

Composite product drives revenue growth in Q4...

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%

Q4FY22 Results: Revenue growth led by composite products segment, savings in other expenses limits the EBITDA margin fall.

- Revenues increased ~9% YoY to ₹ 1039 crore led by ~18% growth in the composite product to ₹ ~₹ 312 crore
- Gross margin was down ~110 bps YoY due to higher raw material prices. However, savings in other expenses restricted the overall fall in EBITDA margin at 22 bps YoY to 13.3%
- PAT up ~6% YoY to ₹ 57 crore, tracking higher sales in Q4

What should investors do? Time Technoplast's share price has grown by ~2.3x over the past one year (from ~₹ 35 in August 2020 to ~₹ 78 level in February 2021).

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

Target Price & valuation: We roll over valuation on FY24E. We value the stock at 5x EV/EBITDA on FY24E EBITDA and revise our target price to ₹ 115/share.

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) led by value added product segment
- Time Techno sees strong revenue traction (of ₹ 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 ~14% market share. Robust b/s with average RoE, RoCE of 24%, 27%, respectively
- BUY with a target price of ₹ 2320



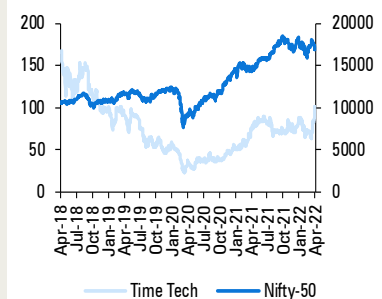
Particulars

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	109/ 63
Equity capital (₹ Crore)	22.6
Face value (₹)	1.0

Shareholding pattern

(in %)	Mar-21	Jun-21	Sep-21	Dec-21	Jan-22
Promoter	51.3	51.3	51.3	51.3	51.3
FII	15.2	14.6	13.4	12.4	10.9
DII	11.3	11.2	11.0	10.1	9.6
Others	22.2	22.9	24.3	26.2	28.2

Price Chart



Recent event & key risks

- Key Risk:** (i) Strong order inflow in Type IV cylinders' category (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%	4,076.2	4,706.3	14%
EBITDA	523.5	498.9	387.1	505.8	5%	572.0	666.0	15%
EBITDA Margin (%)	14.7	13.9	12.9	13.9		14.0	14.2	
PAT	202.7	169.1	107.8	192.2	5%	226.9	279.3	21%
EPS (₹)	9.0	7.5	4.8	8.5		10.0	12.4	
P/E (x)	11.5	13.8	21.6	12.1		10.3	8.3	
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		5.1	4.5	
RoE (%)	12.1	9.3	5.7	9.3		10.6	11.9	
RoCE (%)	15.0	12.5	8.7	11.3		12.8	14.1	

Key takeaways of recent quarter & conference call highlights

Q4FY22 Results:

- Time Techno reported revenue growth of ~9% YoY to ₹ 1039 crore supported by volume growth of 7%
- Segment wise, composite product segment revenue increased 18% YoY to ₹ 311 crore led by strong growth in the composite cylinders' segment by 39% YoY. The company has ~₹ 250 crore order book in the composite cylinder (Type IV) segment
- The polymer products revenue grew albeit at a slow pace of ~6% YoY to ₹ 727 crore supported by improved demand for plastic products (largely plastic drums/jerry cans, pails, etc). However, PE pipe business remained a laggard with revenue de-growth of 15% YoY
- Despite strong revenue growth in the composite product category (relatively high margin business), gross margins saw ~112 bps drop on a YoY basis, mainly due to a delay in price hikes. However, savings in other expenses helped partially negate the adverse impact of higher RM costs and limited the EBITDA margin fall at 22 bps YoY to 13.3%
- PAT increased ~6% YoY to ₹ 57 crore tracking higher sales in Q4

