INITIATING COVERAGE

PRIVATE CLIENT RESEARCH

JUNE 30, 2009

Apurva Doshi
doshi.apurva@kotak.com
+91 22 6621 6308

Time Technoplast Ltd

PRICE : RS.40
TARGET PRICE : RS.60

RECOMMENDATION : BUY
CONS. FY10E P/EX: 8.9X

Stock details - FV (Re.1)

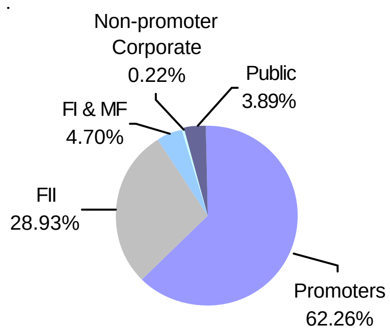
BSE code	532856
NSE code	TIMETECHNO
Market cap (Rs mn)	8,371
Free float (%)	37.56
52-wk Hi/Lo (Rs)	92/19
Avg. daily volume BSE	241337
Avg. daily volume NSE	250935
Shares o/s (m)	209

Consolidated summary table

Rs mn	FY08	FY09E	FY10E
Sales	6,812	7,854	9,575
Growth (%)	70.8	15.3	21.9
EBITDA	1,444	1,614	2,056
EBITDA margin (%)	21.2	20.5	21.5
Net profit	737	702	940
Net debt	1,827	2,721	3,388
EPS (Rs)	3.5	3.4	4.5
Growth (%)	79.3	(4.7)	33.8
DPS (Rs)	-	0.3	0.3
ROE (%)	18.4	16.2	18.5
ROCE (%)	20.3	19.7	20.8
EV/Sales (x)	1.5	1.4	1.2
EV/EBITDA (x)	7.1	6.9	5.7
P/E (x)	11.4	11.9	8.9
P/CEPS (x)	8.8	8.6	6.5
P/BV (x)	2.1	1.8	1.5

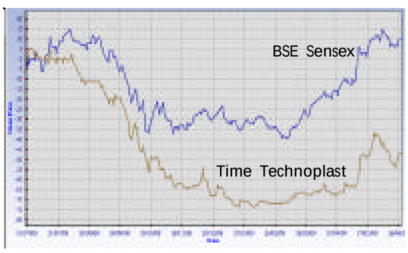
Source: Company & Kotak Securities - Private Client Research

Shareholding pattern as on Mar 09



Source: Capitaline

Relative to Sensex



Source: Capitaline

The Innovative Package

Time Technoplast Ltd (TTL) is the market leader in India in the polymer-based industrial packaging industry with a market share of more than 75%. The company has a technical collaboration with Mauser Germany for packaging products.

TTL has key strengths in polymers, technology and innovation. Based on this, it has successfully diversified into high-end polymer based innovative applications for infrastructure, healthcare, auto components, and lifestyle products that typically enjoy higher margins. It has also diversified into telecom battery business and formed a JV with Schoeller Arca Systems for material handling solution and systems.

We believe the recently commissioned new plants in India, Poland and Sharjah, expansions, acquisitions and a strong product pipeline would lead to 21.9% growth in revenues and 33.8% growth in profitability for the company in FY10E.

We are positive on the long term growth prospects of TTL. Therefore, we are initiating coverage with a BUY recommendation on TTL with a price target of Rs.60 (50% upside potential) over a 12-month horizon. This is based on the DCF method of valuation, with 13.2% WACC and 4.0% terminal growth rate.

Key Investment Rationale

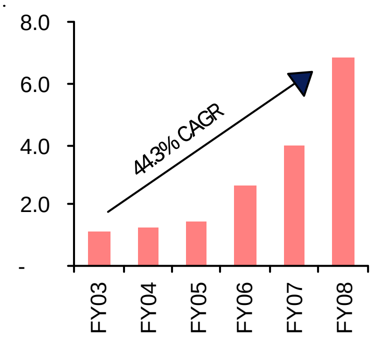
- **Market leader in industrial packaging.** TTL is the market leader in the industrial packaging segment with more than 75% market share. These are used as barrels or containers for packing by users in specialty chemicals, paints, inks, pharmaceutical intermediates, FMCG intermediates, construction chemicals, additives, lube oils and food industry among others.

- **Tie up with Mauser-Werke GmbH of Germany**. The company has a tie up with Mauser-Werke GmbH of Germany, which is one of the largest producers of intermediate bulk containers, plastic, steel and fiber drums in Europe and the US with annual revenues of more than $1.0 bn. Mauser has a presence in over 54 countries worldwide through its licensees.

- **Strengths - Polymers, technology and innovation.** TTL has key strengths in polymers, technology and innovation. Based on this, it has successfully diversified into high-end polymer based innovative applications for infrastructure, healthcare, auto components, and lifestyle products that typically enjoy higher margins. It is important to note that all its products are based on the polymer platform primarily to replace metals and to give superior strength and overall performance utility to its customers. The company believes in R&D and has developed most of the products in-house.

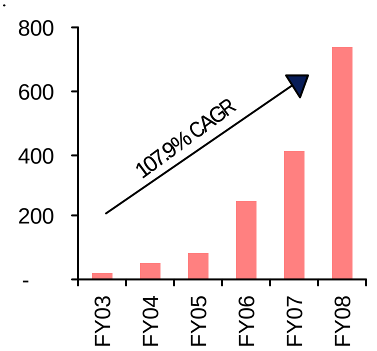
- **Foray into battery business**. TTL has diversified into telecom battery business by acquiring Hyderabad based NED energy systems and Bahrain based Gulf Powerbeat WLL. Through the acquisitions, TTL plans to leverage NED's technology in automotive batteries to achieve significant growth for its well-established automotive segment where it enjoys strong relationships with major OEMs as Tier-I supplier. We expect the battery vertical to contribute more than 20% to the overall revenues of the company from FY10E onwards and it has high growth potential, going forward.

Net sales (Rs bn)



Source: Company, Kotak Securities - Private Client Research

Net profits (Rs mn)



Source: Company, Kotak Securities - Private Client Research

- **JV for material handling**. In June 09, it formed a JV with Schoeller Arca Systems (SAS) to manufacture and sell a wide range of plastic retumable packaging solution and material handling solutions and systems. SAS is the global leader in this field and the next competitor is less then half its size. SAS sells products like large foldable containers, pallets, crates etc. for distribution, storage and retail display across user segments like retail, automotive, agriculture, processed foods, pharma, FMCG, electronics and logistics.

- **Innovative products pipeline.** TTL is developing various new products like green batteries, gel batteries, LPG cylinders, CNG cylinders, fuel cells and a host of polymer based innovative products. This would continue to increase the product portfolio of TTL and help to improve the revenues and profitability, going forward.

- **Strong distribution and marketing network.** TTL boasts of more than 500 institutional clients and retail clients across the country in various verticals. The products are sold under various brands that are well recognized by both institutional and retail customers. TTL has 22 manufacturing facilities in India, four abroad, eleven regional/area marketing offices and distribution/dealer network spread over 350 cities and towns. This strong network helps to offer its product range across the country.

- **History of high growth in sales and profits.** The net sales of the company have grown at a CAGR of 44.3% from Rs.1.1 bn in FY03 to Rs.6.8 bn in FY08. The net profits of the company have grown at a CAGR of 107.9% from Rs.19 mn in FY03 to Rs.737 mn in FY08. . In FY09 the growth is expected to be inline with the economic slowdown. Going forward, in FY10E we expect revenues to grow at 21.9% and net profits to grow at 33.8%.

- **Attractive valuation.** At the current price of Rs.40, the stock is trading at attractive valuations of 1.5x P/BV, 8.9x earnings, 6.5x cash earnings, 5.7x EV/EBIDTA, 1.2x EV/sales and RoE of 18.5% based on FY10E estimates. We feel the valuation is attractive due to the strong past track record and the good future potential due to high margin businesses with innovative applications of polymers, foray into battery business and JV for material handling solutions and systems. This is expected to lead to significant growth in revenues and profitability, going forward.

Key Risks

- Any delay in ramping up of the facilities at Sharjah, Poland and battery expansions would impact our earning estimates.

- Any delay in commercialization of newer products may impact the revenues of the company.

- Any significant hike in raw material prices like polyethylene that cannot be passed on to customers can impact the profitability of the company. However the company has in the past more than six years maintained EBITDA in the Range of 18-20 % demonstrating that it has been able to pass through any variation in the raw material prices.

- Any failure to keep abreast of the latest trends in technology may adversely affect the company's cost competitiveness and ability to develop new products, thereby impacting its revenues and profitability.

- TTL has the rights to use certain IPRs owned by Mauser-Werke GmbH to manufacture some of its products till December 31 2010. In the event Mauser chooses to terminate this agreement it would adversely affect TTL's business operations and profitability. However we feel that it would get renewed as was the case in the year 2003. In fact they enjoy a strong relationship since the year 1992 and we do not see any problem going forward.

