

Time Technoplast (TIMTEC)

CMP: ₹ 103

Target: ₹ 125 (22%)

Target Period: 12 months

August 17, 2022

BUY

Strong revenue growth; high RM cost drags margin...

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) contribute 20% of revenue
- Focus is to increase revenue sharing from value added product category in the next five years from 20% to 22%

Q1FY23 Results: Strong revenue growth led by composite product segment; high raw material cost delayed a margin recovery

- Revenues increased 25% YoY to ₹ 945 crore, led by ~36% growth in the composite product to ~₹ 312 crore. Favourable base and execution of new orders helped drive revenue growth in Q1
- EBITDA margin down 24 bps YoY (150 bps down from its pre-Covid level) mainly due to higher raw material costs
- PAT up 54% YoY to ₹ 45 crore, tracking higher sales in Q1

What should investors do? Time Technoplast's share price has grown by ~2x over the past three years (from ~₹ 57 in August 2019 to ~₹ 103 in August 2022).

- We revise our rating from HOLD to **BUY** on the stock

Target Price & valuation: We value the stock at 5x EV/EBITDA on FY24E EBITDA and revise our target price to ₹ 125/share.

Key triggers for future price performance:

- The company has laid out plans to achieve ₹ 5000 crore revenue by FY25 (implied CAGR of 14% in FY21-25) led by value added product segment
- Time Techno sees strong revenue traction (₹ 2200 crore/annum) from its newly launched CNG cascade business (not built in future estimates)
- Improved product mix is expected to drive EBITDA margin, going forward, (aims to increase EBITDA margin to 15.5% FY25E)

Alternate Stock Idea: We like Supreme Industries in our coverage universe.

- Supreme is the market leader in the plastic piping segment with ~15% market share. Robust b/s with average RoE, RoCE of 24%, 27%, respectively
- BUY with a target price of ₹ 2175



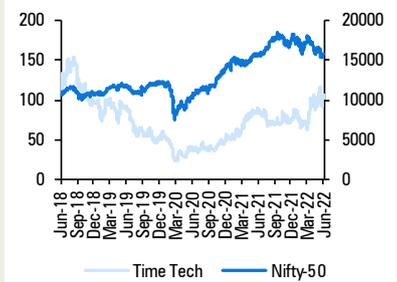
Particulars

Particular	Amount
Market Cap (₹ Crore)	2,329.3
Total Debt (FY22) (₹ Crore)	825.4
Cash&Inv (FY22) (₹ Crore)	93.1
EV (₹ Crore)	3,061.6
52 week H/L	118/ 63
Equity capital (₹ Crore)	22.6
Face value (₹)	1.0

Shareholding pattern

(in %)	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
Promoter	51.3	51.3	51.3	51.3	51.3
FII	14.6	13.4	12.4	10.9	8.7
DII	11.2	11.0	10.1	9.6	9.1
Others	22.9	24.3	26.2	28.2	30.8

Price Chart



Recent event & key risks

- Key Risk:** (i) Slow demand of composite product segments (ii) Delay in passing on high input prices

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Key Financial Summary

₹ Crore	FY19	FY20	FY21	FY22	5 Year CAGR (FY17-22)	FY23E	FY24E	2 Year CAGR (FY22-24E)
Net sales	3,563.7	3,578.0	3,004.9	3,649.8	6%	4,202.1	4,725.2	14%
EBITDA	523.5	498.9	387.1	505.8	5%	569.2	668.7	15%
EBITDA Margin (%)	14.7	13.9	12.9	13.9		13.5	14.2	
PAT	202.7	169.1	107.8	192.2	5%	228.5	295.6	24%
EPS (₹)	9.0	7.5	4.8	8.5		10.1	13.1	
P/E (x)	11.5	13.8	21.6	12.1		10.2	7.9	
Price/Book Value (x)	1.4	1.3	1.2	1.1		1.1	1.0	
EV/EBITDA (x)	5.7	6.0	7.5	6.1		5.2	4.4	
RoE (%)	12.1	9.3	5.7	9.3		10.7	12.5	
RoCE (%)	15.0	12.5	8.7	11.3		12.8	14.6	

