

## Value added products drive revenue growth...

**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%

**Q2FY23 Results:** Strong growth in the valued added segment drives revenue.

- The company reported revenue growth of 12% YoY to ₹ 1024 crore, led by 9% volume growth. Segment wise, value added product (VAP) revenue increased 17% supported by new order execution in the composite cylinder segment. The polymer product segment revenue grew ~10%
- EBITDA margin declined 127 bps YoY to 13% dragged by higher raw material costs and delay in price hikes
- Lower EBITDA margin restricted PAT growth in Q2 at ~₹ 51 crore

**What should investors do?** Time Technoplast's share price has grown by ~2x over the past three years (~₹ 53 in November 2019 to ~₹ 100 in November 2022).

- We maintain our **BUY** rating on the stock

**Target Price & valuation:** We maintain our target price at ₹ 125/share valuing the stock at 5x EV/EBITDA on FY24E EBITDA.

**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 also 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 ₹ 2600



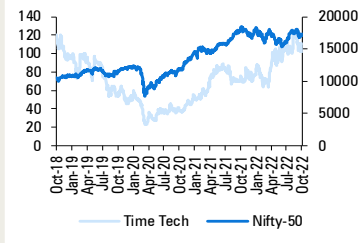
### Particulars

Particular	Amount
Market Cap (₹ Crore)	2,261.5
Total Debt (FY22) (₹ Crore)	825.4
Cash&Inv (FY22) (₹ Crore)	93.1
EV (₹ Crore)	2,993.8
52 week H/L	126/ 63
Equity capital (₹ Crore)	22.6
Face value (₹)	1.0

### Shareholding pattern

(in %)	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22
Promoter	51.3	51.3	51.3	51.3	51.3
FII	13.4	12.4	10.9	8.7	7.8
DII	11.0	10.1	9.6	9.1	9.2
Others	24.3	26.2	28.2	30.8	31.6

### 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	FY18	FY19	FY20	FY21	FY22	5 Year CAGR (FY17-22)	FY23E	FY24E	2 Year CAGR (FY22-24E)
Net sales	3,102.7	3,563.7	3,578.0	3,004.9	3,649.8	6%	4,160.5	4,749.3	14%
EBITDA	473.1	523.5	498.9	387.1	505.8	5%	557.5	672.1	15%
EBITDA Margin (%)	15.2	14.7	13.9	12.9	13.9		13.4	14.2	
PAT	180.4	202.7	169.1	107.8	192.2	5%	222.6	297.4	24%
EPS (₹)	8.0	9.0	7.5	4.8	8.5		9.8	13.2	
P/E (x)	12.5	11.2	13.4	21.0	11.8		10.2	7.6	
Price/Book Value (x)	1.5	1.4	1.2	1.2	1.1		1.1	1.0	
EV/EBITDA (x)	6.1	5.6	5.9	7.4	5.9		5.2	4.3	
RoE (%)	12.2	12.1	9.3	5.7	9.3		10.4	12.6	
RoCE (%)	14.9	15.0	12.5	8.7	11.3		12.5	14.7	

## Key takeaways of recent quarter & conference call highlights

### Q2FY23 Results: Value added product segment drives revenue

- Time Techno reported revenue growth of ~12% YoY to ₹ 1024 crore supported by volume growth of 9%
- Segment wise, value added product segment (composite products) revenue increased 17% YoY to ₹ 350 crore led by strong growth in the composite cylinders' segment by 49% YoY. The revenue contribution of the value added product to overall topline has also increased from 21% in H1FY22 to 23% in H1FY23
- Polymer products revenue increased ~10% YoY to ₹ 674 crore supported by improved demand for plastic products (largely plastic drums/jerry cans, pails, etc). PE pipe revenue increased 7% on improved construction activity
- EBITDA margin was down 127 bps YoY to 13%, mainly due to higher raw material costs and adverse currency movement. However, savings in other operating costs helped restrict overall EBITDA margin fall in Q2
- PAT was flat YoY at ~₹ 51 crore, tracking lower EBITDA margin