BACKGROUND

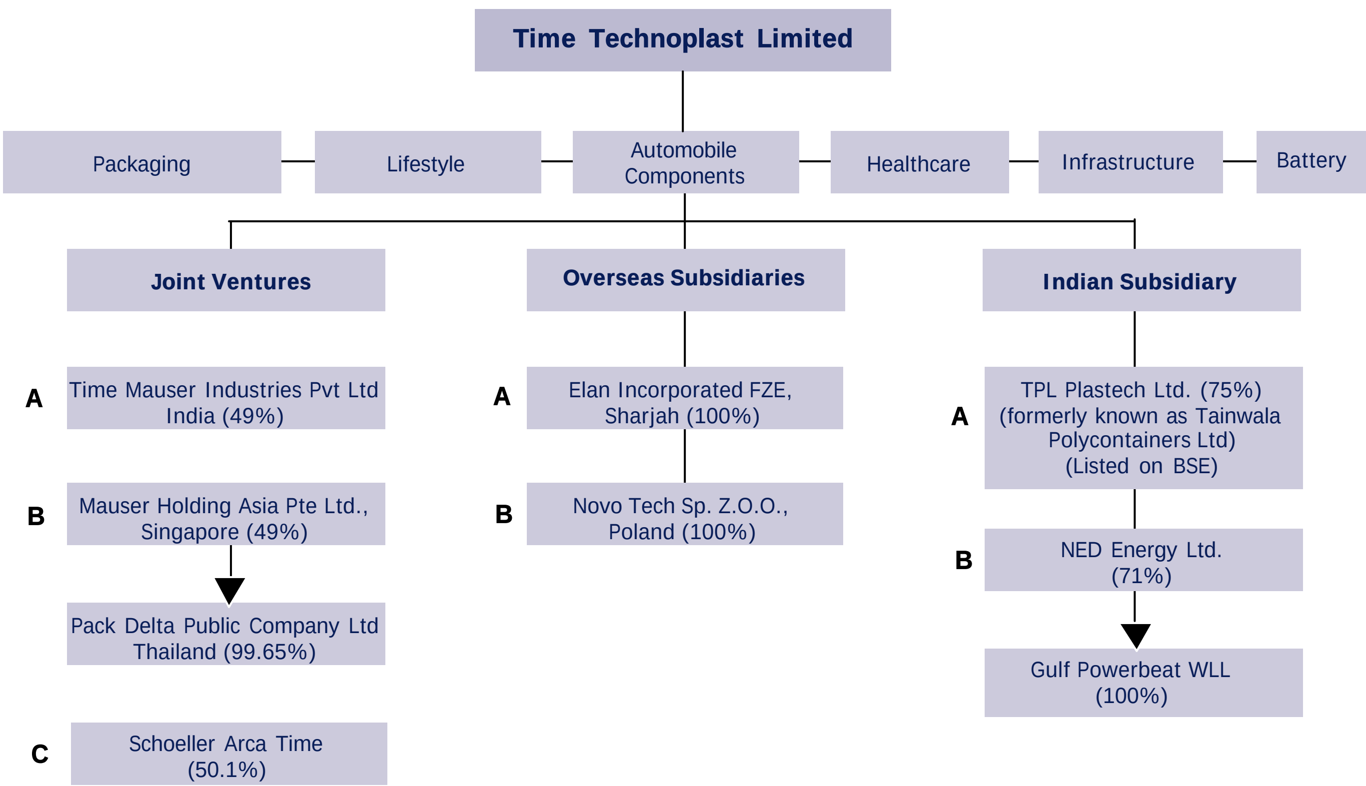
- TTL was incorporated on December 20 1989 as Time Packaging Pvt Ltd by its promoter Anil Jain and associates. Subsequently, the name of the company was changed to Time Packaging Ltd. Further, in view of the diversified polymer products range and technological adoptions, the name of the company was changed to Time Technoplast Ltd on May 1 2006.

Promoted by Mr. Anil Jain and Associates in 1989

- **Anil Jain, MD,** has degrees in science from Meerut University, engineering from Punjab Engineering College, Chandigarh and business management from Delhi University. He has worked in companies like Bhel, Voltas, Prestige HM-Polycontainers Ltd. He has experience of over two decades in the field of polymer technology and products.
- **Bharat Vageria, Director Finance,** is a commerce graduate from Rajasthan University and is a Fellow of the Institute of Chartered Accountants of India (FCA). He has experience of over two decades in the polymer industry.
- **Raghupathy Thyagarajan, Director Marketing,** is a science graduate from Mumbai University and post graduate in business administration from Mumbai University with over 20 years of industrial experience. He is overseeing the marketing and sales functions, regional operations, systems and commercial functions of the company at the corporate level.
- **Naveen Jain, Director Technical,** is a BTech from IIT Delhi with 20 years experience in production, quality management and projects management. He is responsible for operations of all plants, technical developments and technology upgradation at the corporate level and key technical functions such as machine building, product development and technology integration.

(For further details please refer to Annexure I)

Corporate structure



Source: Company Presentation, Kotak Securities - Private Client Research

BUSINESS PROFILE

TTL is engaged in the manufacture and sale of technology based polymer products serving various growing sectors of Indian economy. The products of the company have been classified into following seven categories by us.

- Industrial and consumer packaging solutions
- Lifestyle products
- Auto components
- Healthcare products
- Construction and infrastructure related products
- Battery business
- Material handling

(For further details please refer to Annexure-II)

Products

Brand	Business Segment
Time Mauser	Packaging - Drums & Containers
Conipails	Packaging - Pails
Ecopet	Packaging - PET Sheets
Meadowz	Lifestyle - Turf
Duro Turf, Duro Soft, Duro wipe	Lifestyle - Entrance Mattings
Regal	Lifestyle - Garden Furniture
3S	Auto Components - Anti Spray Device
Genex	Healthcare Medical Devices
Netrix	Construction – safety nets
Maxlife	Battery
Sumo	Pipes
Schoeller Arca Time	Material handling solutions & systems
Sound Sheilds	Sound Barrier
	Pre fabricated shelters

Source: Company presentation

Manufacturing facilities

No	Unit Location (India)	Products
1	Daman (UT)	Packaging and lifestyle
2	Baddi, Himachal Pradesh	Packaging, Healthcare and lifestyle
3	Hosur, Tamil Nadu	Packaging and auto components
4	Mahad, Maharashtra	Packaging
5	Pen	Steel drums in JV with Mauser
6	Pantnagar, Uttarakhand	Packaging and auto components
7	Silvassa (UT)	Packaging, auto components, High pressure pipe, Prefabricated shelter, sound barrier
8	Hyderabad	Battery
9	Panoli, Gujarat	Battery
	Unit Location (Overseas)	
10	Sharjah, UAE	Packaging and lifestyle
11	Poland	Auto components and Lifestyle
12	Bahrain	Battery
13	Thailand	Packaging

Source: Company presentation, Kotak Securities - Private Client Research

Divisions of Time Technoplast

Packaging
- HM - HDPE Blow Moulded Drums/ Barrels (Narrow mouth, wide mouth and open top 200-250 ltr cap)
- HM - HDPE Blow Pollycans/Jerrycans (Narrow mouth, wide mouth and open top 20-150 ltr cap)
- Pails & Containers (5-25 ltr cap)
- PET sheets - Monolayer of upto 1mm thickness

USAGE
- Chemicals incl. Specialty Chemicals, Construction Chemicals
- Dye Intermediaries
- FMCG
- Paints & inks
- Pharmaceuticals
- Lube oils and addictives
- Foods

Brand
"Time Mauser" "Ecopet" & Conipails

Automobile Components
- De-aeration (radiator tanks)
- Plastic fuel tanks (Non-Comm. vehicles)
- AirDucts & Vents
- Spray Suppression System (Anti-spray Devices)

USAGE
- Comm. Vehicle segment
- Light Comm. Vehicle Mfgs
- Heavy Comm. Vehicle Mfgs

Brand
"3S"

Healthcare Products
- Auto-Disposable Syringes (2ml, 3ml, & 5ml)
- Auto-Disposable Blood Sampler (2ml, 3ml, & 5ml)
- Masks (Multi-purpose masks & chamber masks (2&3 layer,tie/ loop type))

USAGE
- Hospitals
- Nursing homes
- Dispensaries
- Primary Health Centres
- Surgeons
- Physicians
- Dentists
- Pathology Labs
- Diagnostic Centres

Brand
"GENEX"

Lifestyle Products
- Garden Furniture
- Turfs & Entrance Mattings

USAGE
- Hotels
- Malls
- Conference Centres
- ATM
- Airports
- Multiplexes
- Hospitals
- Household
- Railways

Brand
"Meadows" "Duroturf" "Duro soft" & "Regal"

Infrastructure Products
- Safety & Warning Nets
- Batteries
- Sound barrier
- Pipes
- Material handling

USAGE
- Const. Co's
- Infra Projects
- Contractors
- Govt./Semi Govt. Agencies
- Municipalities
- Ports
- Airports
- Telecom
- Auto
- Logistics

Brand
"Netrix" "MAXLIFE" "SUMO" "SAT"

Consolidated Technology Platform
Blow Moulding — Injection Moulding — Extrusion

Source: Company RHP, Company presentation, Kotak Securities - Private Client Research

KEY INVESTMENT RATIONALE

Market leader in industrial packaging

75% market share

- TTL is the market leader in the industrial packaging segment with more than 75% market share. The company is further augmenting its capacities by its expansion and modernization plans that will help it to retain its market leadership position in India.
- The Indian economy has already shown signs of recovering faster then the global economy. It is expected to grow above 6% for the next few years. Growth in polymers is also buoyant with easier availability of raw material by the petrochemical industry. Almost 60% of all plastics produced are used for packaging, rigid packaging in particular. Rigid packaging, which accounts for only 14% share of plastic, is witnessing an improvement in demand.

Increasing pressure on metal packaging due to high cost

- There is increasing pressure on metal packaging due to its high cost and other uses. As a result of this, plastics are rapidly replacing steel as a packaging raw material. There is enough scope for replacement of steel drums by plastic drums as well. Thus, we feel that industrial packaging would continue to grow at rapid pace and since more than 50% of the revenues of TTL come out of this segment. We expect TTL to report robust growth in revenues and profitability, going forward.

