

MARCH 18, 2019

	15-Mar	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
SENSEX Index	38,024	0.7	6.2	5.7
NIFTY Index	11,427	0.7	6.6	5.8
NSEBANK Index	29,381	1.6	9.7	9.5
NIFTY 500 Index	9,499	0.6	7.6	4.5
CNXMcap Index	17,863	0.6	10.2	1.5
BSESMCAP Index	14,837	(0.3)	12.0	2.3
World Indices				
Dow Jones	25,849	0.5	(0.1)	9.2
Nasdaq	7,689	0.8	2.9	13.3
FTSE	7,228	0.6	0.1	7.9
NIKKEI	21,451	0.8	1.4	2.2
Hangseng	21,451	0.8	1.4	2.2
Shanghai	29,012	0.6	3.1	13.2

Value traded (Rs cr)	15-Mar	% Chg Day
Cash BSE	3,010	3.3
Cash NSE	47,548	40.9
Derivatives	882,994	(55.8)

Net inflows (Rs cr)	14-Mar	MTD	YTD
FII	1,949	17,055	33,437
Mutual Fund	(239)	(4,064)	5,271

Nifty Gainers & Losers	Price	Chg	Vol
15-Mar	(Rs)	(%)	(mn)
Gainers			
Kotak Mahindra Bank	1,325	4.4	10.4
Indian Oil Co	157	4.1	29.6
HPCL	277	3.7	11.9
Losers			
Zee Entertainemnt	471	(2.8)	6.6
Tata Motors	189	(2.7)	22.5
Axis Bank	721	(1.6)	10.5

Advances / Declines (BSE)					
15-Mar	A	B	T	Total	% total
Advances	208	388	68	664	100
Declines	247	579	82	908	137
Unchanged	6	18	8	32	5

Commodity	15-Mar	% Chg		
		1 Day	1 Mth	3 Mths
Crude (US\$/BBL)	67.1	(0.1)	0.8	19.2
Gold (US\$/OZ)	1,302.5	0.5	(2.1)	4.0
Silver (US\$/OZ)	15.3	0.7	(3.2)	4.5

Debt / Forex Market	15-Mar	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	w	7.4	7.4	7.4
Re/US\$	69.1	69.4	71.2	71.6



Source: Bloomberg

News Highlights

- ▶ The Goods and Services Tax (GST) Council will announce new rules for real estate-on how far builders can make use of credit for taxes paid on raw materials and services in settling their final tax liability as the sector moves to a new tax regime from 1 April. (Mint)
- ▶ Steel companies have urged the government to stop the dumping of steel by Iran through the UAE at a much lower price. (BL)
- ▶ Overseas investors poured in more than Rs 204 Bn in the domestic capital market in the first half of March. In February as well, foreign portfolio investors (FPIs) were net buyers as they had invested a net amount of Rs 111.8 Bn in the capital markets both in equity as well as debt segment. (ET)
- ▶ A slowing demand in India's passenger vehicle market has prompted, **Maruti Suzuki India**, to cut production by 28% March last year. (BS)
- ▶ The income-tax (I-T) department has slapped a hefty tax demand notice on Aditya Birla group firm **Grasim Industries**, asking it to pay Rs 58.7Bn on account of the dividend distribution tax on Aditya Birla Capital shares that Grasim received after the demerger of **Aditya Birla Capital** from Aditya Birla Nuvo. (BS)
- ▶ New York-listed contractor Schlumberger - the sole bidder in **ONGC's** tender for raising oil production from aging fields - has sought several deviations from the bidding norms, including projection of a 26-27 per cent decline in output in next few years. (ET)
- ▶ Subroto Bagchi - one of the co-founders of **Mindtree** - resigned on Sunday as the head of Odisha Skill Development Authority. (BS)
- ▶ **NTPC** is expected to end the current financial year with captive coal production of 7.25 million tonnes, up massive 170 per cent, from 2.68 million tonnes in the year-ago period. (BS)
- ▶ **Lakshmi Vilas Bank** has raised Rs 4.6 bn in a share sale from multiple investors helping it improve the finances which is battling to avoid getting into the Prompt Corrective Action of Reserve Bank of India. The bank will now try to work out a balance on how the fresh equity would be allocated between meeting regulatory requirements and growth capital. (ET)
- ▶ **Lumax Auto Technologies** has decided for discontinuation of the PCB manufacturing w.e.f. April 1, 2019. In addition, the board has also approved the disposal of plant and machinery to Lumax Industries relating to PCB Business on arm's length basis. (ET)
- ▶ **Lupin's** subsidiary Novel Laboratories Inc. has received a letter from the USFDA classifying the inspection conducted at its Somerset (New Jersey) facility in December 2018 as Official Action Indicated (OAI). (ET)
- ▶ **Zuari Global** has acquired around 48.98 percent shares of Forte Furniture Products India Private Limited (FFPL) from Indian Furniture Products Limited (IFPL), subsidiary of the company. (Moneycontrol)

