Time Technoplast

14 October 2024

Higher VAP share to drive RoCE and cash flows; Initiate with BUY

INITIATING COVERAGE

Sector: Plastic Products	Rating: BUY
CMP: Rs 395	Target Price: Rs 615

Stock Info

Sensex/Nifty	81,382/24,965
Bloomberg	TIME IN
Equity shares (mn)	226.9
52-wk High/Low	444/147
Face value	Rs 1
M-Cap	Rs 90bn/USD 1.2bn
3-m Avg turnover	USD 7.1mn

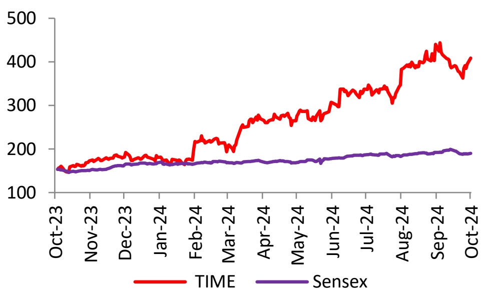
Financial Snapshot (Rs mn)

Y/E Mar	FY25E	FY26E	FY27E
Net sales	57,165	65,433	75,038
EBITDA	8,110	9,427	10,923
OPM (%)	14.2	14.4	14.6
PAT (adj.)	4,063	5,101	6,339
EPS (Rs)	17.9	22.5	27.9
PE (x)	22.1	17.6	14.1
P/B (x)	3.1	2.7	2.3
EV/EBITDA (x)	11.5	9.6	8.0
RoE (%)	14.1	15.4	16.5
RoCE (%)	18.0	20.4	22.7
Net-D/E (x)	0.1	0.0	(0.1)

Shareholding Pattern (%)

	Jun'24	Mar'24	Dec'23
Promoter	51.6	51.6	51.5
- Pledged			
FII	6.8	6.2	5.7
DII	11.0	10.9	10.4
Others	30.7	31.3	32.4

Stock Performance (1-year)



Ashish Poddar
ashishpoddar@systematixgroup.in
+91 22 6704 8039

Krisha Zaveri
krishazaveri@systematixgroup.in
+91 22 6704 8023

We initiate coverage on Time Technoplast (TIME) with a BUY rating and a target price of Rs 615 (56% upside potential), based on 22x FY27E P/E. We are optimistic on its value-added composite products (LPG and CNG cascade cylinders), stable and long-standing industrial packaging (drums, jerry cans, IBC etc.) business, and focus on improving financials to turn debt free over the next 2-3 years. TIME is a) a leader in India and among the top 3 players globally in industrial packaging and composite products, and b) a market leader and largest manufacturer of large size plastic drums globally, with an impressive 50-60% market share in India and high share in 10 countries present globally. Post 17%/17%/28% CAGR in revenue/ EBITDA/PAT over FY22-24, we estimate 15%/17%/27% CAGR over FY24-27E, respectively, led by strong performance in its value-added products (VAP) segment (20% revenue CAGR, 18%+ EBITDA margin). Despite annual capex of Rs 1.5-1.7bn, we estimate pre-tax RoCE to expand from ~16% in FY24 to ~23% in FY27 on healthy operating performance, improved plant efficiency and lower net working capital cycle (by 10-15 days). We estimate annual operating FCF of Rs 4bn+ over the next 3 years, which TIME will likely use to pare debt and achieve net cash status in FY27E (net debt of ~Rs 6bn in FY24). We estimate healthy OCF/EBITDA (60%+) and FCF/PAT (80%+) over the next 3 years. Management has also identified Rs 2.5-3bn of non-core, non-performing assets that it intends to disinvest over FY25-FY26 (not in our estimates). It will likely use the proceeds to fund capex, reduce debt and reward shareholders. Any delay in order inflow of composite LPG cylinders and CNG cascades pose key risks to our estimates.

The leader in industrial packaging and composite cylinders with a marquee global clientele: TIME is a leader in industrial packaging products (drums, jerry cans, IBC etc.) in India and among the top 3 players globally. It is also the largest manufacturer of large size plastic drums globally, with an impressive 50-60% market share in India and high share in 10 countries present globally. TIME was the first company to launch intermediate bulk containers (IBC) in India and is the 3rd largest manufacturer worldwide. It is also the 2nd largest manufacturer of Type-IV LPG and CNG composite cylinders worldwide. Leadership position and longstanding relationships have helped it to capture a sizeable share of business from Fortune 500 companies globally.

VAP has robust growth potential with superior margins: VAP is a high growth (20-30% CAGR), high margin (18%+) business for TIME. Apart from the huge potential that composite LPG and CNG cylinders have, TIME constantly evaluates the applications of composite products across industries that could generate immense revenue for it. Management is working to raise its VAP revenue mix to 35% in 2-3 years from 25% in FY24, and push company's EBITDA margin to ~15% (~14% in FY24).

Asset monetization to strengthen balance sheet: Management has identified few non-core NPAs in India and the Middle East, which it expects to divest over FY25-FY26 to garner Rs 2.5-3bn inflows (not in our estimates). It intends to use the proceeds to fund capex, pare debt and reward shareholders.

Many levers for expansion in margins, RoCE and cash flows; Initiate with BUY: We estimate 15%/17%/27% CAGR in revenue/EBITDA/PAT over FY24-27E, led by the VAP segment (20% revenue CAGR, 18%+ EBITDA margin). Despite ~Rs 1.5bn annual capex, the company's pre-tax RoCE should improve to ~23% in FY27E (~16% in FY24). A Rs 4bn+ operating FCF annually will drive its net cash status by FY27. On robust outlook, we initiate coverage on TIME with a BUY rating and target price of Rs 615.

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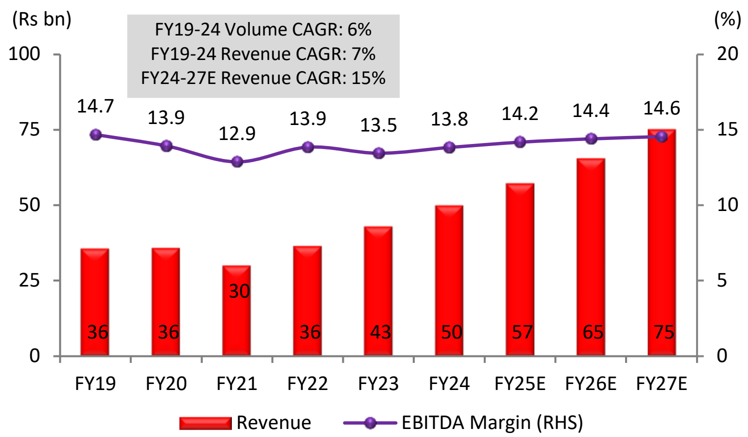
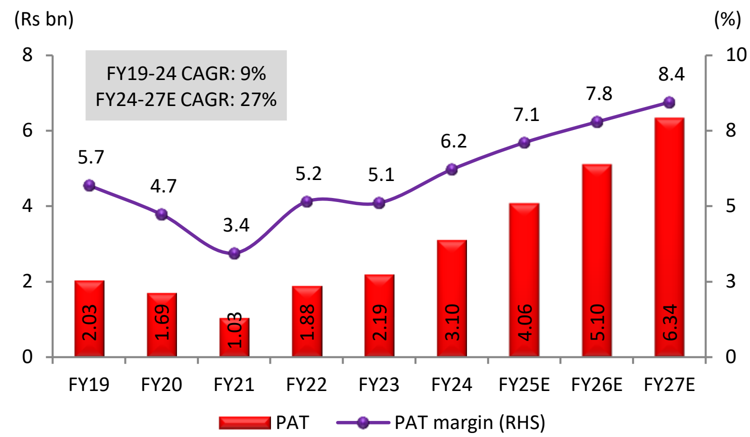


Exhibit 2: PAT and margin trends



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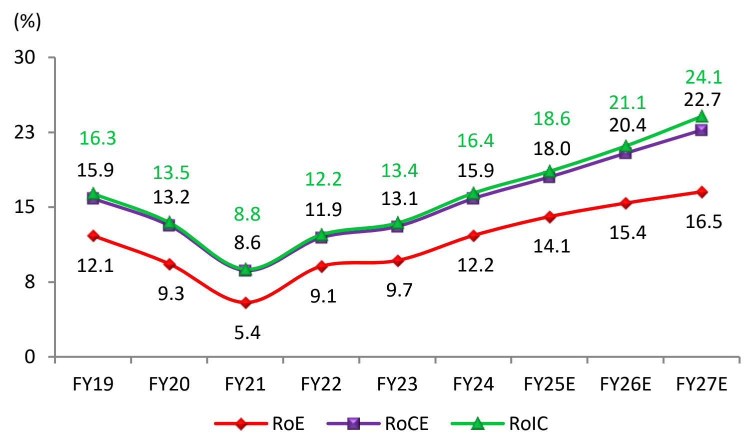

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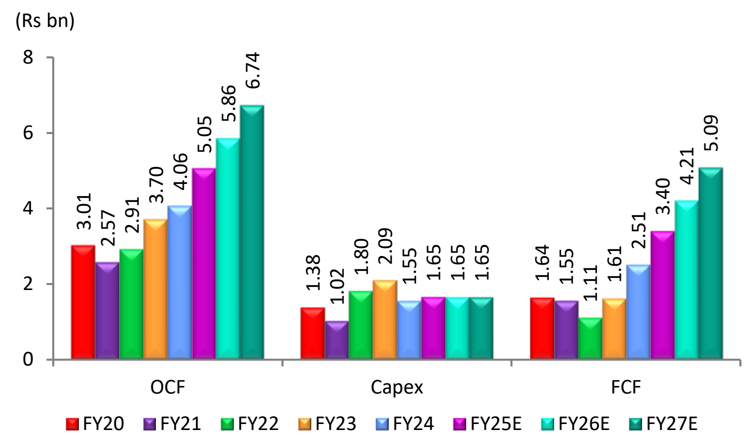
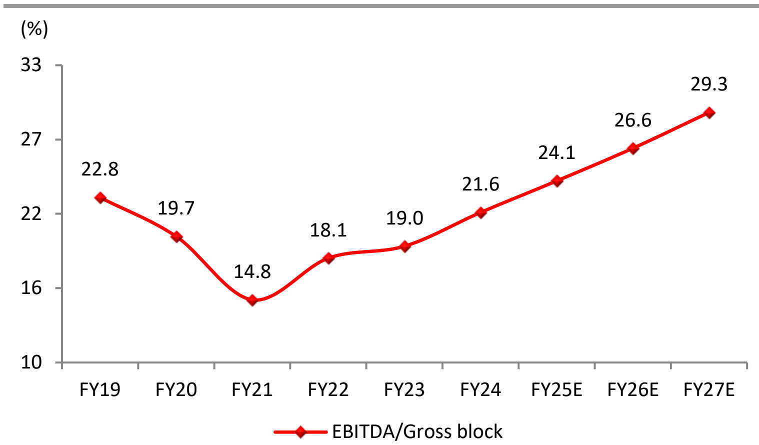


Exhibit 5: EBITDA/gross block trend



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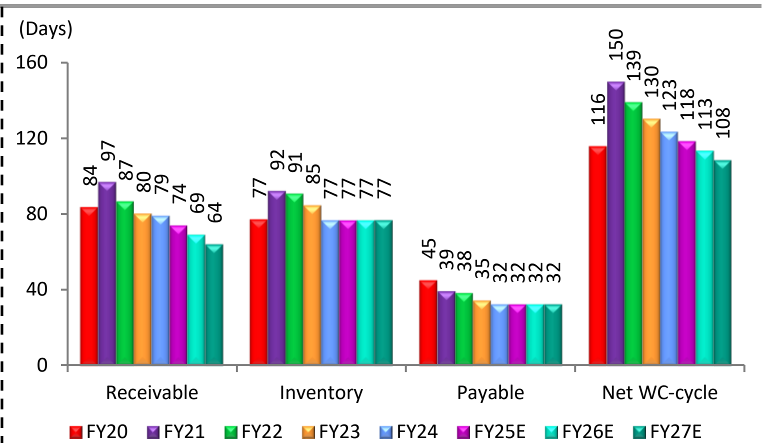


Source: Company, Systematix Institutional Research

Exhibit 7: Revenue mix (segment-wise)

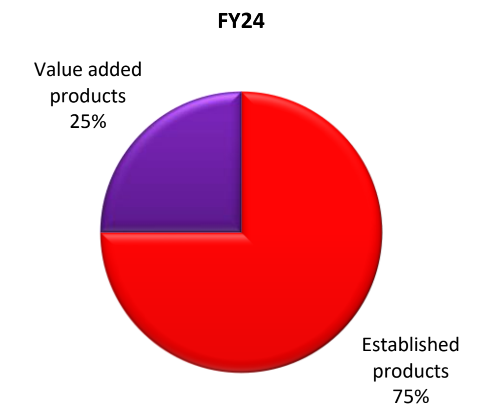


Exhibit 8: Revenue mix (product-wise)

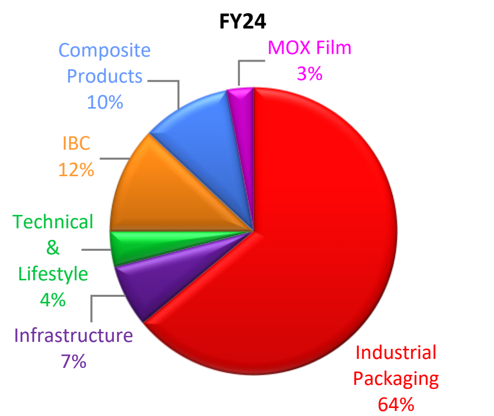


Exhibit 9: Revenue mix (geography-wise)

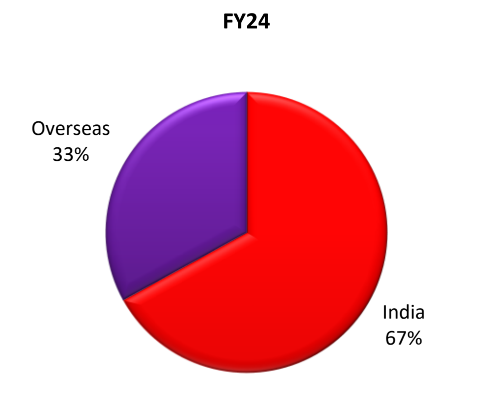
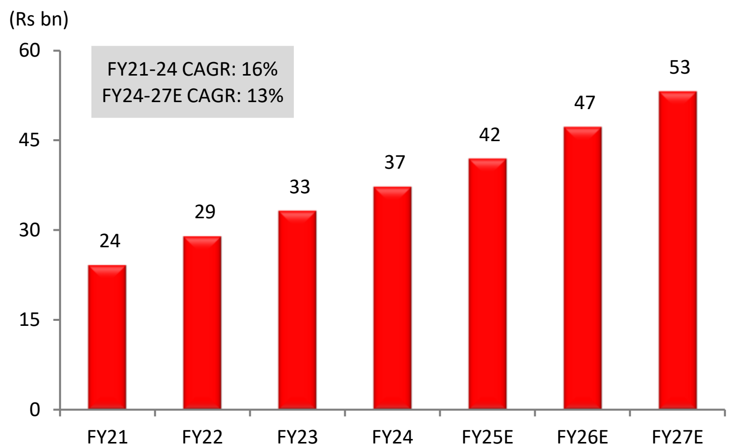


