October 31, 2022

Time Technoplast Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Short-Term – Commercial Paper Programme	250.00	250.00	[ICRA]A1+; reaffirmed
Total	**250.00**	**250.00**	

**Instrument details are provided in Annexure I*

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 a varied product mix and exposure to diverse end-user industries. Further, over the last few years, its product mix has improved through the addition of new products, which is likely to yield diversification benefits and aid revenue growth and profitability. TTL's financial profile is strong, as characterised by low gearing and healthy coverage indicators. Although TTL's liquidity profile is adequate, ICRA notes the company's high borrowing rates.

In FY2022, the company witnessed a ~21% YoY growth in revenue on a consolidated basis, aided by demand recovery for established products and increase in the sales of value-added products; the OPM and NPM also improved. The capital structure and coverage indicators have also continued to be healthy.

ICRA also takes note of the orders received by the company for value-added products, which should support the company's diversification efforts and plans to increase the share of value-added products in the portfolio. The company plans to incur capex to add capacities for new products over next two years, which will be partly funded through debt. The company is also looking at consolidation/restructuring of the overseas business by divesting its majority stake in these entities and the proceeds are planned to be used for debt reduction, capex funding and the benefit of shareholders. The above exercise and its subsequent impact would remain a key monitorable.

The company is present in the highly fragmented packaging industry, characterised by intense competition, which limits its pricing flexibility. The working capital intensity of operations also remains high, mainly due to the high inventory requirements, and has witnessed further increase in last two years due to impact of the pandemic-related disruption. This has also increased the working capital debt utilisation though there has been some moderation in recent months. Further, the price of its key raw material — high-density polyethylene (HDPE) — is derived from crude oil, thereby exposing TTL's profit margins to the volatility in raw material prices. 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, mitigating the risk to an extent.

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 benefits and aid revenue growth and profitability. TTL is one of the leading players in various product categories like industrial packaging products (Asia and MENA region), composite cylinders 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 ~22% of its standalone revenues in FY2022, 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 revenues rose by ~21% in FY2022 to ~Rs. 3,650 crore, led by revenue growth of ~ 20% in established products segment and ~ 27% in value-added products segment. On an absolute basis, revenues from established products increased to Rs. 2,897 crore in FY2022 from Rs. 2,413 crore in FY2021, while that from value-added products segment increased from Rs.596 crore in FY2021 to Rs.756 crore. In FY2022, the company recorded an OPM of 13.9%, largely in line with last year. The net profit margins of TTL improved to 5.3% in FY2022 due to higher OPBIDTA in FY2022 and stable depreciation and interest charges. The company reported revenues of ~Rs. 945 crore with OPM of 13.1% in Q1 FY2023. TTL's total consolidated debt as on March 31, 2022 stood at ~Rs. 914 crore. The company's capital structure remains healthy, marked by a gearing of 0.4 times as on March 31, 2022, owing to a healthy accretion to reserves. The coverage indicators also remained healthy in FY2022, with total debt/ OPBDITA of 1.8 times (2.3 times in FY2021) and interest coverage ratio of 5.5 times in FY2022 (4.0 times in FY2021).

Credit challenges

Fragmented industry and intense competition exert pressure on profitability – TTL faces competition from a few large established and numerous smaller-sized players because of the low entry barriers in the industry. However, for a 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 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 crude oil prices that are highly volatile in nature. However, as 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 on the terms of the contracts with its customers. However, the minor fluctuations cannot be passed on immediately to remain competitive in the market.

High working capital intensity of operations, arising mainly from high inventory requirements – The company's working capital intensity remains moderate with NWC/OI of ~44% in FY2022. 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). Most of TTL's raw material requirement is imported against letter of credit (LC), while domestic purchases are made against advance payments.

Environmental and Social Risks

Environmental considerations – TTL is exposed to various environmental and safety regulations, which are expected to be tightened overtime, which may result in increased compliance cost. As per the disclosure by the company in the annual report of FY2022, it complies with all the environmental regulations and any emissions/waste generated are within the permissible limits given by the state and central pollution control board. The company has also been taking measures for energy and water conservation. The environmental considerations are not expected to be material from a credit perspective in the near to medium term.

Social considerations – As an industrial packaging producer, TTL is less exposed to demographic and societal trends related to the use of plastic in packaging and recycling. However, the company remains exposed to risks related to health and safety, and responsible production. As per the disclosure by the company in the annual report of FY2022, it follows all safety/health measures for employees.