What's Inside

- ▶ **Company Update:** Time Technoplast Ltd

Source: ET = Economic Times, BS = Business Standard, FE = Financial Express, IE = Indian Express, BL = Business Line, BQ = BloombergQuint, ToI: Times of India, BSE = Bombay Stock Exchange, MC = Moneycontrol

Company Update

Stock Details

Market cap (Rs mn)	:	22931
52-wk Hi/Lo (Rs)	:	184 / 76
Face Value (Rs)	:	1
3M Avg. daily vol (Nos)	:	209,760
Shares o/s (mn)	:	226

Source: Bloomberg

Financial Summary

Y/E Mar (Rs mn)	FY18	FY19E	FY20E
Revenue	31,027	35,658	41,363
Growth (%)	13	15	16
EBITDA	4,731	5,209	6,287
EBITDA margin (%)	15	15	15
PAT	1,806	1,995	2,434
EPS	8	9	11
EPS Growth (%)	23	10	22
BV (Rs/share)	66	41	44
Dividend/share (Rs)	1	1	1
ROE (%)	13	13	14
ROCE (%)	15	15	16
P/E (x)	12.8	11.6	9.5
EV/EBITDA (x)	6	6	5
P/BV (x)	2	1	1

Source: Company, Kotak Securities - PCG

Shareholding Pattern (%)

(%)	Dec-18	Jun-18	Mar-18
Promoters	51.2	52.4	52.4
FII	21.8	19.3	19.4
DII	9.0	9.0	9.1
Others	17.9	19.3	19.2

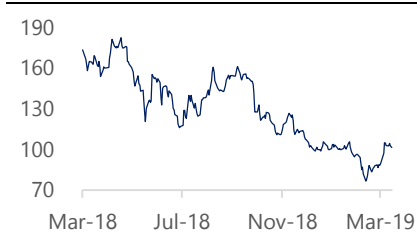
Source: Bloomberg, BSE

Price Performance (%)

(%)	1M	3M	6M
Time Technoplast	14.8	1.2	(34.7)
Nifty	6.6	5.8	(0.8)

Source: Bloomberg

Price chart (Rs)



Source: Bloomberg

Sanjeev Zarbade

sanjeev.zarbade@kotak.com

+91 22 6218 6424

TIME TECHNOPLAST LTD

PRICE RS.102

TARGET RS.108

ADD

In our meeting with Time Technoplast, the management, reiterated its target of reaching its revenue target of Rs 50 bn and ROCE of 20% by 2021.

Key Highlights

- The company is seeing good demand for Composite Cylinders from Confidence Petroleum which has commenced retailing of these cylinders under the "Go Gas" brand.
- Estimated capex in the medium term expected to be in the around Rs 2.0 bn pa.

Valuation and Outlook

The TTL stock has gained 17% from our previous call. At the current price, the stock is trading at P/E of 11.6x and 9.5x FY19E and FY20E earnings respectively.

In FY19, the TTL stock has been derated in line with general sell-off in the midcaps and smallcaps universe coupled with weak 9MFY19 earnings and general risk aversion towards stocks having promoter share pledges.

We continue to value the stock at 10x FY20 earnings and arrive at a price target of Rs 108 (unchanged). We will consider according a higher target multiple on further progress on company's endeavor to improve ROCE, which currently is at 15%. Since the upside is modest from the current levels, we move rating to a notch below to "ADD" from "BUY" earlier.