### Q2FY23 Earnings Conference Call highlights

- **Demand outlook:** The management expects healthy growth in H2FY23 over the base period supported by strong order book in the composite product segments. Polymer product revenue growth is expected to be driven by a revival of packaging products demand from chemical/pharma industry. Also, a pick-up in construction activity and stabilising polymer prices are expected to drive PE pipes demand, going forward
- The management is aiming for revenue of ₹ 350 crore and ₹ 500 crore from the composite cylinder segment for FY23E and FY24E
- The company reported CNG cascade revenue of ~₹ 31 crore (vs. ₹ 10 crore in Q2FY22). Time Techno is seeing a good response to its Type-IV composite cylinders for CNG cascade. The current order book is at ₹ 250+ crore
- **EBITDA margin guidance:** Time Techno expects an improvement in margin in H2FY23 supported by stability in polymer prices and improving sales mix. It has guided for FY23 EBITDA margin at ~14.2%
- The company envisages a capex of ₹ 180 crore in FY23 of which ₹ 100 crore will be for capacity expansion while the rest will be maintenance capex
- Time Techno expects divestment of its overseas business by the end of FY23
- The proceeds will be used for repayment of debt, capex for composite cylinders (LPG/CNG/hydrogen) and 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	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E
Shaily Eng	1,482	361	566	660	817	17	14	14	16	22	35	40	67	11	11	12	17	12	10	10	14	61	42	37	22
Mold Tek	2,843	479	631	805	976	20	19	19	20	48	64	89	114	20	19	28	28	19	14	24	24	50	42	32	25
Time Technoplast	2,261	3005	3650	4161	4749	13	14	13	14	108	192	223	297	9	11	12	15	6	9	10	13	21	12	10	8
EPL	4,835	3092	3433	3738	4077	20	17	18	19	244	221	272	334	16	13	16	18	15	12	15	17	20	22	18	14

Source: Company, ICICI Direct Research

Time Technoplast's Q2FY23 revenue growth at ~12% came from both polymer and VAP (composite products) segments. On a three-year basis, revenue grew at a CAGR of 6% led by 11% CAGR in the value added product (VAP) segment. The VAPs contribution in consolidated revenue increased to 23% in H1FY23 from 21% in H1FY22. The VAP segment growth was largely driven by strong demand for LPG cylinders from oil marketing companies in India and increasing traction in its newly introduced CNG cascade business (Type IV cylinders). The management has guided for improved demand from H2H23 onwards in both its polymer and VAP product segments. We model VAPs segment to grow at CAGR of 26% led by strong growth in the composite cylinder segment. On the polymer product segment, we model revenue CAGR of 11% on a favourable base and improved demand from pharma/healthcare segment. Hence, consolidated revenue is likely to grow at a CAGR of 14% in FY22-24E. On the margin front, we believe EBITDA margin will see an improvement from FY24E onwards supported by improving sales mix (increased contribution of VAP segment that commands EBITDA margin of 18-20%) and continued focus on cost optimisation measures. As a result, the bottomline is likely to grow at a CAGR of 24% over FY22-24E. In addition, the company also plans to reduce debt by divesting its overseas business. We maintain our BUY rating on the stock, valuing the company at 5xEV/EBITDA on FY24E EBITDA with a target price of ₹ 125/share (implied P/E multiple of 10x FY24E earnings).