Source: Company, ICICI Direct Research

Key takeaways of recent quarter & conference call highlights

Q1FY23 Results: Composite product segment drives topline in Q1

- Time Techno reported revenue growth of ~25% YoY to ₹ 945 crore supported by volume growth of 13% on a favourable base
- Segment wise, composite product segment revenue increased 36% YoY to ₹ 312 crore led by strong growth in the composite cylinders' segment by 72% YoY. The company has ~₹ 250 crore order book in the composite cylinder (Type IV) segment
- The polymer products revenue also increased ~20% YoY to ₹ 632 crore supported by improved demand for plastic products (largely plastic drums/jerry cans, pails, etc). PE pipe revenue increased 15% largely on a favourable base
- EBITDA margin came in at 13.1%, down 24 bps YoY (150 bps lower than its pre-Covid level), mainly due to higher RM costs. However, savings in other operating costs helped restrict overall EBITDA margin fall in Q1
- PAT increased 54% YoY to ₹ 45 crore tracking higher sales in Q1

Q1FY23 Earnings Conference Call highlights

- Demand outlook: The management has reiterated revenue growth of ~15% in FY23 led by strong growth in the composite product segments. The management is aiming at ₹ 350 crore from the composite cylinder segment in FY23E
- The company received an order of 0.75 million Type-IV LPG composite cylinders from Indian Oil Corporation (IOC), which is to be supplied over the coming 12 months. Time Techno expects a repeat order from IOCL in the coming quarters
- The company reported CNG cascade revenue of ₹ 30 crore (vs. ₹ 7 crore in Q1FY22). Time Techno is seeing a good response to its Type-IV composite cylinders for CNG cascade. The current order book is at ₹ 250+ crore
- The composite product segment commands EBITDA margin of ~18% vs. ~14% of company level margin. Hence, rising contribution of composite products in the topline will drive EBITDA margin up, going forward
- Volume offtake in pipes business is still under pressure due to unprecedented hike in raw material prices, resulting in a delay in procurement by EPC contractors
- Volatility in raw material prices, supply chain disruption and delay in taking price hikes has put pressure on margins
- The company envisages capex of ₹ 180 crore in FY23 of which ₹ 100 crore will be for capacity expansion and rest will be maintenance capex
- The company has appointed JP Morgan India and Ernst & Young India as advisors to finalise consolidation/restructuring of overseas business by way of disinvestment of majority stake to Strategic Partner/ Investor Partners
- The proceeds will be used for repayment of debt, capex for composite cylinders (LPG/CNG/Hydrogen) & core business in India to meet huge market demand and also used to benefit shareholders

Exhibit 1: Peer Comparison

Company	Mcap ₹ cr	Revenue				EBITDA margin				PAT				RoCE				RoE				PE			
		FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E
Shaily Eng	1,825	361	566	702	863	17	14	14	16	22	35	44	72	11	11	13	17	12	10	11	15	75	52	41	25
Mold Tek	3,179	479	631	793	916	20	19	18	20	48	64	81	103	20	19	26	26	19	14	23	23	56	47	39	31
Time Technoplast	2,329	3005	3650	4202	4725	13	14	14	14	108	192	228	296	9	11	13	15	6	9	11	13	22	12	10	8
EPL	5,246	3092	3433	3738	4077	20	17	18	19	244	221	272	334	16	13	16	18	15	12	15	17	21	24	19	16

Source: Company, ICICI Direct Research

On a three year basis, consolidated revenue grew at 3% CAGR, supported by 6% CAGR in value added products (VAPs) segments. The VAPs contribution in the consolidated revenue increased to 22% in Q1FY23 from pre-Covid level contribution of 20%. Strong demand for LPG cylinders from oil marketing companies in India and increasing traction in its newly introduced CNG cascade business (Type IV cylinders) will drive VAPs segment revenue over FY22-24E. We build in consolidated revenue CAGR of 14% over FY22-24E led by 26% revenue CAGR in the value added product segments. We believe EBITDA margin will see an improvement from FY24E onwards supported by improving product mix (the valued added product segment commands EBITDA margin of 18-20%) and continued focus on cost optimisation measures. As a result, bottomline is likely to grow at CAGR of 24% over FY22-24E. In addition, the company also plans to reduce debt by divesting its overseas business. We upgrade our rating from HOLD to **BUY** on the stock, valuing the company at 5xEV/EBITDA on FY24E EBITDA with a revised target price to ₹ 125/share (implied P/E multiple of 10x FY24E earnings).