TPL Plastech operating at 85% capacity utilization

- TPL Plastech, 75% subsidiary of the company, has a manufacturing facility at Silvassa with a processing capacity of 11000 MT. Currently, it is operating at 85% capacity utilization levels. It is also proposing to set up a plant in Jammu for large size drums of 200 to 250 liter capacity. It would have a production capacity of 2400 MT and would incur a capex of Rs.120 mn. This is expected to be operational by March 2010.

User breakup for packaging products

No	User Segment	share of business (%)
1	Speciality Chemicals	34
2	FMCG	29
3	Paints & Inks	12
4	Pharmaceuticals	5
5	construction chemicals and Adhesives	10
6	Lube oils & Addictives	5
7	Food	3
8	Others	2
	Total	**100**

Source: Company presentation

Tie up with Mauser-Werke GmbH of Germany

Mauser has presence in over 54 countries with more than $1bn of annual revenues

TTL has tied up with Mauser Werke GmbH of Germany. It is one of the largest producers of intermediate bulk containers, plastic, steel and fiber drums in Europe and the US with annual revenues of more than $1.0 bn. Mauser has a presence in over 54 countries worldwide through its licensees. It offers latest packaging products and continuously develops newer products. Mauser also has several patents and design registrations for innovative products. This would help TTL to get access to these products and, thereby, offer a wide range of products to its customers.

Strengths - Polymers, technology and innovation

High-end polymer based innovative applications

TTL has key strengths in polymers, technology and innovation. Based on this, it has successfully diversified into high-end polymer based innovative applications for infrastructure, healthcare, auto components, and lifestyle products that typically enjoy higher margins. It is important to note that all its product are based on the polymer platform primarily to replace metals and to give superior strength and overall performance utility to its customers. The company believes in R&D and has developed most of the products in-house.

Integrated injection moulding facility at Silvassa

TTL has also set up an integrated injection moulding facility at Silvassa with a capacity of 4800 MT at a capex of Rs.200 mn and it has already commenced commercial production. This is for increasing the production capacity for plastic pails and auto components that the company has identified as high growth segments. This would help to maintain its market leadership position in the future also. Also, auto components typically enjoy higher operating margins compared to packaging products. Thus, it would also help to improve the overall profitability of the company, going forward.

Medical disposables plant at Himachal Pradesh

- The company has set up a 1800 MT medical disposable syringes manufacturing plant in Himachal Pradesh at a cost of Rs.200 mn and it has commenced commercial production. Here the company is manufacturing auto collect and auto disabled syringes ranging for 2 ml to 5 ml.

Auto disabled syringes

- Auto disabled syringes are only for one time use as once the liquid is injected the syringe will automatically get permanently locked. Thus, it cannot be reused by anybody. This is an innovative and useful product as one is secure from adverse effects of the syringes being reused.

Auto collect

- The company also manufactures auto collect, which is a single device used for drawing blood, break piston to disable multiple use and cap it for storage and centrifuge testing. It offers ease of operation by eliminating the transfer of blood from syringe to glass bulb and test tube thereby avoiding its reuse.

OT safe masks

- TTL also manufactures OT safe masks, which are high quality masks that reduce the exposure to potentially infectious hazards. These have bidirectional pleat designs with horizontal ties/loops, which offer comfort, breathability and reduce the risk of exposure to blood borne pathogens.

Use of single use syringes is mandatory since 30 April 2009

- Directorate of Health Services (DHS) has released a circular in December 2008, directing all Delhi Government hospitals and dispensaries to switch to auto-disable syringes for areas with maximum risk of unsafe injection like immunization and drawing of blood samples. Ministry of Health, Govt. of India has made the use of 'Single Use Syringes' mandatory effective 30th April 2009 in all government and central government hospitals. Going forward it is expected to be made mandatory for all hospitals.

- According to AISNMA, the syringe market in India is currently worth Rs.20 bn and is growing at 10%. Per capita consumption in India is low with average of 7-8 shots per person per year. In the US, it is at an average of 28 syringes per person per year.

- TTL is expected to be the beneficiary of implementation of this regulation as their Auto Disable Syringes has several unique features and can be offered at most competitive prices and the design is protected by IPR. While other manufactures like Hindustan syringes and Becton Dicknson have multi use syringes as a part of their production program, TTL is exclusively focused on Auto Disable Syringes.

Auto components - innovative opportunity

Anti-spray devices

- The company has developed unique products like anti-spray devices and plastic fuel tanks. With good roads like expressways, commercial vehicles now ply at high speeds. These vehicles, while running on wet roads, especially during monsoons, pick up huge amount of water and throw it back. On impact, this gets pulverized and converts into fine spray. It disables the rear visibility of the driver. Also, the overtaking vehicles are not quite able to see the road ahead and, thus, are prone to accidents.

Mandatory for commercial vehicle of GVW more than 7.5 MT

- The anti-spray devices, designed and manufactured by TTL trap the water by absorbing its energy and allow water to fall out without converting itself into spray, which otherwise impairs visibility. Apart form TTL, there are some manufacturers in Europe who manufacture them however their cost of production is much higher then of TTL. The Government has made it mandatory from April 1 2005 for certain commercial vehicles with GVW exceeding 7.5 MT to necessarily have spray suppression system or anti spray flaps.

Cost advantage against foreign player

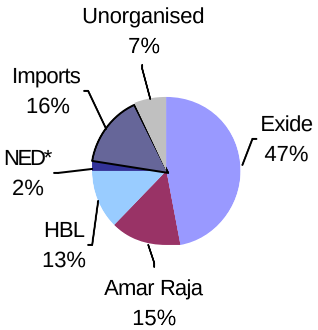
- We expect that in future all vehicles will be directed to use such anti-spray devices for the safety of other vehicles. This would translate into huge opportunity for the company. Also, we expect the company to export these to other countries. Considering the low cost of production in India and indigenously developed technology, TTL is likely to have a major cost advantage in comparison to other global manufacturers.

TTL is supplying plastic fuel tanks to Tata Motors and Ashok Leyland

- The company has also successfully developed polymer based plastic fuel tanks for cars and commercial vehicles. Today almost 85% of newly registered vehicles in Europe and over 70% of cars built in North America have plastic fuel tanks. TTL is already supplying plastic fuel tanks to Tata Motors and Ashok Leyland. (Source: Company Presentation)
- Plastic fuel tanks manufactured by TTL have already established themselves for tractor applications and commercial vehicles suitable for diesel fuel. It is in the process of developing a range of multilayer tanks suitable for passenger and petrol driven cars.

Batteries - new vertical added to its business last year

Indian battery industry Rs. 80 bn -% market share



*Source: Company Presentation, *only telecom*

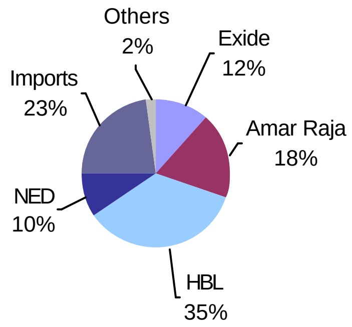
- The Indian battery market size is approximately Rs.80 bn with 60% industrial and 40% automotive. Exide is the market leader with 47% market share followed by Amara Raja with 15%, HBL with 13%, NED with 2%, imports worth 16% while the balance 7% is unorganized. The telecom battery segment is growing at 40% per annum while the automotive battery segment is growing at 30% per annum.(Source: Company Presentation).
- In October 2007, TTL added new vertical to its business by acquiring 71% of Hyderabad based NED energy (enterprise value of Rs.650 mn) that supplies batteries to the telecom sector with manufacturing capacity of 100 mAh.
- At present there are around 200,000 towers catering to a subscriber base of around 300 million and by 2012 the subscriber base is expected to be 750 million to be catered by 500,000 towers. Major telecom infrastructure companies are: Indus Towers, Reliance Infratel, Bharti Infratel, GTL, WTTIL, Quippo, Essar Telecom. The total market Size for Telecom batteries in FY09 was 2400 mAh and it is expected to grow at 25%- 30% per annum till 2012. (Source: Company Presentation).
- TTL has already doubled its capacity at Hyderabad to 200 mAh at a capex of Rs.100 mn and it is operational since July 2008. TTL has also set up a plant at Gujarat of 100 mAh at a capex of Rs.250 mn that commenced commercial operations in March 2009. Going forward it is setting up a new plant at Jammu by March 2010. It will be for both telecom and automotive batteries.

NED Energy Financials

(Rs mn)	FY07	FY08	FY09E	FY10E
Net Revenues	391	1,326	1,492	1,940
EBIDTA (%)	15.3	28.7	28.0	27.6
PAT	33	259	280	366

Source: Company, Kotak Securities - Private Client Research

Telecom battery players in India – market share (%)



Source: Company Presentation

- Further, to enhance this capacity, NED bought 100% stake in Bahrain-based Gulf Powerbeat WLL for US$5 mn, with an installed capacity of 400 mAh with 250 mAh for telecom and 150 mAh for automotive batteries
- The company is already developing green batteries that would have lower quantities of lead and acid, which would cut down the weight of the battery by 30% and improve its energy density (Wh/Kg) by over 25%. TTL is also developing other products such as gel batteries that are leak proof and have long discharge cycles.
- We expect the battery vertical to contribute more than 20% to the overall revenues of the company from FY10E onwards. It has high growth potential, going forward.

Sharjah plant for packaging and lifestyle products

TTL has commenced operations at its Sharjah facility and the plant has already stabilized its operations and thus its full impact would be realized in the following years. The plant is manufacturing packaging products like plastic drums, containers, coni pails and lifestyle products. It incurred capex of Rs.270 mn.

Auto components and lifestyle products plant at Poland

Anti spray devices

TTL has commenced operations at its Poland facility and the plant has already stabilized its operations and thus its full impact would be realized in the following years. The plant is manufacturing auto components like anti-spray devices and lifestyle products such as entrance matting and turf. It incurred capex of Rs.150 mn.