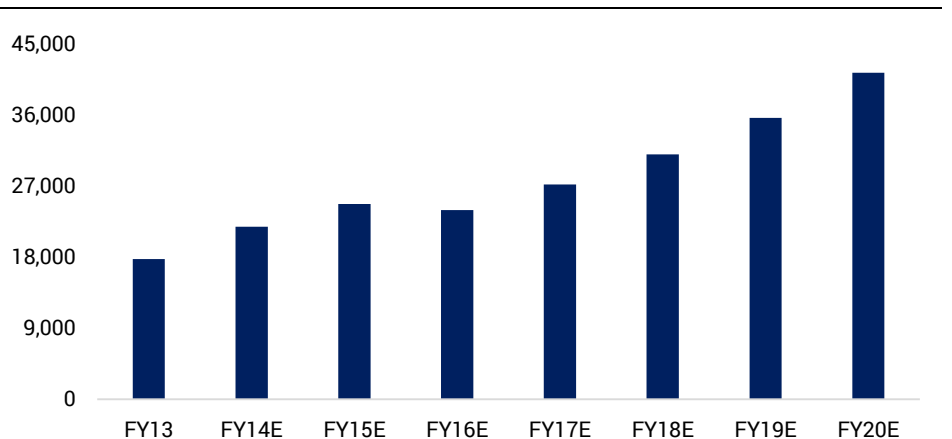
Key Risk/Concerns

Promoter pledge shares stand at 17% of its holding.

Revenue growth led by value added products

- For the period 9MFY19, revenue growth stood at 14.9% y-o-y, with India and Overseas geographies contributing 70% and 30% of revenue respectively.
- The management reflected optimism in the demand scenario on account of the ongoing shift in manufacturing of chemicals from developed countries to India.

Revenue (Rs mn)



Source: Company and Kotak Securities – Private Client Research

- The value added products grew by 22% y-o-y in 9M-FY19 as compared to the corresponding 9M-FY18.
- The share of value added products is 20% of the total sales in 9M-FY19 as against 18% in 9M-FY18. The company’s focus remains to increase the share of value added products in its revenue.

EBITDA margins

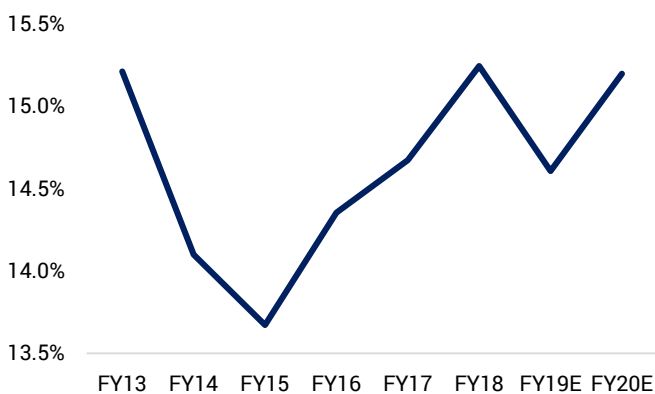
- The operating margin for the quarter stood at 14.4%, a decline of 100 bps on a YoY basis. On a 9MFY19 basis, the EBITDA margins declined to 14.3% as compared to 15.1% in the corresponding period of the previous fiscal.
- The management has a practice of following a quarterly, monthly and spot based pricing of products. During the 9MFY19 period, the extreme volatility in commodity prices (HDPE) and foreign exchange led to company not being able to fully recoup the loss in margins.
- However, the management believes EBITDA margins should be higher in current quarter as compared to the third quarter.
- In the medium term, the management believes that EBITDA margins could remain around 15-16%. Increase in share of value added products from 20% currently to ~ 25% by FY22 would also support margins.

Revenue and margin mix (%)

Segment	Revenue Mix (%)	EBITDA margins (%)
Value added products (Composite Cylinders, MOX Films and Intermediate Batch Containers)	20%	18%
Established Products (Polymer Drums, PE Pipes, Auto Components, Disposal bins and Turf Matting)	80%	14%

Source: Company

EBITDA margin (%)



Source: Company, Kotak Securities – Private Client Research

HDPE Rs/ton



Source: Bloomberg

Capex Update

- Capacity utilization has been steadily inching up and now stands at 82% on an overall basis, while the Indian and Overseas plant utilisation levels stand at 84% and 76% respectively.
- The company undertook capex of Rs 1.7 bn in 9MFY19 consisting of Rs 1317 mn and Rs 399 mn on capacity expansion in established products and rest on value added products respectively.
- The company has envisaged capex of Rs 2.0 bn in FY19.

