

On way to gradual recovery...

Time Technoplast reported an improved QoQ recovery in Q3FY21 supported by improved demand from user industries. While the management expects pre-Covid level sales in Q4FY21 over Q4FY20, the FY21 revenue recovery is likely to be in the range of 75-80%. Going forward, the management anticipates a normalised FY22 with focus on increased revenue contribution from value added product (currently ~21% of topline) and execution of orders in the PE pipe segment (order book is ~₹ 250 crore). On the balance sheet front, the company is looking at RoCE of ~20% in the next three years supported by improved plant utilisation and margin profile (due to rising contribution of value added product category).

Focus on value added product category

Value added products (VAP) such as composite cylinders, IBCs and mox films contribute ~21% in overall sales during 9MFY21. The VAPs command an EBITDA margin of ~16-20% against company level margin of ~14%. The company is looking to increase the revenue contribution from VAP category in the next two years. It has received increased inquiries for its IBC products in the US (revenue potential of this plant is ~₹ 210 crore). The company also has a strong order book of ~₹ 230 crore in the composite cylinder segment (to supply ~1.3-1.4 million) in FY22E. We believe the value added product category will record strong revenue growth of 34% in FY22 led by execution of new orders and a favourable base.

Traction from newly launched CNG cascade products

The company received an order of ₹ 10 crore for the supply of its newly launched CNG cascades (~20 cascades). Fully wrapped carbon fibre reinforced Type-IV composite cylinder for CNG Cascades is ~₹ 600 crore opportunity for the company in the next two to three years. The composite cylinder would replace the metal cylinder thereby aiding in significant improvement in the efficiency of heavy vehicles (can carry 9000 litre of CNG compared to the current ~4500 litre of CNG in metal cylinders).

Target to achieve ~20% RoCE in three years

The company has focused on increasing its RoCE to 20% in the next three years from the current 12.5%. To achieve the target, it will focus on improved profitability through rising contribution of value added product categories and lower the working capital cycles. The company has set a target of not exceeding debt/EBITDA of 2x.

Valuation & Outlook

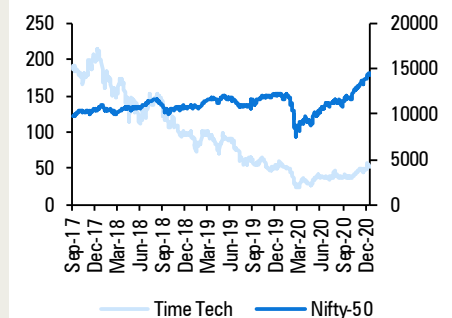
We tweak our earnings estimate upward by ~11% and 4% for FY21 and FY23E, respectively. We believe improved product mix would help drive EBITDA margin going forward. Further, marginal debt reduction via positive CFO would keep overall D/E below 0.5x. We maintain **HOLD** on the stock with a revised TP of ₹ 58 (valuing at 4x EV/EBITDA FY22E, earlier TP ₹ 43).



Particulars

Particular	Amount
Market Cap (₹ Crore)	1,176.0
Total Debt (FY20) (₹ Crore)	762.4
Cash&Inv (FY20) (₹ Crore)	82.5
EV (₹ Crore)	1,855.9
52 week H/L	59/ 22
Equity capital (₹ Crore)	22.6
Face value (₹)	1.0

Price Performance



Key risk to our call

- Strong revenue recovery along with sale of non-core business
- Delay in passing on high input prices may lead to flattish EBITDA margin

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Key Financial Summary

₹ Crore	FY18	FY19E	FY20E	FY21E	FY22E	CAGR (20-22E)
Net sales	3,102.7	3,563.7	3,578.0	2,929.1	3,791.7	2.9
EBITDA	473.1	523.5	498.9	379.3	544.7	4.5
EBITDA Margin (%)	15.2	14.7	13.9	12.9	14.4	
PAT	180.4	202.7	169.1	99.6	213.5	12.4
EPS (₹)	8.0	9.0	7.5	4.4	9.4	
P/E (x)	6.5	5.8	7.0	11.8	5.5	
Price/Book Value (x)	0.8	0.7	0.6	0.7	0.6	
EV/EBITDA (x)	3.8	3.5	3.7	4.9	3.4	
RoE (%)	12.2	12.1	9.3	5.5	11.0	
RoCE (%)	14.9	15.0	12.5	8.4	13.4	