Exhibit 10: Established products - revenue growth trend



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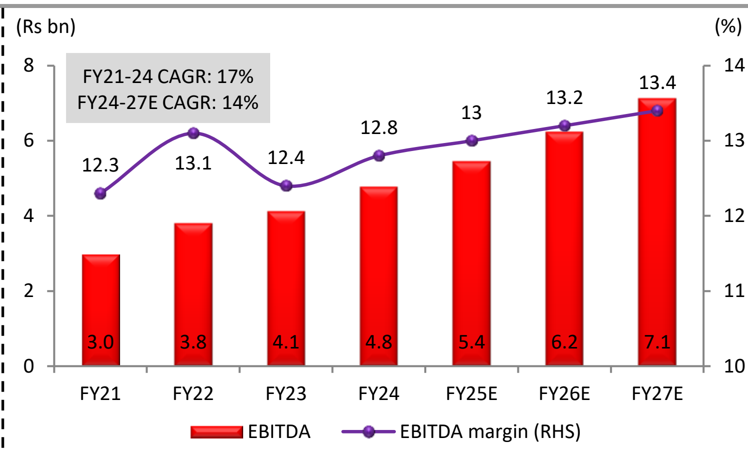
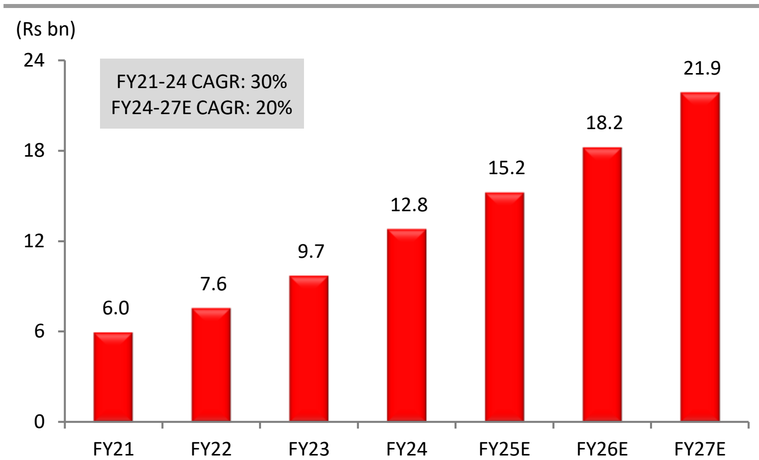


Exhibit 12: Value added products - revenue growth trend



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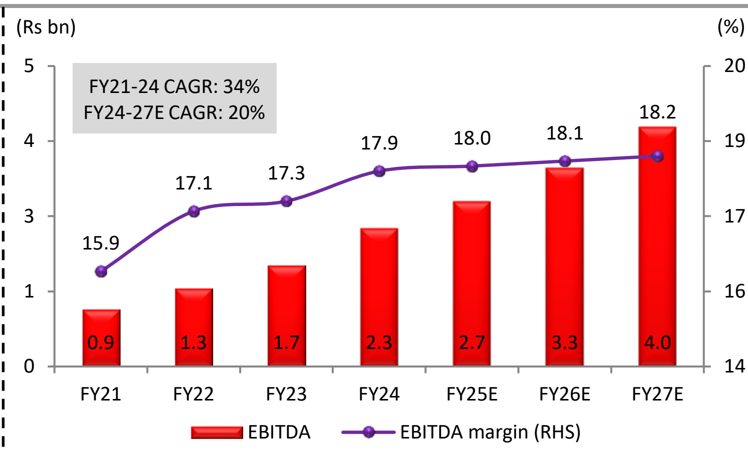


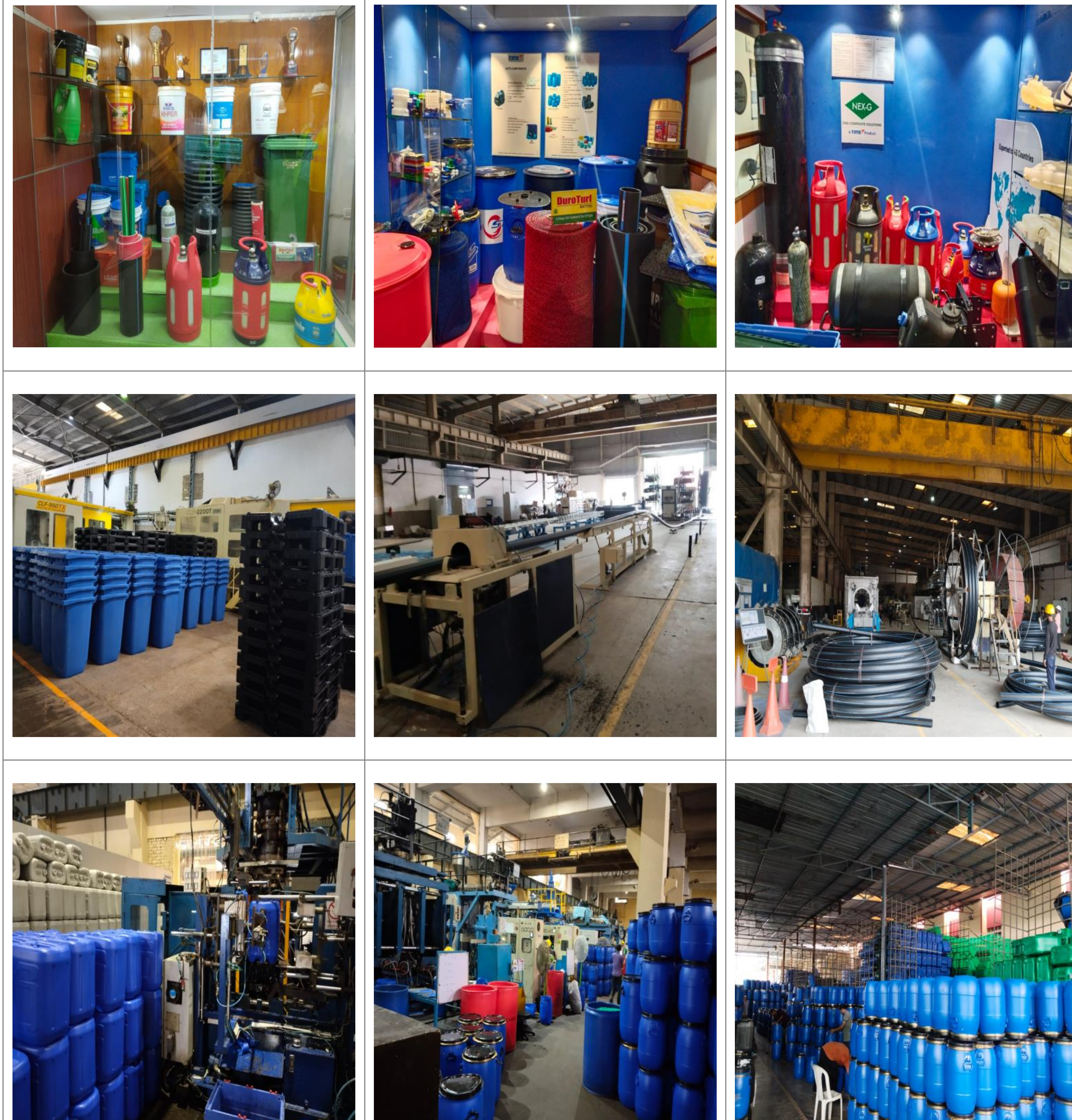
Source: Company, Systematix Institutional Research

Exhibit 14: Time Technoplast - Quarterly results trend (consolidated)

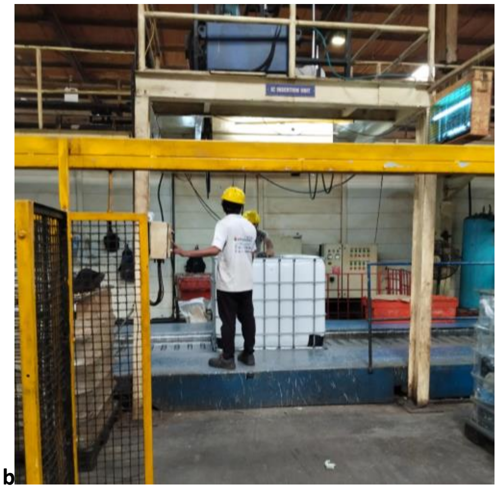
(Rs mn)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	YoY (%)	QoQ (%)
Revenue	**10,793**	**11,942**	**13,247**	**13,943**	**12,301**	**14**	**(12)**
Raw material costs	7,792	8,610	9,503	10,078	8,834	13	(12)
Employee costs	534	565	612	662	598	12	(10)
Other expenses	995	1,099	1,226	1,342	1,124	13	(16)
EBITDA	**1,472**	**1,669**	**1,906**	**1,862**	**1,744**	**18**	**(6)**
Depreciation	455	458	417	396	409	(10)	3
Finance costs	265	255	249	246	242	(9)	(1)
Other income	10	3	19	110	7	(33)	(94)
PBT	**763**	**959**	**1,258**	**1,330**	**1,100**	**44**	**(17)**
Tax	192	244	327	387	295	54	(24)
PAT (after JV share)	**571**	**704**	**916**	**924**	**793**	**39**	**(14)**
EPS (Rs)	2.5	3.1	4.0	4.1	3.5	39	(14)
As % revenue						**YoY (bps)**	**QoQ (bps)**
Gross margin	**27.8**	**27.9**	**28.3**	**27.7**	**28.2**	**37**	**46**
Employee costs	4.9	4.7	4.6	4.7	4.9	(8.3)	11.7
Other expenses	9.2	9.2	9.3	9.6	9.1	(8)	(48)
EBITDA margin	**13.6**	**14.0**	**14.4**	**13.4**	**14.2**	**54**	**83**
Depreciation	4.2	3.8	3.2	2.8	3.3	(89)	48
Finance costs	2.5	2.1	1.9	1.8	2.0	(49)	21
Other income	0.1	0.0	0.1	0.8	0.1	(4)	(74)
PBT	**7.1**	**8.0**	**9.5**	**9.5**	**8.9**	**187**	**(60)**
Effective tax rate	25.2	25.5	26.0	29.1	26.8	165	(227)
PAT	**5.3**	**6.0**	**7.0**	**6.8**	**6.5**	**125**	**(22)**
Revenue mix (%)							
Established products	76	73	73	74	75		
Value-added products	24	27	27	26	25		
Established products						**YoY (%)**	**QoQ (%)**
Revenue	8,232	8,716	9,690	10,609	9,258	12	(13)
EBITDA margin (%)	*12.7*	*12.7*	*13.1*	*12.7*	*13.1*		
Value-added products						**YoY (%)**	**QoQ (%)**
Revenue	2,571	3,229	3,575	3,444	3,049	19	(11)
EBITDA margin (%)	*17.0*	*17.6*	*18.4*	*18.2*	*17.7*		

Source: Company, Systematix Institutional Research

Exhibit 15: Pictures taken during our visit to Silvassa and Daman based facilities



Source: Company, Systematix Institutional Research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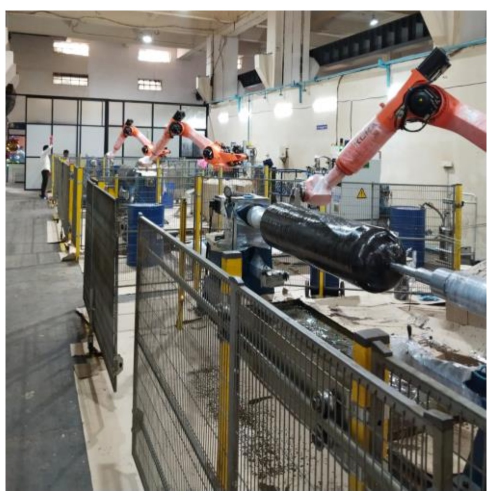


Source: Company, Systematix Institutional Research

Time Technoplast (TIME) – An overview

TIME is a global leader in polymer and composite products. The company was founded in 1992 and got listed (NSE and BSE) in 2007. Its key products (drums, jerry cans, IBC, LPG cylinders, CNG cascade cylinders, etc.) find applications in the specialty chemicals industry and relatively non-cyclical sectors like FMCG, food & beverages and paints. It operates a comprehensive R&D facility with 35 experts dedicated to creating technology-driven innovative products that replace traditional metal components. While the India market contributes 65-70% to revenue, it also has a large overseas business (33% mix, Rs 16.5bn revenue in FY24) that is supported by manufacturing plants located in 10 countries across the MENA, South-East Asia and US regions. Its products are sold under 14 brands to more than 900 institutional customers globally. Over the years, TIME has also expanded into the value-added segment, which holds robust growth potential in the long term. The company clocked ~Rs 50bn revenue in FY24 and sees immense long term growth potential.

Exhibit 16: Revenue mix (segment-wise)

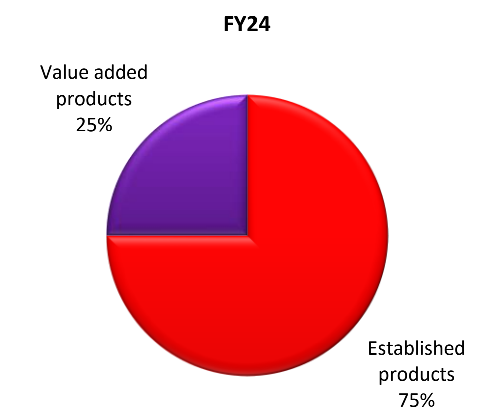


Exhibit 17: Revenue mix (product-wise)

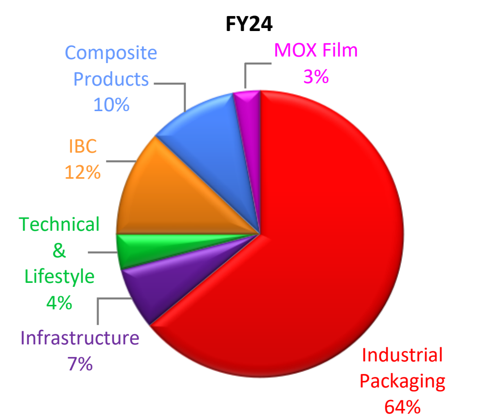


Exhibit 18: Revenue mix (geography-wise)

