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Company update and TP
change

Plastic

Target price: Rs102

Target price revision

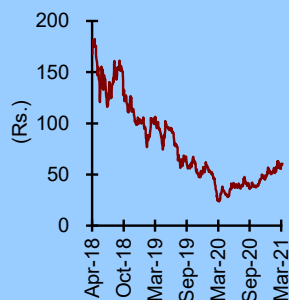
Rs102 from Rs93

Shareholding pattern

	Jun '20	Sep '20	Dec '20
Promoters	51.3	51.3	51.3
Institutional investors	27.6	26.0	26.1
MFs and others	9.5	9.5	9.5
Insurance Cos.	0.8	0.9	1.6
Banks & FIs	0.1	0.0	0.0
FII	17.2	15.6	15.0
Others	21.1	22.7	22.6

Source: BSE

Price chart



Time Technoplast

BUY

Maintain

Rs62

Rerating likely to continue

Recent developments in Time Technoplast (TTPL) augur well for the sustainability of its earnings. The developments are: 1) Recent order win of Rs416mn from a leading gas distribution company (outstanding orderbook now at Rs536mn) for TTPL's newly launched product 'CNG cascades with Type-IV carbon fiber composite cylinder', which falls under the value-add product (VAP) segment (TTPL is the only company to have received PESO approval for the product); 2) Likely PESO approval for its CNG cylinder for onboarding on vehicles, which would allow the company to sell directly to vehicle OEMs; and 3) Revocation of pledge shares by promoter companies to 4.2% from 17.8% over the last 3-4 months. Faster than expected order wins and recent revocation of pledge shares makes the stock an ideal rerating candidate. **Maintain BUY.**

- **Valuation and outlook:** Our initiating coverage highlighted the opportunity in CNG cascades and the concerns over quantum of pledged shares. To our surprise, the above developments have come faster than we expected. We are yet to build-in numbers due to limited capacity of the recently launched product and would consider revenues once TTPL augments capacity for the same. The product is also RoCE-accretive as it is a VAP and has margins equivalent to LPG composite cylinders. We thus raise our earnings multiple from 10x to 11x with a revised target price of Rs102 (earlier: Rs93), on FY22E earnings. Key risks to upside: capital allocation and sustained high levels of debt.
- **Strong order wins for the new VAP product.** TTPL is the only company in India that has got approval for composite cylinder product and has been able to garner orders from a gas distribution company for manufacturing CNG cascades. With the advantage of being lighter and carrying more gas than the metal alternative (despite higher cost), the orderbook for the product is expected to be strong in the short to medium term.
- **Present opportunity holds TTPL in good stead.** TTPL can currently clock revenues of Rs600mn-700mn by utilising its LPG cylinder capacity. It expects this market to reach Rs90bn in next four years with higher usage of CNG in India and aims to garner 30% market share in it. As per the company, capex of Rs800mn can generate Rs3bn worth of revenues and the capacity creation could take around 6-8 months. Due to increase in demand for the product, TTPL has now guided for double the market size than the Rs6bn-8bn per annum estimated previously. EBITDA margin for the product is also likely to be similar to its VAP portfolio.
- **Reduction of pledged shares by promoters from 17.8% to 4.2% in last 3-4 months.** The pledge was created by the promoters to secure a loan on a property owned by them. The pledge was an overhang on valuation for long and the recent reduction has cleared the air on the company's intent and may help rerate the stock in the near term.

Market Cap	Rs14.0bn/US\$191mn	Year to Mar	FY19	FY20	FY21E	FY22E
Bloomberg	TIME.BO/TIME IN	Net Revenue (Rs mn)	35,637	35,780	30,065	37,300
Shares Outstanding (mn)	226.1	Net Profit (Rs mn)	2,027	1,691	1,011	2,092
52-week Range (Rs)	64/23	Dil. EPS (Rs)	9.0	7.5	4.5	9.3
Free Float (%)	48.7	% Chg YoY	12.4	(16.6)	(40.3)	107.1
FII (%)	15.0	P/E (x)	6.9	8.3	13.9	6.7
Daily Volume (US\$'000)	598	CEPS (Rs)	15.4	14.4	11.3	16.6
Absolute Return 3m (%)	22.8	EV/EBITDA (x)	3.8	4.0	5.0	3.2
Absolute Return 12m (%)	142.7	Dividend Yield (%)	0.9	1.5	1.3	1.5
Sensex Return 3m (%)	3.4	RoCE (%)	15.9	13.0	8.8	13.8
Sensex Return 12m (%)	75.2	RoE (%)	12.5	9.4	5.4	10.6

Please refer to important disclosures at the end of this report

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Table 1: Estimate of market potential for TTPL by 2024

No of CNG stations in India*	2,200
Total expected CNG stations by 2024*	7,300
CNG cascades for each CNG station (2 on station, and 1 on mobile)	3
Cylinders in one cascade	60
One CNG Cascade cost (Rs mn)	6
Total CNG cascades potential by 2024 incrementally	15,300
Total CNG cascade market incrementally by 2024 (Rs mn)	91,800
TTPL revenue potential by 2024 (30% market share) (Rs mn)	27,540

Source: *Ministry of Petroleum and Natural Gas, Jan 2020, I-Sec research

Table 2: Comparison between metal and composite cylinders

Particulars	Criteria	Metal	Composite
Cylinder for LPG (for all sizes)	Price	X	1.30 X
	Weight	X	0.40 X
Cylinder for CNG cascade (for all sizes)	Price	X	1.40 X
	Weight	X	0.30 X
Cylinder for on-board application in automotive industry (for all sizes)	Price	X	1.35 X
	Weight	X	0.35 X

Source: Company data, I-Sec research

Chart 1: Images of CNG cascade participation in a recent exhibition



Source: Company data, I-sec research



Recent developments in gas sector

Gujarat Gas: Company has added 83 new CNG stations till 9MFY21 taking the total to 484. Company plans to add 150 CNG stations every year now onwards.

Confidence Petroleum India: Company has decided to set up CNG – High Pressure Cylinder manufacturing unit near Nagpur with capacity of 360,000 cylinders per annum of various capacities. It has also decided to work out feasibility for putting up a Cryogenic Cylinder manufacturing unit near Nagpur with capacity of 150,000 units per annum of various capacities

Financial summary

Table 3: Profit & Loss statement

(Rs mn, year ending March 31)

	FY19	FY20	FY21E	FY22E
Net Revenues	35,637	35,780	30,065	37,300
Operating Expenses	30,402	30,791	26,131	31,814
EBITDA	5,235	4,989	3,934	5,486
% margins	14.7%	13.9%	13.1%	14.7%
Depreciation & Amortisation	1,461	1,562	1,547	1,666
Gross Interest	986	1,082	1,000	973
Other Income	32	23	24	30
Recurring PBT	2,819	2,367	1,411	2,877
Less: Taxes	734	617	354	724
Less: Minority Interest	58	59	46	60
Add: Share of Profit of Associates	-	-	-	-
Net Income (Reported)	2,027	1,691	1,011	2,092
Extraordinaries (Net)	-	-	-	-
Recurring Net Income	2,027	1,691	1,011	2,092

Source: Company data, I-Sec research

Table 4: Balance sheet

(Rs mn, year ending March 31)

	FY19	FY20	FY21E	FY22E
Assets				
Total Current Assets	17,950	19,050	18,086	20,411
of which cash & cash eqv.	666	825	789	1,580
Total Current Liabilities & Provisions	6,699	6,555	5,170	6,082
Net Current Assets	11,251	12,495	12,916	14,330
Investments	274	294	314	334
Net Fixed Assets	12,791	13,494	13,747	13,581
Capital Work-in-Progress	983	805	-	-
Goodwill	-	-	-	-
Total Assets	25,299	27,088	26,977	28,244
Liabilities				
Borrowings	7,415	7,624	7,374	6,724
Deferred Tax Liability	730	792	842	892
Minority Interest	463	522	540	560
Equity Share Capital	226	226	226	226
Face Value per share (Rs)	1	1	1	1
Reserves & Surplus*	16,466	17,925	17,995	19,842
Less: Misc. Exp. n.w.o.	-	-	-	-
Net Worth	16,692	18,151	18,221	20,068
Total Liabilities	25,299	27,088	26,977	28,244