Exhibit 1: Variance Analysis

	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)	Comments
Revenue	834.8	923.2	-9.6	743.7	12.2	Volume recovery was ~90% in Q3FY21
Other Income	0.6	0.5	23.0	0.7	-10.0	
Raw Material Exp	583.3	644.3	-9.5	523.5	11.4	Margin improvement in gross margin on a QoQ basis (by 50 bps) led by better product mix
Employee Exp	39.2	40.3	-2.8	38.3	2.3	
Other expenditure	100.1	105.0	-4.7	90.1	11.1	
EBITDA	112.3	133.6	-16.0	91.9	22.2	
EBITDA Margin (%)	13.4	14.5	-102 bps	12.4	109 bps	Higher fixed drags margin during Q3FY21
Depreciation	37.8	40.0	-5.7	37.4	0.8	
Interest	24.0	26.8	-10.4	24.7	-3.1	
PBT	51.1	67.3	-24.0	30.4	68.3	
Total Tax	11.3	17.2	-34.2	4.6	147.5	
PAT	40.0	48.5	-17.5	25.7	55.9	PAT decline largely on account of lower sales and EBITDA margin
Key Metrics						
Polymer products	578.9	644.9	-10.2	510.0	13.5	Recovery in polymer product category led by ~93% recovery in industrial packaging product. However, PE piping recovery was delayed (at 67%) due to slow execution of government projects
Composite products	255.9	278.3	-8.0	233.7	9.5	Recovery in composite cylinder much better compared to other products

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

₹ Crore	FY21E			FY22E			Comments
	Old	New	% Chg	Old	New	% Chg	
Revenue	3,049.9	2929.1	(4.0)	3,839.6	3791.7	(1.2)	Factoring in current quarter performance, we estimate demand recovery from FY22E onwards
EBITDA	379.0	379.3	0.1	551.5	544.7	(1.2)	
EBITDA Margin (%)	12.4	12.9	55bps	14.4	14.4	-4bps	EBITDA margin may see improvement with recovery in sales, going forward
PAT	90.1	99.6	10.5	205.0	213.5	4.1	
EPS (₹)	4.0	4.4	10.5	9.1	9.4	4.1	

Source: Company, ICICI Direct Research

Exhibit 3: Assumptions

Growth (%)	Current				Earlier		Comments
	FY19E	FY20E	FY21E	FY22E	FY21E	FY22E	
Established products	13.5	0.0	-19.4	28.2	-14.7	23.9	We believe recovery in industrial demand along with strong order book in the PE pipes segment would help faster recovery, going forward
Value added Products	21.1	1.7	-13.2	34.1	-15.2	33.9	Value added category growth to be largely supported by new orders in composite cylinders and IBCs categories