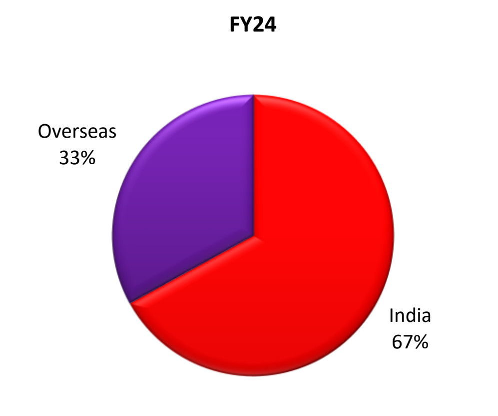
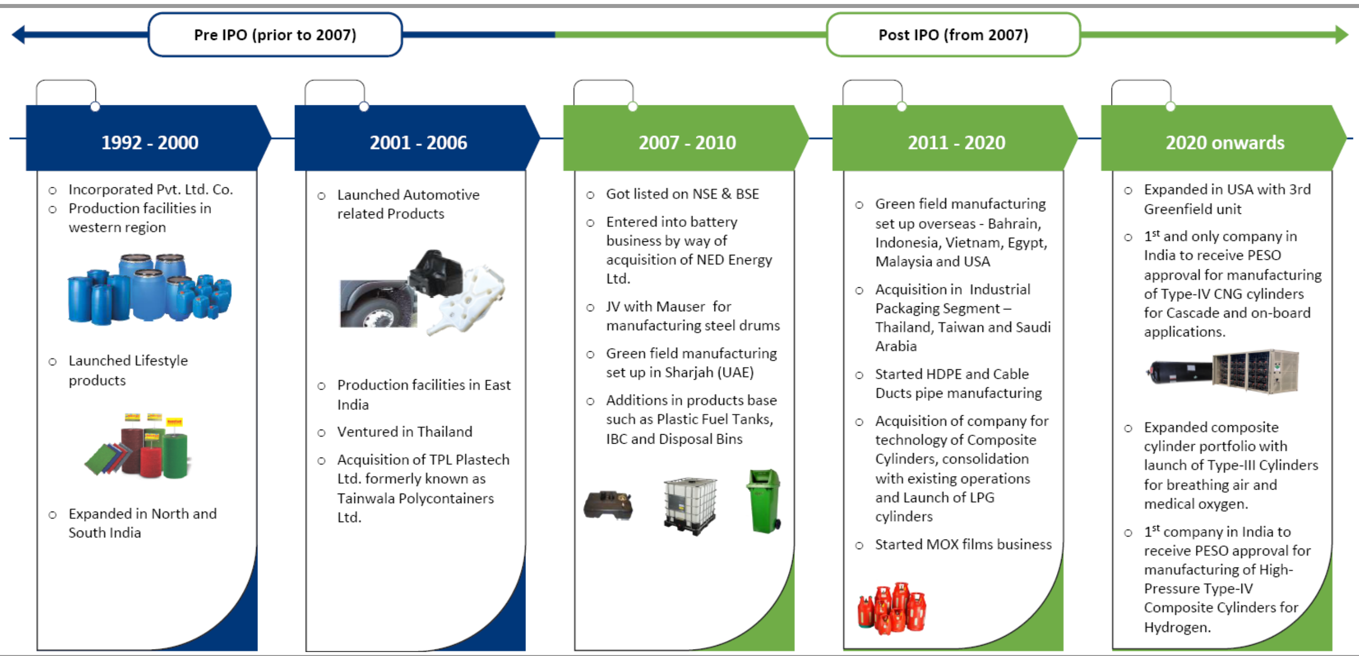


Exhibit 19: Key milestones



Source: Company

Overview of key product range

TIME has categorized its product range into three main groups a) innovative polymer products, b) value added products (VAP), and c) hi-tech products.

Exhibit 20: Innovative polymer products

Source: Company

- **Industrial packaging:** Includes drums, containers, jerry cans and conipack pails, all branded as TECHPACK. These are predominantly used in the chemical and FMCG industries. This range also consists of intermediate bulk containers (IBC).
- **Intermediate Bulk Containers (IBCs):** Their space efficiency, waste reduction, durability, eco-friendliness, and the possibility of reconditioning makes them globally popular. These are marketed globally under the *GNX* brand. IBCs are also categorized as VAP.
- **Infrastructure solutions:** It consists of two main products 1) High-density polyethylene (HDPE) pipes, branded as *Max'M* and used in water supply, drainage, and sewage, power dust, etc., and 2) Valve-regulated lead-acid (VRLA) batteries, branded as *MaxLife*, supplied to industries such as railways and solar, among others.
- **Technical and lifestyle products:** The company is a leading player in the turf and matting segments and offers value-for-money solutions across industries. Its brands in turf are *Duro Wipe*, *Duro Soft*, *Duro Turf*, *Duro Comfort*, *Meadowz* in matting, and disposal bins are *Dumpo Bins*.
- **Auto components:** Includes high-performance, dependable, and durable de-aeration and fuel tanks that are lightweight, corrosion-resistant, and efficient for coolant transfer. The brands under this category are *3S Rainflaps*, *Tech DAT*, and *TechTank* for fuel tanks.

VAP: TIME offers a selection of products that command a premium over established products due to their advanced and innovative features. These include composite intermediate bulk containers (IBCs), composite cylinders such as *LiteSafe* LPG cylinders, *NEX-G* CNG Cascades, cylinders for hydrogen and oxygen and Multilayer Multi-axis Oriented X-cross Laminated Film (MOX), branded as *Techpaulin*.

Exhibit 21: Value-added products

Source: Company

Hi-tech products: TIME supplies specialized hi-tech composite products such as DEF (urea) tanks, composite air tanks, and hydraulic oil tank to select companies.

Exhibit 22: Hi-tech products

DEF (Urea) Tanks	Composite Air Tank	Hydraulic Oil Tank
		

Source: Company

Many firsts in launching several innovative products

- PE drums to replace steel drums
- IBC with a 1,000-liter capacity
- Plastic fuel tanks for commercial vehicles
- Lithium batteries
- Spray suppression systems (3S)
- Type IV composite gas cylinders for LPG, CNG, hydrogen and Type III composite cylinder for oxygen
- Type-IV composite cylinder for hydrogen
- Type-III composite cylinder for oxygen

Exhibit 23: Key marquee global clients

Source: Company

Manufacturing facilities: TIME has a manufacturing presence in 11 countries. India constitutes ~65% of total revenue from all types of products. Its overseas businesses at 10 locations (UAE, Bahrain, Egypt, Thailand, Vietnam, Malaysia, Saudi Arabia, Indonesia, Taiwan, and the US) contribute the remaining ~35% to revenue, mainly from industrial packaging products. Plants in overseas locations help in servicing local customers in a cost-effective manner.

Exhibit 24: Manufacturing footprint

Source: Company

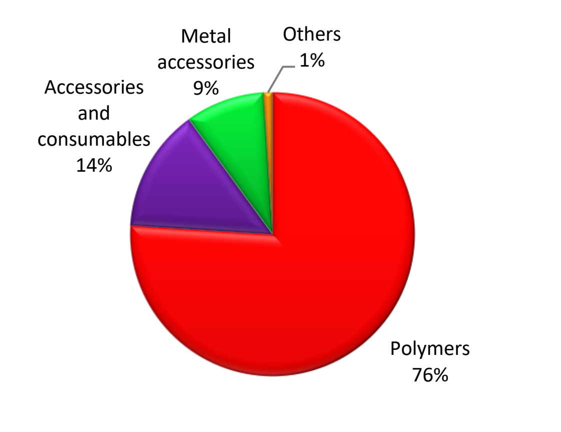
Diversified and strong sourcing/supplier base

TIME procures most of its raw materials through multiple local suppliers in the region where its plants are located. Its packaging business is all B2B (business to business) with robust pass-through mechanisms to manage price volatility.

Exhibit 25: Established relationships with most global suppliers

India	MENA	Southeast Asia	USA
Local			
ONGC Petro Reliance Industries Indian Oil Corporation	Q-Chem, Qatar Sabic Asia Pacific, KSA OQ Oman Borouge, Abu Dhabi Sidi Kerir Petro, Egypt	Chevron Phillips, Singapore GS Caltex, Korea PTT Global Chem, Thailand Sabic Asia Pacific, Malaysia Formosa Plastics, Taiwan Lotte Chemical, Malaysia	Chevron Phillips, USA Exxon Mobil, USA
Imports			
Q-Chem, Qatar Chevron Phillips, Singapore GS Caltex, Korea PTT Global Chem, Thailand Borouge, Abu Dhabi	GS Caltex, Korea PTT Global Chem, Thailand ONGC Petro, India	Q-Chem, Qatar	

Exhibit 26: Polymers lead in the raw material mix



Source: Company

Overseas business (~35% of total revenue, 13-14% EBITDA margin)

TIME's overseas business constitutes ~35% (~Rs 17bn in FY24) of consolidated revenue and operates at 13-14% EBITDA margin. However, due to lower tax rate (ETR), the overseas business enjoys better PAT margin than the one in India. TIME is present in 10 countries across 3 continents – MENA (30% mix, 4 plants in Bahrain, Egypt, UAE, Saudi), SEA (50% mix, 5 plants in Taiwan, Saudi, Thailand) and the US (20% mix, 4 plants). It manufactures only packaging products (IBC, drums, jerry cans) in these markets and sells them locally. The company's entry into the overseas markets was through a mix of acquisitions and greenfield capacities. It entered the US in 2018 by setting up a greenfield plant for IBC (USD 25mn capex, USD 50mn revenue potential). The US industrial packaging products market is dominated by 3 players other than TIME and has a large reconditioning market.

Key management personnel (KMP)

- Mr. Bharat Kumar Vageria, Managing Director & CFO
- Mr. Raghupathy Thyagarajan, Whole Time Director, Marketing
- Mr. Naveen Kumar Jain, Whole Time Director, Technical
- Mr. Vishal Jain, Executive Director (son on Late Mr. Anil Jain, former MD and co-founder)
- Mr. Sanjeev Sharma, Whole Time Director, Overseas Industrial Packaging Operations

Statutory auditors

- Shah Khandelwal Jain & Associates, Chartered Accountants, Pune (outgoing)
- Shah & Taparia, Chartered Accountants, Mumbai (outgoing)
- Khandelwal Jain & Co., Chartered Accountants (incoming)
- K P M R & Co., Chartered Accountants, Mumbai (incoming)

Exhibit 27: Shareholding pattern and key shareholders

Shareholding pattern (%)					Key Shareholders	Equity (%)
	Dec'23	Mar'24	Jun'24			Jun'24
Promoters	51.5	51.6	51.6		Tata Small Cap Fund	3.8
Free float					HDFC Balanced Advantage Fund	3.2
Foreign Institutions	5.7	6.2	6.8		Ntasian Discovery India Fund	2.0
Domestic Institutions	10.4	10.9	11.0		HSBC Small Cap Fund	1.7
Public & Others	32.4	31.3	30.7		Ajay Upadhyaya	1.2
					3P India Equity Fund	1.1

Source: BSE

Investment Rationale

The leader in industrial packaging and composite cylinders enjoys marquee clientele

TIME is a leader in industrial packaging in India and among the top 3 players globally. It is a) the world's largest manufacturer of large size plastic drums, with an impressive 50-60% market share in India and high share in 10 countries present globally (excluding the US, which is dominated by 3 large players), b) the first to launch IBC in India and the 3rd largest IBC manufacturer worldwide, c) the first to launch Type-IV composite cylinder for LPG and CNG (CNG cascade and on-board application) in India and the 2nd largest composite cylinder manufacturer worldwide, d) the 2nd largest MOX film manufacturer and a major HDPE pipes manufacturer in India. Over time, TIME has succeeded in capturing a significant share of business from its long-term global Fortune 500 company relationships.

Robust business model: TIME largely follows a B2B business model (~92% of total revenue). It works with more than 900 diversified sets of institutional customers globally with whom it has strong and long-standing relationships. It has low customer concentration with no individual customer contributing more than 5% to total revenue. TIME also has a diversified and strong sourcing/supplier base, given that it procures most of its raw materials locally through multiple suppliers in the region where its plants are located. Also, through its robust pass-through mechanism, it manages price volatility.

Industrial packaging products is a working capital-intensive business and operates at ~25% gross margin. There is a large reconditioning market globally where these products are cleaned and reused 3-4 times before they go for recycling.

Business mix categorization: From a reporting perspective, TIME categorizes its business into two verticals 1) polymer products (65% revenue mix) and 2) composite products (35% revenue mix). However, from a product segment perspective, it categorizes its business into two segments a) established products and b) value-added products (VAP).

Exhibit 28: Industrial packaging sales by user industry

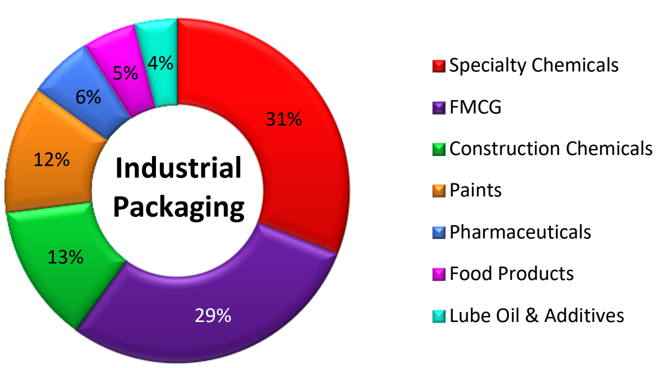


Exhibit 29: User industry - Growth prospects

Segment	Business (%)	Expected growth in FY24
Specialty Chemicals	31%	11%-13%
FMCG	29%	11%-13%
Construction Chemicals	13%	6%-8%
Paints & Inks	12%	6%-8%
Pharmaceuticals	6%	8%-10%
Lube Oils & Additives	4%	6%-8%
Others	5%	5%-7%

Source: Company

Established products (FY24: revenue Rs 37.2bn, ~75% mix; EBITDA margin 12.8%)

TIME has broadly divided its established products basket into 3 categories a) industrial packaging (drums, jerry cans and pails; 64% of total revenue), infrastructure (HDPE pipes and energy storage devices; 7% of total revenue; Rs 2bn+ order book) and technical & lifestyle (turf & matting, disposable bins & auto components; 4% of total revenue).

TIME is a leader in industrial packaging in India and among the top 3 players globally. It is the world's largest manufacturer of large size plastic drums and a leader in India with an impressive 50-60% market share and also high share in 9 out of the 10 countries it has presence in (excluding the US, which is dominated by 3 large players). It is the first company to launch IBC in India and the 3rd largest IBC manufacturer worldwide. It is also a key HDPE pipes manufacturer in India.

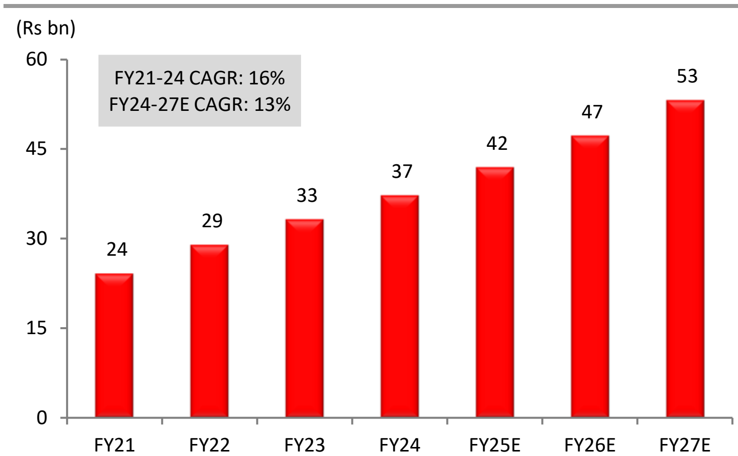
Exhibit 30: Global industrial packaging ranking (polymer)

Company	Polymer drums	IBC
Mauser	2	2
Schutz	3	1
Greif	4	4
Time Technoplast	**1**	**3**

Source: Company

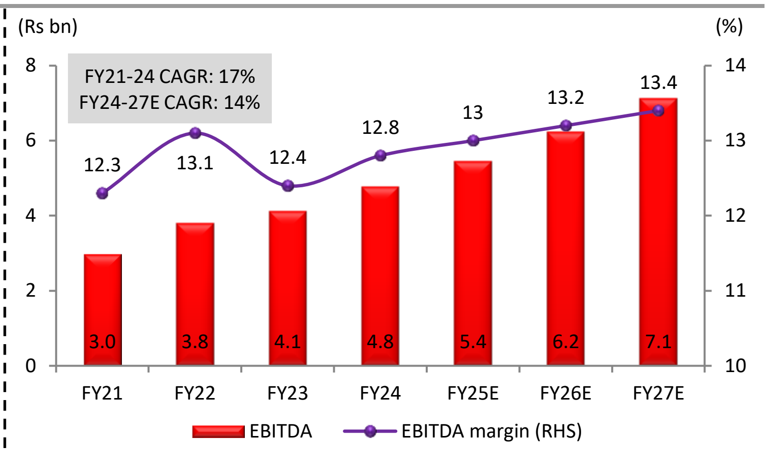
Financial outlook: During FY21-24, the segment posted revenue/EBITDA at 15.6%/17.1% CAGR with 12.3%-13.1% EBITDA margin. We estimate 12.6%/14.3% CAGR in revenue/EBITDA, respectively, over FY24-27E, and expect EBITDA margin to gradually improve to 13.4% in FY27E. Our revenue growth estimate is aligned with the growth expectations of its key user industries.