Capex (Rs bn)



Source: Company, Kotak Securities – Private Client Research

Pledged shares for funding a commercial property

TTL's promoters pledging of shares have over the past four quarters climbed from 9% to 17% in the December ending quarter.

The management indicated that the pledging is for the sole purpose of funding a commercial property belonging to the promoters.

The cost of development of the property is around Rs 2.8 bn and the promoters have taken a loan of Rs 700 mn for financing the same. Since the stock price has corrected sharply in the past few quarters, it has necessitated provision for higher pledging as collateral.

The management indicated that the project should get completed in the next 30 months.

Other highlights

- In the 9MFY19 period, revenue from MOX films were at Rs 870 mn. The company expects FY19E revenue to grow to Rs 1.1bn. The company's plant can generate revenue at full capacity of Rs 1.6 bn per annum.
- The company is seeing good demand potential from Confidence Petroleum Ltd's LPG retail business. Confidence is the one of the leading manufacturers of LPG cylinder and has recently started marketing composite LPG cylinder under "Go Gas" brand. The composite cylinders have the advantage of being explosion proof apart from being more aesthetic as compared to the metal cylinders.
- The company is seeing a turnaround in fortunes of its Battery business. It is now aiming at running the business as against earlier plans of divestment.

Move rating to Accumulate in view of modest upside

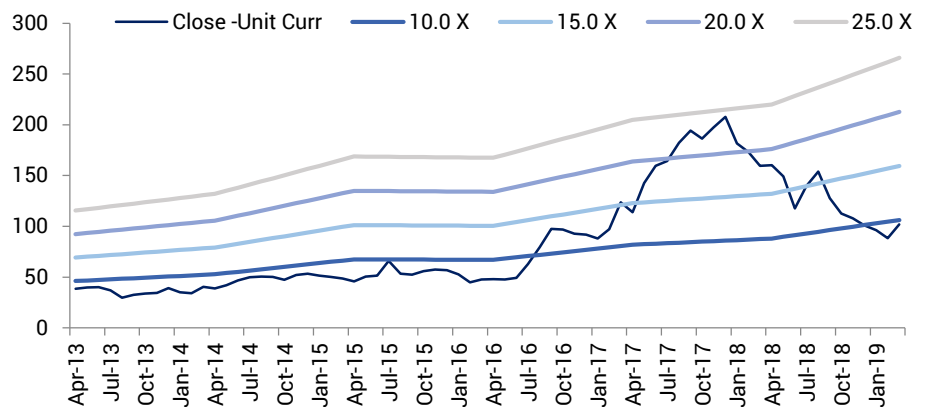
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We continue to value the stock at 10x FY20 earnings and arrive at a price target of Rs 108 (unchanged). We will consider according a higher target multiple on further progress on company's endeavor to improve ROCE, which currently is at

15%. Since the upside is modest from the current levels, we move rating to a notch below to “ADD” from “BUY” earlier.

Forward PE band



Source: Kotak Securities – Private Client Research

Background

TTL’s products are based on the polymer platform and has access to major plastic moulding technologies including blow moulding and injection moulding. The key product categories for the company are Industrial packaging products, lifestyle products (door mats, chairs, syringes), technical products (automotive components), infrastructure products (pipes and monolithic construction) and new products (composite cylinders). The largest segment is the industrial packaging accounting for 59% of revenues.

The company enjoys dominant market share in the industrial packaging business in India. The company’s multi-locational advantage enables it to respond to customer needs in an efficient basis. Also the company keeps coming out with innovations in its product offerings.

