

Time Technoplast Ltd

Revenue growth robust; margins under pressure

Fundamental Grade 4/5 (Superior fundamentals)

Valuation Grade 4/5 (CMP has upside)

Industry Containers and packaging

Time Technoplast Ltd's (Time's) Q3FY12 revenues exceeded CRISIL Research's expectations due to strong business momentum in the polymer business. While EBITDA exceeded our expectations driven by higher revenue, EBITDA margin was lower than expected due to forex losses incurred on un-hedged payables for imported raw material. Also, initial low utilisation of new capacities in international locations further depressed margins. Accordingly, PAT margin was lower than expected. We have increased the revenue estimate for FY12 while we have broadly maintained earnings estimates due to lower margins. Also, while we have maintained FY13 revenue and earnings estimates, we believe that the margins will be under pressure in FY13; we will come out with a detailed report post discussion with the management in the coming weeks. We are cautious on the progress of the company's international ventures given the fragile macroeconomic environment. However, we remain positive on the long-term fundamentals of the company driven by its strong position in the domestic market. Hence, we maintain the fundamental grade of **4/5**.

Q3FY12 result analysis (consolidated)

- Q3FY12 revenue grew by 23.2% y-o-y (11.9% q-o-q) to Rs 3.98 bn. Revenue of the polymer business increased by 29% y-o-y (12% q-o-q) to Rs 3.4 bn and continued to contribute 85% to total revenue. However, revenue from the composite products business declined by 2% y-o-y (up 14% q-o-q) as the company witnessed slowdown in telecom battery sales.
- EBITDA remained flat y-o-y (up ~12% q-o-q) to Rs 633 mn. EBITDA margin declined by 372 bps y-o-y (flat q-o-q) to 15.9% as the company booked Rs 61 mn (Rs 70 mn in Q2FY12) due to forex losses incurred on uncovered foreign currency payable for importing raw material. Also, the other expenditure was higher as the company's new capacities in international locations are running below optimal capacity utilisation since it is the first year of commissioning.
- Depreciation increased by ~10% y-o-y (3% q-o-q) and interest and financing charges increased by ~57% y-o-y (~8% q-o-q). As a result, PAT declined by ~16% y-o-y (up ~24% q-o-q driven by strong revenue growth) to Rs 237 mn. PAT margin declined by 274 bps y-o-y (up 56 bps q-o-q) to 6%. Q3FY12 EPS was Rs 1.1 vs. Rs 1.3 in Q3FY11 and Rs 0.9 in Q2FY12.

Valuations: Current market price has upside

We continue to use the discounted cash flow method to value Time and maintain the fair value of Rs 62 per share. Consequently, we revise the valuation grade to **4/5** from 5/5 earlier.

KEY FORECAST

(Rs mn)	FY09	FY10	FY11	FY12E	FY13E
Operating income	7,834	10,003	12,591	15,416	17,450
EBITDA	1,559	1,952	2,364	2,540	3,220
Adj PAT	690	909	1,062	1,005	1,348
Adj EPS-Rs	3.3	4.3	5.1	4.8	6.4
EPS growth (%)	(9.6)	30.1	23.6	(9.9)	34.0
Dividend yield (%)	1.6	1.1	1.2	0.8	1.1
RoCE (%)	18.2	17.5	16.8	14.1	15.6
RoE (%)	15.3	17.1	16.8	13.6	15.8
PE (x)	9.9	12.4	10.6	11.2	8.4
P/BV (x)	1.4	2.0	1.6	1.4	1.2
EV/EBITDA (x)	6.2	8.0	7.2	7.4	6.2

NM: Not meaningful; CMP: Current market price

Source: Company, CRISIL Research estimate

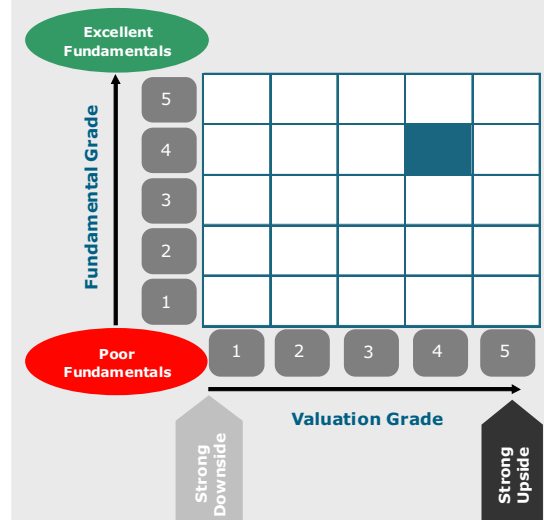


March 05, 2012

Fair Value Rs 62

CMP Rs 54

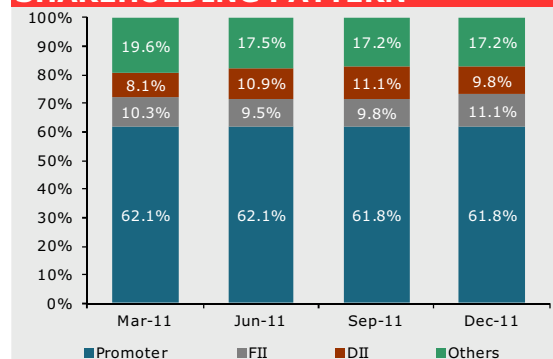
CFV MATRIX



KEY STOCK STATISTICS

NIFTY / SENSEX	5359/17637
NSE / BSE ticker	TIMETECHNO/ TIMETECNO
Face value (Rs per share)	1
Shares outstanding (mn)	209
Market cap (Rs mn)/(US\$ mn)	11,258/229
Enterprise value (Rs mn)/(US\$ mn)	16,924/344
52-week range (Rs) (H/L)	72/41
Beta	1.1
Free float (%)	38.2
Avg daily volumes (30-days)	576,386
Avg daily value (30-days) (Rs mn)	28.5

SHAREHOLDING PATTERN



PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
TIME	10%	3%	-22%	-7%
NIFTY	1%	6%	6%	-3%

ANALYTICAL CONTACT

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