Exhibit 31: Established products - revenue growth trend



Source: Company

Exhibit 32: Established products - EBITDA and margin trends



Source: Company

Industrial packaging (drums, jerry cans and pails; 64% of total revenue)

TIME is the largest manufacturer of industrial packaging in Asia and MENA region. It produces polymer drums/barrels, jerry cans and pails ranging from 5 to 250 liter capacity for varied packaging requirements. These products are manufactured at 16 locations in India and 10 locations abroad. For this purpose, the company uses polymer processing technologies such as blow moulding, injection moulding and extrusion to produce a wide range of products. These products are manufactured through a fully automated continuous process without any welds or joints. TIME services 900+ institutional customers globally across varied sectors like chemicals, paints and pigments, food and beverages, petroleum, industrial coatings, agricultural, pharmaceutical, mineral, packaging, automotive and building products. The company has been strategically tying up with MNCs across countries, banking on its vast presence in Asia and MENA region.

Polymer drums are gaining prominence in the global industrial packaging industry. At 5.9% CAGR, the global industrial packaging market is estimated to touch USD 123.2bn by 2032, owing to the increasing usage of polymer based products in end-use industries such as automotive, food & beverages, chemical, construction and oil & lubricants. The user industries are estimated to expand at 5-13%. Polymer drums constituted ~18% (61mn units) of the 330mn units global drum market. Technical and operational advantages coupled with lower costs have driven a gradual shift towards polymer packaging from metals in this space.

TIME has miniscule presence in metal drums, which completes its product basket. Although polymer drums are fast replacing metal drums, there will likely exist 10-15% of market relevant to metal drums for specific types of chemicals and other products. Even though metal drums have low 5-6% EBITDA margin, the segment enjoys a high fixed asset turnover of ~5x.

Exhibit 33: Packaging products – market size break-up

Packaging Product (Market Size)	Asia (Mn Units)			Global (Mn Units)		
	India	Rest of Asia	Total	Asia	RoW	Total
Steel Drum	11 (42%)	131 (88%)	142 (81%)	142 (81%)	127 (82%)	269 (82%)
Polymer Drums	15 (58%)	18 (12%)	33 (19%)	33 (19%)	28 (18%)	61 (18%)
Total	26 (100%)	149 (100%)	175 (100%)	175 (100%)	155 (100%)	330 (100%)
IBCs	0.5 (20%)	2.0 (80%)	2.5 (100%)	2.5 (17%)	12.0 (83%)	14.5 (100%)

Source: Company

Infrastructure (HDPE pipes and energy storage devices; 7% of total revenue)

TIME's **high-density polyethylene (HDPE) pipes,** branded as *Max'M*, are used in the water supply, drainage, sewage, power dust segments, etc. Various government programs such as *Jal Jivan Mission,* etc., drive the demand for such pipes. In India, the company manufactures pipes in 3 regions – Silvassa (West), Hyderabad (South) and Kolkata (East) and works with 10-12 EPC contractors who participate in government tenders. While it currently has an order book of over Rs 2bn for pipes, most of the products attract recurring orders every month. The company has also launched new generation multilayer pipes for power/ communication cable ducts with silicon in-lining. Management believes these products hold huge business potential especially in the development of smart cities.

Financial outlook: The pipe segment contributed ~Rs 2.5bn to TIME's revenue in FY24 and has guided over 20% CAGR over the next 3 years in the space.

Energy storage devices mainly consist of valve-regulated lead-acid (VRLA) batteries, branded as *MaxLife*, which are supplied to railways and the solar industry, among others. Post slowdown in last 3-4 years, the segment is now seeing some traction in demand. TIME has recently appointed a CEO for this business and expects to double revenue to Rs 2.5bn in 3-4 years (vs. FY24) and achieve 10-12% EBITDA margin through new product launches. Its R&D team has developed 2 new low-cost low maintenance products 1) transparent container batteries, to be used by the power sector and Indian Railways, and 2) low-cost low maintenance lead acid batteries for e-rickshaw. Management believes an investment of Rs 50-70mn in these products could potentially yield over Rs 1bn revenue over the next 2-3 years.

Background: The battery business is operated under NED Energy, a Hyderabad based subsidiary, which TIME acquired in 2008. Having started with telecom batteries, NED today manufactures a vast range of batteries for solar, railway signal and other industrial applications. Telecom now contributes only ~25% of the segment revenue.

TIME has identified the battery business as a non-core asset and may divest it in 2-3 years as it is unrelated to the core business and generates miniscule revenue.

Technical & lifestyle (turf & matting, disposable bins, etc.; 4% of total revenue)

This segment follows the B2C business model and earns over Rs 2bn revenue by selling products via 50+ distributors; the business operates at 15%+ EBITDA margin.

Exhibit 34: Technical & lifestyle products

Source: Company

Long-standing relationships with large global marquee customers

A long-term relationship with several global Fortune 500 companies has aided TIME to capture a significant share of business from them. It has a diversified end user base (no single customer accounts for 5% of total revenue) with significant revenue coming from specialty chemicals and non-cyclical sectors (FMCG, F&B, paints).

Exhibit 35: Longstanding relationships across multiple locations

Customer	No. of years of Relationship	Estimated wallet share	Countries
Solvay	30	~30%	3 (India, Thailand and Indonesia)
Dow Chemicals	16	~70%	7 (India, Thailand, Taiwan, Vietnam, Bahrain, KSA & UAE)
Ecolab	16	~60%	8 (India, Thailand, Taiwan, Malaysia, Indonesia, Bahrain, Egypt & UAE)
BASF	16	~50%	7 (India, Thailand, Indonesia, Taiwan, Malaysia, Vietnam and UAE)
Chemanol	15	~70%	2 (Bahrain and KSA)
Synthomer	15	~75%	6 (Thailand, Malaysia, Vietnam, Bahrain, UAE and KSA)
Shell	15	~70%	5 (India, Thailand, Malaysia, Egypt and UAE)
NALCO	12	~50%	3 (Sharjah, Bahrain and KSA)
SABIC	9	~40%	2 (Bahrain and KSA)
Galaxy	8	~70%	2 (India and Egypt)
Centurion	5	~75%	1 (USA)

Source: Company

VAP holds robust growth potential with high margins

Value-added product (VAP) is a high growth (20-30% CAGR), high EBITDA margin (18%+) business for TIME. The company's VAP basket mainly consists of IBC (12% of total revenue), composite cylinders (LPG domestic, CNG cascades; 10% of total revenue) and MOX films (cross-laminated film; 3% of total revenue). TIME was the first company to launch IBC in India and is the 3rd largest IBC manufacturer worldwide. It is also the first company to have launched Type-IV composite cylinders for LPG and CNG in India and is the 2nd largest composite cylinder manufacturer in the world. Management believes the composite cylinder business has huge potential and sees vast applications for the product across industries. Towards this, the company is constantly evaluating new products with immense revenue potential. In FY24, the VAP segment contributed 25% to total revenue, which the company aims to increase to 35% over the next 2-3 years (at ~20% CAGR), likely outpacing the growth in the established products segment (~12% CAGR). The rising revenue mix in VAP would augur well for the company's overall margins.

Value added products (FY24: revenue Rs 12.8bn, ~25% mix; EBITDA margin 17.9%)

TIME's VAP basket mainly consists of IBC (12% of total revenue), composite cylinders (LPG domestic, CNG cascades; 10% of total revenue) and MOX films (cross-laminated film; 3% of total revenue). TIME was the first company to launch IBC (also a part of industrial packaging products) in India and is the 3rd largest IBC manufacturer worldwide. It is also the first company to launch Type-IV composite cylinder for LPG and CNG (CNG cascade and on-board application) in India and is the 2nd largest composite cylinder manufacturer in the world. The company consistently invests in R&D activities (~0.5% of revenue) aimed at improving its existing product lines and towards developing new products with huge revenue potential. For instance, composite cylinder that the company launched a decade ago clocked Rs 5.1bn revenue in FY24 and continues to have huge potential (Rs 20bn likely in 3-4 years).

Financial outlook: TIME aims to increase its VAP revenue mix to 35% over the next 2-3 years (25% in FY24) by expanding at a faster clip (~20% CAGR) than the established products segment (~12% CAGR). A higher revenue mix of VAP would augur well for the company's overall margins. Revenue/EBITDA in the segment expanded at 29%/34% CAGR over FY21-24, with EBITDA margin hovering at 16-18% during this period. For FY24-27E, we estimate 20%/20% CAGR in revenue/EBITDA, respectively, with EBITDA margin of over 18%. Our revenue growth estimate builds in 30% CAGR for CNG cascades, 18% for IBC and ~12% each for LPG cylinders and MOX films.

Exhibit 36: VAP - Revenue growth trend

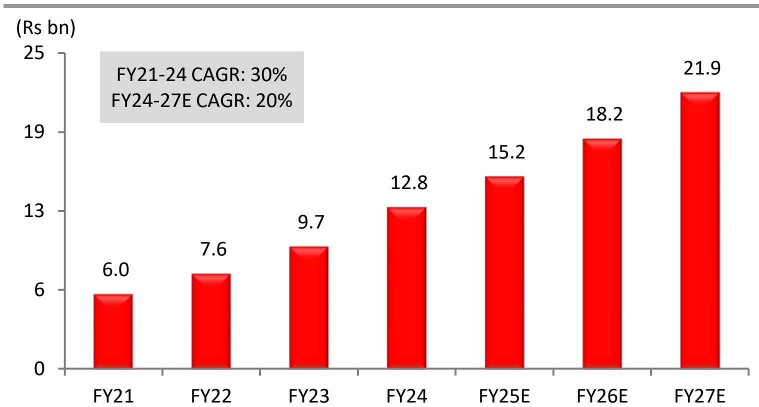
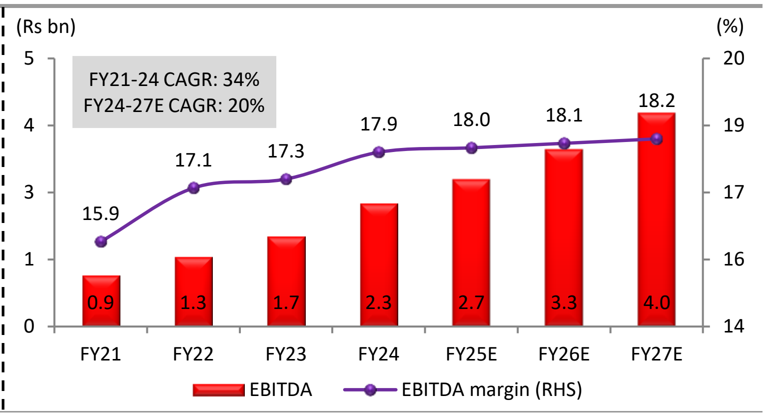


Exhibit 37: VAP - EBITDA and margin trends



Source: Company

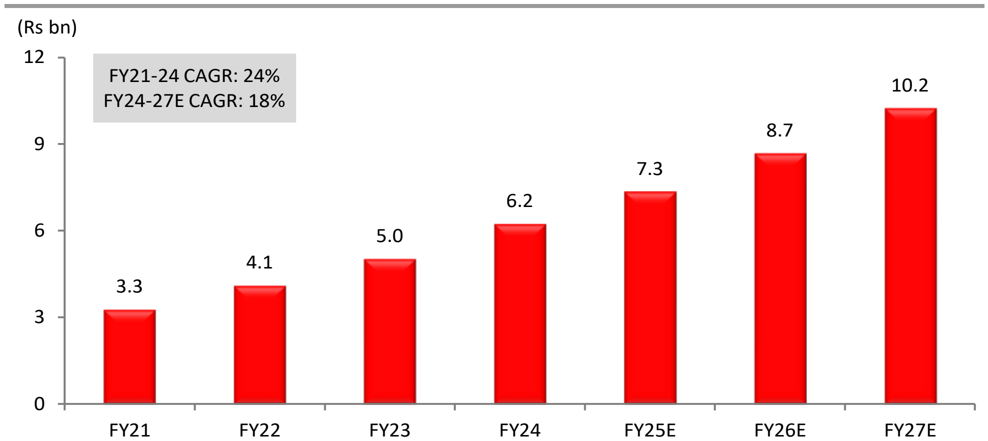
Intermediate Bulk Containers (FY24 revenue - Rs 6.2bn, 12% mix)

IBC is a part of the industrial packaging product segment and contributes 12% to TIME's consolidated revenue, which is broadly equally distributed between India (45% mix) and overseas markets (55% mix). TIME was the first company to launch IBC in India and is the 3rd largest manufacturer of IBCs in the world. It commands 90% volume market share in a 0.5mn unit market in India. The company manufactures up to 1,000 liters capacity containers (vs. 200 liters for drums) which are used to transport materials by petrochemical, food, solvent etc. within a country as well as exports. Customers are broadly the same as drums.

Also, TIME runs its polymer drum and IBC businesses through TPL Plastech (TPL; acquired in 2006), in which it owns 74.86% stake. TPL mainly focuses on low segment drums and IBCs. In FY24, the subsidiary clocked ~Rs 3.25bn revenue (75% from India) at ~12% EBITDA margin. TIME expects TPL's revenue to expand at 10-12% CAGR (in line with user industries). Last year, TPL completed expansion at Dahej to manufacture IBCs (Rs 900mn revenue potential).

Financial outlook: Post robust 24% CAGR over FY21-24, we estimate 18% CAGR in IBC revenue over FY24-27E (vs. management guidance of 15%). This category enjoys EBITDA margin of over 15%.

Exhibit 38: IBC - revenue growth trend



Source: Company

Growth drivers: IBC is gaining popularity due to its cost effectiveness, ease of handling and emphasis on sustainability. The substantial surge in steel prices have also supported the shift from metals to polymer and composite products. Key factors that management believes would drive growth in this business are (a) robust export potential of user industries in India (as an alternative to China), (b) rapid growth in chemical industries across Asia, (c) increasing automation, (d) trade from Asia to western countries expanding multifold, and (e) growing demand for reconditioning solutions, mainly in developed regions.