**Exhibit 2: Variance Analysis**

	Q2FY23	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	Comments
Revenue	1,024.0	914.6	12.0	944.5	8.4	Revenue growth was led by ~9% volume growth in Q2. The composite product segment grew 17% YoY led by strong growth in the composite cylinder segment
Other Income	0.5	0.4	10.0	0.4	18.3	
Raw Material Exp	743.6	643.3	15.6	682.3	9.0	Delay in price hikes and adverse currency movement hit gross margin in Q2, which declined ~230 bps YoY
Employee Exp	49.2	44.7	10.2	48.0	2.5	
Other expenditure	97.8	95.8	2.1	90.5	8.0	
EBITDA	133.4	130.8	2.0	123.6	7.9	
EBITDA Margin (%)	13.0	14.3	-127 bps	13.1	-6 bps	Saving in other expenses (as percent of sales) restricted EBITDA margin fall to 127 bps YoY
Depreciation	41.7	39.1	6.5	40.7	2.5	
Interest	24.0	23.0	4.1	23.1	3.9	
PBT	68.2	69.1	-1.2	60.2	13.2	
Total Tax	17.5	17.8	-1.6	15.2	15.2	
PAT	50.7	51.3	-1.1	45.1	12.5	PAT came in flat on a YoY basis tracking lower EBITDA margin
<b>Key Metrics</b>						
Polymer products	674.3	615.3	9.6	632.3	6.6	Packaging (excluding IBC) revenues increased ~10% supported by a revival in demand of packaging products from chemical/pharma companies. PE pipes revenue increased by 7% supported by improved construction activities
Composite products	349.7	299.3	16.8	312.2	12.0	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	4,202.1	4160.5	(1.0)	4725.2	4749.3	0.5	We slightly cut our revenue estimate for FY23E factoring Q2FY23 performance. We model overall revenue CAGR of 14% led by value added product (VAP) revenue CAGR of 26% YoY. VAP revenue growth was led by ramp up in composite cylinder business
EBITDA	569.2	557.5	(2.1)	668.7	672.1	0.5	
EBITDA Margin (%)	13.5	13.4	-15bps	14.2	14.2	0bps	We largely maintain our EBITDA margin estimates for FY23E-24E
PAT	228.5	222.6	(2.6)	295.6	297.4	0.6	
EPS (₹)	10.1	9.8	(2.6)	13.1	13.2	0.6	

Source: ICICI Direct Research

**Exhibit 4: Assumptions**

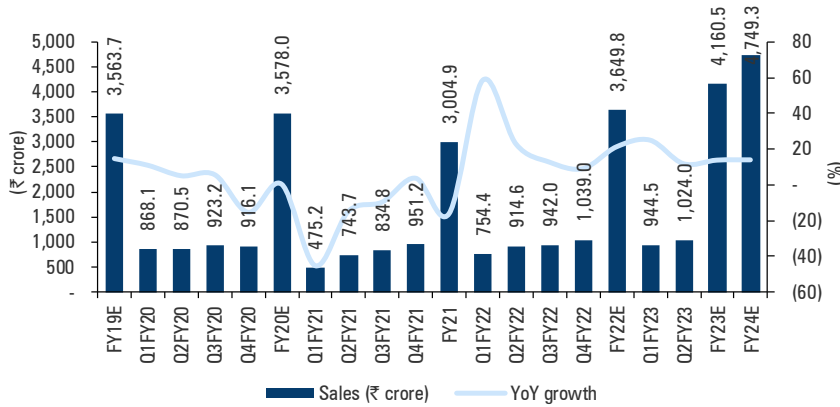
Growth (%)	Current				Earlier		Comments
	FY21	FY22E	FY23E	FY24E	FY23E	FY24E	
Established products	-16.7	20.0	12.7	9.0	12.5	8.2	We believe improved demand for packaging products and pick-up in construction activities will drive the company's packaging products and PE pipe revenues over FY23E-24E. We model segment revenue CAGR of 11%
Value added Products	-13.1	27.2	18.4	32.9	24.7	27.0	We model segment revenue CAGR of 26% in FY22-24E considering strong order book in the composite cylinder (LPG/CNG) category

