-80.0	-72.0	
Int. paid	-108.2	-97.7	-93.2	-90.6	
<b>Net CF from Financing act</b>	<b>-110.5</b>	<b>-202.9</b>	<b>-227.7</b>	<b>-182.6</b>	
Net Cash Flow	15.9	4.5	-100.4	43.1	
Cash & Cash Equi at beg	66.6	82.5	87.0	-13.4	
<b>Cash &amp; Cash Equi at end</b>	<b>82.5</b>	<b>87.0</b>	<b>-13.4</b>	<b>29.7</b>	

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet					₹ crore
Year end March	FY20	FY21	FY22E	FY23E	
Share capital	22.6	22.6	22.6	22.6	
Reserve and Surplus	1792.5	1880.2	1954.0	2124.0	
<b>Total Shareholder's Fund</b>	<b>1815.1</b>	<b>1902.8</b>	<b>1976.6</b>	<b>2146.6</b>	
Total Debt	762.4	677.3	657.3	637.3	
Deferred Tax liability	79.2	82.5	82.5	82.5	
Minority Interest	52.2	48.3	48.3	48.3	
<b>Total Assets</b>	<b>2766.9</b>	<b>2764.4</b>	<b>2818.2</b>	<b>2968.2</b>	
Gross Block	2522.4	2564.7	2689.7	2889.7	
Accumulated Depreciation	1173.0	1324.0	1480.8	1653.0	
Net Block	1349.4	1240.8	1208.9	1236.8	
Capital WIP	80.5	80.5	80.5	80.5	
Total Fixed Assets	1430.0	1321.3	1289.5	1317.3	
Investments	29.4	28.9	28.9	28.9	
<b>Current Assets</b>					
Inventory	757.7	759.8	849.4	920.9	
Debtors	820.7	798.3	959.3	1010.8	
Other Current Assets	244.1	249.1	248.9	279.7	
Cash	82.5	87.0	-13.4	29.7	
Total Current Assets	1905.0	1894.2	2044.1	2241.1	
<b>Current Liabilities</b>					
Creditors	443.5	324.4	449.7	505.4	
Provisions	10.6	13.6	8.7	9.8	
Other current liabilities	143.2	202.0	146.0	164.1	
Total Current Liabilities	597.4	540.1	604.3	679.2	
<b>Total Liabilities</b>	<b>2766.9</b>	<b>2764.4</b>	<b>2818.2</b>	<b>2968.2</b>	

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios				
Year end March	FY20	FY21	FY22E	FY23E
EPS	7.5	4.8	8.3	10.7
Cash EPS	14.4	11.4	15.3	18.3
DPS	1.1	0.7	3.5	3.2
BV per share	80.3	84.1	87.4	94.9
<b>Profitability Ratio</b>				
EBITDA Margin	13.9	12.9	13.6	14.2
PAT Margin	4.7	3.6	5.2	5.9
<b>Return Ratio</b>				
RoCE	12.5	8.7	12.2	13.9
RoE	9.3	5.7	9.5	11.3
RoIC	12.5	8.6	11.9	13.8
<b>Valuation Ratio</b>				
P/E	10.7	16.8	9.6	7.5
EV/EBITDA	5.0	6.2	5.0	4.2
Mcap/Sales	0.5	0.6	0.5	0.4
Price to BV	1.0	1.0	0.9	0.8
<b>Activity Ratios</b>				
Inventory Days	77.3	92.3	85.0	82.0
Debtors Days	83.7	97.0	96.0	90.0
Creditors Days	45.2	39.4	45.0	45.0
Gross Block Turnover	1.4	1.2	1.4	1.4
<b>Solvency Ratios</b>				
Debt/Equity	0.4	0.4	0.3	0.3
Debt/Ebitda	1.5	1.7	1.3	1.1
Current Ratio	4.0	5.3	4.5	4.3
Quick Ratio	2.3	3.1	2.6	2.5