High pressure pipes - innovative product

Polymer-based high-pressure pipes

TTL has successfully developed polymer-based high-pressure pipes that would be used to transport water in SEZ. It has already launched this product successfully in the market. Looking at the number of SEZ that are expected to be set up in India, TTL has developed this product at the right time to capture the growth in the high pressure pipes segment. It would be used for water and sewage management. Increased focus of the government and investments in the water sector are expected to be the major growth drivers. Also the government spending on pipes is expected to increase significantly from Rs.2910 bn in the period 2002-2007 to Rs.4595 bn in the period 2007-2012. (Source: company presentation).

Prefabricated shelters - another innovative product

To be launched in Q2FY10E

TTL has successfully developed polymer-based prefabricated shelters that can be used to house communication and telecom sites. Basically these would pre fabricated. Thus, a cell site can be set up in a very short span of time. The company is confident of commercially launching this product in Q2FY10E. Looking at the strong telecom growth, TTL has developed this product to capture the growth in the setting up of cell sites market. Prefabs and shelters are also used for

1) Government and private aided schools	2) Health centres
3) Coast guards	4) Police Stations
5) Offices	6) Post offices
7) Public toilets	8) Public kitchens

Sound barriers - another innovative product

Market size of Rs.1 bn in Mumbai alone

TTL has also developed sound barriers which are used to reduce sound on the highways, bridges and in industrial areas. It is being manufactured in the same facility of prefabricates shelters. The plant has commenced commercial production in December 2008 and it expects to get couple of large orders in the following quarters. In this segment it competes with some local players and imports. As per industry sources its market size in expected to be Rs.1 bn in Mumbai alone. (Source: Company Presentation)

JV for material handling.

- In June 09, it formed a JV with Schoeller Arca Systems (SAS) to manufacture and sell a wide range of plastic retumable packaging solution and material handling solutions and systems.

SAS is global leader in plastic material handling solutions and systems

- SAS is the global leader in this field and the next competitor is less then half its size. SAS sells products like large foldable containers, pallets, crates etc. for distribution, storage and retail display across user segments like retail, automotive, agriculture, processed foods, pharma, FMCG, electronics and logistics.
- SAS is present in 50 countries across the world and has strong ongoing relationships with international customers like Ericsson, Pepsi, Coca-cola, Carrefour, Metro, Wal-mart, Unilever, Nestle, Heinz, Volvo, Heineken to just name a few. SAS has strong R&D capabilities illustrated by number of patents and international recognitions.

50.1% JV

- The products would be manufactured through a JV (50.1% SAS, 49.9% TTL) at a capex of Euro 10mn. The initial manufacturing facility would be set up at Silvassa and Pantnagar. In the second phase two new production facilities would be set up in Chennai and Kolkata

Polymer based cylinders - good future potential

Expected to be commercialised in next 12-18 months

TTL has successfully developed polymer-based LPG cylinders. These have been tested and yielded satisfactory results. The company would commercialize them within next one year. TTL has already started developing polymer-based CNG cylinders that are expected to be one-third the weight of the metal cylinders. This product is expected to be commercialized in the next 18 months. Thus, TTL is continuously developing newer applications of polymers, which would help to improve the revenues and profitability, going forward.

TTL developing commercially usable fuel cell - potential trigger

Commercially usable fuel cell

TTL is trying to develop the first commercially usable fuel cell. For this it has signed an exclusive agreement with Council Of Scientific and Industrial Research (CISR) for transfer of fuel cells technology. This could take some time before it is commercialized. However, this represents a huge upside to the company in terms of revenue and profit potential out of this fuel cell venture.

Steady growth in lifestyle products

Garden furniture, turfs and entrance matting.

TTL manufactures polymer-based lifestyle products like garden furniture, turfs and entrance matting. The company has strong brands in this sector like Regal for garden furniture and Duroturf and Durosoft for matting. Rising per capita income, increasing urbanization exposure, media blitz are all contributing to changing lifestyles and aspirations. The consumer's propensity is to go for better products, spend more on lifestyle accessories and be inclined towards branded goods. This is expected to lead to a steady rise in demand for lifestyle products of the company, going forward.

Strong distribution and marketing network

More than 500 institutional clients

- The company boasts of more than 500 institutional clients also retail clients across the country in various verticals. Around 10% of the revenues comes out of the retail segment and balance out of the institutional clients.
- Some of the top clients in the industrial and consumer packaging segment are BASF, BPCL, Ciba Speciality Chemicals, Gujarat Alkalies, Hindustan Unilever, Rohm & Hass, ICI, Jubilant Organosys among others. Some of the top clients for auto components are Tata Mototrs, Ashok Leyland and Eicher Motors. Some of the top clients for Healthcare are Fortis Hospitals and Sagar Apollo Hospital. (Source: Company Presentation)
- TTL has developed a nationwide marketing and distribution infrastructure for selling and distributing its products to both institutional and retail customers. The products are sold under various brands that are well recognized by both institutional and retail customers.

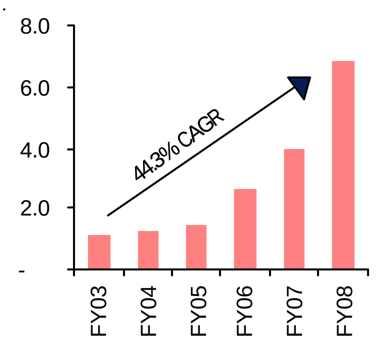
22 manufacturing facilities in India

- TTL has 22 manufacturing facilities in India, four abroad, eleven regional/area marketing offices and distribution/dealer network spread over 350 cities and towns. This strong network helps to offer its product range across the country.
- The multi-location operations allow TTL to leverage the competitive advantages of just-in-time delivery to its institutional customers and requisite logistic capabilities to feed distribution and dealer network efficiently and cost effectively.

Looking to set up a facility in China

TTL is looking to set up a facility in China to cater to the Chinese markets. Primarily it would focus on packaging products like drums and IBC. This would strengthen its footprint outside India and establish itself on the global map.

Net sales (Rs bn)



Source: Company, Kotak Securities - Private Client Research

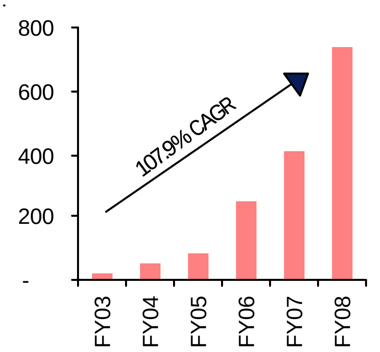
History of high growth in sales and profits

The net sales of the company have grown at a CAGR of 44.3% from Rs.1.1 bn in FY03 to Rs.6.8 bn in FY08. The net profits of the company have grown at a CAGR of 107.9% from Rs.19 mn in FY03 to Rs.737 mn in FY08. In FY09 the growth is expected to be inline with the economic slowdown. Going forward, in FY10E we expect revenues to grow at 21.9% and net profits to grow at 33.8%.

Attractive valuation

- At the current price of Rs.40, the stock is trading at attractive valuations of 1.5x P/BV, 8.9x earnings, 6.5x cash earnings, 5.7x EV/EBIDTA, 1.2x EV/sales and RoE of 18.5% based on FY10E estimates.
- We feel the valuation is attractive due to the strong past track record and the promising future potential due to high margin businesses with innovative applications of polymers, foray into battery business and JV for material handling solutions and systems. This is expected to lead to significant growth in revenues and profitability, going forward.
- We are positive on the medium to long term growth prospects of TTL. Therefore, we are initiating coverage on TTL with a BUY recommendation. We are assigning a price target of Rs.60 (50% upside potential) over a 12-month horizon. This is based on DCF method of valuation with 13.2% WACC and 4.0% terminal growth rate.

Net profits (Rs mn)



Source: Company, Kotak Securities - Private Client Research

Revenue composition

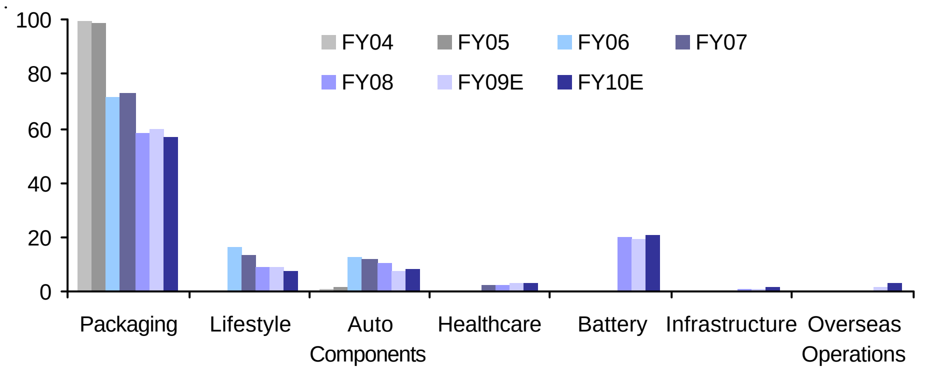
Packaging contributes 58.2% of revenues in FY08

- The major portion of the revenues (58.2% in FY08) is contributed by packaging products. Lifestyle products and auto components products contributed 8.9% and 10.4%, respectively, in FY08. Healthcare contributed 2.4% and balance 20.1% was from the infrastructure business including battery business.
- However, going forward, as newer businesses like healthcare, auto components, infrastructure, lifestyle products and battery business pick up we expect the share of industrial packaging to come down from 58.2% in FY08 to 56.7% in FY10E.
- Similarly, we expect the share of lifestyle products to come down from 8.9% in FY08 to 7.6% in FY10E.
- On stabilization of its operations at Sharjah and Poland we expect the overseas business to contribute 3.2% of total revenues in FY10E.
- Due to government regulation making use of Auto Disable Syringes compulsory in central and state governments we expect the share of healthcare products to increase from 2.4% in FY08 to 3.2% in FY10E.

