April 04, 2017

Time Technoplast Limited

Instrument*	Rated Amount (in Rs. crore)	Rating Action
Commercial Paper Programme	200.00	[ICRA]A1+; assigned

*Instrument Details are provided in Annexure-1

Rating action

ICRA has assigned the short-term rating of [ICRA]A1+ (pronounced ICRA one plus)[1] to the Rs. 200.00 crore[2] Commercial Paper Programme of Time Technoplast Limited ('TTL' or 'the company').

Detailed rationale

The rating takes into account the long operating track record of the company in the plastic packaging industry with an established market presence. ICRA notes the diversified product mix and exposure to diversified end-user industries. TTL enjoys a leading market position in most of its product segments in the domestic as well as global markets. ICRA also notes that the company's improved product mix through the addition of new products is likely to yield diversification related benefits and aid in revenue growth. The rating also derives comfort from the location of the company's plants in proximity to its customers, enabling logistics convenience. The rating further takes into account the healthy increase in the company's cash accruals over the last five years due to scale up in revenues, driven by regular capacity additions and successful introduction of new products. TTL's financial profile is strong, as characterised by low gearing and healthy coverage indicators. The equity infusion of Rs. 150 crore through qualified institutional placement (QIP) in the current year further supports TTL's credit profile.

ICRA, however, takes into consideration the company's presence in the highly fragmented packaging industry, characterised by intense competition, limiting its pricing flexibility. Furthermore, the price of the company's key raw material—High-density Polyethylene (HDPE)—is derived from crude oil prices, thereby exposing TTL's margins to volatility in raw material price movement. With ~70% of the raw material requirement being met through imports, the company also remains vulnerable to volatility in foreign currency exchange rates. However, TTL hedges ~50% of its total foreign exchange exposure, thereby mitigating the risk to an extent. The rating also factors in the ongoing debt-funded capital expenditure of the company and the moderate liquidity profile of the company. However, ICRA takes comfort from the expected improvement in cash accruals post commencement of the ongoing projects, and the management's indication of seeking enhancement in working capital limits, which will strengthen its liquidity profile.

TTL's ability to continue its revenue growth, while achieving improvement in profitability is a key rating sensitivity. ICRA would also continue to monitor any larger than expected debt funded capital expenditure that may deteriorate the capital structure and coverage indicators.

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[1] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

[2] 100 lakh = 1 crore = 10 million

Key rating drivers

Credit Strengths

- Extensive experience of promoters in the plastic packaging industry
- Diversified product portfolio, with steady cash flows from varied product segments.
- Leadership position in the domestic plastic packaging industry; healthy market position enjoyed in multiple product segments.
- Well-diversified customer base resulting in low customer concentration risks
- Steady growth in operating income over the years; high economies of scale reflecting in healthy and stable operating profit margins.
- Strong financial profile, as characterised by low gearing and healthy coverage indicators; additional equity infusion of ~Rs. 150 crore in the current year further supports the credit profile.

Credit Weakness

- Fragmented industry and intense competition exerts pressure on profitability
- Ability to manage volatility in major raw material prices, which are dependent on crude oil prices, is critical.
- Moderate working capital intensity of operations, arising mainly from high inventory requirements.
- Large debt funded capital expenditure, to be undertaken in the near term, is likely to stretch the capital structure to some extent.

Description of key rating drivers:

TTL is a leading plastic packaging manufacturer, with operations in India, Bahrain, Egypt, Indonesia, Malaysia, Singapore, UAE, Taiwan, Thailand and Vietnam through its subsidiaries and joint venture (JV) companies. The company's product portfolio consists of diversified products for industry segments like industrial packaging solutions, technical and lifestyle products, infrastructure / construction related products, material handling solutions and composite cylinders. In the industrial packaging solutions segment, which accounted for ~74% of its consolidated revenues in FY2016, TTL and its 75% subsidiary, TPL Plastech Limited, command 70% share in the domestic market. It is also the number four player in the industrial packing products segment worldwide. TTL has a well-diversified customer base, with presence across different industry segments; however, customers in the chemical industry account for ~35-40% of its total industrial packaging solution segment revenues. TTL is also currently investing in capacity expansion and new product development—multi-layer multi-axial oriented cross laminated film (MOX film)—the production of which will commence from Q1 FY2018.

Analytical approach: For arriving at the ratings, ICRA has taken a consolidated view of TTL, along with its six subsidiaries and two JVs. The subsidiaries include TPL Plastech Limited, NED Energy Limited, Elan Incorporated FZE (Sharjah, UAE), Ikon Investment Holdings Limited (Mauritius), GNXT Investment Holdings Pte Limited (Singapore) and Kampozit Praha SRO (Czech Republic). The joint ventures include Time Mauser Industries Pvt. Ltd.—JV with Mauser Holding International GmbH, Germany—and Schoeller Allibert Time Materials Handling Solutions Ltd.—JV with Schoeller Allibert Systems BV, the Netherlands.

Links to applicable criteria

http://www.icra.in/Files/Articles/Rating%20Meth%20Mar%202017.pdf

About the company:
Time Technoplast Limited, established in 1992, is a manufacturer of polymer products in India as well as Asia and Middle East and North Africa MENA regions. The company was listed on the Bombay Stock Exchange in 2007. The group has 28 manufacturing units, of which 18 are in India. It has operational overseas footprints in geographies like Bahrain, Egypt, Indonesia, Malaysia, Singapore, UAE, Taiwan, Thailand and Vietnam. The company's portfolio consists of products for growing industry segments like industrial packaging solutions, lifestyle products, automotive components, infrastructure / construction related products, material handling solutions and composite cylinders. TTL has also developed a new product—MOX films, the production of which will commence from Q1 FY2018.

TTL (on a consolidated basis) had a profit after tax (PAT) of Rs. 142.01 crore on an operating income (OI) of Rs. 2,472.08 crore in FY2016, as against a PAT of Rs. 113.15 crore on an OI of Rs. 2,479.63 crore in FY2015. For the nine-months ended December 31, 2016 (unaudited), TTL (consolidated) reported a PAT of Rs. 107.68 crore on an OI of Rs.1,944.54 crore.

Status of non-cooperation with previous CRA: Not Applicable.

Any other information: Not Applicable.

Rating history for last three years:

Table: Rating History

Sr. No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. crore)	Month-year & Rating	Month-year & Rating in FY2016	Month-year & Rating in FY2015	Month-year & Rating in FY2014
				April 2017	**-**	**-**	**-**
1	Commercial Paper Programme	Short-Term	200.00	[ICRA]A1+	-	-	-

Complexity level of the rated instrument:
ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Details of Instrument

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs. crore)	Current Rating and Outlook
Commercial Paper	-	-	-	200.00	[ICRA]A1+

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About ICRA Limited:
ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.
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