\*not adjusted with excise/GST

Source: ICICI Direct Research

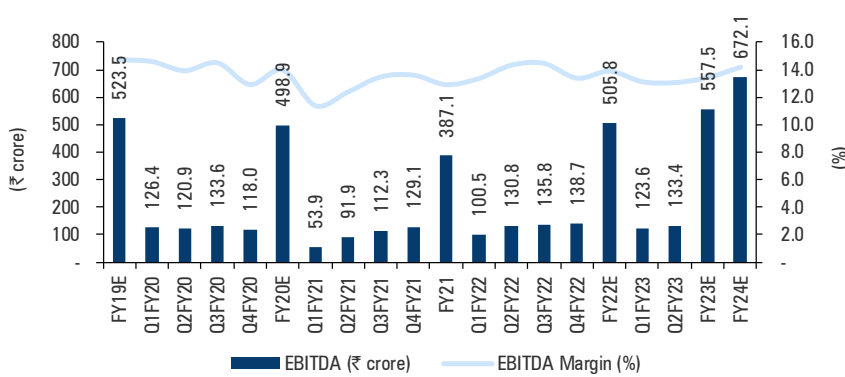
## Financial story in charts

Exhibit 5: Overall revenue trend



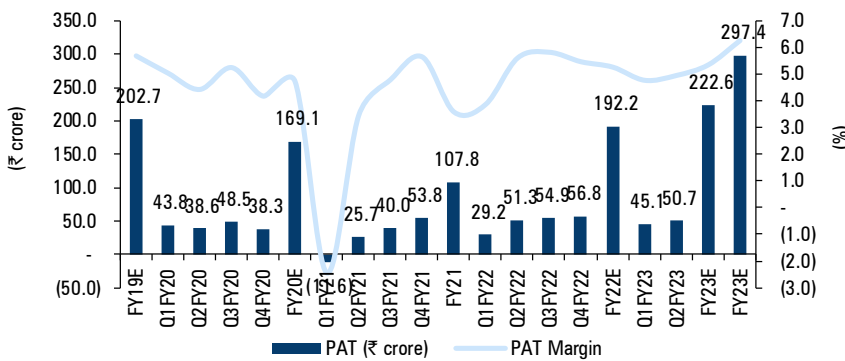
Source: Company, ICICI Direct Research

Exhibit 6: EBITDA and EBITDA margin trend



Source: Company, ICICI Direct Research

Exhibit 7: PAT trend



Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 8: Profit and loss statement					₹ crore
Year end March	FY21	FY22	FY23E	FY24E	
<b>Net sales</b>	<b>3004.9</b>	<b>3649.8</b>	<b>4160.5</b>	<b>4749.3</b>	
Expenditure					
Raw material	2102.9	2577.1	2963.6	3334.0	
Employee Expenses	159.4	182.6	198.4	216.0	
Other Expenses	355.5	384.3	441.0	527.2	
<b>Total expenditure</b>	<b>2617.8</b>	<b>3144.0</b>	<b>3603.1</b>	<b>4077.1</b>	
<b>EBITDA</b>	<b>387.1</b>	<b>505.8</b>	<b>557.5</b>	<b>672.1</b>	
Other income	3.8	3.0	3.2	3.6	
<b>EBITDA (incl. other income)</b>	<b>391.0</b>	<b>508.8</b>	<b>560.7</b>	<b>675.7</b>	
Depreciation	151.0	157.4	166.4	180.5	
EBIT	240.0	351.4	394.3	495.2	
Interest	97.7	92.0	95.7	95.4	
PBT before Exc. Items	142.2	259.4	298.6	399.8	
Less: Exc. Items	0.0	0.0	0.0	0.0	
PBT after Exc. Items	142.2	259.4	298.6	399.8	
Tax	36.4	67.2	76.0	102.3	
<b>PAT</b>	<b>107.8</b>	<b>192.2</b>	<b>222.6</b>	<b>297.4</b>	

Source: Company, ICICI Direct Research

Exhibit 10: 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	2108.6	2334.1	
<b>Total Shareholder's Fund</b>	<b>1902.8</b>	<b>2071.6</b>	<b>2131.2</b>	<b>2356.7</b>	
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	
<b>Total Assets</b>	<b>2764.4</b>	<b>3121.1</b>	<b>3160.7</b>	<b>3366.2</b>	
Gross Block					
	2564.7	2795.0	2975.0	3175.0	
Accumulated Depreciation					
	1324.0	1481.4	1647.8	1828.3	
Net Block					
	1240.8	1313.6	1327.2	1346.7	
Capital WIP					
	80.5	70.2	70.2	70.2	
Total Fixed Assets					
	1321.3	1383.9	1397.4	1417.0	
Investments					
	28.9	0.0	0.0	0.0	
Current Assets					
Inventory	759.8	907.7	934.7	1067.0	
Debtors	798.3	866.9	1025.9	1171.0	
Other Current Assets	249.1	316.2	283.9	324.1	
Cash	87.0	93.1	172.5	138.4	
<b>Total Current Assets</b>	<b>1894.2</b>	<b>2183.8</b>	<b>2417.0</b>	<b>2700.5</b>	
Current Liabilities					
Creditors	324.4	384.9	512.9	585.5	
Provisions	13.6	14.7	9.9	11.3	
Other current liabilities	202.0	82.6	166.5	190.1	
<b>Total Current Liabilities</b>	<b>540.1</b>	<b>482.2</b>	<b>689.4</b>	<b>786.9</b>	
<b>Total Liabilities</b>	<b>2764.4</b>	<b>3121.1</b>	<b>3160.7</b>	<b>3366.2</b>	