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 a repayment obligation of ~ Rs. 130 crore and capex of ~Rs. 200 crore in FY2023, with the capex expected to be financed through a mix of debt and internal accruals. The average fund based utilisation stood at ~77% for the last nine months ended September 2022, while unencumbered cash, bank balance and liquid investments were at ~Rs. 94 crore as on March 31, 2022.

Rating sensitivities

Positive factors – Not Applicable.

Negative factors – Pressure on TTL's rating could arise if its TD/OPBDITA exceeds 1.8 times on a sustained basis. Further, 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

TTL, incorporated in 1989, manufactures polymer products in India as well as in 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 presence 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.

Key financial indicators

TTL Consolidated (Audited)	FY2021	FY2022
Operating income (Rs. crore)	3,004.9	3,649.8
PAT (Rs. crore)	105.8	192.2
OPBDITA/OI (%)	12.9%	13.9%
PAT/OI (%)	3.5%	5.3%
Total outside liabilities/Tangible net worth (times)	0.7	0.7
Total debt/OPBDITA (times)	2.3	1.8
Interest coverage (times)	4.0	5.5

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

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 (FY2023)				Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	Amount outstanding as on Oct 19, 2022 (Rs. crore)	Date & rating on	Date & rating in FY2022		Date & rating in FY2021	Date & rating in FY2020
					Oct 31, 2022	Nov 01, 2021	Sep 30, 2021	Sep 21, 2020	Sep 27, 2019
1	**Commercial Paper**	Short-term	250.00	242.80	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

Amount in Rs. Crore

Complexity level of the rated instruments

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 analysing 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 are available on ICRA’s website: www.icra.in

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance/ Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE508G14BU0	Commercial Paper	1-Feb-22	7.00%	25-Jan-23	40.00	[ICRA]A1+
INE508G14BW6	Commercial Paper	9-Feb-22	7.00%	3-Feb-23	30.00	[ICRA]A1+
INE508G14BY2	Commercial Paper	25-Feb-22	7.10%	17-Feb-23	20.00	[ICRA]A1+
INE508G14BZ9	Commercial Paper	4-Mar-22	7.00%	3-Mar-23	50.00	[ICRA]A1+
INE508G14CB8	Commercial Paper	23-Mar-22	7.10%	17-Mar-23	25.00	[ICRA]A1+
INE508G14CC6	Commercial Paper	25-Mar-22	7.10%	14-Mar-23	25.00	[ICRA]A1+
INE508G14CI3	Commercial Paper	18-May-22	7.10%	17-Nov-22	15.00	[ICRA]A1+
INE508G14CN3	Commercial Paper	21-Jul-22	6.90%	20-Oct-22	1.30	[ICRA]A1+
INE508G14CN3	Commercial Paper	21-Jul-22	6.90%	20-Oct-22	0.50	[ICRA]A1+
INE508G14CO1	Commercial Paper	22-Jul-22	8.25%	18-Jan-23	19.00	[ICRA]A1+
INE508G14CP8	Commercial Paper	25-Jul-22	6.90%	21-Oct-22	5.00	[ICRA]A1+
INE508G14CP8	Commercial Paper	25-Jul-22	6.90%	21-Oct-22	1.00	[ICRA]A1+
INE508G14CQ6	Commercial Paper	29-Jul-22	6.90%	1-Nov-22	1.00	[ICRA]A1+
INE508G14CR4	Commercial Paper	9-Sep-22	6.80%	9-Dec-22	5.00	[ICRA]A1+
INE508G14CS2	Commercial Paper	22-Sep-22	7.30%	23-Mar-23	5.00	[ICRA]A1+
-	Commercial Paper	Yet to be placed			7.20	[ICRA]A1+

Source: Company; Note: Amount in Rs. Crore

Annexure II: List of entities considered for consolidated analysis:

Company Name	Ownership	Consolidated Approach
TPL Plastech Limited	74.86%	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
Schoeller Allibert Time Holding PTE Limited	50.10%	Full Consolidation
Shoeller Allibert Time Materials Handling Solutions Ltd.	100.00%	Full Consolidation
Time Mauser Industries Private Limited	49.00%	Full Consolidation

ANALYST CONTACTS

Sabyasachi Majumdar
+91 124 4545 304
sabyasachi@icraindia.com

Prashant Vasisht
+91 124 4545 322
Prashant.vasisht@icraindia.com

Sai Krishna
+91 44 4596 4304
Sai.krishna@icraindia.com

Chinmay Sheth
+91 79 4027 1550
chinmay.sheth@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches