February 08, 2024

Time Technoplast Limited: Rating reaffirmed; 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	325.00	450.00	[ICRA]A1+; reaffirmed/assigned for enhanced amounts
Total	**325.00**	**450.00**	

**Instrument details are provided in Annexure-I*

Rationale

The reaffirmation of the rating factors in Time Technoplast Limited's (TTL/the company) 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, characterised by low gearing and healthy coverage indicators. Although TTL's liquidity profile is adequate, ICRA notes the company's high borrowing rates.

In FY2023, the company's revenue grew ~18% YoY on a consolidated basis, aided by demand recovery for established products and increase in the sales of value-added products with largely stable OPM% and NPM%. The capital structure and coverage indicators have also remained healthy. Going forward, the company's focus on increasing the share of value-added products and a healthy ramp-up of sales in the segment, driven by a strong order book for composite cylinders and the capacity expansion underway in the segment, will aid product diversification and improve the operating margin profile.

The company is also looking to consolidate/restructure 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 the same has remained elevated in the last three fiscals. 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 majority 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 and international markets across Asia, the US 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 across different industry segments. The company's top 10 customers contributed to ~20% of its standalone revenues in FY2023, reflecting low customer concentration risk. Over the years, it has developed strong relationships with reputed customers, which helps in procuring repeat orders.

Strong financial profile characterised by low gearing and healthy coverage indicators –TTL's revenues rose by ~18% in FY2023 to ~Rs. 4,289 crore, led by a revenue growth of ~15% in established products segment and ~29% in value-added products. On an absolute basis, revenues from established products increased to ~Rs. 3,321 crore in FY2023 from ~Rs. 2,897 crore in FY2022, while that from value-added products rose to ~Rs. 972 crore in FY2023 from ~Rs. 756 crore in FY2022. In FY2023, the company recorded an OPM of 13.5%, largely in line with last year. The net profit margins improved to 5.2% in FY2023 due to higher OPBIDTA and stable depreciation and interest charges. The company reported revenues of ~Rs. 2,274 crore with an OPM% of 13.8% in H1 FY2024.

TTL's total consolidated debt as on March 31, 2023, stood at ~Rs. 900 crore. The company's capital structure remains healthy, marked by a gearing of 0.4 times as on March 31, 2023 (0.4 times as on March 31, 2022), owing to a healthy accretion to reserves. The coverage indicators also remained healthy in FY2023, with total debt/ OPBDITA of 1.6 times (1.8 times in FY2022) and interest coverage ratio of 5.5 times in FY2023 (5.5 times in FY2022). With an improvement in the operating profits in H1 FY2024, the company's total debt/OPBDITA improved to 1.4x against 1.6x at the end of FY2023 and the interest coverage ratio improved to 6.0x in H1 FY2024 over 5.5x in FY2023.

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 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 ~41% in FY2023. 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, 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, it follows all the safety/health measures for its employees.

Liquidity position: Adequate

TTL's liquidity is expected to remain adequate with expected healthy cash flow from operations, on a consolidated basis. The cash flow from operations is expected to witness a healthy uptick in FY2024 owing to an increase in operating profit along with low incremental working capital requirements. On a consolidated basis, the company has a repayment obligation of ~ Rs. 80 crore and a planned capex of ~Rs. 200 crore in FY2024, with the capex expected to be financed largely through internal accruals. The average fund-based utilisation stood at ~79% for the last 12 months ended December 2023, while the cash and cash equivalents were ~Rs. 116 crore as on September 30, 2023.

Rating sensitivities

Positive factors – Not applicable.

