Time Technoplast

Good times ahead

The industrial packer will benefit as economic activity picks up and past investments in products and capacities bear fruits

Founded by a group of technocrats, Time Technoplast (TTL) commenced operations on a modest scale in 1991 by manufacturing polymer-packaging products. Enjoying a dominant market share in the domestic plastic-based industrial packaging, the multinational conglomerate's operations today extend to Bahrain, Belgium, China, Egypt, Indonesia, India, Korea, Malaysia, Poland, Romania, Singapore, Sharjah, Taiwan, Thailand, and Vietnam.

Initially operating in a single product segment — industrial packaging — by manufacturing large-volume polymer-based containers, there was gradually branching out to other verticals. At present, there are five strategic business units (SBUs): industrial packaging, lifestyle, auto components, healthcare & infrastructure products.

Each SBU has established brands: Time Mauser for packaging products, Ecopet for Pet sheets; Meadowz for turf, DuroTurf, DuroSoft, WDuroWipe for mattings; Regal for garden furniture, 3S for anti-spray devices (automotive component), Genex for healthcare products; and Netrix for safety and warning nets. Selling of telecom batteries, MaxLife, began in the fiscal ended March 2011 (FY 2011).

Over the years, polymers have become a material of choice to replace metals in most areas of everyday's life. A novel and technically-driven product made out of polymers and composites is being produced to replace metal in the high-performance areas. Due to the higher prices of metals and lower prices of polymers, there is expectation of acceleration in shifting of demand from metals to polymer containers, thus growth.

There is strong presence in most Asia, where most of the growth is happening and leading MNCs such as BASF and Clariant have shifted their base. Due to established relationship, most of these MNCs will prefer dealing with players like TTL, with capacities in most Asian countries.

Moreover, the penetration of plastic packaging in industrial and high-end applications is much lower in many Asian countries (even lower than in India). This gives lot of opportunities to grow fast by converting metal packaging into plastic packaging in industrial and high-end applications.

Besides R&D and futuristic product designing, focus is on superior customer service. Twenty-eight manufacturing units and 10 regional and marketing offices have been set up to meet the growing demand of Indian customers and to fill the need gap for global customers. The marketing and distribution network has been developed to reach institutional clients as well as retail consumers. The strategic expansion overseas in the UAE, Bahrain, Thailand and Poland enable serving customers in the western, southern and southeastern regions of Asia. Poland is a gateway into Europe.

Emphasis is on maintaining and establishing long-term relationships with customers by addressing their varied and expanding requirement over long periods. This also has in the past resulted in the introduction of new products and, thereby, additional business from existing customers and expansion into new markets.

Close to Rs 700 crore have been spent over the last three years on capex and acquisitions. There will be only maintenance capex of less than Rs 100 crore over the next two years (FY 2015 and FY 2016). Current capacity utilsation at many facilities is very low (even below 50%). As new markets are penetrated, product approvals are obtained and client relationships established, utilisation will improve, driving up the margin and the return ratios.

Consolidated sales grew 22% to Rs 2186.31 crore in FY 2014 over a year ago. The packaging segment accounted for 64% of total sales, lifestyle 9%, auto 8%, infra related 17%, and rest from others. Consolidated profit after tax fell 8% to Rs 95.43 crore. Volume growth of the Indian business was 7% and overseas business 34%. Demand has picked up in most regions and the utilisation rate of new international capacities improved to 50-55% in Q1 of FY 2015 from 30% in Q1of FY 2014.

The profit margin and return ratios have been falling continuously over the past few years due to investment in new products, entry into new regions and overall underutilisation of capacities because of sluggish demand. However, as demand improves capacity utilisation will go up, boosting the profit margin and return ratios over the next few years.

We expect TTL to register consolidated sales of Rs 2588.59 crore and net profit of Rs 127.93 crore in FY 2015. EPS works out to Rs 6.0. The share price trades at Rs 50. P/E is 8.3.

Time Technoplast: Cons. Financials

Time Technoplast: Cons. Financials				
	1203(12)	**1303(12)**	**1403(12)**	**1503(12P)**
Sales	1528.19	1797.41	2186.31	2588.59
OPM (%)	15.9	16.2	14.1	14.5
OP	243.08	291.65	308.3	376.38
Other inc.	3.92	5.26	6	6.6
PBIDT	247	296.91	314.3	382.98
Interest	68.47	88.58	98.98	109.87
PBDT	178.53	208.33	215.32	273.12
Dep.	55.62	67.5	86.93	102.57
PBT	122.91	140.83	128.39	170.54
Total Tax	30.8	34.1	29.56	40.93
PAT	92.12	106.73	98.83	129.61
MI & share of asso.	2.33	3.26	3.41	3.68
Net Profit	89.79	103.47	95.43	125.93
EPS (Rs) *	4.3	4.9	4.5	6

* On current equity of Rs 21.01 crore. Face Value: Re 1. (P): Projections. Figures in Rs crore. Source: Capitaline Databases