

Q2FY19 Result Update
Plastic Products
Time Technoplast Ltd.
BUY

CMP (Rs)	102
Target Price (Rs)	128
Potential Upside	25.6%
Sensex	35,440
Nifty	10,638

Key Stock data

BSE Code	532856
NSE Code	TIMETECHNO
Bloomberg	TIME:IN
Shares o/s, Cr (FV 1)	22.6
Market Cap (Rs Cr)	2,306
3M Avg Volume	1,55,823
52 week H/L	233/100

Shareholding Pattern

(%)	Mar-18	Jun-18	Sep-18
Promoter	52.4	52.4	51.2
FII	19.4	19.3	21.2
DII	9.1	9.0	9.0
Others	19.2	19.3	18.7

1 Year relative price performance


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Capacity addition, value added offerings to drive growth

Time Technoplast Ltd (TTL) Q2FY19 net revenue increased by 14.2% YoY in Q2FY19, driven by 9% growth in volumes. However, EBITDA declined by 1.6% YoY, while EBITDA margins contracted 209bps YoY to 13%, impacted by input cost inflation and rupee depreciation. Further, decline in the other income and higher depreciation, interest & tax expense resulted in 24.7% YoY decline in PAT. However, going forward, we remain positive on TTL's growth prospects. Volume offtake is likely to improve on the back of healthy demand outlook for plastic products along with company's continued efforts towards innovative product offerings and capacity addition. Further, higher share of value added products and selective price hikes should result in improved margin trajectory going forward. We maintain a Buy on the stock with revised target price of Rs 128.

Q2FY19 Result Update

- TTL's net revenue grew by 14.2% YoY to Rs 827.5cr, driven by 9% growth in volumes and improved realizations. Value Added products category reported strong growth of ~20%, largely led by MOX films. Geographically, India sales grew by 15%, while overseas business reported 13% growth. For H1FY19, the revenue growth stood healthy at 14.5%, driven by 11% volume growth (value added products grew by 25% YoY and accounted for 20% of total sales). Domestic sales contributed 69%, with balance revenue coming from exports. Share of polymer & composite products stood at 70.5% & 29.5% respectively in H1FY19.
- EBITDA declined by 1.6% YoY to Rs 107.6cr, while EBITDA margins contracted sharply by 209bps YoY to 13%, impacted by input cost inflation (higher polymer prices) and sharp rupee depreciation during the quarter. Further, decline in the other income and higher depreciation, interest & tax expense resulted in 24.7% YoY decline in PAT (Rs 31.6cr). PAT margins declined by 197bps YoY to 3.8%.
- **Other key highlights:** i) PE Pipes order book stood healthy at ~20000 MT (Rs 260cr) as on Sept 30, 2018. The supply of recently launched new generation multilayer PE pipes for power /communication cable duct with silicon in-lining has started. ii) The company is innovating new applications of the MOX films. It is launching new products in the market like truck covers, pond liners, mulching film & poly house films and focusing on new export markets like Thailand, Malaysia, Germany, UK & USA; iii) For its industrial packing division, the company is undergoing greenfield expansion at Silvassa for IBCs, drum and jerry cans; iv) The management sees strong potential for composite cylinders business in the coming years.

Outlook & Valuation

TTL's financial performance during H1FY19 was a mixed bag. While the company reported healthy revenue growth of 14.5% (supported by strong volume growth), which is encouraging, its profitability has been impacted due to input cost inflation, higher depreciation, interest & tax expense and lower other income. Notwithstanding 1-2 quarters of muted performance, we remain positive on TTL's long term growth prospects. TTL's net revenue and PAT are estimated to grow by 12.5% & 11.6% respectively over FY18-20E, with a meaningful improvement in profits likely from FY20E. Volume offtake is likely to improve, led by healthy demand outlook for plastic products along with company's continued efforts towards innovative offerings, capacity addition and increasing market penetration. Further, higher share of value added products and selective price hikes should result in improved margin trajectory going forward. We maintain Buy on the stock with revised target price of Rs 128.