*Excluding revaluation reserves

Source: Company data, I-Sec research

Table 5: Quarterly trend

(Rs mn, year ending March 31)

	Mar-20	Jun-20	Sep-20	Dec-20
Net revenues	9,161	4,752	7,437	8,348
% growth (YoY)	(15.3)	(45.3)	(14.6)	(9.6)
EBITDA	1,180	539	919	1,123
Margin (%)	12.9	11.4	12.4	13.4
Other income	10	3	7	6
Extraordinaries (Net)	-	-	-	-
Net profit	383	(117)	245	384

Source: Company data, I-Sec research

Table 6: Cashflow statement

(Rs mn, year ending March 31)

	FY19	FY20	FY21E	FY22E
Operating Cashflow	3,489	3,253	2,558	3,759
Working Capital Changes	(1,629)	(1,030)	(1,201)	(642)
Capital Commitments	(2,297)	(2,088)	(995)	(1,500)
Free Cashflow	(438)	136	362	1,617
Cashflow from Investing Activities	(54)	10	20	20
Issue of Share Capital	-	-	-	-
Inc (Dec) in Borrowings	564	209	(250)	(650)
Dividend paid	(145)	(259)	(218)	(245)
Change in Deferred Tax Liability	148	62	50	50
Chg. in Cash & Bank balance	75	159	(36)	792

Source: Company data, I-Sec research

Table 7: Key ratios

(Year ending March 31)

	FY19	FY20	FY21E	FY22E
Per Share Data (in Rs.)				
EPS	9.0	7.5	4.5	9.3
Cash EPS	15.4	14.4	11.3	16.6
Dividend per share (DPS)	0.5	1.0	0.8	0.9
Book Value per share (BV)	73.8	80.3	80.6	88.7
Growth (%)				
Net Sales	14.9	0.4	-16.0	24.1
EBITDA	10.7	-4.7	-21.1	39.4
PAT	12.4	-16.6	-40.3	107.1
Cash EPS	12.4	-16.6	-40.3	107.1
Valuation Ratios (x)				
P/E	6.9	8.3	13.9	6.7
P/CEPS	4.0	4.3	5.5	3.7
P/BV	0.8	0.8	0.8	0.7
EV / EBITDA	3.8	4.0	5.0	3.2
EV / Sales	0.6	0.6	0.7	0.5
Operating Ratios				
Raw Material / Sales (%)	71.9	70.1	70.9	70.3
Employee cost / Sales (%)	4.6	4.4	6.0	5.2
SG&A / Sales (%)	10.2	6.7	10.0	9.8
Other Income / PBT (%)	1.1	1.0	1.7	1.0
Effective Tax Rate (%)	26.0	26.1	25.1	25.2
Working Capital (days)	107.2	115.8	130.0	105.0
Inventory Turnover (days)	75.5	77.3	84.0	73.0
Receivables (days)	80.3	83.7	92.0	78.0
Payables (days)	48.6	45.2	46.0	46.0
Net D/E Ratio (x)	0.4	0.4	0.4	0.2

Profitability Ratios (%)

Net Income Margins	5.7	4.7	3.4	5.6
RoACE	15.9	13.0	8.8	13.8
RoAE	12.5	9.4	5.4	10.6
Dividend Payout	7.2	15.3	21.6	11.7
Dividend Yield	0.9	1.5	1.3	1.5
EBITDA Margins	14.7	13.9	13.1	14.7

Source: Company data, I-Sec research

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