User breakup for packaging products

No.	User Segment	share of business (%)
1	Speciality Chemicals	31
2	FMCG	29
3	Paints & Inks	12
4	Pharmaceuticals	5
5	construction chemicals and Adhesives	13
6	Lube oils & Addictives	5
7	Food	3
8	Others	2
	Total	100

Source: Company

Financials: Consolidated

Profit and Loss Statement (Rs mn)

(Year-end March)	FY17	FY18	FY19E	FY20E
Revenues	27,546	31,027	35,658	41,363
% change YoY	13.7	12.6	14.9	16.0
EBITDA	4,042	4,731	5,209	6,287
% change YoY	16.2	17.0	10.1	20.7
Other Income	22.2	21.5	10.5	40.0
Depreciation	1,155	1,372	1,497	1,841
EBIT	2,910	3,380	3,722	4,486
% change YoY	15.9	16.2	10.1	20.5
Interest	901.1	875.2	967.1	1,109.8
Profit before tax	2,009	2,505	2,755	3,376
% change YoY	29.7	24.7	10.0	22.5
Tax	494	651	710	878
as % of PBT	24.6	26.0	25.8	26.0
Minority Interest	43.4	47.6	50.3	64.1
PAT bef exceptional items	1,471	1,806	1,995	2,434
% change YoY	6.5	22.7	10.5	22.0
Exceptional items	-	-	-	-
Reported PAT	1,471	1,806	1,995	2,434
Shares outstanding (m)	226.1	226.1	226.1	226.1
EPS (before exp items) (Rs)	6.5	8.0	8.8	10.8
CEPS (Rs)	11.6	14.1	15.4	18.9
DPS (Rs)	0.7	0.8	0.9	0.9

Source: Company, Kotak Securities – Private Client Research

Cash Flow Statement (Rs mn)

(Year-end March)	FY17	FY18	FY19E	FY20E
PBDIT	4,042	4,731	5,209	6,287
Direct tax paid	(396)	(651)	(710)	(878)
Adjustments	-330	-41	0	0
Cash flow from operations	3,316	4,039	4,499	5,409
Net Change in Working Capital	-1,460	-1,164	-1,823	-2,063
Net Cash from Operations	1,856	2,874	2,676	3,346
Capital Expenditure	-2,124	-2,686	-2,600	-2,600
Cash from investing	30	21	10	40
Net Cash from Investing	-2,094	-2,665	-2,590	-2,560
Interest paid	-901	-875	-967	-1,110
Issue of Shares/(buyback)	1,477	0	0	0
Dividends Paid	-145	-212	-225	-225
Debt Raised	-239	549	1,223	500
Net cash from financing	192	-538	31	-835
Net change in cash	-46	-328	118	-49
Free cash flow	-267	188	76	746
Cash at end	656	328	445	396

Source: Company, Kotak Securities – Private Client Research

Balance sheet (Rs mn)

(Year-end March)	FY17	FY18	FY19E	FY20E
Cash and cash equivalents	656	328	445	396
Accounts receivable	5,782	6,703	7,718	8,953
Inventories	5,473	6,409	7,327	8,953
Other current assets	1,761	1,910	2,100	2,100
Current assets	13,672	15,349	17,590	20,402
Intangible assets	6	6	6	0
Other assets	168	220	220	220
LT investments	0	0	0	0
Net fixed assets	11,873	12,932	14,035	14,794
Def tax assets	0	0	0	0
Total assets	25,719	28,507	31,850	35,415
Payables	3,861	4,789	4,982	5,779
Others	0	0	0	0
Current liabilities	3,861	4,789	4,982	5,779
Provisions	170	83	190	190
LT debt	7,227	7,775	8,999	9,499
Other liabilities	341	42	42	42
Equity	226	226	226	226
Reserves	13,039	14,605	16,375	18,585
Def tax liability	471	581	581	581
Minority Interest	384	405	455	519
Total liabilities	25,719	28,507	31,850	35,415
BVPS (Rs)	59	66	73	83

Source: Company, Kotak Securities – Private Client Research

Ratio Analysis

(Year-end March)	FY17	FY18	FY19E	FY20E
EBITDA margin (%)	14.7	15.2	14.6	15.2
EBIT margin (%)	10.6	10.9	10.4	10.8
Net profit margin (%)	5.3	5.8	5.6	5.9
Receivables (days)	76.6	78.9	79.0	79.0
Inventory (days)	72.5	75.4	75.0	79.0
Sales/gross assets(x)	1.5	2.4	2.3	2.3
Interest coverage (x)	4.5	5.4	5.4	5.7
Debt/equity ratio(x)	0.5	0.5	0.5	0.5
ROE (%)	11.8	12.9	12.7	13.7
ROCE (%)	13.8	14.9	14.8	16.0
EV/ Sales	1.1	1.0	0.9	0.8
EV/EBITDA	7.3	6.4	6.1	5.1
Price to earnings (P/E)	15.7	12.8	11.6	9.5
Price to book value (P/B)	1.7	1.6	1.4	1.2