Financial Summary - consolidated

Particulars, Rs cr	FY17	FY18	FY19E	FY20E
Net Revenue	2,755	3,103	3,511	3,932
EBITDA	404	473	509	586
EBITDAM (%)	14.7	15.2	14.5	14.9
APAT	147	180	184	223
APATM (%)	5.3	5.8	5.2	5.7
EPS (Rs)	6.5	8.0	8.1	9.9
ROE (%)	11.8	12.8	11.7	12.8
P/E (x)	14.8	12.8	12.6	10.3

Source : Company; RBL Research

P&L Account Quarterly - consolidated

Particulars (cr)	Q2FY19	Q2FY18	Y-o-Y %	Q1FY19	Q-o-Q %
Net Revenue	827.5	724.8	14.2	781.5	5.9
Material cost	592.7	501.2	18.3	539.5	9.9
Employee cost	37.8	34.3	10.2	36.9	2.6
Other expenses	89.4	79.9	11.8	84.7	5.4
Total expenditure	719.9	615.4	17.0	661.1	8.9
EBITDA	107.6	109.4	-1.6	120.4	-10.6
OPM (%)	13.0	15.1	-209bps	15.4	-241bps
Other income	0.2	0.5	-66.7	0.5	-66.7
Depreciation	39.7	32.5	22.5	39.2	1.3
PBIT	68.0	77.4	-12.1	81.7	-16.7
Interest expenses	23.9	20.8	14.9	22.7	5.2
PBT	44.2	56.6	-22.0	59.0	-25.1
Tax	11.2	13.4	-16.2	14.9	-24.8
Tax Rate (%)	25.4	23.6	177bps	25.3	10bps
PAT before minority interest	32.9	43.2	-23.8	44.0	-25.2
Minority Interest / Profit (loss) from Associates	1.3	1.3	6.4	0.7	82.2
RPAT	31.6	42.0	-24.7	43.3	-27.0
Exceptional items	-	-	-	-	-
APAT	31.6	42.0	-24.7	43.3	-27.0
PATM (%)	3.8	5.8	-197bps	5.5	-172bps
EPS	1.4	1.9	-24.7	1.9	-27.0

Source : Company; RBL Research

P&L Account - consolidated

Particulars (cr)	FY17	FY18	FY19E	FY20E
Net revenue	2,754.6	3,102.7	3,510.8	3,932.0
Growth (%)	13.7	12.6	13.2	12.0
Material Cost	1,919.4	2,152.8	2,471.6	2,760.3
Employee cost	133.2	145.1	161.5	176.9
Other expenses	297.8	331.8	368.6	408.9
Total expenditure	2,350.4	2,629.7	3,001.7	3,346.2
EBITDA	404.2	473.1	509.1	585.9
Growth (%)	16.2	17.0	7.6	15.1
EBITDAM (%)	14.7	15.2	14.5	14.9
Other income	2.2	2.2	1.7	1.9
Depreciation	115.5	137.3	159.8	179.6
PBIT	291.0	338.0	351.0	408.2
Interest expenses	90.1	87.5	96.0	99.2
PBT	200.9	250.4	255.0	308.9
Exceptional items	0.0	0.0	0.0	0.0
Tax	49.4	65.2	66.3	80.3
Tax rate (%)	24.6	26.0	26.0	26.0
PAT	151.4	185.3	188.7	228.6
Growth (%)	23.8	22.3	1.9	21.1
Less: Share of minority interest	4.3	4.9	5.2	5.7
Add: Profit/Loss of associates	-	-	-	-
Adjusted Net Profit	147.1	180.4	183.5	222.9
Growth (%)	6.5	22.6	1.8	21.5
APATM (%)	5.3	5.8	5.2	5.7
EPS	6.5	8.0	8.1	9.9