Battery business to contribute 20.4% of total revenues in FY10E

- With the acquisitions of NED Energy and Gulf Powerbeat WLL and new facility at Gujarat we expect the battery business to contribute 20.4% of total revenues in FY10E.
- With recent launch of infrastructure related products we expect it to contribute 1.1% of total revenues in FY10E.
- We expect the share of packaging business to total revenues to decrease steadily from 99% in FY04 to 57% in FY10E.
- We expect the share of non - packaging business to total revenues to increase steadily from 1% in FY04 to 43% in FY10E.

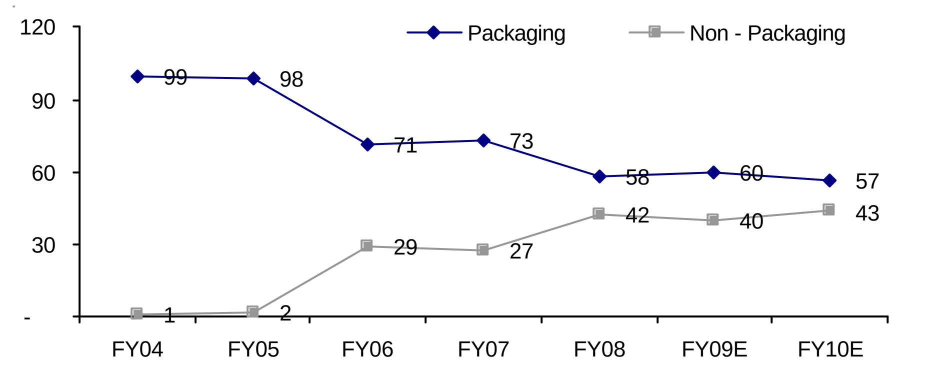
Revenue composition (%)



Source: Company, Kotak Securities - Private Client Research

Revenue breakup (%)

Increasing share of high margin non-packaging business



Source: Company, Kotak Securities - Private Client Research

Employees

Focus on R&D

- Out of 1900 approx. employees, about 30 are involved in R&D.
- The core strength of the company is its scientists and engineers based out of Mumbai who do R&D on an ongoing basis. These are key people who develop innovative products out of polymers.

Raw materials

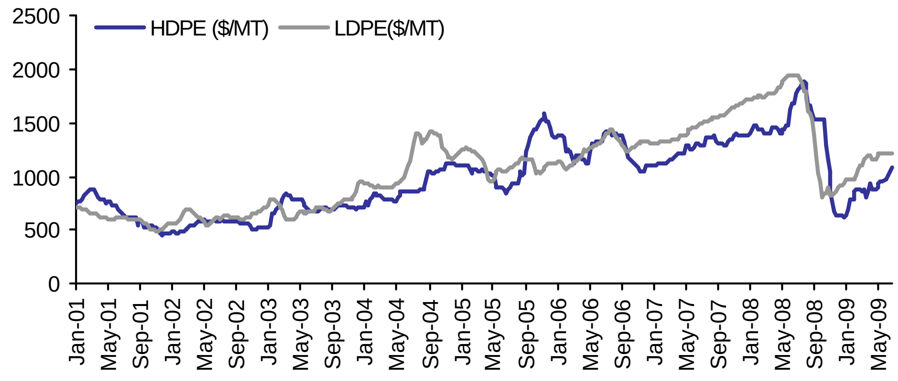
High density polyethylene

- The company uses both high density (90%) and low-density (10%) polyethylene as its key raw material. The company imports 65% of its raw materials requirements while the balance 35% is procured locally.
- Although polyethylene is a derivative of crude its co-relation with the crude prices is ~20%. After the sharp fall in prices in Q3FY09 they are once again rising. However historically TTL has been able to pass on the price hikes with a time lag of ~ one month. This is well demonstrated by its rising operating margins.
- In the packaging vertical, being technologically superior, the company's products, command pricing power in the market. Also for the customers, the utility is significant whereas the cost is less than 3% to 4% of their total product cost.
- However the company has in the past more than six years maintained EBITDA in the Range of 18-20 % demonstrating that it has been able to pass through any variation in the raw material prices. Thus, we are confident that any major price hikes in its key raw material, that is, HDPE, would be passed on to customers.

Several new capacities expected by end of 2009

- Also, the global polymer market is expected to face a glut from the end of 2009 due to the expected addition of several new capacities in Middle East and China. This would ensure that polymer prices are kept under check. Thus, we feel that TTL is fairly secure on the raw materials front.

International polyethylene prices ($/MT)



Source: Bloomberg, Kotak Securities - Private Client Research

Financials

Robust past performance

The net sales of the company have grown at a CAGR of 44.3% from Rs.1.1 bn in FY03 to Rs.6.8 bn in FY08. The net profits of the company have grown at a CAGR of 107.9% from Rs.19 mn in FY03 to Rs.737 mn in FY08.

Weak Q3FY09 performance led by inventory mark down

- For Q3FY09, TTL reported net sales of Rs.1.8 bn registering de-growth of 3.9% YoY and 11.3% on sequential basis. The revenues were impacted on account of sharp fall in prices of its key raw material i.e. HDPE and thus the company had to pass on the benefits to its customers.

Inventory mark down of Rs.80 mn

- EBIDTA was down 10.1% YoY and down 14.4% on sequential basis to Rs.361 mn. TTL reported net profits of Rs.145 mn, which is down 32.3% YoY and down 21.5% on sequential basis. The company reported quarterly EPS of Rs.0.7 and CEPS of Rs.1.0 in Q3FY09.
- Q3Y09 performance was impacted due to inventory mark down of Rs.80 mn. This is one time effect on account of sharp fall in HDPE prices. The impact is pretty large as it works out to ~4.4% of its Q3FY09 revenues.
- For 9MFY09 it reported revenues of Rs.5.8 bn (up 19.9% YoY), operating margins of 20.4% (down 70 bps), NPAT of Rs.502 mn (down 3.9% YoY), EPS of Rs.2.4 and CEPS of Rs.3.3)

Time Technoplast - Results Table

(Rs mn)	Q3FY09	Q3FY08	YoY (%)	Q2FY09	QoQ (%)	9MFY09	9MFY08	YoY (%)
Net Sales	**1,818**	**1,892**	**(3.9)**	**2,050**	**(11.3)**	**5,765**	**4,810**	**19.9**
Incr / dec in stock	(55)	(52)	4.4	(58)	(4.8)	(60)	(58)	4.8
raw materials	1,201	1,276	(5.8)	1,402	(14.3)	3,747	3,170	18.2
staff cost	65	46	41.0	57	14.2	174	119	45.4
other exp.	245	221	10.7	226	8.3	728	563	29.3
total exp.	1,457	1,490	(2.3)	1,628	(10.5)	4,589	3,795	20.9
EBIDTA	**361**	**402**	**(10.1)**	**422**	**(14.4)**	**1,177**	**1,014**	**16.0**
Other income	0	0	374.5	-	-	0	0	138.2
Depreciation	69	57	21.1	64	8.8	193	152	27.2
EBIT	**292**	**345**	**(15.3)**	**358**	**(18.4)**	**984**	**862**	**14.1**
Interest	69	49	40.8	65	5.2	191	137	39.5
PBT	**223**	**296**	**(24.5)**	**292**	**(23.7)**	**792**	**725**	**9.3**
Tax & deferred tax	64	51	24.1	83	(23.2)	229	147	55.7
PAT	159	244	(34.8)	209	(23.9)	563	578	(2.5)
minority int	14	30	(52.5)	25	(42.3)	62	56	10.2
NPAT	**145**	**214**	**(32.3)**	**185**	**(21.5)**	**502**	**522**	**(3.9)**
Equity (Rs. mn)	209	209		209		209	209	
Ratios								
Operting profit margin (%)	19.9	21.2	-130 bps	20.6	-70 bps	20.4	21.1	-70 bps
EPS (Rs)	**0.7**	**1.0**		**0.9**		**2.4**	**2.5**	
CEPS (Rs)	1.0	1.3		1.2		3.3	3.2	
Raw Materials / Sales (%)	63.1	64.6		65.6		64.0	64.7	
Staff cost / sales (%)	3.6	2.4		2.8		3.0	2.5	
Other exp / sales (%)	13.5	11.7		11.0		12.6	11.7	
TAX / PBT (%)	28.6	17.4		28.4		28.9	20.3	

Source: Company

Capex & its funding

Capex of Rs.1.0bn in FY10E

- TTL has likely spent approx. Rs.1.2 bn in FY09E and is expected to spend Rs.1.0 bn in FY10E to execute its expansion plans in India, Sharjah and Poland.
- In March 2007, TTL had issued 700,000 shares at a premium of Rs.265 per share (FV Rs.10) and 600,000 shares at a premium of Rs.305 per share (FV Rs.10) as pre IPO preferential allotment.
- In June 2007, TTL made a public issue of 3.9 mn shares at an issue price of Rs.315 per share including premium of Rs.305 per share. Thus, the company generated Rs.1.2 bn out of the public issue. The company has already got term loan from banks of Rs.165 mn.
- We feel the combination of equity offering, debt and internal accruals will be sufficient for the ongoing and planned future capex of the company.

Dividends

- The Company has consistent track record of paying dividends. In the year ended 31st March 2008, it paid dividends @ 30% (Rs.3 per share). The dividend for the Year ended 31st March 2007 was 20% (Rs.2 per share).

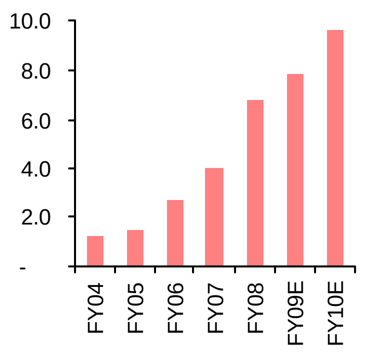
Share Split

Face value of Re.1

- The shares of the company were split in the ratio of 10: 1 w.e.f. 6th November 2008, therefore the current share price reflects face value of Rs 1 per share.

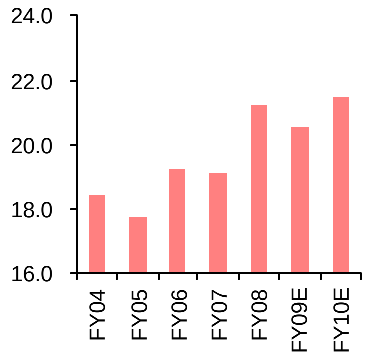
Projected Financials

Net sales (Rs bn)



Source: Company, Kotak Securities - Private Client Research

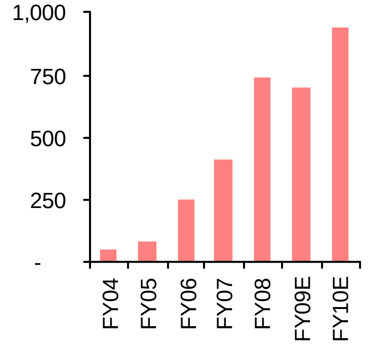
EBIDTA (%)



Source: Company, Kotak Securities - Private Client Research

- For FY09E, we expect sales to grow 15.3% to Rs.7.8 bn and net profit to be Rs.702 mn, translating into EPS of Rs.3.4 and CEPS of Rs.4.6. The PAT is expected to be down 19.3% on YoY basis as previous year included one time income of Rs.134 mn. If we were to remove this then it is expected to report YoY decline of 4.7% again primarily due to inventory mark down of Rs.80 mn in Q3FY09.
- For FY10E, we expect sales to grow 21.9% to Rs.9.5 bn and net profit to grow by 33.8% at Rs.940 mn, translating into an EPS of Rs.4.5 and CEPS of Rs.6.1. This is primarily due to increased contribution from new plants in India, Sharjah, Poland, contribution from the battery business and recently launched products in the infrastructure space.
- TTL reported EBIDTA margins excluding other income of 21.2% in FY08. We expect EBIDTA margin to fall to 20.5% in FY09E due to inventory mark down of Rs.80 mn in Q3FY09. Also the rupee depreciation increased its cost of imported raw material which can be passed on only with a time lag.
- However going forward we expect the EBIDTA margin to increase to 21.5% in FY10E primarily due to growth in revenues led by the higher margin business of infrastructure, healthcare and auto components that has higher EBIDTA margins of 23-25% as compared to 18-20% EBIDTA margins in the industrial packaging business.
- The contribution of the industrial packaging business to total revenues is expected to go down from 58.2% in FY08 to 56.7% in FY10E.
- On the raw materials front, like HDPE, the company imports 65% of its requirements while the balance 35% is procured locally. Also, being technologically superior, the company's products command pricing power in the market. Thus, we are confident that any major price hikes in its key raw material, that is, polymers would be passed on the customers. Any appreciation in the Rupee will help in improving the margin.

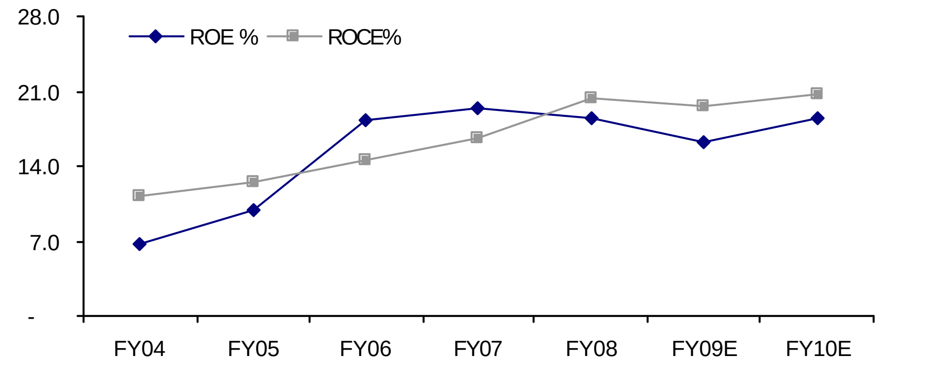
Consolidated net profits (Rs mn)



Source: Company, Kotak Securities - Private Client Research

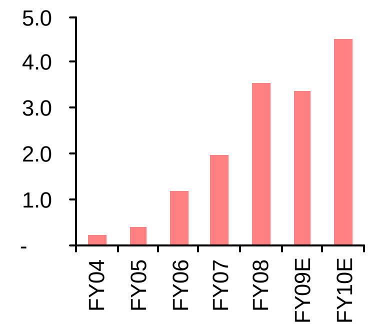
- For FY09E and FY10E, we expect the book value to be Rs.22.2 and Rs.26.3 per share, respectively.
- We expect RoE to improve from 18.4% in FY08 to 18.5% in FY10E.
- We expect RoCE to improve from 20.3% in FY08 to 20.8% in FY10E.

ROE & ROCE (%)



Source: Company, Kotak Securities - Private Client Research

Consolidated EPS (Rs) - FV Rs.1



Source: Company, Kotak Securities - Private Client Research

Peer Valuation

- Strictly speaking, no company can be compared to TTL as it is more into innovative technological based applications of polymers. However, we have compared it with players like Sintex Industries, Essel Propack, Balmer Lawrie and Supreme Industries.

Peer valuation

	Revenue (Rs bn)	EBIDTA (%)	PAT (%)	EPS (Rs)	Price (Rs)	P/E (x)
Time Technoplast (FY09E)	7.9	20.5	8.9	3.4	40	11.9
Sintex Industries (FY09)	30.6	17.0	10.6	24.0	228	9.5
Essel Propack (CY08)	12.9	9.3	-	(5.7)	26	-
Balmer Lawrie (FY09)	20.1	8.4	5.4	67.0	465	6.9
Supreme Industries (June 09E)	14.5	10.6	3.0	17.2	241	14.0

Source: Capitaline, Bloomberg, Kotak Securities - Private Client Research

Superior operating and PAT margins

- TTL, thought smaller in size in terms of revenues, enjoys superior operating and PAT margins compared to other players.
- In our opinion, TTL should command premium valuations due to expected innovations of polymer-based products for high growth industries like infrastructure, healthcare, auto components and lifestyle. These being technologically advanced products enjoy superior profitability. Thus, we expect TTL to trade at a premium to its peers.
- TTL fares pretty well as it enjoys superior operating and PAT margins. Also, it is expected to grow at a higher pace in terms of both revenues and net profits as compared to its peers.

VALUATION & RECOMMENDATION

DCF valuation per share (Rs mn)	
FCFF	5,923
Terminal value	10.017
Total FCFF	15,940
Less: Net Debt	3,388
Shareholders' Value	12,552
Value per share (Rs)	60
Terminal value % of FCFF	63

Source: Kotak Securities - Private Client Research

- At the current price of Rs.40, the stock is trading at attractive valuations of 1.5x P/BV, 8.9x earnings, 6.5x cash earnings, 5.7x EV/EBIDTA, 1.2x EV/sales and RoE of 18.5% based on FY10E estimates.
- We are positive on the growth prospects of the company. Hence, we are initiating coverage with a **BUY** recommendation on TTL with a price target of Rs.60 over a 12-month horizon.
- We have derived our target price based on two-stage DCF valuation methodology, with a WACC of 13.2% and terminal growth rate of 4.0%.
- At the current market price of Rs.40, the stock offers an upside potential of 50%. We recommend **BUY** on Time Technoplast Ltd.

DCF valuation

Free Cash Flow to Firm

(Rs mn)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
PAT	940	1,132	1,356	1,618	1,927	2,287	2,563	2,865	3,191	3,556	3,966
Depreciation	340	404	466	526	584	640	705	770	835	900	965
Interest (1-Tax)	172	153	134	116	98	82	66	53	53	53	53
Capex	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(965)
Change in NWC	(872)	(581)	(666)	(763)	(875)	(976)	(725)	(792)	(865)	(944)	(1,031)
FCFF	(420)	107	289	497	734	1,033	1,609	1,896	2,214	2,565	2,987
Discounted Value	(420)	98	233	353	461	573	787	820	845	865	889

Source: Kotak Securiites - Private Client Research

Assumptions	
Adjusted beta	1.2
Risk free rate (%)	8.0
Market Risk Premium (%)	6.5
Cost of Equity (%)	15.8
Cost of Debt (%)	10.0
WACC (%)	13.2
Terminal growth (%)	4.0

Source: Kotak Securities - Private Client Research

Sensitivity analysis

Terminal / WACC (%)	12.7	13.2	13.7
3	60	55	51
4	66	60	55
5	74	66	61

Source: Kotak Securiites - Private Client Research

Financials: Consolidated

Profit and Loss Statement (Rs mn)

