November 01, 2021

Time Technoplast Limited: [ICRA]A1+ reaffirmed and rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Short-Term – Commercial Paper Programme	200.0	250.0	[ICRA]A1+ reaffirmed and assigned
Total	**200.0**	**250.0**	

**Instrument details are provided in Annexure-1*

Rationale

The assigned rating considers Time Technoplast Limited's (TTL) extensive operating track record in the plastic packaging industry with an established market presence. The company enjoys a leading market position for most of its product segments in the domestic and global markets with varied product mix and exposure to diverse end-user industries. Furthermore, over the last few years, its product mix has improved through the addition of new products, which is likely to yield diversification-related benefits and aid in revenue growth and profitability. TTL's financial profile is strong, as characterised by low gearing and healthy coverage indicators. Nonetheless, ICRA notes the company's high borrowing rates.

The company is present in the highly fragmented packaging industry, characterised by intense competition, which limits its pricing flexibility. Furthermore, the price of its key raw material—high-density polyethylene (HDPE)—is derived from crude oil, thereby exposing TTL's profit margins to volatility in raw material price movement. With around 65-70% of its raw material requirement being met through imports, it is exposed to volatile foreign currency exchange rates. However, TTL hedges a predominant share of its foreign exchange exposure, thereby mitigating the risk to an extent. Furthermore, TTL's liquidity profile is adequate, supported by undrawn fund-based working capital and term loan limits.

During FY2021, revenue for the consolidated entity declined by 16% while OPM and NPM also witnessed some moderation due to adverse impact of Covid-19 pandemic and related containment measures on domestic operations in H1 FY2021. Nonetheless, the capital structure and coverage indicators remained comfortable. During Q1 FY2022, while there was some impact on sequential basis due to the impact of second wave of pandemic, the company reported healthy growth on YoY basis. With the expected recovery in economic activity and expected contribution from new product segments, the financial performance is expected to witness healthy improvement.

Key rating drivers and their description

Credit strengths

Diversified product portfolio and geographical mix; leading position in various product categories – TTL is a leading manufacturer of industrial packaging products, with operations in the domestic as well as international markets across Asia and the Middle East and North Africa (MENA) region, where it is present through its subsidiaries. It has a diversified product portfolio comprising products for industry segments such as industrial packaging solutions, technical and lifestyle products, infrastructure-related products, material handling solutions, composite cylinders and multilayer multi-axial oriented cross laminated films (MOX films). Over the last few years, the company's product mix has improved through the addition of new products, which is likely to yield diversification-related benefits and aid in revenue growth and profitability. TTL is one of the leading players in various product categories like industrial packaging products (Asia and MENA region), composite cylinder and intermediate bulk containers (worldwide).

Well-diversified customer base resulting in low customer concentration risk – TTL has a well-diversified customer base, spread across different industry segments. The company's top 10 customers contributed to ~25.65% of its total standalone revenues in FY2021, reflecting low customer concentration risk. Over the years, it has developed strong relationships with reputed customers, which assists in procuring repeat orders.

Strong financial profile characterised by low gearing and healthy coverage indicators – TTL's total consolidated debt as on March 31, 2021, stood at ~Rs. 871.6 crore. The company's capital structure remains healthy, as evinced from the gearing of 0.4 times as on March 31, 2021, owing to healthy accretion to reserves. The coverage indicators witnessed some moderation in FY2021; albeit remained healthy with Total Debt / OPBDITA of 2.3 times, NCA / Total Debt of ~27% and interest coverage ratio of 4.0 times in FY2021.

Credit challenges

F**ragmented industry and intense competition exerting pressure on profitability** – Given the low entry barriers in the industry, TTL faces competition from a few large established players as well as numerous smaller-sized players. However, for few products like polymer drums, IBCs, composite cylinders, etc, TTL is one of the leading players, worldwide. The company faces competition in the industrial packaging segment from metallic container manufacturers. However, there has been a gradual reduction in the industry-wide usage of metallic containers on account of the various benefits that plastic containers have over their metallic counterparts, coupled with the reducing price differential between the polymer drums and their steel counterparts. The threat from imports is negligible owing to the freight-intensive nature of polymer products.

Ability to manage volatility in major raw material prices remains critical – HDPE is the major raw material for TTL's products and its prices are primarily derived from the crude oil prices that are highly volatile in nature. However, since the company is in the business-to-business (B2B) space, it is able to pass on the impact of input price fluctuations to its customers with a time lag of about 15-20 days, depending upon the terms of the contracts with its customers. However, the minor fluctuations cannot be passed on immediately so as to remain competitive in the market.

M**oderate working capital intensity of operations, arising mainly from high inventory requirements** – The company's working capital intensity remains moderate with NWC/OI of ~49% in FY2021. It has a policy of stocking 60 days of raw material inventory, depending on the raw material price movement and the average transit period is 15-20 days. In addition, it maintains ~30 days of finished goods inventory including work-in-progress (mainly running products inventory). Nearly 65-70% of TTL's raw material requirement is imported against letter of credit (LC), while domestic purchases are made against advance payments.