Source: Company, ICICI Direct Research

Exhibit 8: ICICI Direct Consumer Discretionary universe

Sector / Company	CMP			M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)	Rating		FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
Asian Paints (ASIPAI)	2,975	3,665	Buy	2,85,303	33.4	39.5	50.4	89.0	75.3	59.0	61.5	53.2	42.4	25.0	27.6	30.7	29.6	32.6	36.8
Astral Polytechnik (ASTPOL)	2,039	2,160	Hold	30,720	20.3	21.9	29.0	101.9	94.5	71.4	63.9	60.0	46.1	27.5	26.9	31.1	21.5	20.8	23.7
Amber Enterprises (AMBEN)	2,892	3,365	Buy	9,094	24.7	43.3	87.7	116.9	66.8	32.9	41.0	30.3	17.5	7.7	11.1	18.3	5.2	8.8	15.2
Bajaj Electricals (BAJELE)	1,046	1,250	Buy	11,892	16.5	23.8	35.7	64.9	45.0	30.0	40.9	29.6	20.7	15.1	20.0	26.1	10.7	16.8	20.6
Berger Paints (BERPAI)	817	860	Hold	79,347	7.4	9.5	11.9	110.2	86.4	68.7	65.4	54.4	44.4	24.9	29.0	33.9	21.3	24.7	27.6
Crompton Greaves(CROGR)	455	540	Buy	28,529	9.8	9.2	11.9	46.2	49.7	38.3	33.1	32.5	25.4	34.4	36.1	42.1	31.9	28.7	33.2
Dixon Technologies (DIXTEC)	4,174	5,050	Buy	24,439	27.3	52.3	97.4	153.1	79.8	42.8	89.8	54.6	31.1	23.5	34.6	47.4	21.7	33.9	41.7
EPL (ESSPRO)	234	275	Hold	7,383	7.7	9.2	11.4	30.2	25.4	20.5	13.5	12.2	10.2	16.2	17.6	20.6	14.8	16.3	18.7
Havells India (HAVIND)	1,226	1,345	Buy	76,490	16.7	18.8	24.3	73.6	61.3	50.5	44.9	40.9	31.8	24.9	25.6	31.1	20.1	21.3	25.7
Kansai Nerolac (KANNER)	629	750	Buy	33,898	9.9	13.0	16.1	63.9	48.6	39.2	40.8	32.5	26.2	17.2	21.5	23.4	13.2	16.6	18.0
Moldtek Packaging (MOLPLA)	493	675	Buy	1,367	17.3	22.5	30.6	29.5	22.8	16.7	16.1	12.6	9.7	21.4	24.8	29.1	20.7	21.9	24.1
Pidilite Industries (PIDIND)	2,218	2,390	Hold	1,12,630	22.2	25.3	30.7	100.0	87.6	72.2	66.4	58.0	48.9	23.8	23.0	26.9	20.2	19.5	22.5
Polycab India (POLI)	1,930	2,100	Hold	28,138	59.4	59.2	77.7	31.8	31.9	24.3	23.3	21.5	16.6	21.9	21.1	24.2	18.5	16.5	18.5
Supreme Indus (SUPIND)	2,050	2,450	Buy	26,041	77.0	64.1	75.9	27.3	32.8	27.6	20.2	23.0	18.8	33.1	25.1	25.9	30.9	23.4	23.5
Symphony (SYMLIM)	909	1,050	Hold	6,359	15.3	20.8	33.0	64.9	47.8	30.9	48.7	37.6	24.3	15.2	22.1	31.8	14.9	21.1	30.1
Time Techno (TIMTEC)	80	100	Buy	1,809	4.8	8.3	10.7	16.8	9.6	7.5	6.2	5.0	4.2	8.7	12.2	13.9	5.7	9.5	11.3
V-Guard Ind (VGUARD)	234	310	Buy	10,022	4.7	5.5	7.3	59.0	50.4	38.1	37.3	35.4	27.3	23.9	25.1	29.0	16.7	19.2	22.5
Voltas Ltd (VOLTAS)	987	1,170	Buy	32,643	16.0	22.0	28.8	63.2	45.9	35.1	51.4	40.9	30.4	15.0	20.2	22.8	10.6	14.9	17.0

Source: Bloomberg, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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## ANALYST CERTIFICATION

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