Year end March	FY07	FY08	FY09E	FY10E
Revenues	**3,990**	**6,812**	**7,854**	**9,575**
% change YoY	52.1	70.8	15.3	21.9
EBITDA	**763**	**1,444**	**1,614**	**2,056**
% change YoY	51.0	89.2	11.7	27.4
Other Income	4	3	5	16
Depreciation	144	209	268	340
EBIT	**623**	**1,238**	**1,351**	**1,732**
% change YoY	52.4	98.7	9.1	28.3
Net interest	134	183	255	261
Profit before tax	489	1,055	1,096	1,471
% change YoY	64.2	115.6	3.8	34.2
Tax	77	235	307	397
as % of PBT	15.8	22.3	28.0	27.0
less min int add sh profit	1.3	83	87	134
PAT	411	737	702	940
% change YoY	67.7	79.3	(4.7)	33.8
One time income	0	134	0	0
NPAT	**411**	**871**	**702**	**940**
% change YoY	(9.2)	111.8	(19.3)	33.8
Shares outstanding (m)	170.1	209.3	209.3	209.3
EPS (Rs)	**2.4**	**3.5**	**3.4**	**4.5**
CEPS (Rs)	3.3	4.5	4.6	6.1
DPS (Rs)	0.20	-	0.25	0.30

Source: Company, Kotak Securities - Private Client Research

Balance Sheet (Rs mn)

Year end March	FY07	FY08	FY09E	FY10E
Assets				
Cash and cash equivalents	158	269	279	112
Accounts receivable	1,029	1,588	1,885	2,394
Inventories	845	1,255	1,571	2,011
Others	255	575	707	862
Current assets	2,287	3,687	4,441	5,379
Misc exp.	20	0	0	0
LT investments	66	3	-	1
Goodwill	251	726	726	726
Net fixed assets	1,726	2,952	3,834	4,494
Total assets	**4,350**	**7,369**	**9,002**	**10,600**
Liabilities				
Payables	421	738	785	958
Others	50	234	275	335
Current liabilities	470	972	1,060	1,293
LT debt	1,627	2,096	3,000	3,500
Other liabilities(deferred tax)	144	298	298	298
Equity	170	209	209	209
Reserves	1,938	3,793	4,434	5,300
Total liabilities	**4,350**	**7,369**	**9,002**	**10,600**

Source: Company, Kotak Securities - Private Client Research

Cashflow Statement (Rs mn)

Year end March	FY07	FY08	FY09E	FY10E
EBIT	623	1,372	1,351	1,732
Depreciation	144	209	268	340
Change in working capital	(246)	(652)	(565)	(777)
Chgs in other net current assets	(131)	(136)	(91)	(95)
Operating cash flow	390	794	963	1,200
Interest	(134)	(183)	(255)	(261)
Tax	(77)	(319)	(394)	(531)
Cash flow from operations	**179**	**292**	**315**	**408**
Capex	(965)	(2,002)	(1,150)	(1,000)
(Inc)/dec in investments	(24)	63	3	(1)
Dividends	(30)	-	(61)	(73)
Cash flow from investments	**(1,020)**	**(1,939)**	**(1,208)**	**(1,074)**
Proceeds from equity issue	388	1,134	-	-
Increase/(decrease) in debt	179	469	904	500
Deferred tax credit	51	154	-	-
Cash flow from financing	**617**	**1,757**	**904**	**500**
Opening cash	382	158	269	279
Closing cash	158	269	279	112

Source: Company, Kotak Securities - Private Client Research

Ratio Analysis

Year end March	FY07	FY08	FY09E	FY10E
EBITDA margin (%)	**19.1**	**21.2**	**20.5**	**21.5**
EBIT margin (%)	15.6	18.2	17.2	18.1
Net profit margin (%)	10.3	10.8	8.9	9.8
Adjusted EPS growth (%)	67.7	79.3	-4.7	33.8
Receivables (days)	94.2	85.1	80.7	81.5
Inventory (days)	77.3	67.3	65.7	68.3
Sales/assets (x)	2.3	2.3	2.0	2.1
Interest coverage (x)	4.7	6.8	5.3	6.6
Debt/equity ratio (x)	0.8	0.5	0.6	0.6
ROE (%)	**19.5**	**18.4**	**16.2**	**18.5**
ROCE (%)	16.7	20.3	19.7	20.8
EV/ Sales (x)	2.5	1.5	1.4	1.2
EV/EBITDA (x)	12.9	7.1	6.9	5.7
Price to earnings (x)	**16.6**	**11.4**	**11.9**	**8.9**
Price to book value (x)	4.0	2.1	1.8	1.5
Price to Cash Earnings (X)	12.2	8.8	8.6	6.5

Source: Company, Kotak Securities - Private Client Research

ANNEXURE - I

Company history

- TTL commenced operations in 1991 as an SSI unit in a single product segment, that is, industrial packaging. Later on in 1993 it tied up with Mauser, Germany as a technology partner.

Merged two companies in 2005

- On April 1 2005, TTL merged group companies Shalimar Packaging Pvt Ltd and Oxford Moulding Pvt Ltd catering to lifestyle products and healthcare products. This was done to bring in further efficiency in the operation by integration of all its polymer-based businesses and creating a diversified product portfolio and consolidated technology platform for all its products.

- TTL has expertise across polymer processing technologies like blow moulding, extrusion and injection moulding. The company is based on the three pillars of polymers, technology and innovation, which are its key strengths.

Commenced auto components business in 2005

- In FY05, the auto components business was started in a small way. Subsequently, the company introduced anti-spray products in FY06, which led to a significant rise in revenues of the auto components business in the following years.

Acquired TPL Plastech in 2006

- To further consolidate its market share and serve the user industry more efficiently and cost effectively TTL acquired 75% stake in its next competitor TPL Plastech Ltd, formerly known as Tainwala Polycontainers Ltd on July 14 2006.

- TTL has set up two projects overseas to further expand its markets. In FY07, a 100% subsidiary, Elan Incorporated FZE was created in Sharjah Airport Free Trade Zone - UAE for production of packaging and lifestyle products like garden furniture.

- TTL also created another 100% subsidiary, Novo Tech Sp ZOO in Kostryzn Slubice SEZ-Poland, for manufacturing auto components like anti-spray devices and lifestyle products like matting and turfs.

JV with Mauser for IBC

- In 2004, it formed a JV with Mauser, Germany under the name of Time Mauser Industries Pvt Ltd (TMIPL) in India where Mauser Group holds 51% and TTL holds the balance 49%. This is the only company in India manufacturing intermediate bulk containers of 1000 liters capacity. The JV has also set up a manufacturing facility for mild steel drums of 200 liters capacity.

JV bought 99.65% of Pack Delta of Thailand

- TTL's promoter company Time Securities Services Pvt Ltd (TSSPL) and Mauser Holding, Netherlands BV formed a JV company on June 1 2006 called Mauser Holding Asia Pte Ltd Singapore (MHA). MHA has since acquired 99.65% of Pack Delta Public Co Ltd (PDPL) an existing industrial packaging company based at Bangkok, Thailand. It was at the time of acquisition, a listed company on Market for Alternative Investments and last year it got de-listed.

- Post IPO in June 2007 the 49% stake owned by TSSPL has been bought by TTL for Rs.191.9 mn at cost basis. In future, the acquisition of companies in the Asian region would be through Mauser Holding Asia Pte Ltd. (MHAPL)

- In October 2007, TTL added another vertical to its business by acquiring Hyderabad-based NED Energy that supplies batteries to the telecom sector.

Innovative products launched in 2009

- In FY09, TTL launched new products like plastic fuel tanks, high pressure pipes, prefabricated shelters and sound barriers.

ANNEXURE - II

A) Industrial and consumer packaging solutions

Packaging uses more than 40% of all plastic produced.

- Plastic packaging including flexible and rigid packaging conveys the image of high quality, freshness and convenience. It is more cost effective than any other packaging material and is the single largest market for plastic resin consumption. According to ICRA report on Indian Plastic Industry, June 2005 packaging uses more than 40% of all plastic produced.
- In a mature market like US, rigid packaging constitutes 24%, while in India it is just 14%. Most of the rigid packaging demand, that is, over 70% in India is from drums and containers used for storage and packing of lube oils, chemicals and other liquids. (Source: Company RHP)
- These barrels and containers are used for packing by users in specialty chemicals, paints, inks, pharmaceutical intermediates, FMCG intermediates, construction chemicals, additives, lube oils and food industry among others.

Some of the packaging products are

- HM-HDPE blow moulded drums/barrels - narrow mouth, wide mouth and open top in 200 - 250 liter capacity.
- HDPE polycans/jerry cans - narrow mouth, wide mouth and open top in 20-150 liter capacity.
- Pails and containers in 5-25 liter capacity
- Pet sheets - monolayer of up to 1 mm thickness of food and pharma grade.

IBC of 1000 liters capacity

TTL makes intermediate bulk container (IBC) of 1000 liters capacity in JV with Mauser of Germany, where TTL has 49% and Mauser owns balance 51%. The company gives a complete packaged product with wooden, steel or plastic pallets and covering net around. This makes it very easy and safe to handle. This is the only company that makes IBC in India.

Benefits of IBC

- Rectangular shape provides high utilization of space and saves storage cost
- Being a large packaging unit, reduces cost of filling, storing, handling and transportation
- Multi-trip applications and longer service life brings in savings
- Internationally adopted packaging design
- Right size offers compact fitment in shipping container and, thereby, reduces freight cost
- Suits inland transport as well
- It acts as a replacement to road tankers as it offers multi trip capability, clean rust free filling medium, handy storage unit at site and flexibility on volumes
- Multiple tamper proof sealing provides more secure packing and transport medium
- Easy to handle with standard mechanical equipment

B) Lifestyle products

- In lifestyle products, TTL manufactures polymer-based garden furniture, turfs and entrance matting. TTL has strong brands in this sector like Regal for garden furniture and Duroturf and Durosoft for matting.