Source : Company; RBL Research

Balance sheet - consolidated

Particulars (cr)	FY17	FY18	FY19E	FY20E
Share Capital	22.6	22.6	22.6	22.6
Reserves & Surplus	1,303.9	1,460.5	1,624.8	1,826.3
Total Shareholder's Fund	1,326.5	1,483.1	1,647.4	1,848.9
Minority interest	38.4	40.5	45.7	51.4
Non-Current Liabilities	305.3	388.3	421.3	430.4
Long term borrowing	258.2	330.2	363.2	372.3
Deferred tax liability	47.1	58.1	58.1	58.1
Current Liabilities	901.2	980.0	1,065.4	1,135.4
Short term borrowing	372.8	354.9	381.5	391.0
Trade payables	345.7	437.0	471.3	506.3
Short term provisions	51.2	53.7	60.7	68.0
Other current liabilities	131.5	134.4	151.8	170.0
Total Liabilities	2,571.3	2,891.9	3,179.8	3,466.1
Fixed Assets	1,187.3	1,293.8	1,384.0	1,454.4
Long Term loans & advances	9.3	12.1	13.7	15.4
Other non-current assets	7.5	9.9	11.1	12.5
Current Assets	1,367.2	1,576.2	1,770.9	1,983.9
Inventories	547.3	640.9	721.4	802.6
Trade receivables	578.2	670.3	750.2	834.9
Cash & Cash equivalents	65.6	74.0	83.5	104.7
Short term loans and advances	165.1	179.4	202.7	227.0
Other current assets	11.0	11.6	13.1	14.7
Total Assets	2,571.3	2,891.9	3,179.8	3,466.1

Source : Company; RBL Research

Cash Flow statement - consolidated

Particulars (cr)	FY17	FY18	FY19E	FY20E
Profit Before Tax	200.9	250.4	255.0	308.9
Add: Depreciation	115.5	137.3	159.8	179.6
Add: Interest cost	90.1	87.5	96.0	99.2
Others	-33.6	-8.0	3.9	4.4
Operating profit before working capital changes	372.9	467.2	514.7	592.1
Changes In working Capital	-145.3	-95.6	-128.1	-132.8
Direct taxes	-39.7	-65.2	-66.3	-80.3
Cash Flow From Operating Activities	188.0	306.5	320.3	379.0
Purchase of Fixed assets	-212.4	-242.9	-250.0	-250.0
Sale of Fixed assets	0.5	-	-	-
Cash Flow from Investing Activities	-211.9	-242.9	-250.0	-250.0
Proceeds from issuance of shares	147.7	-	-	-
Net proceeds from borrowings	0.0	54.1	59.6	18.6
Dividend (including dividend tax)	-14.2	-21.7	-24.4	-27.1
Interest cost	-90.1	-87.5	-96.0	-99.2
Others	-24.0	-	-	-
Cash Flow from Financing Activities	19.3	-55.2	-60.8	-107.7
Net Cash Inflow / (Outflow)	-4.6	8.4	9.5	21.2
Opening Cash & Cash Equivalents	70.2	65.6	74.0	83.5
Closing Cash & Cash Equivalent	65.6	74.0	83.5	104.7

Source : Company; RBL Research

Key Financial ratios - consolidated

Particulars (cr)	FY17	FY18	FY19E	FY20E
Dividend per share (Rs)	0.7	0.8	0.9	1.0
Dividend Yield (%)	0.6	0.8	0.9	1.0
Payout %	10.0	10.0	11.1	10.1
EPS (Rs)	6.9	8.0	8.1	9.9
Book Value per share (Rs)	58.3	65.6	72.9	81.8
Profitability Ratios				
EBITDAM (%)	14.7	15.2	14.5	14.9
PBTM (%)	7.3	8.1	7.3	7.9
NPM (%)	5.3	5.8	5.2	5.7
ROCE (%)	15.3	16.0	15.0	15.9
ROE (%)	11.8	12.8	11.7	12.8
Liquidity Ratios				
Debt-Equity Ratio (x)	0.5	0.5	0.5	0.4
Current Ratio (x)	1.5	1.6	1.7	1.7
Interest Coverage Ratio (x)	3.2	3.9	3.7	4.1
Turnover Ratios				
Total Asset Ratio (x)	1.1	1.1	1.2	1.2
Fixed Assets Ratio (x)	2.6	2.7	2.8	3.0
Cash Conversion cycle (days)	94.9	97.3	97.4	98.9
Valuation Ratios				
P/E (x)	14.8	12.8	12.6	10.3
P/BV (x)	1.7	1.5	1.4	1.2
EV/EBITDA (x)	7.1	6.1	5.8	5.0

Source : Company; RBL Research

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S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No

	I/we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No

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	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

Nature of Interest (if answer to F (a) above is Yes :

.....

Name(s) with Signature(s) of RA(s).

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SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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