Exhibit 2: Variance Analysis

	Q1FY23	Q1FY22	YoY (%)	Q4FY22	QoQ (%)	Comments
Revenue	944.5	754.4	25.2	1,039.0	-9.1	Revenue growth led by 13% volume growth in Q1
Other Income	0.4	0.4	10.0	1.4	-71.2	
Raw Material Exp	682.3	529.7	28.8	740.7	-7.9	Delay in price hikes and adverse product mix dragged gross margin down by ~200 bps YoY
Employee Exp	48.0	42.5	13.1	49.6	-3.2	
Other expenditure	90.5	81.7	10.8	109.9	-17.7	
EBITDA	123.6	100.5	22.9	138.7	-10.9	
EBITDA Margin (%)	13.1	13.3	-24 bps	13.3	-26 bps	Saving in other expenses and employee costs (as percentage of sales) restricted EBITDA margin fall at 25 bps YoY
Depreciation	40.7	38.5	5.6	40.4	0.8	
Interest	23.1	23.4	-1.2	22.7	1.9	
PBT	60.2	39.0	54.4	77.1	-21.8	
Total Tax	15.2	9.8	55.0	20.3	-25.2	
PAT	45.1	29.2	54.2	56.8	-20.6	PAT came in higher by ~54% YoY, tracking topline growth in Q1
Key Metrics						
Polymer products	632.3	525.0	20.4	727.0	-13.0	Packaging (excluding IBC) revenues increased 23% on a favourable base and revival in demand of packaging products from chemical/pharma companies. However, PE pipes volume offtake remained impacted due to slow order execution
Composite products	312.2	229.4	36.1	311.9	0.1	Execution of new orders from IOCL of LPG cylinders and ramp up in CNG cascade helped drive segment revenues

Source: Company, ICICI Direct Research

Exhibit 3: Change in estimates

₹ Crore)	FY23E			FY24E			Comments
	Old	New	% Chg	Old	New	YoY (%)	
Revenue	4,076.2	4202.1	3.1	4706.3	4725.2	0.4	We revise our revenue estimates upward considering strong order book in the composite product categories. We model overall revenue CAGR of 14% led by value added product revenue CAGR of 26% YoY
EBITDA	572.0	569.2	(0.5)	666.0	668.7	0.4	
EBITDA Margin (%)	14.0	13.5	-41bps	14.2	14.2	-5bps	We model improvement in EBITDA margin from FY24E considering improved product mix and easing raw materia prices from its peak
PAT	226.9	228.5	0.7	279.3	295.6	5.8	
EPS (₹)	10.0	10.1	0.7	12.4	13.1	5.8	

Source: ICICI Direct Research

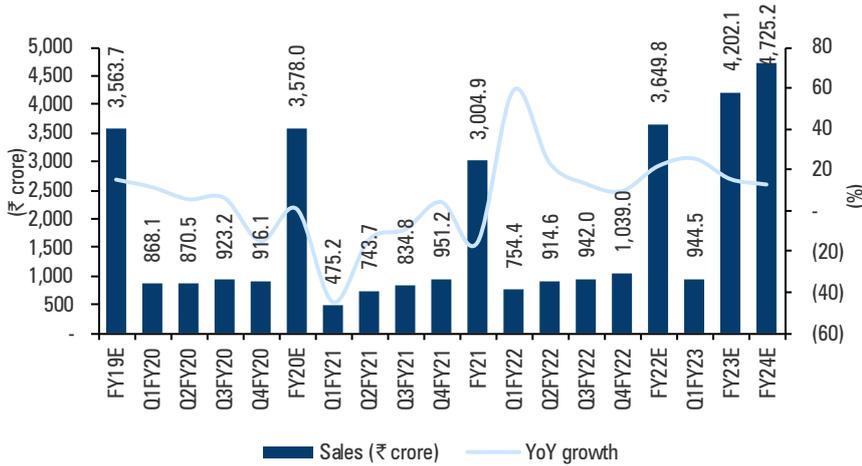
Exhibit 4: Assumptions

Growth (%)	Current				Earlier			Comments
	FY21	FY22E	FY23E	FY24E	FY23E	FY24E		
Established products	-16.7	20.0	12.5	8.2	10.6	15.3	We model segent revenue CAGR of 10% considering improved demand conditions and a favourable base in FY22-24E	
Value added Products	-13.1	27.2	24.7	27.0	11.3	15.9	We model segment revenue CAGR of 26% in FY22-24E considering strong order book in the composite cylinder category	