Exhibit 39: Global industrial packaging ranking (polymer)

Company	Polymer drums	IBC
Mauser	2	2
Schutz	3	1
Greif	4	4
Time Techno	**1**	**3**

Source: Company

Exhibit 40: IBC's market size (mn units)

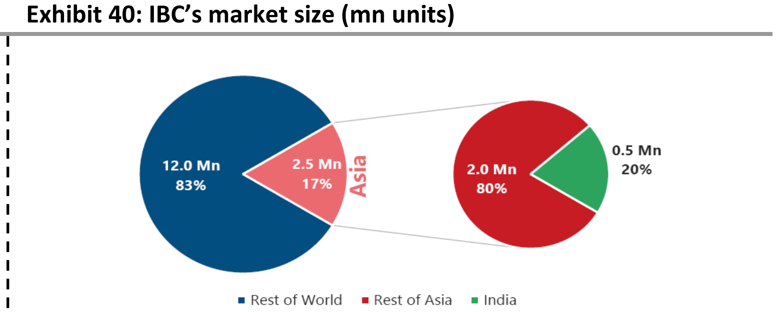
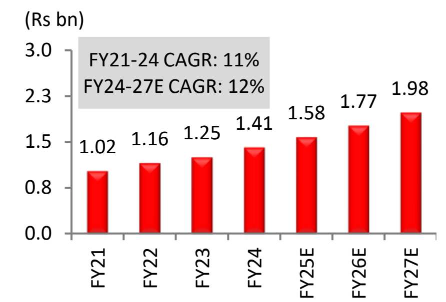


Exhibit 41: MOX films - revenue growth trend



Source: Company

MOX films (FY24 revenue - Rs 1.4bn, ~3% mix)

TIME is a leading player in the cross laminated film industry in India and overseas. These films are tear/puncture resistant, 100% waterproof, weathering, UV and chemical resistant. The company sells its products under the brand, *Techpaulin* to 50+ distributors, catering to the agriculture, infrastructure, packaging and commercial vehicle industries. Its manufacturing capacity of 12,000 tons operates at a range of 35 to 320 GSM thickness. Supreme Industries is the largest organized player in this segment with over Rs 6bn annual revenue (vs. ~Rs 1.4bn for TIME).

Market potential: The global agricultural films market stood at USD 12.2bn in 2022 and is projected to expand at 6.9% CAGR to USD 18.5bn by 2028. Asia Pacific is likely to see robust growth in these films and TIME expects to leverage its wide distribution network in domestic as well as overseas markets.

Financial outlook: After clocking 11.3% CAGR over FY21-24, we estimate MOX films to post 12% revenue CAGR over FY24-27E (to ~Rs 2bn). The category enjoys ~18% EBITDA margin.

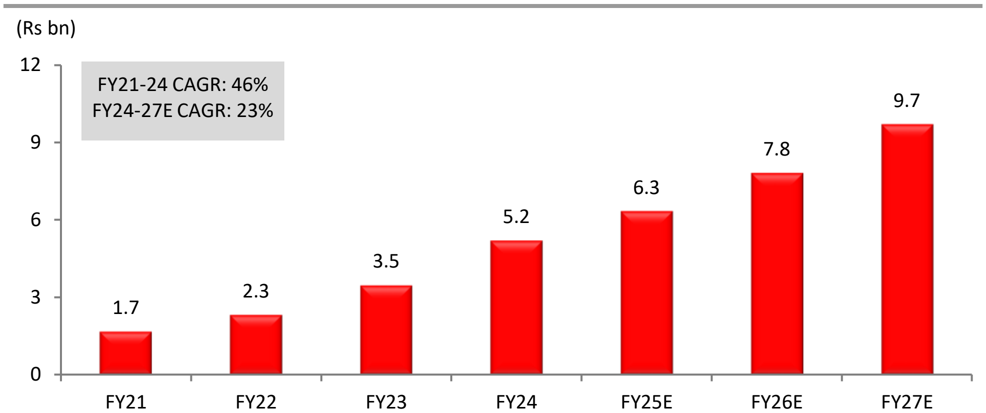
Composite products (LPG and CNG cylinders; FY24 revenue - Rs 5.1bn, ~10% mix)

Composite is a material of future, that has the ability to replace metals in high-performance applications. TIME ventured into composite LPG cylinders about a decade ago and aspires to become the largest composite product company in India. Today, the company primarily focuses on a) Type-IV LPG composite cylinder, in which it is the 2nd largest manufacturer worldwide and b) CNG cascades, which is evolving at a fast pace and has huge growth potential (on faster adoption from GoI's support).

There are only 3 major players globally who manufacture such composite products, as access to technology is difficult. TIME has been delving in the composite business since the last 2 decades and has inherent advantages. Apart from cylinders, TIME also sees vast applications of composite products across industries. The company constantly evaluates new products, which could have huge revenue potential. It is already supplying few composite products to the automotive industry.

Financial outlook: After robust ~46% CAGR over FY21-24, we estimate composite products' revenue to expand at ~23% CAGR over FY24-27E (to Rs 9.7bn), led by 30% CAGR in CNG cascade (Rs 6.8bn) and ~11% CAGR in LPG cylinders (Rs 2.9bn, excluding a large order from IOCL expected in 4QFY25. Composite products enjoy the highest margin (18%+) within the company's overall product basket. The company sees Rs 20bn revenue potential in next 3-4 years, as it expects end users to adopt these products faster.

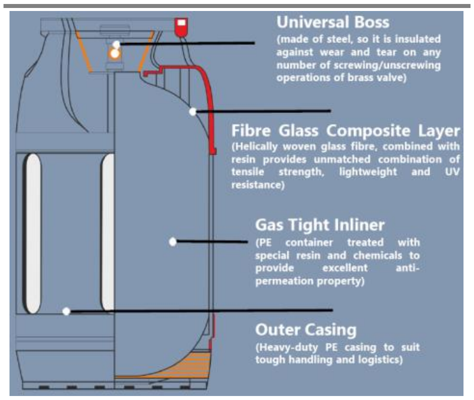
Exhibit 42: Composite products - revenue growth trend



Source: Company

LPG composite cylinder

Different layers of the Type-IV LPG composite cylinder



Composite LPG cylinders (FY24 revenue - Rs 2.08bn, ~4% mix)

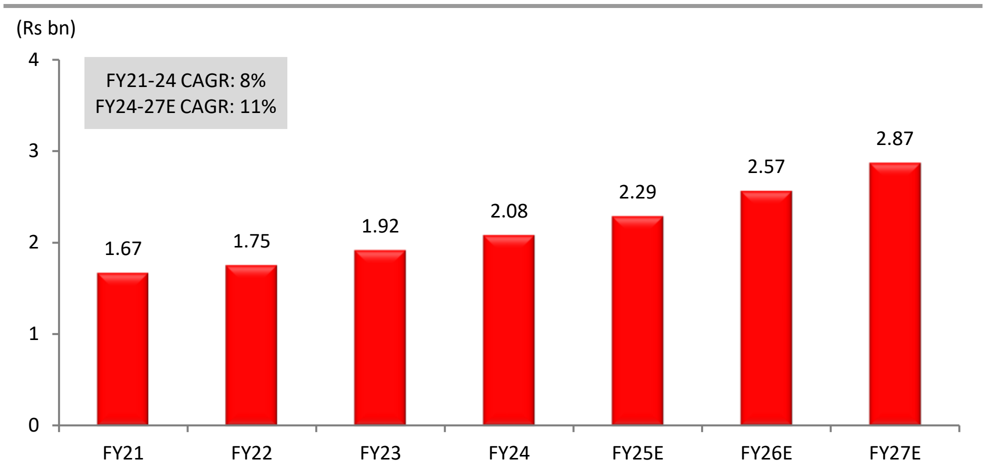
TIME ventured into composite LPG cylinders about a decade ago, clocking ~Rs 2.1bn revenue in FY24. The company's main focus is on the Type-IV LPG Composite Cylinder where it is the 2nd largest manufacturer worldwide. The company first started selling these products in overseas markets (48 countries), as the Indian market took longer to pick-up than anticipated, given the delays in government approvals and subdued demand for these products. However, with increased awareness, Indian market today contributes over 70% of revenue in the category. It is also helping OMCs create awareness about the benefits of composite cylinders through distributor meets and other promotional activities.

Market potential: Composite cylinders are gaining acceptance in markets as they are lightweight (20kg vs. 29kg of steel), fill more volume and are easier to use. **Over 2.5bn metal cylinders are in circulation worldwide, implying a significant addressable opportunity.** In India, there are 500mn units of LPG cylinders in circulation and 50mn units are added each year. Against this, cumulatively TIME (1.5mn, ~1.2mn saleable given their different sizes and shapes) and Supreme (0.5mn) operate a capacity of merely 2mn composite cylinders. These 2-3mn composite LPG cylinders are largely deployed in few states (top 5 and top 10 states constitute ~55% and ~80% of the total volume, respectively) while the rest remains untapped. Thus, the company sees a large business opportunity for composite LPG cylinders in the long run. TIME regularly supplies these cylinders to IOCL and Go Gas, while it is in discussions with BPCL and HPCL for the same. The company recently added countries such as Taiwan, Ghana, Nigeria, Bermuda, St. Lucia, Romania, Burundi, Australia, UAE and the US in the overseas markets.

Financial outlook: We estimate ~11% revenue CAGR in composite LPG cylinders over FY24-27E, post low ~8% CAGR witnessed during FY21-24. Our forecast is premised on the existing tenders floated by oil marketing companies (OMCs). However, TIME is expecting a large order from IOCL in 4QFY25, which could propel growth; the category enjoys ~18% EBITDA margin.

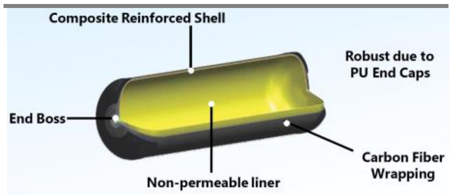
Capex plan: TIME's composite LPG cylinder plants are running at near optimal capacity of over 90%. The company expects to freeze its plan of adding 0.5mn cylinder capacity over the next 6 months at ~Rs 500mn capex, once it gets clarity on the IOCL order. These cylinders are priced at Rs 20-25bn per cylinder, 20-30% higher than the metal ones, but provide better working economics. It is a less working-capital intensive business with a fixed asset turnover of ~2.5x.

Exhibit 43: Composite LPG cylinder - Revenue growth trend



Source: Company

Making of Type-IV CNG composite cylinder



Advantages: Higher gas carrying capacity, 70% lighter, better fuel efficiency, maintenance/corrosion free, higher life, and explosion proof

Type-IV cylinders for cascade application

Advantages of cascade application: 70% lighter than Type-I cylinder, 2.2x more gas per trip, ~50% lower per kg CNG transportation cost and no dry outs

Composite CNG cylinders (FY24 revenue - ~Rs 3.1bn; ~6% mix)

TIME entered the composite CNG cylinder market about 3 years ago and introduced CNG cascades featuring carbon fiber reinforced wrapped Type IV composite cylinders. Cascade products are used to store and transport gas from the mother station to the filling station. Key customers for CNG cascades include Adani Total Gas, Mahanagar Gas, BPCL, HPCL, IOCL, IGL, Gail Gas, etc. Imports of Type IV cylinders in India have been unsuccessful. Few companies tried to import products from Korea and Russia but failed to be competitive versus TIME.

Globally, the composite CNG cylinder market has evolved from cascades, followed by on-board products for commercial vehicles, passenger vehicles (PV) for commercial use to passenger vehicles for individual use. TIME expects India to follow a similar trend with likely opening of the PV market in 2-3 years from now. Towards this, discussions are ongoing with original equipment manufacturers (OEMs) for multiple-sized products for different models and the required approvals for these products are in place. It is also the first company to have received approval for Type-IV composite cylinder for hydrogen.

Market potential: As per government guidelines and policies of Oct 2020, CNG cylinder market is estimated at Rs 280bn for all types of products and applications. Currently, city gas distribution (CGD) companies are working on setting up 8,181 CNG stations in 193 locations over the next 8 years. This provides ~Rs 22bn annual revenue opportunity for Type-IV cylinders (metal and composite combined) for the next 8 years. TIME expects at least 30-40% conversion to Type-IV composite cylinders in the next few years, with a company garnering a lion's share. As the demand for CNG rises in India, the expansion of CNG distribution would necessitate a significant number of CNG cascades. Compressed biogas (CBG) plants, set up by Reliance, Adani and other giants will likely further boost the demand for CNG cylinders.

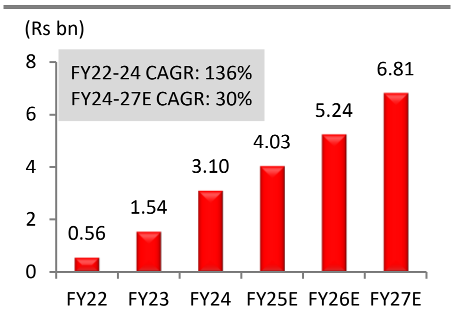
Exhibit 44: Market potential of CNG cylinders across applications in the bus segment

	Total estimated business (Rs mn)	Business in no. of years	Estimated market per year (Rs mn)	Conversion (%)	Total estimated business (Type-IV) per year (Rs mn)
CNG cascades	1,14,530	8	14,320	50	7,160
MRUs	13,200	4	3,300	50	1,650
Compressed bio gas	60,000	3	20,000	20	4,000
Gas generators for telecom towers	48,000	4	12,000	20	2,400
CNG for intracity buses	53,040	4	13,260	50	6,630
Total estimated value of business	**2,88,770**		**62,880**		**22,000**

Source: Company *Note: Above potential is from the bus segment only. Commercial vehicles and passenger cars are estimated to have equal or more potential*

***Click here** to view detailed break-up of estimated market size (in annexure)*

Exhibit 45: Composite CNG cascade - revenue growth trend



Source: Company

Financial outlook: In just 3 years of operation, TIME realized ~Rs 3.1bn revenue from cascade CNG cylinders in FY24 (export mix 30%; ~30% of category revenue). Based on its strong order book position (~Rs 1.75bn, executable over next 6 months) and visibility, TIME expects revenue in the category to expand at more than 30% CAGR over the next 3 years to Rs 7-8bn in FY27E. The category enjoys ~18% EBITDA margin.

Capex plan: One cascade consists of 60 cylinders of 156 liter capacity each and is priced at ~Rs 8mn per cascade. TIME has the capacity to manufacture ~30,000 cylinders or 480 cascades, which could generate revenue of ~Rs 4bn per annum. At near optimal plant utilization (90%+), TIME is in the process of adding 600 cascades in western India to reach a total of 1,080 cascades. Machinery is expected to be shipped from Oct 2024, and the plant is scheduled to be commissioned in 1QFY26.

Many levers for expansion in margins, return ratios and FCFs; aims debt-free status in 2-3 years

TIME believes in building capacities ahead of demand across market cycles. This has helped the company in gaining customer confidence as an assured product supplier. During FY19-24, the company invested over Rs 10bn (~Rs 1.7bn per annum) towards adding capacities across product verticals in its established (Rs 5.7bn) and value-added segments (Rs 5bn). This capex constitutes ~35% of the company's current gross block, which it funded via internal accruals. Under VAP, apart from LPG and CNG cylinders, the company is also invested in new products such as hydrogen cylinders, the market of which is yet to develop. In the existing set up, management believes it will likely continue with its annual capex of Rs 1.5-1.7bn, majorly in VAP. This should boost the company's pre-tax RoCE from ~16% in FY24 to ~23% in FY27, on the back of a) healthy operating performance (robust growth in higher-margin VAP segment), b) better plant efficiency, c) sales/gross-block of ~1.6x, d) sales/net-block of ~3.6x, and e) net working capital cycle (by 10-15 days). It expects to use an estimated Rs 4bn annual operating FCF (over the next 3 years) to pare debt and turn net cash in FY27 from net debt of ~Rs 6bn in FY24. Being a large user of polymer as its raw material, TIME is also exploring options to set up a polymer recycling plant for efficient sourcing.