Source: Company, Kotak Securities – Private Client Research

RATING SCALE

Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	–	We expect the stock to deliver < -5% returns over the next 12 months
NR	–	Not Rated. Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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NA	–	Not Available or Not Applicable. The information is not available for display or is not applicable
NM	–	Not Meaningful. The information is not meaningful and is therefore excluded.
NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

FUNDAMENTAL RESEARCH TEAM

Rusmik Oza Head of Research rusmik.oza@kotak.com +91 22 6218 6441	Arun Agarwal Auto & Auto Ancillary arun.agarwal@kotak.com +91 22 6218 6443	Amit Agarwal Transportation, Paints, FMCG agarwal.amit@kotak.com +91 22 6218 6439	Nipun Gupta Information Tech, Midcap nipun.gupta@kotak.com +91 22 6218 6433	Deval Shah Research Associate deval.shah@kotak.com +91 22 6218 6423
Sanjeev Zarbade Cap. Goods & Cons. Durables sanjeev.zarbade@kotak.com +91 22 6218 6424	Ruchir Khare Cap. Goods & Cons. Durables ruchir.khare@kotak.com +91 22 6218 6431	Jatin Damania Metals & Mining, Midcap jatin.damania@kotak.com +91 22 6218 6440	Cyndrella Carvalho Pharmaceuticals cyndrella.carvalho@kotak.com +91 22 6218 6426	Ledo Padinjarathala, CFA Research Associate ledo.padinjarathala@kotak.com +91 22 6218 7021
Teena Virmani Construction, Cement, Buildg Mat teena.virmani@kotak.com +91 22 6218 6432	Sumit Pokharna Oil and Gas, Information Tech sumit.pokharna@kotak.com +91 22 6218 6438	Pankaj Kumar Midcap pankajr.kumar@kotak.com +91 22 6218 6434	Krishna Nain M&A, Corporate actions krishna.nain@kotak.com +91 22 6218 7907	K. Kathirvelu Support Executive k.kathirvelu@kotak.com +91 22 6218 6427

TECHNICAL RESEARCH TEAM

Shrikant Chouhan shrikant.chouhan@kotak.com +91 22 6218 5408	Amol Athawale amol.athawale@kotak.com +91 20 6620 3350	Faisal Shaikh, FRM, CFTe Research Associate faisalf.shaikh@kotak.com +91 22 62185499	Siddhesh Jain Research Associate siddhesh.jain@kotak.com +91 22 62185498
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DERIVATIVES RESEARCH TEAM

Sahaj Agrawal sahaj.agrawal@kotak.com +91 79 6607 2231	Malay Gandhi malay.gandhi@kotak.com +91 22 6218 6420	Prashanth Lalu prashanth.lalu@kotak.com +91 22 6218 5497	Prasenjit Biswas, CMT, CFTe prasenjit.biswas@kotak.com +91 33 6625 9810
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Kotak Securities Limited. Registered Office: 27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051. CIN: U99999MH1994PLC134051, Telephone No.: +22 43360000, Fax No.: +22 67132430. Website: www.kotak.com/www.kotaksecurities.com. Correspondence Address: Infinity IT Park, Bldg. No 21, Opp. Film City Road, A K Vaidya Marg, Malad (East), Mumbai 400097. Telephone No: 42856825. SEBI Registration No: INZ000200137 (Member of NSE, BSE, MSE, MCX & NCDEX), AMFI ARN 0164, PMS INP000000258 and Research Analyst INH000000586. NSDL/CDSL: IN-DP-NSDL-23-97. Our research should not be considered as an advertisement or advice, professional or otherwise. The investor is requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and the like and take professional advice before investing. Investments in securities market are subject to market risks, read all the related documents carefully before investing. Derivatives are a sophisticated investment device. The investor is requested to take into consideration all the risk factors before actually trading in derivative contracts. Compliance Officer Details: Mr. Manoj Agarwal. Call: 022 - 4285 8484, or Email: ks.compliance@kotak.com.

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