Negative factors – Any large debt-funded capex and/or deterioration in the working capital cycle putting pressure on the credit profile could lead to a downgrade. Another key credit metric for downgrade would be the consolidated TD/OPBDITA exceeding 1.8 times on a sustained basis. Additionally, 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	For arriving at the ratings, ICRA has considered the consolidated financials of TTL, its eight subsidiaries and one JV, which are all listed in Annexure II

About the company

TTL, incorporated in 1989, manufactures polymer products in India as well as in Asia, the US and the MENA region. The company got 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 (audited)

TTL Consolidated	FY2022	FY2023	H1FY2024
Operating income	3,649.8	4,289.4	2,273.5
PAT	192.2	223.8	128.5
OPBDIT/OI	13.9%	13.5%	13.8%
PAT/OI	5.3%	5.2%	5.7%
Total outside liabilities/Tangible net worth (times)	0.7	0.6	0.6
Total debt/OPBDIT (times)	1.8	1.6	1.4
Interest coverage (times)	5.5	5.5	6.0

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)					Chronology of rating history for the past 3 years				
		Type	Amount rated (Rs. crore)	Amount outstanding as on Feb 07, 2024 (Rs. crore)	Date & rating in FY2024		Date & rating in FY2023		Date & rating in FY2022		Date & rating in FY2021
					Feb 08, 2024	Oct 09, 2023	Nov 17, 2022	Oct 31, 2022	Nov 01, 2021	Sep 30, 2021	Sep 21, 2020
1	**Commercial paper**	Short term	450.0	296.5	**[ICRA]A1+**	**[ICRA]A1+**	**[ICRA]A1+**	**[ICRA]A1+**	**[ICRA]A1+**	**[ICRA]A1+**	**[ICRA]A1+**

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: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE508G14FI6	Commercial Paper	05 Jan 2024	8.75%	05 Feb 2024	25	[ICRA]A1+
INE508G14FG0	Commercial Paper	05 Dec 2023	9.10%	05 Mar 2024	20	[ICRA]A1+
INE508G14FG0	Commercial Paper	05 Dec 2023	8.30%	05 Mar 2024	2	[ICRA]A1+
INE508G14FG0	Commercial Paper	05 Dec 2023	8.30%	05 Mar 2024	1	[ICRA]A1+
INE508G14FA3	Commercial Paper	07 Nov 2023	8.30%	06 Feb 2024	5	[ICRA]A1+
INE508G14FA3	Commercial Paper	07 Nov 2023	8.30%	06 Feb 2024	5	[ICRA]A1+
INE508G14FA3	Commercial Paper	07 Nov 2023	8.30%	06 Feb 2024	1	[ICRA]A1+
INE508G14DG5	Commercial Paper	10 Mar 2023	9.45%	07 Mar 2024	30	[ICRA]A1+
INE508G14EO7	Commercial Paper	07 Sep 2023	8.55%	14 Mar 2024	5	[ICRA]A1+
INE508G14FJ4	Commercial Paper	16 Jan 2024	9.10%	18 Mar 2024	20	[ICRA]A1+
INE508G14EE8	Commercial Paper	19 Jun 2023	10.05%	18 Jun 2024	25	[ICRA]A1+
INE508G14DJ9	Commercial Paper	20 Mar 2023	9.55%	19 Mar 2024	15	[ICRA]A1+
INE508G14FE5	Commercial Paper	24 Nov 2023	8.50%	21 Mar 2024	10	[ICRA]A1+
INE508G14FE5	Commercial Paper	21 Dec 2023	8.30%	21 Mar 2024	5	[ICRA]A1+
INE508G14EZ3	Commercial Paper	06 Nov 2023	8.60%	26 Mar 2024	10	[ICRA]A1+
INE508G14EZ3	Commercial Paper	06 Nov 2023	8.60%	26 Mar 2024	5	[ICRA]A1+
INE508G14EZ3	Commercial Paper	06 Nov 2023	8.60%	26 Mar 2024	5	[ICRA]A1+
INE508G14EZ3	Commercial Paper	06 Nov 2023	8.60%	26 Mar 2024	2	[ICRA]A1+
INE508G14EZ3	Commercial Paper	04 Jan 2024	8.30%	26 Mar 2024	4.5	[ICRA]A1+
INE508G14FD7	Commercial Paper	22 Nov 2023	8.30%	27 Mar 2024	1	[ICRA]A1+
INE508G14FD7	Commercial Paper	19 Dec 2023	8.75%	27 Mar 2024	25	[ICRA]A1+
INE508G14FD7	Commercial Paper	16 Jan 2024	8.30%	27 Mar 2024	5	[ICRA]A1+
INE508G14FF2	Commercial Paper	29 Nov 2023	8.38%	28 Feb 2024	10	[ICRA]A1+
INE508G14FH8	Commercial Paper	28 Dec 2023	8.75%	28 Mar 2024	50	[ICRA]A1+
INE508G14FH8	Commercial Paper	09 Jan 2024	8.30%	28 Ma 2024	8	[ICRA]A1+
INE508G14EY6	Commercial Paper	19 Oct 2023	8.30%	31 Jan 2024	2	[ICRA]A1+
-	Commercial Paper	Yet to be placed			153.5	[ICRA]A1+