Q4FY22 Earnings Conference Call highlights

- The company aims to grow volume at 15-18% CAGR in the next three to five years led by strong growth in the composite product segment
- 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
- **Composite cylinders for Type IV CNG cascade:** The company is seeing a good response to its Type-IV composite cylinders for CNG cascade. The current order book is at ₹ 250+ crore and revenue from this segment is ₹ 56 crore currently
- **Composite cylinders for LPG:** The company received an order of 0.75 million Type-IV LPG composite cylinders from Indian Oil Corporation, which is to be supplied over the coming 12 months. The company also expects more traction from this segment on account of the Pradhan Mantri Ujjwala Yojana of the Government of India. Time Technoplast is also seeing good traction from overseas in this segment. Currently, it exports composite cylinders to other countries to keep up with the demand. The company plans to add additional 1 million-cylinder manufacturing capacity with a capital outlay of ~ ₹ 90 crore in the period of next 12-15 months
- According to the management, there is a growing market in Asia, Middle-East due to China+1 policy adopted by several countries. Demand in US is led by chemical segment and agricultural chemical market. Time Techno expects growth in revenue due to increased demand of composite products
- Capacity utilisation in Q4FY22 was at 75%. The company expects the same to improve in the coming quarters
- Volume offtake in pipes business is still under pressure due to unprecedented hike in raw material prices resulting in 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 management maintained its guidance for normalisation of working capital to 90 days supported by stabilisation in polymer prices. In the next few years, Time Techno expects value-added products to contribute ~35% to the topline (compared to 21% currently) which will lead to improvement in working capital as well as RoCE
- The company incurred a capex of ~₹ 186 crore in FY22 towards brownfield expansion, maintenance, re-engineering and automation. Major part of its capex was towards value added products at ~₹ 107 crore
- In the next phase of expansion, the company will make investments on manufacturing cylinders for automotives for OEM and onboard cylinders

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	1,745	361	581	725	813	17	15	17	18	22	39	67	79	12	11	17	17	12	11	16	16	72	45	26	22
Mold Tek	2,451	479	631	716	867	20	19	19	20	48	64	77	98	20	19	25	26	19	14	22	22	43	36	32	25
Time Technoplast	2,329	3005	3650	4076	4706	13	14	14	14	108	192	227	279	9	11	13	14	6	9	11	12	22	12	10	8
EPL	5,171	3092	3441	3724	4030	20	17	18	19	244	232	287	342	16	15	18	20	15	13	16	18	21	22	18	15

Source: Company, ICICI Direct Research

Time Technoplast has achieved its pre-Covid level sales in FY22 supported by robust growth in the composite product segment. We believe the company will register revenue CAGR of ~14% in FY22-24E led by ~25% growth in the value added product segment (largely from composite cylinders). We expect established products (revenue share of ~80%) to grow at CAGR of 10% on recovery in the piping revenues and favourable base. On the margin front, we believe price hike and better product mix will improve EBITDA margin from FY24 onwards. We roll over our valuation on FY24E. We maintain our HOLD rating on the stock, valuing the company at 5xEV/EBITDA on FY24 EBITDA with a revised target price to ₹ 115/share.

Exhibit 2: Variance Analysis

	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	Comments
Revenue	1,039.0	951.2	9.2	942.0	10.3	Revenue growth of ~9% YoY supported by 7% volume growth
Other Income	1.4	2.2	-36.8	0.7	97.2	
Raw Material Exp	740.7	667.5	11.0	663.4	11.7	Gross margin down 112 bps YoY mainly due to higher raw material costs
Employee Exp	49.6	47.3	4.9	45.9	8.1	
Other expenditure	109.9	107.3	2.5	96.9	13.5	
EBITDA	138.7	129.1	7.4	135.8	2.1	
EBITDA Margin (%)	13.3	13.6	-22 bps	14.4	-107 bps	Saving in other expenses and employee costs restricted EBITDA margin fall to 22 bps YoY
Depreciation	40.4	38.3	5.4	39.4	2.4	
Interest	22.7	23.7	-4.6	22.9	-1.2	
PBT	77.1	69.3	11.3	74.2	3.9	
Total Tax	20.3	17.5	15.9	19.4	4.7	
PAT	56.8	53.8	5.7	54.9	3.6	PAT came in higher by ~6% YoY, tracking topline growth in Q4
Key Metrics						
Polymer products	727.0	687.6	5.7	645.0	12.7	Plastic division revenues growth partially offset by lower revenues from the pipe business (down ~15% YoY), which restricted overall segment revenue growth at 5.7% in Q4
Composite products	311.9	263.6	18.3	297.0	5.0	New order inflows in the Type-IV composite cylinders drive overall segment revenue growth at ~18% YoY

Source: Company, ICICI Direct Research

Exhibit 3: Change in estimates

₹ Crore)	FY23E			FY24E			Comments
	Old	New	% Chg	Old	New	YoY (%)	
Revenue	4,051.1	4076.2	0.6	-	4706.3	-	We introduce FY24E and build in revenue CAGR of 14% in FY22-24E
EBITDA	565.3	572.0	1.2	-	666.0	-	
EBITDA Margin (%)	14.0	14.0	8bps	-	14.2	-	We model improvement in EBITDA margin in FY22-24E considering improved product mix and various cost optimisation measures
PAT	228.4	226.9	(0.6)	-	279.3	-	
EPS (₹)	10.1	10.0	(0.6)	-	12.4	-	

Source: ICICI Direct Research

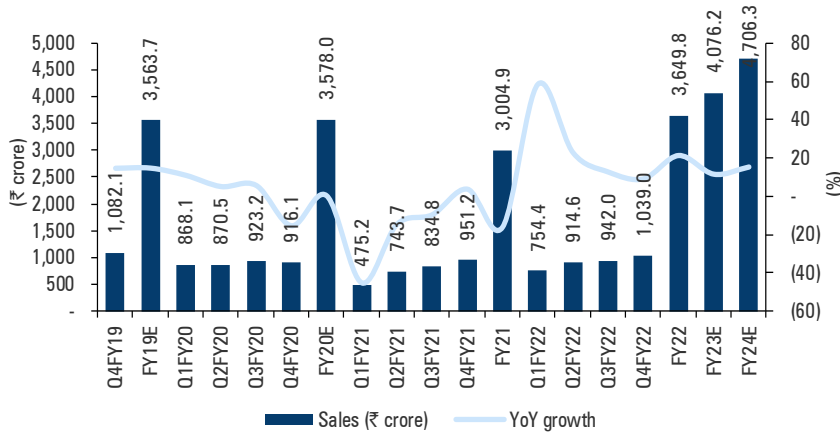
Exhibit 4: Assumptions

Growth (%)	Current			Earlier	FY24E	Comments	
	FY20	FY21	FY22E	FY23E	introduc		
Established products	-0.2	-16.7	20.0	5.6	10.6	15.3	We model segment revenue CAGR of 10% considering improved demand conditions and favourable base in FY22-24E
Value added Products	3.1	-13.1	27.2	34.6	11.3	15.9	We model segment revenue CAGR of 25% in FY22-24E considering strong order book in composite cylinder category

Source: ICICI Direct Research

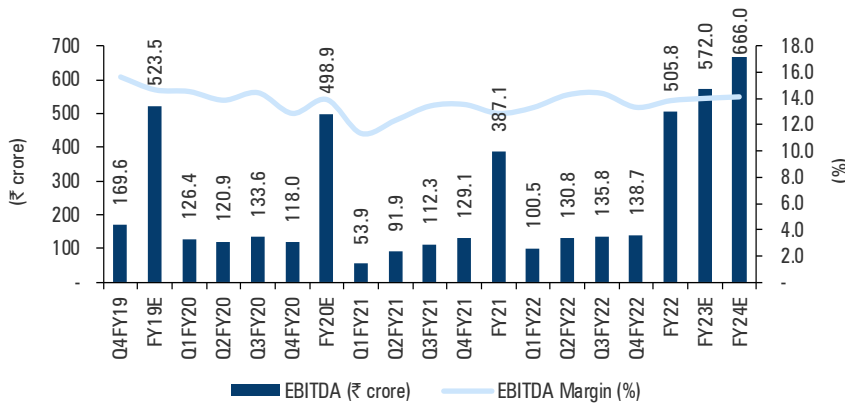
Financial story in charts

Exhibit 1: Overall revenue trend



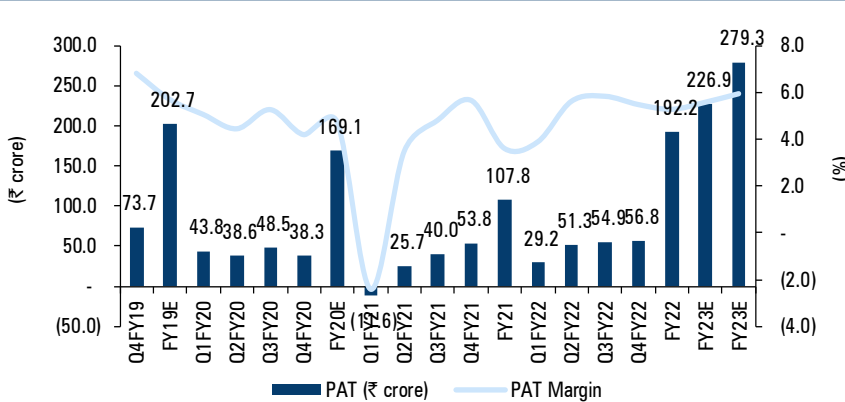
Source: Company, ICICI Direct Research

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	FY22	FY23E	FY24E	
Net sales	3004.9	3649.8	4076.2	4706.3	
Expenditure					
Raw material	2102.9	2577.1	2878.8	3303.8	
Employee Expenses	159.4	182.6	185.3	214.1	
Other Expenses	355.5	384.3	440.2	522.4	
Total expenditure	2617.8	3144.0	3504.3	4040.3	
EBITDA	387.1	505.8	572.0	666.0	
Other income	3.8	3.0	3.2	3.6	
EBITDA (incl. other income)	391.0	508.8	575.2	669.6	
Depreciation	151.0	157.4	171.2	197.7	
EBIT	240.0	351.4	404.0	471.9	
Interest	97.7	92.0	97.8	95.4	
PBT before Exc. Items	142.2	259.4	306.2	376.5	
Less: Exc. Items	0.0	0.0	0.0	0.0	
PBT after Exc. Items	142.2	259.4	306.2	376.5	
Tax	36.4	67.2	79.2	97.2	
PAT	107.8	192.2	226.9	279.3	

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet					₹ crore
Year end March	FY21	FY22	FY23E	FY24E	
share capital	22.6	22.6	22.6	22.6	
Reserve and Surplus	1880.2	2049.0	2112.9	2320.2	
Total Shareholder's Fund	1902.8	2071.6	2135.5	2342.9	
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	3165.0	3352.4	
Gross Block					
	2564.7	2795.0	2995.0	3195.0	
Accumulated Depreciation					
	1324.0	1481.4	1652.6	1850.2	
Net Block					
	1240.8	1313.6	1342.4	1344.8	
Capital WIP					
	80.5	70.2	70.2	70.2	
Total Fixed Assets					
	1321.3	1383.9	1412.6	1415.0	
Investments					
	28.9	0.0	0.0	0.0	
Current Assets					
Inventory	759.8	907.7	915.8	1057.3	
Debtors	798.3	866.9	1005.1	1160.5	
Other Current Assets	249.1	316.2	278.1	321.1	
Cash	87.0	93.1	193.1	142.6	
Total Current Assets	1894.2	2183.8	2392.1	2681.5	
Current Liabilities					
Creditors	324.4	384.9	502.5	580.2	
Provisions	13.6	14.7	9.7	11.2	
Other current liabilities	202.0	82.6	163.2	188.4	
Total Current Liabilities	540.1	482.2	675.4	779.8	
Total Liabilities	2764.4	3121.1	3165.0	3352.4	

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement					₹ crore
Year end March	FY21	FY22	FY23E	FY24E	
Profit/(Loss) after taxation	107.8	192.2	226.9	279.3	
Add: Depreciation & Amortization	151.0	157.4	171.2	197.7	
Add: Interest Paid	97.7	92.0	97.8	95.4	
CF bef working capital chg.	356.6	441.6	496.0	572.4	
Net Increase in Current Assets	15.3	-283.5	-108.3	-339.9	
Net Increase in Current Liabilities	-57.3	-57.9	193.2	104.4	
Net CF from operating act.	314.5	100.2	581.0	336.9	
(Purchase)/Sale of Fixed Assets					
	-42.3	-220.0	-200.0	-200.0	
Others					
	-64.8	93.2	0.0	0.0	
Net CF from Investing act.	-107.1	-126.7	-200.0	-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	-97.8	-95.4	
Net CF from Financing act	-202.9	32.6	-280.9	-187.4	
Net Cash Flow					
	4.5	6.1	100.0	-50.5	
Cash & Cash Equi at beg					
	82.5	87.0	93.1	193.1	
Cash & Cash Equi at end	87.0	93.1	193.1	142.6	