Source: ICICI Direct Research

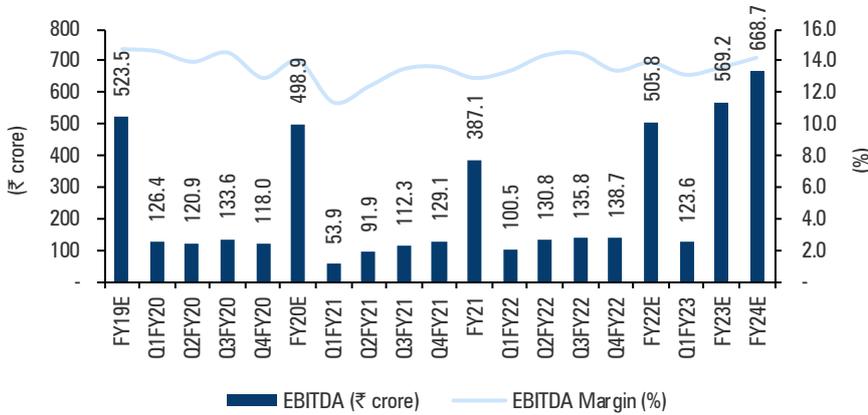
Financial story in charts

Exhibit 1: Overall revenue trend



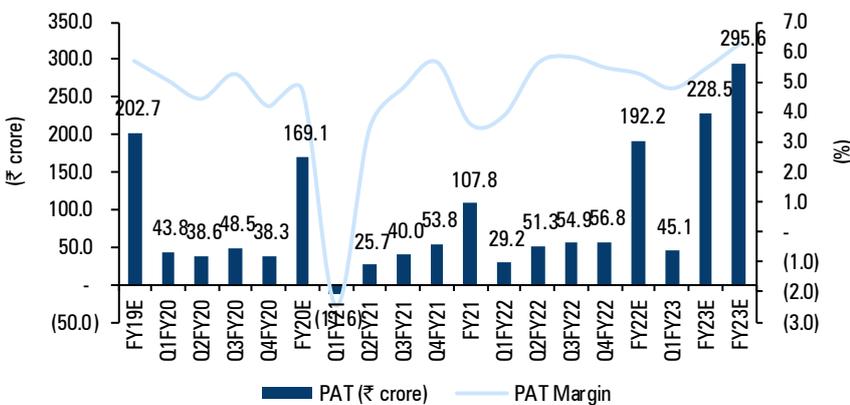
Source: Company, ICICI Direct Research

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	FY21	FY22E	FY23E	FY24E	
Net sales	3004.9	3649.8	4202.1	4725.2	
Expenditure					
Raw material	2102.9	2577.1	2982.6	3317.1	
Employee Expenses	159.4	182.6	196.6	214.9	
Other Expenses	355.5	384.3	453.8	524.5	
Total expenditure	2617.8	3144.0	3633.0	4056.5	
EBITDA	387.1	505.8	569.2	668.7	
Other income	3.8	3.0	3.2	3.6	
EBITDA (incl. other income)	391.0	508.8	572.4	672.3	
Depreciation	151.0	157.4	168.1	179.6	
EBIT	240.0	351.4	404.3	492.7	
Interest	97.7	92.0	96.2	95.4	
PBT before Exc. Items	142.2	259.4	308.1	397.3	
Less: Exc. Items	0.0	0.0	0.0	0.0	
PBT after Exc. Items	142.2	259.4	308.1	397.3	
Tax	36.4	67.2	79.6	101.7	
PAT	107.8	192.2	228.5	295.6	