Source: Company, ICICI Direct Research

Exhibit 9: Cash flow statement					₹ crore
Year end March	FY21	FY22E	FY23E	FY24E	
Profit/(Loss) after taxation	107.8	192.2	222.6	297.4	
Add: Depreciation & Amortization	151.0	157.4	166.4	180.5	
Add: Interest Paid	97.7	92.0	95.7	95.4	
CF bef working capital chg.	356.6	441.6	484.8	573.3	
Net Increase in Current Assets	15.3	-283.5	-153.7	-317.6	
Net Increase in Current Liabilities	-57.3	-57.9	207.2	97.5	
<b>Net CF from operating act.</b>	<b>314.5</b>	<b>100.2</b>	<b>538.2</b>	<b>353.3</b>	
(Purchase)/Sale of Fixed Assets	-42.3	-220.0	-180.0	-200.0	
Others	-64.8	93.2	0.0	0.0	
<b>Net CF from Investing act.</b>	<b>-107.1</b>	<b>-126.7</b>	<b>-180.0</b>	<b>-200.0</b>	
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	-95.7	-95.4	
<b>Net CF from Financing act</b>	<b>-202.9</b>	<b>32.6</b>	<b>-278.8</b>	<b>-187.4</b>	
Net Cash Flow	4.5	6.1	79.5	-34.1	
Cash & Cash Equi at beg	82.5	87.0	93.1	172.5	
<b>Cash &amp; Cash Equi at end</b>	<b>87.0</b>	<b>93.1</b>	<b>172.5</b>	<b>138.4</b>	