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios				
Year end March	FY21	FY22	FY23E	FY24E
EPS	4.8	8.5	10.0	12.4
Cash EPS	11.4	15.5	17.6	21.1
DPS	0.7	3.5	3.2	3.2
BV per share	84.1	91.6	94.4	103.6
Profitability Ratio				
EBITDA Margin	12.9	13.9	14.0	14.2
PAT Margin	3.6	5.3	5.6	5.9
Return Ratio				
RoCE	8.7	11.3	12.8	14.1
RoE	5.7	9.3	10.6	11.9
RoIC	8.6	11.6	13.2	14.2
Valuation Ratio				
P/E	21.6	12.1	10.3	8.3
EV/EBITDA	7.5	6.1	5.1	4.5
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	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E
Asian Paints (ASIPAI)	Hold	2,73,890	33.4	32.2	43.1	52.3	85.4	88.8	66.3	54.6	55.5	56.4	44.3	36.9	29.6	27.1	33.3	36.8	25.0	23.0	28.4	30.9
Berger Paints (BERPAI)	Hold	58,181	7.4	8.6	9.9	11.9	80.8	69.8	60.6	50.5	48.8	43.9	38.6	32.6	24.9	23.3	27.9	30.4	21.3	21.2	25.2	27.0
Kansai Nerolac (KANNER)	Reduce	21,772	9.8	6.9	9.7	12.1	41.0	58.2	41.5	33.4	25.8	33.5	25.9	21.3	17.2	12.1	16.8	19.5	13.2	9.2	12.7	14.6
Pidilite Industries (PIDIND)	Hold	1,11,970	22.2	23.8	26.0	32.2	99.4	92.8	84.9	68.5	66.4	60.5	56.5	45.8	23.8	22.2	22.6	25.6	20.2	18.8	19.1	21.4
Bajaj Electricals (BAJELE)	Hold	11,232	16.5	10.8	22.0	29.5	59.3	90.3	44.5	33.2	37.8	44.5	33.3	25.2	15.1	13.5	19.1	22.1	10.7	7.8	14.9	17.2
Crompton Greaves(CROGR)	Hold	22,690	9.8	9.2	8.9	11.0	36.8	39.2	40.7	32.8	30.0	29.6	25.7	21.1	34.4	16.2	17.8	21.0	31.9	24.0	21.5	23.3
Havells India (HAVIND)	Hold	74,182	16.7	17.8	19.3	26.7	71.4	66.9	61.7	44.5	46.6	44.2	41.2	30.4	24.9	24.2	25.9	34.7	20.1	20.4	21.8	29.2
Polycab India (POLI)	Buy	37,286	59.3	61.4	62.9	80.8	42.1	40.6	39.6	30.9	32.7	28.6	25.5	19.9	20.6	20.2	20.7	23.0	17.9	15.6	15.7	17.5
Symphony (SYMLIM)	Hold	7,010	15.3	17.3	26.1	34.8	65.5	57.9	38.4	28.8	49.1	42.4	29.5	22.3	15.2	15.9	24.5	29.0	14.9	14.4	23.6	27.4
V-Guard Ind (VGUARD)	Hold	10,098	4.7	5.3	5.4	6.6	49.6	43.9	43.0	35.3	31.5	29.7	27.9	22.7	23.9	21.2	23.7	26.2	16.7	16.2	18.0	20.0
Voltas Ltd (VOLTAS)	Hold	34,727	16.0	15.3	21.0	28.9	65.7	68.6	50.0	36.3	53.4	50.0	41.4	29.6	15.0	14.0	18.0	21.0	10.6	9.2	13.8	16.6
Amber Enterprises (AMBEN)	Hold	8,939	24.7	33.0	60.4	86.2	107.3	80.3	44.0	30.8	40.4	33.7	24.4	18.2	7.7	6.8	10.5	13.4	5.2	6.4	11.2	13.8
Dixon Technologies (DIXTEC)	Buy	23,022	27.3	32.1	58.6	88.6	142.2	121.0	66.2	43.8	80.3	61.1	37.0	26.1	23.5	17.7	28.0	32.4	21.7	19.1	32.1	35.0
Supreme Indus (SUPIND)	Buy	24,161	77.0	76.2	78.8	92.7	24.7	24.9	24.2	20.5	18.2	19.0	18.2	15.0	33.1	25.9	25.2	26.7	30.9	25.2	24.3	25.1
Astral Ltd (ASTPOL)	Hold	36,299	20.3	24.4	28.8	35.1	88.9	74.0	62.7	51.5	55.7	47.3	40.4	33.7	27.5	26.6	27.3	28.5	21.5	21.0	21.4	22.3
Time Techno (TIMTEC)	Hold	2,329	4.8	8.5	10.0	12.4	21.6	12.1	10.3	8.3	7.5	6.1	5.1	4.5	8.7	11.3	12.8	14.1	5.7	9.3	10.6	11.9

Source: Company, 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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