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership of TTL	Consolidation 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

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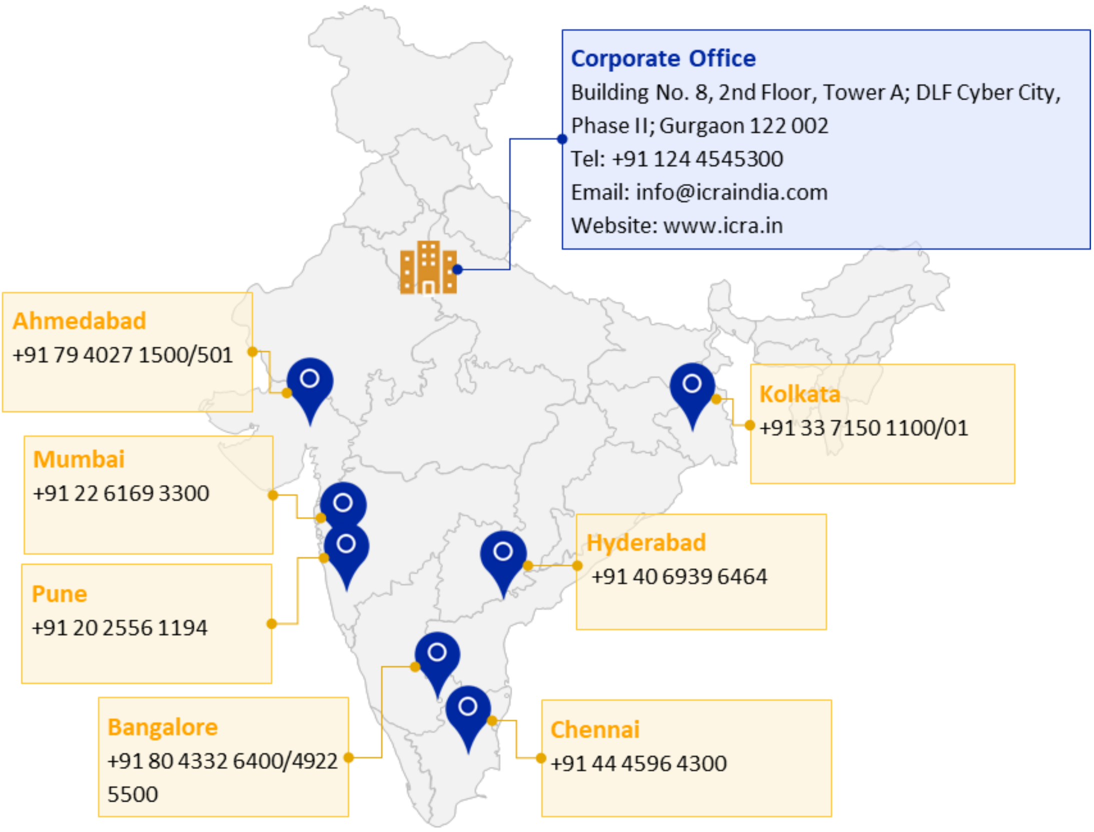

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