Source: Company, ICICI Direct Research

Exhibit 11: Key ratios				
Year end March	FY21	FY22E	FY23E	FY24E
EPS	4.8	8.5	9.8	13.2
Cash EPS	11.4	15.5	17.2	21.1
DPS	0.7	3.5	3.2	3.2
BV per share	84.1	91.6	94.2	104.2
<b>Profitability Ratio</b>				
EBITDA Margin	12.9	13.9	13.4	14.2
PAT Margin	3.6	5.3	5.4	6.3
<b>Return Ratio</b>				
RoCE	8.7	11.3	12.5	14.7
RoE	5.7	9.3	10.4	12.6
RoIC	8.6	11.6	12.8	14.8
<b>Valuation Ratio</b>				
P/E	21.0	11.8	10.2	7.6
EV/EBITDA	7.4	5.9	5.2	4.3
Mcap/Sales	0.8	0.6	0.5	0.5
Price to BV	1.2	1.1	1.1	1.0
<b>Activity Ratios</b>				
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
<b>Solvency Ratios</b>				
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 12: 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				
Asian Paints (ASIPAI)	Buy	2,95,276	33.4	32.2	40.8	54.2	92.1	95.7	75.4	56.9	59.9	60.9	50.2	38.6	29.6	27.1	32.5	38.7	25.0	23.0	27.3	32.1
Berger Paints (BERPAI)	Hold	59,152	7.4	8.6	10.3	12.2	82.2	71.0	59.2	49.9	49.6	44.6	37.3	32.1	24.9	23.3	28.8	30.9	21.3	21.2	26.0	27.3
Kansai Nerolac (KANNER)	Hold	23,928	9.8	6.9	10.1	12.9	45.1	63.9	43.9	34.4	28.4	36.8	26.7	21.2	17.2	12.1	17.0	19.9	13.2	9.2	13.1	15.1
Pidilite Industries (PIDIND)	Hold	1,35,837	22.2	23.8	28.6	41.2	120.6	112.6	93.4	65.0	80.6	73.4	62.1	44.2	23.8	22.2	24.6	30.8	20.2	18.8	20.6	25.4
Sheela Foam (SHEFOA)	Buy	13,415	48.7	44.5	54.1	68.2	56.4	61.7	50.8	40.3	37.1	43.3	35.1	27.9	24.3	18.0	20.5	23.5	20.1	15.6	17.1	19.2
Bajaj Electricals (BAJELE)	Hold	13,070	16.5	10.8	23.2	36.4	69.0	105.1	49.0	31.3	43.9	51.9	32.2	22.9	15.1	13.5	22.1	27.3	10.7	7.8	15.7	20.2
Crompton Greaves (CROGR)	Hold	23,004	9.8	9.2	8.9	11.1	37.3	39.8	41.2	33.0	30.4	30.0	26.5	22.0	34.4	16.2	16.6	20.5	31.9	24.0	21.7	23.4
Havells India (HAVIND)	Buy	77,599	16.7	19.1	17.6	27.1	74.4	65.0	70.2	45.8	48.8	42.9	46.8	31.8	24.9	23.7	23.0	33.8	20.1	20.0	19.4	28.7
Polycab India (POLI)	Buy	39,229	59.3	61.4	76.3	86.8	44.3	42.8	34.4	30.2	34.5	30.1	22.0	19.5	20.6	20.2	24.7	23.8	17.9	15.6	18.4	18.0
Symphony (SYMLIM)	Hold	5,946	15.3	17.3	26.1	34.8	55.6	49.1	32.5	24.4	41.5	35.8	25.0	18.8	15.2	15.9	24.5	29.0	14.9	14.4	23.6	27.4
V-Guard Ind (VGUARD)	Hold	11,221	4.7	5.3	5.3	7.1	55.6	49.1	49.3	36.9	35.1	33.0	31.8	24.0	23.9	21.2	23.4	27.8	16.7	16.2	17.7	21.2
Voltas Ltd (VOLTAS)	Hold	27,087	16.0	15.3	16.1	23.0	51.2	53.5	50.7	35.6	41.5	38.8	38.1	27.1	15.0	14.0	16.3	20.1	10.6	9.2	11.0	14.1
Amber Enterprises (AMBEN)	Hold	6,890	24.7	33.0	45.7	73.7	82.7	61.9	44.7	27.7	31.1	26.3	20.7	15.3	7.7	6.8	10.2	13.2	5.2	6.4	8.7	12.3
Dixon Technologies (DIXTEC)	Buy	27,200	27.3	32.1	57.9	85.4	168.1	142.9	79.1	53.7	94.9	72.1	44.5	32.5	23.5	17.7	27.8	31.5	21.7	19.1	31.8	34.2
Supreme Indus (SUPIND)	Buy	30,639	77.0	76.2	63.1	80.4	31.3	31.6	38.2	30.0	23.3	24.2	26.4	20.5	33.1	25.9	22.6	27.1	30.9	25.2	20.5	23.6
Astral Ltd (ASTPOL)	Hold	38,931	20.3	24.4	23.1	37.1	95.4	79.4	83.8	52.2	59.7	50.8	48.6	34.0	27.5	26.6	24.2	30.4	21.5	21.0	18.0	24.1
Time Techno (TIMTEC)	BUY	2,261	4.8	8.5	9.8	13.2	21.0	11.8	10.2	7.6	7.4	5.9	5.2	4.3	8.7	11.3	12.5	14.7	5.7	9.3	10.4	12.6
Moldtek Packaging (MOLPLA)	Hold	2,843	17.2	20.4	26.7	34.4	49.8	42.0	32.1	24.9	31.1	23.9	19.1	15.1	20.1	18.6	27.6	27.9	18.7	13.9	24.3	24.3

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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