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement					₹ crore
Year end March	FY21	FY22E	FY23E	FY24E	
Profit/(Loss) after taxation	107.8	192.2	228.5	295.6	
Add: Depreciation & Amortization	151.0	157.4	168.1	179.6	
Add: Interest Paid	97.7	92.0	96.2	95.4	
CF bef working capital chg.	356.6	441.6	492.8	570.6	
Net Increase in Current Assets	15.3	-283.5	-176.2	-282.2	
Net Increase in Current Liabilities	-57.3	-57.9	214.1	86.7	
Net CF from operating act.	314.5	100.2	530.7	375.1	
(Purchase)/Sale of Fixed Assets	-42.3	-220.0	-180.0	-200.0	
Others	-64.8	93.2	0.0	0.0	
Net CF from Investing act.	-107.1	-126.7	-180.0	-200.0	
Pro/(Rep) of debt	-85.1	148.0	-20.0	-20.0	
Payment of Div & Div tax	-15.8	-80.0	-72.0	-72.0	
Int. paid	-97.7	-92.0	-96.2	-95.4	
Net CF from Financing act	-202.9	32.6	-279.3	-187.4	
Net Cash Flow	4.5	6.1	71.4	-12.3	
Cash & Cash Equi at beg	82.5	87.0	93.1	164.5	
Cash & Cash Equi at end	87.0	93.1	164.5	152.2	

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet					₹ crore
Year end March	FY21	FY22E	FY23E	FY24E	
share capital	22.6	22.6	22.6	22.6	
Reserve and Surplus	1880.2	2049.0	2114.4	2338.0	
Total Shareholder's Fund	1902.8	2071.6	2137.0	2360.7	
Total Debt	677.3	825.4	805.4	785.4	
Deferred Tax liability	82.5	90.2	90.2	90.2	
Minority Interest	48.3	53.4	53.4	53.4	
Total Assets	2764.4	3121.1	3166.5	3370.2	
Gross Block	2564.7	2795.0	2975.0	3175.0	
Accumulated Depreciation	1324.0	1481.4	1649.5	1829.0	
Net Block	1240.8	1313.6	1325.5	1346.0	
Capital WIP	80.5	70.2	70.2	70.2	
Total Fixed Assets	1321.3	1383.9	1395.8	1416.2	
Investments	28.9	0.0	0.0	0.0	
Current Assets					
Inventory	759.8	907.7	944.0	1061.5	
Debtors	798.3	866.9	1036.1	1165.1	
Other Current Assets	249.1	316.2	286.7	322.4	
Cash	87.0	93.1	164.5	152.2	
Total Current Assets	1894.2	2183.8	2431.4	2701.2	
Current Liabilities					
Creditors	324.4	384.9	518.1	582.6	
Provisions	13.6	14.7	10.0	11.2	
Other current liabilities	202.0	82.6	168.2	189.1	
Total Current Liabilities	540.1	482.2	696.3	782.9	
Total Liabilities	2764.4	3121.1	3166.5	3370.2	

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios				
Year end March	FY21	FY22E	FY23E	FY24E
EPS	4.8	8.5	10.1	13.1
Cash EPS	11.4	15.5	17.5	21.0
DPS	0.7	3.5	3.2	3.2
BV per share	84.1	91.6	94.5	104.4
Profitability Ratio				
EBITDA Margin	12.9	13.9	13.5	14.2
PAT Margin	3.6	5.3	5.4	6.3
Return Ratio				
RoCE	8.7	11.3	12.8	14.6
RoE	5.7	9.3	10.7	12.5
RoIC	8.6	11.6	13.1	14.8
Valuation Ratio				
P/E	21.6	12.1	10.2	7.9
EV/EBITDA	7.5	6.1	5.2	4.4
Mcap/Sales	0.8	0.6	0.6	0.5
Price to BV	1.2	1.1	1.1	1.0
Activity Ratios				
Inventory Days	92.3	90.8	82.0	82.0
Debtors Days	97.0	86.7	90.0	90.0
Creditors Days	39.4	38.5	45.0	45.0
Gross Block Turnover	1.2	1.3	1.4	1.5
Solvency Ratios				
Debt/Equity	0.4	0.4	0.4	0.3
Debt/Ebitda	1.7	1.6	1.4	1.2
Current Ratio	5.3	5.2	4.3	4.3
Quick Ratio	3.1	3.0	2.5	2.5

Source: Company, ICICI Direct Research

Exhibit 8: ICICI Direct universe (Consumer Discretionary)