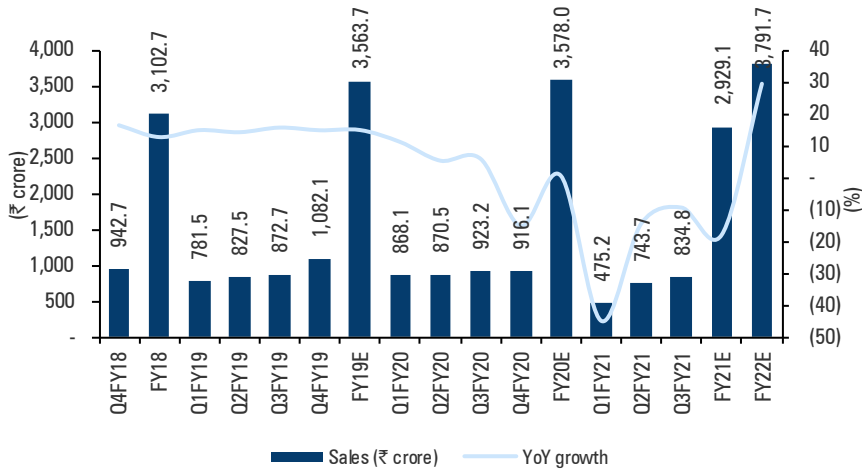
Source: Company, ICICI Direct Research

Conference call highlights

- The business is likely to reach pre-Covid level in Q4FY21
- Fully wrapped carbon fibre reinforced Type-IV composite cylinder for CNG Cascades is ~ ₹ 600 crore opportunity for the company. The composite cylinder would replace the metal cylinder thereby helpful in significant improvement in the efficiency of heavy vehicles
- The company booked revenue of ₹ 10-12 crore from CNG cascade (sold nearly 20 cascades)
- The management has guided for restructuring the business by selling non-core business such as plastic moulded furniture, medical equipment and battery business
- For 9MFY21, revenue recovered by ~77% led by same amount of volume recovery. The Indian business revenue recovery was 74% while overseas business revenue recovery was slightly better at 84%
- The share of value added products is 21.4% of total sales in 9MFY21 against 20.4% in 9MFY20
- Total debt in 9MFY21 was at ₹ 809 crore, down from ₹ 832 crore in FY20
- Net cash from operating activities in 9MFY21 was ₹ 110 crore
- Total capex in 9MFY21 was ₹ 62 crore of which capex for established products (capacity expansion, reengineering and automation) was at ₹ 35 crore. The capex for value added products was at ~₹ 27 crore
- The company is likely to incur capex total capex of ₹ 100 crore for FY21E. The capex will be normalised at ₹ 120 crore in FY22E
- Capacity utilisation reached ~60%. The company has potential to generate ₹ 4000 crore of revenues from the existing capacity
- Established product EBITDA margin ranges between 13% and 14.5%. However, valued added products EBITDA margin ranges between 16% and 20%
- The pipes segment business segment recovery was delayed due to lower government expenditure. However, the order book was at ~₹ 250 crore by the end of Q3FY21
- The company also witnessed increased inquiries from various chemical MNCs for packaging products in India, after a rise of geopolitical tensions between India and China
- The promoter entity has repaid debt (against which Time Technoplast's shares has been pledged amounting to ₹ 70 crore) by ₹ 35 crore. Correspondingly, the pledge is likely to get reduced