Exhibit 46: Gross capex trend

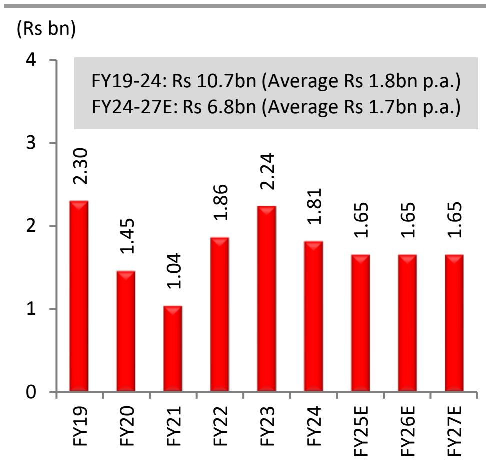


Exhibit 47: Capacity utilization

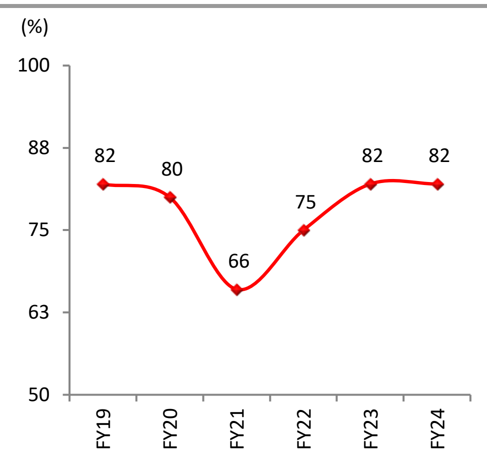


Exhibit 48: Margin trend

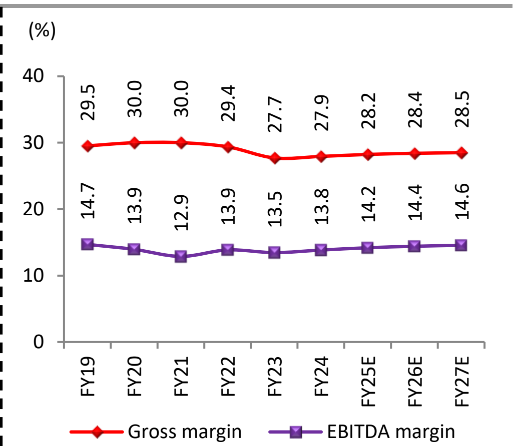


Exhibit 49: RoE, RoCE, RoIC trends

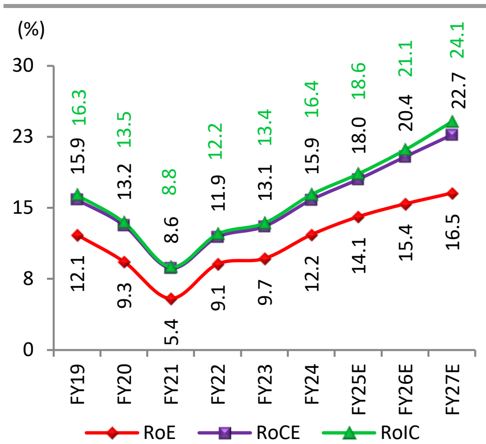


Exhibit 50: Healthy FCF generation…

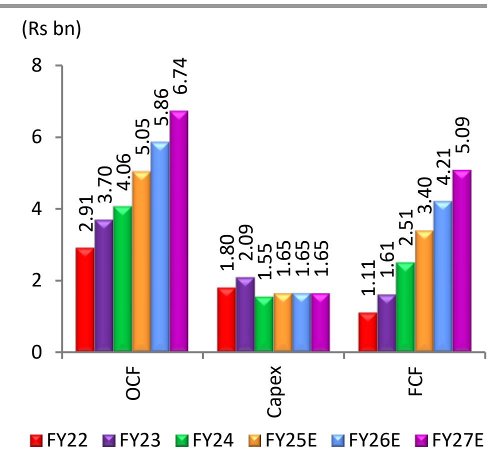
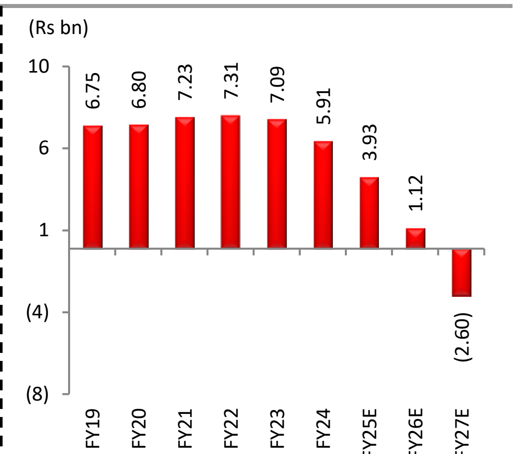


Exhibit 51: …to result in net cash



Source: Company, Systematix Institutional Research

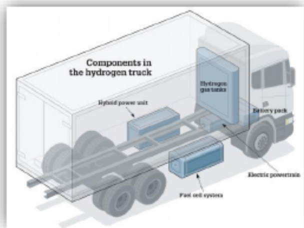
Exhibit 52: Recent product development

Type-III composite cylinder for breathing air/ medical oxygen (VAP)	Composite air tank for heavy vehicles (VAP)	WIPRO hydraulic tank - 120 liter
		
Application as self-contained breathing apparatus (SCBA) for – Fire fighters, hospitals, drivers (SCUBA), portable home oxygen bottles, mountain climbers, emergency use in ambulances	• A 30 liter tank weighing 5.6kg (vs. 12kg for metal) • Currently supplies to Tata Motors for Ultra 9/9m & 9/12m EV	• All tippers with back body tilting arrangement use hydraulic systems for tilting operation • Currently, Wipro supplies this hydraulic system with metal hydraulic oil tank to auto OEMs • For the 1st time in India, TIME developed this polymer hydraulic oil tank for Wipro, which is currently used in Tata Signa 3523 tipper • **Advantages:** 75% lighter than metal tank; No oil contamination from tank corrosion

Source: Company

Exhibit 53: Value added products under development

Hydrogen Cylinder for Fuel Cells



- Type-IV Carbon wrapped cylinders
- Light weight (90% weight reduction) - provides better fuel economy and better payload
- Reliable and safe
- Applications – Hydrogen Cars, power generation (Towers)

Composite Fire Extinguisher

- Made with HDPE inner liner
- Light Weight, Carbon Neutral and 100% recyclable
- Higher Strength with winding
- Maintenance Free & Corrosion Free
- Long shelf life

Source: Company

Asset monetization and business restructuring to strengthen balance sheet

TIME is in the process of monetizing a few non-core and non-performing assets and restructuring its business. The company is in the process of carrying out the due diligence to divest 50% of its business in the Middle East (~Rs 3.5bn, ~7% of consolidated revenue) on debt & cash free basis, for a valuation of around USD 25mn. It has also identified non-core assets worth Rs 1.25bn to be divested in India, comprising mainly land, buildings and small projects. Management aims to garner Rs 2.5-3bn by divesting these assets over FY25-FY26. It expects to use the proceeds to reduce debt, fund capex and reward shareholders.

Monetizing non-core NPAs

TIME is looking to monetize non-core non-performing assets (NPAs) both in India and overseas. It expects to garner Rs 2.5-3bn through the divestment of these assets over FY25-FY26. As part of its business strategy, the company intends to focus more on businesses that generate 18%+ EBITDA margin.

In its overseas operations, the company is currently working on selling 50% stake in business units based in Saudi Arabia, Bahrain and the UAE to a local financial investor. These units have a combined revenue of ~Rs 3.5bn and are expected to garner Rs 1.6bn inflows for TIME on a post-tax basis. The due diligence process is in the final stages of completion and the money inflow is expected in 3QFY25.

In India, TIME has identified non-core assets worth Rs 1.25bn to be divested, comprising mainly land, buildings and small projects. It already monetized Rs 400mn worth assets in FY24. Management aims to divest Rs 300mn worth assets by Sep'24 and complete the entire divestment process of ~Rs 900mn in FY25.

TIME has also identified NED Energy, a subsidiary, as a non-core asset, which TIME could divest in future. NED achieved peak revenue of ~Rs 2.5bn about a decade ago, but since then, the company has seen muted performance. However, the business witnessed some revival of late. It has hired a new CEO to drive the business and expects to double revenue over the next 3-4 years to Rs 2.5bn from ~Rs 1.25bn in FY24 at 12-13% EBITDA margin.

Business restructuring

TIME has identified a few small manufacturing units that are operationally inefficient. Thus, management aims to consolidate these to nearby large units to enhance their efficiency levels.

Robust financial outlook - aims 15% revenue CAGR, 15%+ EBITDA margin and 20%+ RoCE over next 2-3 years

TIME bore the financial impact of COVID-19-associated challenges. The company's performance revived once demand and supply-chain issues normalized. It recorded 17%/17%/28% CAGR in revenue/EBITDA/PAT over FY22-24 and EBITDA margin inched towards 14%. We estimate 15%/17%/27% CAGR over FY24-27E and gradual expansion in EBITDA margin to 15%. Our robust outlook is based on anticipated strong performance in the VAP segment (20% revenue CAGR, 18%+ EBITDA margin, revenue mix rising from 26% to over 30%). Despite Rs 1.5-1.7bn annual capex (akin to last 6 years), we expect the company's pre-tax RoCE to expand from ~16% in FY24 to ~23% in FY27 on a) healthy operating performance (robust growth in higher-margin VAP segment), b) better plant efficiency, c) sales/gross-block of ~1.6x, d) sales/net-block of ~3.6x and e) lower net working capital cycle (by 10-15 days). An estimated Rs 4bn annual operating FCF over the next 3 years will likely be used to pare debt and achieve net cash status in FY27 (net debt of ~Rs 6bn in FY24). We estimate healthy OCF/EBITDA (60%+) and FCF/PAT (80%+) over the next 3 years. TIME aims to garner Rs 2.5-3bn by monetizing its non-core NPA operations both, in India overseas, by divesting these assets over FY25-FY26 (not in our estimates; to be used to fund capex, pare debt and reward shareholders).

Exhibit 54: Volume and revenue growth trend

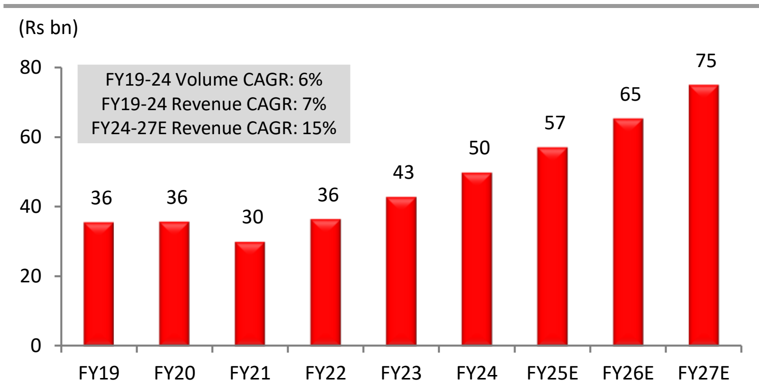


Exhibit 55: Margins trend

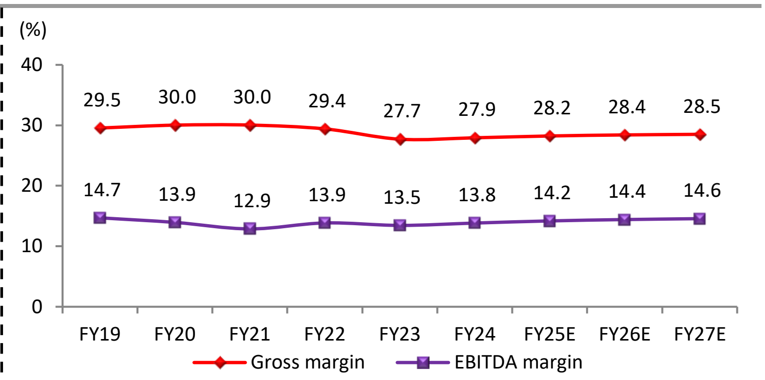


Exhibit 56: PAT and PAT margin trend

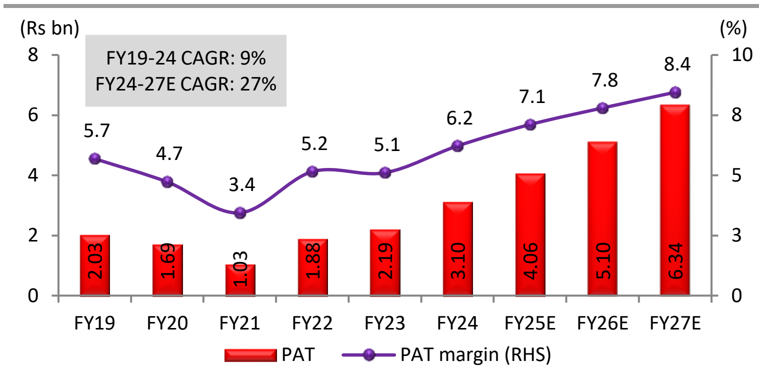
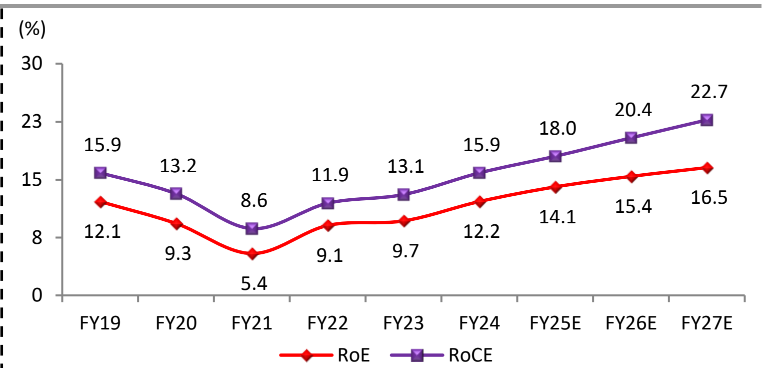