Sector / Company	Rating	M Cap (₹ Cr)	EPS (₹)				P/E (x)				EV/EBITDA (x)				RoCE (%)			RoE (%)				
			FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E
Asian Paints (ASIPAI)	Buy	3,37,856	33.4	32.2	47.1	56.6	105.4	109.5	74.7	62.2	68.6	69.7	49.8	42.0	29.6	27.1	36.4	39.1	25.0	23.0	30.2	31.9
Berger Paints (BERPAI)	Hold	68,477	7.4	8.6	9.9	12.3	95.1	82.2	71.2	57.3	57.4	51.6	45.3	37.3	24.9	23.3	27.6	31.0	21.3	21.2	25.2	27.7
Kansai Nerolac (KANNER)	Hold	27,431	9.8	6.9	11.6	13.4	51.7	73.3	43.9	38.0	32.5	42.3	27.4	23.5	17.2	12.1	19.5	21.1	13.2	9.2	14.7	15.6
Pidilite Industries (PIDIND)	Hold	1,37,918	22.2	23.8	26.8	35.5	122.5	114.3	101.5	76.4	81.8	74.5	67.6	51.8	23.8	22.2	23.2	27.6	20.2	18.8	19.6	23.0
Bajaj Electricals (BAJELE)	BUY	13,277	16.5	10.8	21.0	31.7	70.1	106.7	55.0	36.5	44.6	52.7	36.3	25.4	15.1	13.5	19.6	24.2	10.7	7.8	14.4	18.3
Crompton Greaves (CROGR)	Hold	24,571	9.8	9.2	8.4	10.5	39.8	42.5	46.8	37.3	32.6	32.0	28.5	23.6	34.4	16.2	16.0	19.7	31.9	24.0	20.5	22.6
Havells India (HAVIND)	Hold	84,102	16.7	19.1	19.4	25.1	80.9	70.4	69.4	53.6	52.9	46.6	46.8	37.0	24.9	23.7	24.6	31.4	20.1	19.9	20.9	26.6
Polycab India (POLI)	Buy	36,135	59.3	61.4	67.1	77.6	40.8	39.4	36.0	31.2	31.7	27.7	23.7	20.4	20.6	20.2	21.8	22.1	17.9	15.6	16.5	16.7
Symphony (SYMLIM)	Hold	6,366	15.3	17.3	26.1	34.8	59.5	52.6	34.8	26.2	44.5	38.4	26.8	20.2	15.2	15.9	24.5	29.0	14.9	14.4	23.6	27.4
V-Guard Ind (VGUARD)	Hold	10,659	4.7	5.3	5.4	6.8	52.4	46.3	45.7	36.6	33.3	31.4	29.8	23.9	23.9	21.2	23.7	26.6	16.7	16.2	17.9	20.3
Voltas Ltd (VOLTAS)	Hold	33,966	16.0	15.3	18.8	25.1	64.2	67.1	54.5	41.0	52.2	48.9	40.5	30.8	15.0	14.0	17.5	20.3	10.6	9.2	12.6	14.9
Amber Enterprises (AMBEI)	Hold	7,736	24.7	33.0	50.2	80.0	92.9	69.5	45.7	28.7	34.9	29.4	21.3	15.8	7.7	6.8	10.6	13.9	5.2	6.4	9.5	13.1
Dixon Technologies (DIXTEI)	Buy	23,776	27.3	32.1	55.4	83.6	146.9	124.9	72.3	47.9	83.0	63.1	40.9	29.2	23.5	17.7	27.0	31.4	21.7	19.1	30.9	34.1
Supreme Indus (SUPIND)	Buy	25,012	77.0	76.2	77.1	87.0	25.6	25.8	25.6	22.6	18.9	19.7	19.8	17.1	33.1	25.9	24.2	24.9	30.9	25.2	23.9	24.1
Astral Ltd (ASTPOL)	Hold	40,458	20.3	24.4	25.8	35.9	99.1	82.5	78.2	56.1	62.1	52.8	46.6	35.4	27.5	26.6	25.5	29.3	21.5	21.0	19.6	23.1
Time Techno (TIMTEC)	BUY	2,329	4.8	8.5	10.1	13.1	21.6	12.1	10.2	7.9	7.5	6.1	5.2	4.4	8.7	11.3	12.8	14.6	5.7	9.3	10.7	12.5

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours 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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