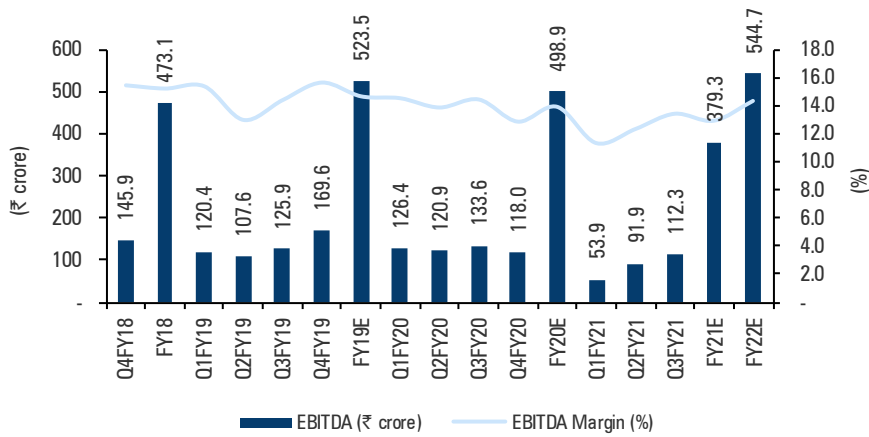
Financial story in charts

Exhibit 4: Revenue trend



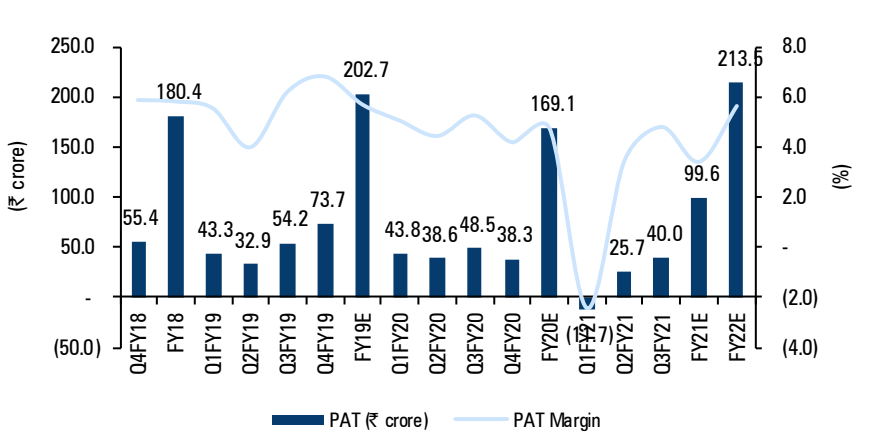
Source: Company, ICICI Direct Research

Exhibit 5: EBITDA margin trend



Source: Company, ICICI Direct Research

Exhibit 6: PAT trend



Source: Company, ICICI Direct Research

Financial summary

Exhibit 7: Profit and loss statement ₹ crore

Year end March	FY19	FY20	FY21E	FY22E
Net sales	3563.7	3578.0	2929.1	3791.7
Expenditure				
Raw material	2511.3	2504.4	2045.3	2629.3
Employee Expenses	163.9	170.4	153.0	166.5
Other Expenses	365.0	404.4	351.5	451.2
Total expenditure	3040.2	3079.1	2549.8	3247.0
EBITDA	523.5	498.9	379.3	544.7
Other income	3.2	2.3	2.6	2.9
EBITDA (incl. other income)	526.7	501.2	381.9	547.6
Depreciation	146.1	156.2	152.3	163.0
EBIT	380.6	344.9	229.6	384.5
Interest	98.6	108.2	98.1	99.1
PBT before Exc. Items	281.9	236.7	131.5	285.4
Less: Exc. Items	0.0	0.0	0.0	0.0
PBT after Exc. Items	281.9	236.7	131.5	285.4
Tax	73.4	61.7	31.4	71.7
PAT	202.7	169.1	99.6	213.5

Source: Company, ICICI Direct Research

Exhibit 9: Balance sheet ₹ crore

Year end March	FY19	FY20	FY21E	FY22E
share capital	22.6	22.6	22.6	22.6
Reserve and Surplus	1646.6	1792.5	1781.3	1914.8
Total Shareholder's Fund	1669.2	1815.1	1803.9	1937.4
Total Debt	741.5	762.4	772.4	752.4
Deferred Tax liability	73.0	79.2	79.2	79.2
Minority Interest	46.3	52.2	52.2	52.2
Total Assets	2529.9	2766.9	2745.7	2859.3
Assets				
Gross Block	2295.8	2522.4	2622.4	2762.4
Accumulated Depreciation	1016.8	1173.0	1325.3	1488.3
Net Block	1279.1	1349.4	1297.1	1274.1
Capital WIP	98.3	80.5	80.5	80.5
Total Fixed Assets	1377.4	1430.0	1377.7	1354.6
Investments	27.4	29.4	29.4	29.4
Current Assets				
Inventory	737.3	757.7	786.4	831.1
Debtors	784.2	820.7	762.4	934.9
Other Current Assets	206.8	244.1	199.9	258.7
Cash	66.6	82.5	75.4	78.8
Total Current Assets	1795.0	1905.0	1824.0	2103.5
Current Liabilities				
Creditors	475.0	443.5	361.1	467.5
Provisions	9.2	10.6	7.0	9.0
Other current liabilities	185.7	143.2	117.2	151.8
Total Current Liabilities	669.9	597.4	485.3	628.3
Total Liabilities	2529.9	2766.9	2745.7	2859.3

Source: Company, ICICI Direct Research

Exhibit 8: Cash flow statement ₹ crore

Year end March	FY19	FY20	FY21E	FY22E
Profit/(Loss) after taxation	202.7	169.1	99.6	213.5
Add: Depreciation & Amortization	146.1	156.2	152.3	163.0
Add: Interest Paid	98.6	108.2	98.1	99.1
CF bef working capital chg.	447.5	433.5	350.0	475.6
Net Increase in Current Assets	-211.7	-94.1	73.8	-276.1
Net Increase in Current Liabilities	44.7	-72.5	-112.1	142.9
Net CF from operating act.	280.6	266.9	311.7	342.5
Investing Activities				
(Purchase)/Sale of Fixed Assets	-229.7	-208.8	-100.0	-140.0
Others	15.2	68.2	-20.0	0.0
Net CF from Investing act.	-214.5	-140.6	-120.0	-140.0
Financing Activities				
Pro/(Rep) of debt	56.4	20.9	10.0	-20.0
Payment of Div & Div tax	-14.2	-25.3	-72.0	-80.0
Int. paid	-98.6	-108.2	-98.1	-99.1
Net CF from Financing act	-58.6	-110.5	-198.9	-199.1
Net Cash Flow	7.5	15.9	-7.1	3.4
Cash & Cash Equi at beg	59.1	66.6	82.5	75.4
Cash & Cash Equi at end	66.6	82.5	75.4	78.8