Liquidity position: Adequate

TTL's liquidity is expected to remain adequate with expected healthy cash flow from operations, on a consolidated basis. On a consolidated basis, the company has repayment obligation of Rs. 132.4 crore and capex of ~Rs. 170 crore in FY2022, with the capex expected to be financed through a mix of debt and internal accruals. The liquidity profile will be supported by cushion available in the form of undrawn fund-based working capital limits and free cash, bank balances and liquid investments of ~Rs. 86.4 crore as on March 31, 2021.

Rating sensitivities

Positive factors – Not applicable

Negative factors – Negative pressure on TTL's rating could arise if its TD/OPBDITA exceeds 1.8 times on a sustained basis. Furthermore, downward pressure on the rating might arise if the company's 12-month average utilisation of fund-based limits (including CP utilisation) exceeds 85% of its drawing power on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not applicable
Consolidation/Standalone	Consolidated

About the company

Incorporated in 1989, TTL is a manufacturer of polymer products in India, as well as in the Asia and the MENA regions. The company was listed on the Bombay Stock Exchange in 2007. It has operations in 21 locations across India and 10 locations overseas. It has overseas footprints in the UAE, Bahrain, Egypt, Saudi Arabia, Indonesia, Malaysia, Thailand, Taiwan, Vietnam and the US. The company's portfolio consists of products for industry segments such as industrial packaging solutions, lifestyle products, automotive components, infrastructure related products, IBCs, material handling solutions, composite cylinders and MOX films.

In FY2021, the company reported a net profit of Rs. 105.8 crore on an operating income (OI) of Rs. 3004.9 crore compared to a net profit of Rs. 175.0 crore on an OI of Rs. 3578.0 crore in the previous year.

Key financial indicators (audited)

TTL Consolidated	FY2020	FY2021
Operating Income (Rs. crore)	3,578.0	3,004.9
PAT (Rs. crore)	175.0	105.8
OPBDIT/OI (%)	13.9%	12.9%
RoCE (%)	13.1%	8.5%
Total Outside Liabilities/Tangible Net Worth (times)	0.8	0.7
Total Debt/OPBDIT (times)	1.8	2.3
Interest Coverage (times)	4.6	4.0
DSCR (times)	2.2	2.0

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net Worth + Deferred Tax Liability - Capital Work in Progress); DSCR: (PBIT + Mat Credit Entitlements - Fair Value Gains through P&L - Non-cash Extraordinary Gain/Loss)/ (Interest + Repayments made during the Year)

Source: Company, ICRA research; All ratios as per ICRA calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					1-Nov-21 30-Sep-2021	21-Sep-2020	27-Sep-2019	02-Aug-2018
1	Commercial Paper	Short Term	250.00	120.00	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

Complexity level of the rated instrument

Instrument	Complexity Indicator
Commercial Paper	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA’s website: www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
INE508G14AG1	Commercial Paper	5-Mar-21	7.1%	4-Mar-22	40	[ICRA]A1+
INE508G14AV0	Commercial Paper	14-Jun-21	7.1%	10-Dec-21	25	[ICRA]A1+
INE508G14AW8	Commercial Paper	28-Jun-21	7.1%	24-Dec-21	10	[ICRA]A1+
INE508G14AX6	Commercial Paper	8-Jul-21	6.8%	4-Jan-22	3	[ICRA]A1+
INE508G14AY4	Commercial Paper	13-Jul-21	7.1%	10-Jan-22	15	[ICRA]A1+
INE508G14BB0	Commercial Paper	5-Aug-21	6.5%	3-Nov-21	5	[ICRA]A1+
INE508G14BC8	Commercial Paper	9-Aug-21	7.0%	12-Nov-21	25	[ICRA]A1+
INE508G14BA2	Commercial Paper	9-Aug-21	7.0%	8-Nov-21	20	[ICRA]A1+
INE508G14BD6	Commercial Paper	25-Aug-21	7.1%	22-Feb-22	25	[ICRA]A1+
INE508G14BE4	Commercial Paper	6-Sep-21	7.1%	6-Dec-21	11	[ICRA]A1+
INE508G14BF1	Commercial Paper	21-Sep-21	6.4%	21-Dec-21	2	[ICRA]A1+
INE508G14BG9	Commercial Paper	12-Oct-21	7.0%	11-Jan-22	15	[ICRA]A1+
INE508G14BH7	Commercial Paper	26-Oct-21	7.0%	25-Jan-22	4	[ICRA]A1+
-	Commercial Paper	Yet to be placed			50	[ICRA]A1+

Source: *Company*

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
TPL Plastech Limited	75.00%	Full Consolidation
NED Energy Limited	97.04%	Full Consolidation
Elan Incorporated Fze	100.00%	Full Consolidation
Kompozit Praha SRO	96.20%	Full Consolidation
Ikon Investment Holdings Limited	100.00%	Full Consolidation
GNXT Investment Holding PTE Limited	100.00%	Full Consolidation
SchoellerAllibert Time Holding PTE Limited	50.10%	Full Consolidation
ShoellerAllibert Time Materials Handling Solutions Ltd.	100.00%	Full Consolidation
Time Mauser Industries Private Limited	49.00%	Full Consolidation

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About ICRA Limited:

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