Exhibit 57: RoE and RoCE trend



Source: Company, Systematix Institutional Research

Exhibit 58: Working capital cycle

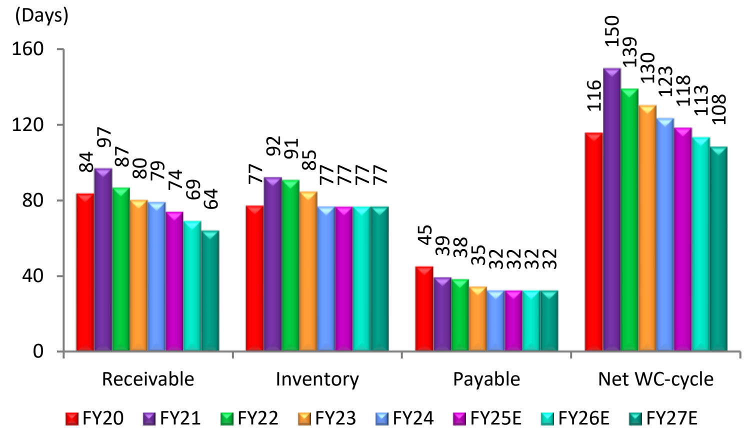


Exhibit 59: OCF, capex and FCF trend

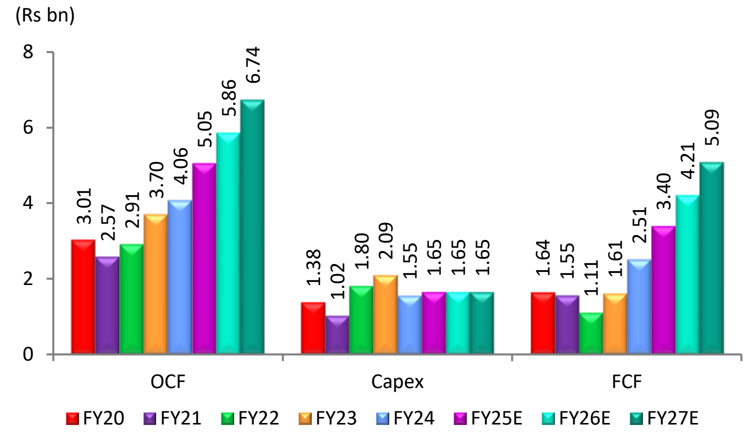


Exhibit 60: EBITDA/gross block trend

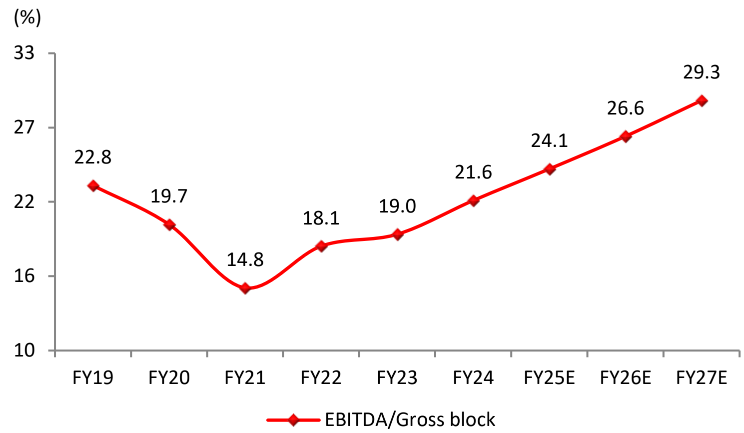


Exhibit 61: OCF/EBITDA trend

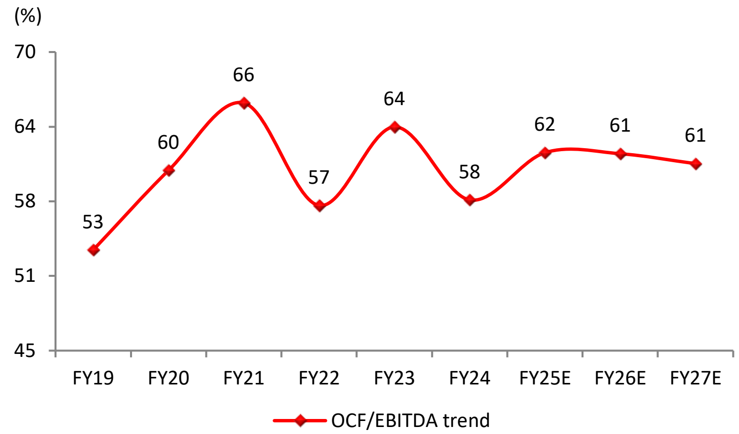


Exhibit 62: DuPont analysis

	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
RoE (%)	**9.3**	**5.4**	**9.1**	**9.7**	**12.2**	**14.1**	**15.4**	**16.5**
PAT margin (%)	4.9	3.5	5.3	5.2	6.3	7.2	7.9	8.5
Total asset turnover (x)	1.3	1.1	1.2	1.3	1.4	1.6	1.7	1.8
Equity multiplier (x)	1.5	1.5	1.5	1.4	1.4	1.2	1.2	1.1

Exhibit 63: Details of subsidiaries and JVs

Subsidiary/JV name	Country	TIME's shareholding (%)
TPL Plastech Ltd (Subsidiary)	India	74.9
NED Energy Ltd (Subsidiary)	India	97.0
Schoeller Allibert Time Material Handling Solutions Ltd (Subsidiary)	India	100.0
Elan Incorporated Fze (Subsidiary)	Sharjah, UAE	100.0
Kompozit Praha SRO (Subsidiary)	Czech Republic	96.2
Ikon Investment Holdings Ltd (Subsidiary)	Mauritius	100.0
GNXT Investment Holding PTE Ltd (Subsidiary)	Singapore	100.0
Schoeller Allibert Time Holding PTE Ltd (Subsidiary)	Singapore	50.1
Time Mauser Industries Private Limited (JV)	India	49.0

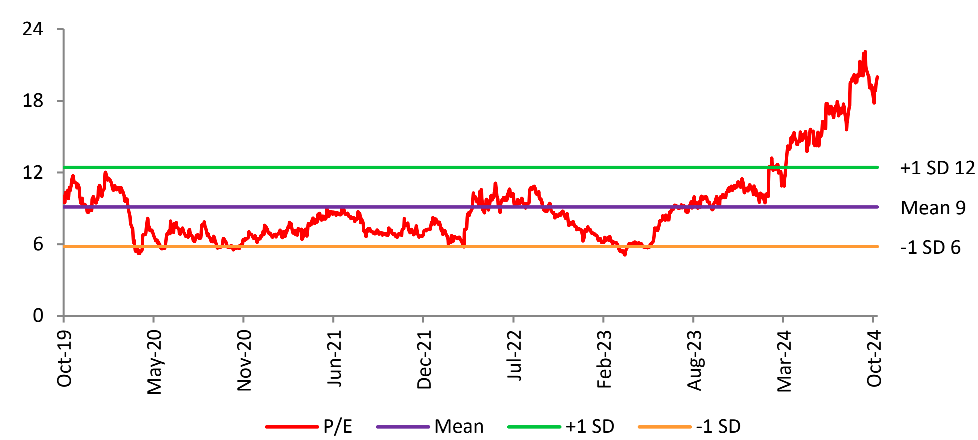
Source: Company, Systematix Institutional Research

Valuation and outlook – Initiate with a BUY

We initiate coverage on TIME with a BUY rating and a target price of Rs 615 (56% upside potential), based on 22x FY27E P/E. We are sanguine on the prospects of a) its value-added composite products (LPG cylinders, CNG cascade cylinders, etc.) business, b) its stable and long-standing industrial packaging (drums, jerry cans, IBC, etc.) business, and c) management's focus on improving margins and return ratios, and turning debt free over the next 2-3 years.

TIME is a leader in industrial packaging and composite products in India and among the top 3 players globally. The company's revenue/EBITDA/PAT expanded at 17%/17%/28% CAGR, respectively, over FY22-24 and we forecast 15%/17%/27% CAGR over FY24-27E, to be led by strong performance in the VAP segment (20% revenue CAGR, 18%+ EBITDA margin). Despite Rs 1.5-1.7bn annual capex, we expect the company's pre-tax RoCE to expand from ~16% in FY24 to ~23% in FY27 on a) healthy operating performance, b) better plant efficiency and c) reduction in net working capital cycle (by 10-15 days). TIME has the potential to generate Rs 4bn operating FCF annually over the next 3 years, which we believe the company will use to pare debt and acquire net cash status in FY27E (net debt of ~Rs 6bn in FY24). We estimate healthy OCF/EBITDA (60%+) and FCF/PAT (80%+) over the next 3 years. Management's intent to divest non-performing, non-core assets over FY25-FY26 (not in our numbers) could help it garner Rs 2.5-3bn of inflows (planned to be used in capex, debt reduction and special dividends etc.).

Exhibit 64: TIME – One year forward P/E band and standard deviation (SD)



Source: BSE, Systematix Institutional Research

Exhibit 65: Peer valuation comparison

	CMP	TP	Reco	P/E (x)			EPS (Rs)			CAGR FY19-24 (%)			CAGR FY24-27E (%)			RoE (%)		RoIC (%)	
	14-Oct	(Rs)		FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	Rev	EBITDA	PAT	Rev	EBITDA	PAT	FY25E	FY27E	FY25E	FY27E
TIME	**395**	**615**	**BUY**	**22**	**18**	**14**	**9**	**12**	**6**	**18**	**22**	**28**	**7**	**6**	**9**	**15**	**17**	**27**	**14**
Apollo Pipes	570	622	HOLD	40	26	18	42	65	19	14	22	31	22	20	12	27	30	44	7
Prince Pipes	545	615	HOLD	33	28	22	38	50	26	17	20	25	10	11	17	12	15	14	11
Supreme Industries	5,180	4,749	HOLD	59	52	44	32	46	18	87	100	118	13	15	19	13	13	12	19

Source: BSE, Screener.in, Systematix Institutional Research

Key risks & concerns

Raw material availability

Raw materials constitute over 70% of TIME's total revenue (~Rs 36bn in FY24) and thus sourcing is an important part of its business. Polyethylene (PE) granules, produced from oil and natural gas, are an essential raw material across all its business divisions. The company imports most of these granules from neighboring countries, with the rest from local manufacturers. Its procurement is mostly through open market purchases or through both, short and long term supply contracts. As the global market for recycled plastics evolves, TIME expects the demand for virgin polyethylene to increase. Countries such as China, India, Vietnam, Indonesia, the US, and those in Europe are significantly investing in recycling, which is expected to sustain overall demand in the long term.

Commodity price risk

TIME is exposed to polymer price fluctuations, which are deterministic on the supply and demand situations in Indian and international markets. Polymers are crude derivatives that mostly trail crude prices. Volatility in crude prices could have a bearing on the company's financials.

Foreign exchange and other risks

TIME's business is exposed to foreign exchange fluctuations, as 33% of its revenue (~Rs 16bn) came from overseas markets in FY24. Apart from currency fluctuations, import/export regulations, customs procedures, and changes in government policies and regulations are other factors that could impact the company's business performance. However, TIME has mitigated some of these risks by setting up manufacturing plants in 11 countries (including India) to serve the local demand in those countries.

Regulatory risks

TIME has developed many products which are first in the country. These products also include composite LPG and CNG cylinders, having been exposed to government regulation. While a part of the investments is upfront, revenue is earned only gradually, once the markets for these products evolve. Thus, failure in the pick-up of these products could hamper the company's financials.

FINANCIALS (CONSOLIDATED)

Profit & Loss Statement

YE: Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net revenues	**42,894**	**49,925**	**57,165**	**65,433**	**75,038**
Growth (%)	*18*	*16*	*15*	*14*	*15*
Raw material expenses	31,015	35,982	41,029	46,852	53,654
Gross Margin (%)	*27.7*	*27.9*	*28.2*	*28.4*	*28.5*
Employee & Other exp.	6,108	7,035	8,026	9,154	10,460
EBITDA	**5,771**	**6,908**	**8,110**	**9,427**	**10,923**
EBITDA margins (%)	*13.5*	*13.8*	*14.2*	*14.4*	*14.6*
Depreciation	1,709	1,726	1,829	1,963	2,026
Other income	38	142	87	109	180
Finance costs	1,052	1,014	743	523	330
PBT	3,048	4,310	5,625	7,049	8,747
Effective tax rate (%)	*26.6*	*26.7*	*26.7*	*26.7*	*26.7*
Associates/(Minorities)	(47)	(55)	(60)	(66)	(73)
Net Income	**2,190**	**3,104**	**4,063**	**5,101**	**6,339**
Adjusted net income	2,190	3,104	4,063	5,101	6,339
Shares outstanding	226	227	227	227	227
FDEPS (Rs per share)	9.7	13.7	17.9	22.5	27.9
FDEPS growth (%)	*17*	*42*	*31*	*26*	*24*

Balance Sheet

YE: Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	226	227	227	227	227
Net worth	22,693	25,528	28,910	33,103	38,307
Total debt	8,102	7,446	5,146	3,146	1,146
Minority interest	581	635	675	715	755
DT Liability/ (Asset)	1,012	1,127	1,227	1,327	1,427
Capital Employed	**32,389**	**34,736**	**35,958**	**38,292**	**41,636**
Net tangible assets	13,826	13,682	13,602	13,388	13,111
Net Intangible assets	2	1	2	3	4
Goodwill	-	-	-	-	-
CWIP	676	412	312	212	112
Investments (Strategic)	-	-	-	-	-
Investments (Financial)	-	15	15	15	15
Current Assets	22,775	25,495	27,915	30,546	33,468
Cash	1,014	1,535	1,221	2,030	3,744
Current Liabilities	5,904	6,404	7,107	7,903	8,817
Working capital	16,871	19,092	20,807	22,644	24,651
Capital Deployed	**32,389**	**34,736**	**35,958**	**38,292**	**41,636**
Contingent Liabilities	298	339	-	-	-

Cash Flow

YE: Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
EBIT (incl. other income)	4,155	5,241	6,321	7,504	8,937
Non-cash items	1,709	1,726	1,829	1,963	2,026
OCF before WC changes	5,864	6,966	8,150	9,467	10,963
Incr./(decr.) in WC	1,506	1,984	1,716	1,836	2,007
Others including taxes	656	920	1,387	1,767	2,220
Operating cash-flow	3,702	4,062	5,048	5,864	6,736
Capex	2,091	1,554	1,650	1,650	1,650
Free cash-flow	1,612	2,509	3,398	4,214	5,086
Acquisitions	-	-	-	-	-
Dividend	234	294	681	908	1,135
Equity raised	0	97	-	-	-
Debt raised	(253)	(761)	(2,300)	(2,000)	(2,000)
Fin Investments	-	15	-	-	-
Misc. Items (CFI + CFF)	1,117	1,316	731	496	238
Net cash-flow	8	219	(314)	810	1,713

Ratios @ Rs 395

YE: Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	40.9	28.9	22.1	17.6	14.1
EV/EBITDA (x)	16.8	13.8	11.5	9.6	8.0
EV/sales (x)	2.3	1.9	1.6	1.4	1.2
P/B (x)	3.9	3.5	3.1	2.7	2.3
RoE (%)	9.7	12.2	14.1	15.4	16.5
RoCE (%)	13.1	15.9	18.0	20.4	22.7
RoIC (%)	13.4	16.4	18.6	21.1	24.1
DPS (Rs per share)	1.3	2.0	3.0	4.0	5.0
Dividend yield (%)	0.3	0.5	0.8	1.0	1.3
Dividend payout (%)	12.9	14.6	16.8	17.8	17.9
Net debt/equity (x)	0.3	0.2	0.1	0.0	(0.1)
Receivables (days)	80	79	74	69	64
Inventory (days)	85	77	77	77	77
Payables (days)	35	32	32	32	32
CFO:PAT (%)	169	131	124	115	106

Source: Company, Systematix Institutional Research

Annexure

Exhibit 66: Market potential of CNG cylinders across applications

CNG cascades	(Rs mn)	Compressed bio-gas (CBG)	(Rs mn)
New CNG stations allotted in 9th and 10th round	8,181	Total CBG plants by 2023	5,000
Number of Cascades required per station	2	Number of Cascades required per plant	2
Total number of cascades required	16,362	Total number of cascades	10,000
Estimated cost of one cascade (Rs. Per cascade)	70,00,000	Estimated cost of one cascade (Rs. Per cascade)	60,00,000
Total value of business in next 8 years	**114,530**	**Total value of business in next 3 years**	**60,000**
Onboard applications – Intracity bus	**(Rs mn)**	**Gas generators for telecom towers**	**(Rs mn)**
No. of buses on road by 2024	2,10,000	Towers - 20% of existing Telecom Towers use gas generators (~1.8 lakhs towers)	32,000
Buses converted to CNG (~40% conversion)	85,000	MRUs required (1 MRU for every 4 towers)	8,000
No. of cylinders per Bus	8	Estimated cost of one cascade (Rs. Per cascade)	60,00,000
Total No. of Cylinders required	6,80,000	**Total value of business in next 4 years**	**48,000**
Estimated Cost of 156 liter cylinder (Rs. Per cylinder)	78,000		
Total estimated value of business in next 4 years	**53,040**	**Mobile refueling units (MRUs)**	**(Rs mn)**
		Total existing and committed new CNG stations in India by 2024	7,300
		Conversion to MRUs (~30%)	2,200
		Estimated cost of one cascade (Rs. Per cascade)	60,00,000
		Total value of business in next 4 years	**13,200**

Source: Company

End user industry overview

Plastic industry

The global plastic market, valued at USD 624.8bn in 2023, is anticipated to grow at 4.2% CAGR during 2024-2030. Increasing substitution of glass, metals, wood, and natural rubber with plastics is expected to aid this growth. The market is heavily regulated, with multiple players offering various plastics resins, including polystyrene (PS), polyethylene (PE), acrylonitrile butadiene styrene (ABS), polypropylene (PP), among others.