Source: Company, ICICI Direct Research

Exhibit 10: Key ratios ₹ crore

Year end March	FY19E	FY20E	FY21E	FY22E
EPS	9.0	7.5	4.4	9.4
Cash EPS	15.4	14.4	11.1	16.6
DPS	0.6	1.1	3.2	3.5
BV per share	73.8	80.3	79.8	85.7
Profitability Ratio				
EBITDA Margin	14.7	13.9	12.9	14.4
PAT Margin	5.7	4.7	3.4	5.6
Return Ratio				
RoCE	15.0	12.5	8.4	13.4
RoE	12.1	9.3	5.5	11.0
RoIC	14.8	12.5	8.4	13.4
Valuation Ratio				
P/E	5.8	7.0	11.8	5.5
EV/EBITDA	3.5	3.7	4.9	3.4
Mcap/Sales	0.3	0.3	0.4	0.3
Price to BV	0.7	0.6	0.7	0.6
Activity Ratios				
Inventory Days	75.5	77.3	98.0	80.0
Debtors Days	80.3	83.7	95.0	90.0
Creditors Days	48.6	45.2	45.0	45.0
Gross Block Turnover	1.6	1.4	1.1	1.4
Solvency Ratios				
Debt/Equity	0.4	0.4	0.4	0.4
Debt/Ebitda	1.4	1.5	2.0	1.4
Current Ratio	3.6	4.0	4.8	4.2
Quick Ratio	2.0	2.3	2.6	2.5

Source: Company, ICICI Direct Research

Exhibit 11: ICICI Direct Coverage Universe (Consumer Discretionary)

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)	2,456	3,010	Hold	2,35,530	32.8	39.9	46.3	74.8	61.5	53.0	52.7	43.8	37.5	26.7	28.6	28.5	31.1	33.4	34.0
Astral Polytechnik (ASTPOL)	2,024	2,225	Hold	30,494	22.2	30.4	37.1	91.1	66.5	54.6	54.8	42.8	35.7	23.9	28.1	29.3	18.3	21.8	22.5
Amber Enterprises (AMBEN)	3,232	3,015	Buy	10,164	29.8	68.2	97.6	108.3	47.4	33.1	35.9	18.7	14.0	8.4	15.3	18.7	6.5	13.0	15.8
Bajaj Electricals (BAJELE)	1,098	1,075	Buy	12,483	18.9	25.4	35.2	NM	36.3	26.1	31.0	25.0	18.2	17.6	21.4	24.8	13.5	17.3	19.9
Berger Paints (BERPAI)	764	810	Hold	74,200	7.6	9.7	12.4	100.5	78.6	61.8	63.9	52.3	42.5	26.1	30.0	35.1	23.4	26.0	29.0
Crompton Greaves(CROGR)	395	480	Buy	24,767	7.9	9.5	12.0	49.7	41.5	32.8	37.6	31.9	25.8	31.1	34.8	41.1	27.4	28.4	32.1
EPL (ESSPRO)	228	250	Hold	7,193	7.8	8.9	10.8	29.1	25.6	21.1	11.6	10.8	9.2	18.3	19.0	21.3	15.6	15.6	17.0
Havells India (HAVIND)	1,172	1,255	Hold	73,121	16.1	17.8	22.9	72.9	65.8	51.1	45.8	41.2	32.5	23.7	25.5	30.8	20.6	21.2	25.7
Kansai Nerolac (KANNER)	591	675	Buy	31,850	9.7	12.7	15.0	60.6	46.5	39.5	37.9	30.4	25.9	17.9	20.7	21.6	13.7	15.9	16.6
Pidilite Industries (PIDIND)	1,766	1,920	Buy	89,677	22.1	28.2	32.9	79.8	62.7	53.7	50.0	39.9	34.7	28.4	31.5	32.4	22.8	25.3	25.9
Polycab India (POLI)	1,320	1,385	Buy	19,652	57.9	67.2	79.7	22.8	19.6	16.6	15.3	11.9	9.8	21.2	24.4	26.2	18.1	19.0	20.1
Supreme Indus (SUPIND)	1,950	2,010	Buy	24,770	62.2	50.0	58.0	31.3	39.0	33.6	19.5	21.4	18.6	27.3	21.7	23.2	28.4	20.4	20.9
Symphony (SYMLIM)	1,059	1,090	Hold	7,408	13.1	29.8	40.0	80.6	35.6	26.5	61.3	26.7	19.7	16.7	35.7	41.8	17.1	34.1	38.7
Time Techno (TIMTEC)	52	58	Hold	1,176	4.4	9.4	-	11.8	5.5		4.9	3.4		8.4	13.4		5.5	11.0	
Voltas Ltd (VOLTAS)	1,058	1,260	Buy	34,992	15.7	25.8	32.1	67.3	40.9	33.0	58.5	35.6	28.4	16.3	22.6	24.2	11.4	16.8	17.9

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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