The Indian government aims to elevate economic contribution of the plastic industry from USD 37.8bn to USD 126bn within four to five years, underscoring its strategic focus on expanding plastic exports. The market is segmented into several types, with polyethylene (PE) and polypropylene (PP) being the primary categories. The need for multiuse and sustainable plastic has brought technological innovations into the industry, which could continue over the long term.

To enhance fuel efficiency and decrease carbon emissions, regulations encourage substituting metals like aluminum and steel in automotive component manufacturing with plastic, which explains why the consumption of the latter has increased. Moreover, recent FDI in domestic construction sectors, facilitated by relaxed FDI norms and improved infrastructure requirements, also contributed significantly to the expansion of the plastic market. Emerging markets such as Brazil, China, India, and Mexico are pivotal in boosting the demand for plastics, given the burgeoning construction activities in these countries.

Packaging industry

The global packaging market was estimated at USD 1.14trn in 2024 and is projected to reach USD 1.38trn by 2029, at 3.9% CAGR. India's packaging market, estimated at USD 84.4bn in 2024, is expected to touch USD 142.6bn by 2029, at 11.1% CAGR. Factors such as growing pharmaceutical, food processing, manufacturing industry, FMCG, healthcare sector and ancillary sectors in emerging economies like China, India, Brazil, Russia and few other East European countries are expected to drive this growth.

Plastic packaging is slated to have significant market share, with PET and HDPE being preferred materials for manufacturing bottles and jars. Owing to government regulations, the consumption of recycled PET as flexible packaging is replacing traditional packaging methods.

Rigid packaging

The rigid plastic packaging market, estimated at USD 253.36bn in 2024, is expected to grow at 2.35% CAGR to USD 284.60bn by 2029. Rigid packaging constitutes the use of materials such as rigid plastics, metals and glass for packaging applications. The market is segmented based on end-user industries and is classified into different sectors such as pharmaceuticals, food & beverages and others.

Geographically, the Asia Pacific region is a market leader in this industry, largely by induced demand owing to an increasing level of income. The Indian rigid packaging industry is slated to expand at 9.36% CAGR over the next 5 years. This demand is driven by a shift from traditional packaging to rigid plastic packaging that is light weight with comparatively lower cost, flexible design and is easily recyclable. As India moves towards becoming a manufacturing hub, its exports are expected to increase as well, and the rigid packaging industry is in a prime position to make the most of it.

Chemical industry

The global chemical industry is estimated to post ~9% CAGR over 2023-28 from USD 5.11trn in 2023 to USD 5.57trn in 2024 and USD 7.78trn by 2028. India is the 6th largest producer of chemicals in the world and the 3rd largest in Asia, contributing 7% to India's GDP (estimated at USD 278.1bn in 2024) The sector is estimated to cross the USD 300bn by 2025 at 8.1% CAGR.

Globally, India is the 4th largest producer of agrochemicals after US, Japan and China. India accounts for 16-18% of the world's production of dyestuffs and dye intermediates. Indian colorants industry has emerged as a key player with ~15% global market share. The country's chemical industry is delicensed, except for a few hazardous chemicals. India ranks 14th in exports and 8th in imports at the global level in chemicals (excluding pharmaceuticals).

Infrastructure - Pipes segment

The global plastic pipes market was estimated at USD 56.55bn in 2023 and is projected to grow at 6.8% CAGR over 2024-2030. The demand for plastic pipes is rising across several applications, including sewage systems, water supply, drainage, and irrigation, owing to rapid urbanization and industrialization across economies.

The Indian plastic pipes market is anticipated to post 10.3% CAGR during 2022-2027 to touch an estimated USD 10.9bn. The expansion of investments in government infrastructure, increase in the number of homes and offices, industrial production, irrigation sector, and replacement of deteriorating pipes are key growth drivers in this market. PVC is the 3rd third largest produced synthetic polymer, as it is a durable and cost-effective substitute for metal pipes in several segments. This is because of its light weight, resistance to corrosion and super tensile strength. With government initiatives like “Har Ghar Jal Yojna” and “Jal Jeevan Mission”, the demand for pipes is bound to increase.

Energy storage device

The global market for battery energy storage device is expected to grow at 27% CAGR, while the market for Indian battery storage is forecasted at 10.5% CAGR over 2022-27. Grid modernization along with an increase in penetration of lithium-ion batteries in the renewable energy sector back this demand.

A surge in the number of rural electrification projects and an increase in the need for constant power supply offset the need for high capital expenditure to install these storage systems. The Indian market on the other hand is expected to be dominated by the lithium-ion battery segment owing to its high demand in renewable power projects. The country has set a target of around 500 GW of renewable capacity by 2030, implying these significant opportunities for the battery storage market. Several government projects like the Ramagiri Solar Wind Hybrid project owned by Solar Energy Corporation of India (SECI) are the main drivers of this demand.

Liquefied petroleum gas (LPG)

The global LPG market was valued at USD 142.83bn in 2023 and is projected to grow to USD 281.29bn by 2032, exhibiting 7.33% CAGR during this period. Given the enhanced attention in reducing GHG (greenhouse gas) emissions and towards sustainable energy, LPG application has become a global phenomenon.

LPG is widely used in over 70% Indian households. As on 1 January 2024, the Pradhan Mantri Ujjawal Yojana (PMUY) scheme covered around 100.1mn beneficiaries since its launch in May 2016. The government has been supporting these schemes through incentives and subsidies to increase the adoption of LPG. These initiatives target subsidies more effectively through their “PAHAL” scheme, which puts subsidies directly into consumers’ bank accounts who are entitled to receive them. As a result, LPG has become an attractive alternative fuel to increasing the number of applications.

Compressed natural gas (CNG)

The CNG market is anticipated to grow at 7.51% CAGR over 2024-28 to USD 19.77 bn. Natural gas is an environment friendly conventional fuel available today that plays a critical role in India’s transition towards a low carbon clean fuel-based economy. The government is taking several initiatives to usher in a gas-based economy. One of the key initiatives in this regard has been the rapid expansion of gas infrastructure, including natural gas grid, liquefied natural gas (LNG) import terminals and city gas distribution (CGD) network in the country. The upcoming infrastructure will likely facilitate in creating a robust gas ecosystem with multifold increase in investments. Expansion of large infrastructure projects could also ramp up “Make in India” opportunities for the manufacturing sector across India, in turn boosting the economies of states.

Institutional Equities Team

Nikhil Khandelwal	**Managing Director**	**+91-22-6704 8001**	**nikhil@systematixgroup.in**
Equity Research			
Analysts	**Industry Sectors**	**Desk-Phone**	**E-mail**
Dhananjay Sinha	Co Head of Equities & Head of Research - Strategy & Economics	+91-22-6704 8095	dhananjaysinha@systematixgroup.in
Abhishek Mathur	Consumer Staples	+91-22-6704 8059	abhishekmathur@systematixgroup.in
Ashish Poddar	Consumer Durables, EMS, Building Materials, Small-Mid Caps	+91-22-6704 8039	ashishpoddar@systematixgroup.in
Chetan Mahadik	Consumer Discretionary	+91-22-6704 8091	chetanmahadik@systematixgroup.in
Manjith Nair	Banking, Insurance	+91-22-6704 8065	manjithnair@systematixgroup.in
Pradeep Agrawal	NBFCs & Diversified Financials	+91-22-6704 8024	pradeepagrawal@systematixgroup.in
Pratik Tholiya	Specialty & Agro Chem, Fertilisers, Sugar, Textiles and Select Midcaps	+91-22-6704 8028	pratiktholiya@systematixgroup.in
Shweta Dikshit	Metals & Mining	+91-22-6704 8042	shwetadikshit@systematixgroup.in
Sudeep Anand	Oil & Gas, Logistics, Cement, Wagons	+91-22-6704 8085	sudeepanand@systematixgroup.in
Vishal Manchanda	Pharmaceuticals and Healthcare	+91-22-6704 8064	vishalmanchanda@systematixgroup.in
Deeksha Bhardwaj	Strategy & Economics	+91-22-6704 8017	deekshabhardwaj@systematixgroup.in
Devanshi Kamdar	IT & ITES	+91-22-6704 8098	devanshikamdar@systematixgroup.in
Hinal Kothari	Metals & Mining	+91-22-6704 8076	hinalkothari@systematixgroup.in
Jennisa Popat	Oil & Gas, Logistics, Cement, Wagons	+91-22-6704 8066	jennisapopat@systematixgroup.in
Krisha Zaveri	Consumer Durables, EMS, Building Materials, Small-Mid Caps	+91-22-6704 8023	krishazaveri@systematixgroup.in
Mahek Shah	Consumer Durables, EMS, Building Materials, Small-Mid Caps	+91-22-6704 8040	mahekshah@systematixgroup.in
Nirali Chheda	Banking, Insurance	+91-22-6704 8019	niralichheda@systematixgroup.in
Pashmi Chheda	Banking, Insurance	+91-22-6704 8063	pashmichheda@systematixgroup.in
Pravin Mule	NBFCs & Diversified Financials	+91-22-6704 8034	pravinmule@systematixgroup.in
Pratik Oza	Midcaps	+91-22-6704 8038	pratikoza@systematixgroup.in
Prathmesh Kamath	Oil & Gas, Logistics, Cement, Wagons	+91-22-6704 8022	prathmeshkamath@systematixgroup.in
Purvi Mundhra	Macro-Strategy	+91-22-6704 8078	purvimundhra@systematixgroup.in
Rajesh Mudaliar	Consumer Staples & Discretionary	+91-22-6704 8084	rajeshmudaliar@systematixgroup.in
Rushank Mody	Pharmaceuticals and Healthcare	+91-22-6704 8046	rushankmody@systematixgroup.in
Swati Saboo	Midcaps	+91-22-6704 8043	swatisaboo@systematixgroup.in
Vijay Jangir	FMCG	+91-22-6704 8029	vijayjangir@systematixgroup.in
Vamsi Hota	Pharmaceuticals and Healthcare	+91-22-6704 8099	vamsihota@systematixgroup.in
Yash Mehta	NBFCs & Diversified Financials	+91-22-6704 8036	yashmehta@systematixgroup.in
Yogeeta Rathod	Midcaps	+91-22-6704 8081	yogeetarathod@systematixgroup.in
Equity Sales & Trading			
Name		**Desk-Phone**	**E-mail**
Vipul Sanghvi	Co Head of Equities & Head of Sales	+91-22-6704 8062	vipulsanghvi@systematixgroup.in
Sidharth Agrawal	Sales	+91-22-6704 8090	sidharthagrawal@systematixgroup.in
Shreya Chaudhary	Sales	+91-22-6704 8033	shreyachaudhary@systematixgroup.in
Rahul Khandelwal	Sales	+91-22-6704 8003	rahul@systematixgroup.in
Abhinav Barjatiya	Sales	+91-22-6704 8068	abhinavbarjatiya@systematixgroup.in
Chintan Shah	Sales	+91-22-6704 8061	chintanshah@systematixgroup.in
Pawan Sharma	Director and Head - Sales Trading	+91-22-6704 8067	pawansharma@systematixgroup.in
Mukesh Chaturvedi	Vice President and Co Head - Sales Trading	+91-22-6704 8074	mukeshchaturvedi@systematixgroup.in
Vinod Bhuwad	Sales Trading	+91-22-6704 8051	vinodbhuwad@systematixgroup.in
Rashmi Solanki	Sales Trading	+91-22-6704 8097	rashmisolanki@systematixgroup.in
Karan Damani	Sales Trading	+91-22-6704 8053	karandamani@systematixgroup.in
Vipul Chheda	Dealer	+91-22-6704 8087	vipulchheda@systematixgroup.in
Paras Shah	Dealer	+91-22-6704 8047	parasshah@systematixgroup.in
Rahul Singh	Dealer	+91-22-6704 8054	rahulsingh@systematixgroup.in
Niraj Singh	Dealer	+91-22-6704 8096	nirajsingh@systematixgroup.in
Corporate Access			
Mrunal Pawar	Vice President & Head Corporate Access	+91-22-6704 8088	mrunalpawar@systematixgroup.in
Darsha Hiwrale	Associate Corporate Access	+91-22-6704 8083	darshahiwrale@systematixgroup.in
Production			
Madhu Narayanan	Editor	+91-22-6704 8071	madhunarayanan@systematixgroup.in
Mrunali Pagdhare	Production	+91-22-6704 8057	mrunalip@systematixgroup.in
Vijayendra Achrekar	Production	+91-22-6704 8089	vijayendraachrekar@systematixgroup.in
Operations			
Sachin Malusare	Vice President	+91-22-6704 8055	sachinmalusare@systematixgroup.in
Jignesh Mistry	Manager	+91-22-6704 8049	jigneshmistry@systematixgroup.in
Hiren Patel	Assistant Manager	+91-22-6704 8056	hirenpatel@systematixgroup.in

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Systematix Shares and Stocks (India) Limited:
Registered and Corporate address: The Capital, A-wing, No. 603 – 606, 6th Floor, Plot No. C-70, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051
Tel no. 022-66198000/40358000 Fax no. 022-66198029/40358029 Email id contactus@systematixgroup.in. Visit us at: www.systematixgroup.in
Details of Compliance officer: Ms Nipa Savla, Compliance officer Tel no. 022-66198092/4035808092 Email id compliance@systematixgroup.in
Details of Email id grievance redressal cell : grievance@systematixgroup.in
Details of Registration : CIN - U65993MH1995PLC268414 | BSE SEBI Reg. No.: INZ000171134 (Member Code: 182) | NSE SEBI Reg. No.: INZ000171134 (Member Code: 11327) | MCX SEBI Reg. No.: INZ000171134 (Member Code: 56625) | NCDEX SEBI Reg. No.: INZ000171134 (Member Code: 1281) | Depository Participant SEBI Reg. No.: IN-DP-480-2020 (DP Id: 12034600) | PMS SEBI Reg. No.: INP000002692 | Research Analyst SEBI Reg. No.: INH200000840 | AMFI : ARN - 64917