Strong brand like Regal, Duroturf and Durosoft

- TTL manufactures garden furniture like mono block chairs, executive chairs, folding chairs, baby chairs, tables, stools, trolleys, shoe racks, center tables, and coffee table with different designs, sizes and special features, out of special grade of polymers through injection moulding process.
- These products are strong, impact resistant, scratch resistant, easy to maintain, weather proof and termite proof. They come in different shades and colors to meet individual tastes of the users. The products are also resistant to UV radiations that help to have long useful life and reduce dust accumulation.

Eco-friendly garden furniture

- Moulded garden furniture is eco-friendly, as it can replace wooden furniture and the polymer used in its manufacture is completely recyclable.
- Garden furniture supplied by the company is normally used in homes, hotels, restaurants, clubs, eateries, resorts, amusements parks, gardens, sports complexes among others.

C) Auto components

Anti spray devices and plastic fuel tanks

- TTL manufactures auto components like radiator tanks, plastic fuel tanks, air ducts, vents and anti-spray devices. Commercial and passenger vehicles primarily use these components.
- India is gradually harmonizing its automotive norms with global norms. The Government has already approved the proposal to join the world forum, that is, World Forum for Harmonization of Vehicle Regulations (Wp-29) as an observer.
- The introduction of newer regulations and standards with stringent norms, especially in line with Euro norms, throws up opportunity for newer components. Automotive industry standards are being implemented in making it necessary for vehicle operators and OEMs to bring about these changes.

D) Healthcare Products

Auto disable syringes
Blood collection devices
Multi layer face masks

- TTL manufactures health care products such as auto disable syringes, blood collection devices and multi-layer face masks. The company also makes chamber masks called OT Safe with tie and loop and multi-layer face masks.
- India is on the threshold of a major explosion in healthcare with increasing growth in medical tourism, diagnostic and clinical trials, outsourcing R&D and burgeoning population. All this translates into massive requirements for medical disposables.
- The WHO, Unicef and UNFPA had recommended that all member countries use only auto-disable syringes in immunization programs starting from 2003. Further, the Union Ministry of Health and Family Welfare has made the use of auto-disable syringes mandatory for immunization programs. This measure will help to make sure that chances of HIV or other blood borne infections are eliminated in child immunization programs.
- Directorate of Health Services (DHS) has released a circular in December 2008, directing all Delhi Government hospitals and dispensaries to switch to auto-disable syringes for areas with maximum risk of unsafe injection like immunization and drawing of blood samples.

Single Use Syringes mandatory effective 30th April 2009

- Ministry of Health, Govt. of India has made the use of 'Single Use Syringes' mandatory effective 30th April 2009 in all government and central government hospitals. Single Use / Auto Disable syringes are designed for a single use, with a lock that prevents reuse and eliminates unauthorized packaging or even resale. In rural areas, reuse of conventional syringes is common.

E) Construction and Infrastructure related products

Warning and safety nets

- TTL manufactures polymer-based warning and safety nets. Safety is becoming increasingly important at construction and project sites where activities related to civil work, installation, erection, commissioning, etc are in progress. The norms require that a construction site, areas under civil work be cordoned off, the ditches and trenches be covered. There should be a safety net overhead to avoid debris falling on people engaged in construction activities.

- Warning and safety nets are used for cordoning of construction areas for reasons of warning and safety. The nets are also used between the layers during construction to provide support and prevent sagging of layers. The nets are also used as warning nets for all underground piping, cabling etc. The nets are also used in agriculture as anti-soil erosion nets, crop protection nets from birds and other destroying insects, sapling cones for poultry and horticultural farms among others.

High pressure pipes

- TTL has also developed high pressure pipes which are used in sewage pipelines and for high pressure commercial applications. It makes form 40 mm to 1600 mm. It has set up a separate manufacturing facility at Silvassa with capacity of 1500 MT and at a cost of Rs.250 mn. The plant has commenced commercial production in February 2009 and it has already executed couple of large orders of these high pressure pipes. In this segment it competes with Jain irrigation and Supreme industries.

Sound barriers

- TTL has also developed sound barriers which are used to reduce sound on the highways, bridges and in industrial areas. It is being manufactured in the same facility of prefabricates shelters. The plant is ready and it expects to get couple of large orders. In this segment it competes with some local players and imports. As per industry sources its market size in expected to be Rs. 1 bn in Mumbai alone.

Pre-fabricated shelters

- TTL has also developed pre fabricated shelters which are used to set up a quick structure. It has set up a separate manufacturing facility at Silvassa at a cost of Rs.300 mn. It is expected to be commercially launched in Q2FY10. A couple large tenders are expected in the following quarter and the company hops to get a fair share of the order. In this segment it competes with Sintex Industries.

F) Battery business

NED Hyderabad

Enterprise value of Rs.650 mn

- In October 2007, TTL added another vertical to its business by acquiring 71% of Hyderabad-based NED Energy at an enterprise value of Rs.650 mn. NED is engaged in manufacturing of high technology valve regulated lead acid (VRLA) batteries with battery manufacturing capacity of 100 mn Ah.

Telecom batteries under brand Maxlife

- NED enjoys quality leadership for its batteries in the telecom sector under well-established brands like "MAXLIFE". NED`s products were duly approved by the Department of Telecommunications (DoT), Government of India. NED is currently supplying its products to top players in the telecom sector.

- NED has also made a breakthrough in high performance maintenance free, corrosion resistant VRLA batteries for the automotive segment. NED works closely with Indian Institute of Science (IISC), Bangalore and Central Electro-chemical Research Institute (CECRI), Karaikudi.

- NED has designed, developed and innovated corrosion resistant, high performance, long life batteries with much-improved energy density and cyclic life most suited for the harsh Indian environment, that is, high temperatures and prolonged power failures.

Process of getting five patents as co-inventor

- NED is in the process of getting five patents as co-inventor with an exclusive right for commercial exploitation of these innovations.

- Modern automotive vehicles are now moving from the present flooded acid batteries to maintenance free VRLA batteries due to high charge acceptance, safety and high corrosion resistance. NED has designed, developed and fully tested most suited batteries for this application that are expected to be launched shortly.

VRLA batteries for electric vehicles

- NED has developed VRLA batteries for electric vehicles and hybrid electric vehicles that have significant export possibilities. This is likely to be commercialized in the next one year.
- NED has also developed highly compact, leak proof GEL batteries with a long discharge cycle that has huge growth potential.

To improve energy density by 25%

- NED has developed battery grids out of special polymers, with patent, to replace lead, cutting down the weight of the battery by approximately 30% and improving its energy density (Wh/Kg) by over 25%. TTL stands to benefit in terms of rising lead prices which would make it competitive as against other lead batteries.

Doubled capacity at Hyderabad and Jammu plant to be operational by March 2010

- TTL has already doubled its capacity at Hyderabad to 200 mAh at a capex of Rs.100 mn and it is operational since July 2008. TTL has also set up a plant at Gujarat of 100 mn Ah at a capex of Rs.250 mn that commenced commercial operations in March 2009. Going forward it is setting up a new plant at Jammu by March 2010. It will be for both telecom and automotive batteries.

Reputed clientele

- Some of the clients of NED are BSNL, Indus Towers, Bharti Infratel, Ericsson, Nokia and Idea amongst others.

NED financials

- Regarding financials in FY08, NED reported net revenues of Rs.1.3 bn with EBIDTA of Rs.380 mn, EBIDTA margin of 28.7%, PAT of Rs.259 mn and PAT margin of 19.6%.

Gulf Powerbeat WLL – Bahrain (GPW)

Bought GPW for $5 mn with 400 mAh capacity

- To further enhance battery capacity, NED bought a 100% stake in Bahrain-based Gulf Powerbeat WLL. GPW has a state-of-the-art production facility at the South Alba Industrial Area, Manama, Bahrain for manufacture of high quality long life batteries.
- GPW was owned by a reputed business family of the UAE who offered to disinvest in the battery business for US$5 mn to remain focused on their large size projects in the area of finance and real estate.
- GPW has an installed capacity of 400 mn Ah with 250 mAh for telecom and 150 mAh for automotive batteries. NED plans to tap the GCC market for automotive batteries and bring additional components into India.

$10 mn capex in next three years

- The total investment in the Bahrain project is estimated at $10 mn over the next three years. It would be financed through a mix of equity contribution from NED and overseas debts.
- Through the acquisitions, TTL plans to leverage NED's technology in automotive batteries to achieve significant growth for its well-established automotive segment where it enjoys strong relationships with major OEMs as Tier-I supplier.
- We expect the battery vertical to contribute more than 20% to the overall revenues of the company from FY10E onwards. It has high growth potential, going forward.

G) Material handling

JV with Schoeller Arca Systems

- In June 09, it formed a JV with Schoeller Arca Systems to manufacture and sell a wide range of plastic retumable packaging solution and material handling solutions and systems. The JV seeks to fill in the gaps and offer the Indian users state-of-art products of international design, quality and standards. The products provide long term operational benefits, maximum efficiency and protection, optimum space utilization create better logistics and supply chain.
- SAS is the global leader in this field and the next competitor is less then half its size. SAS sells products like large foldable containers, pallets, crates etc. for distribution, storage and retail display across user segments like retail, automotive, agriculture, processed foods, pharma, FMCG, electronics and logistics.

SAS is present in 50 countries

- SAS is present in 50 countries across the world and has strong ongoing relationships with international customers like Ericsson, Pepsi, Coca-cola, Carrefour, Metro, Wal-mart, Unilever, Nestle, Heinz, Volvo, Heineken to just name a few. SAS has strong R&D capabilities illustrated by number of patents and international recognitions.

Capex of Euro 10mn

- The products would be manufactured through a JV (50.1% SAS, 49.9% TTL) at a capex of Euro 10mn. The initial manufacturing facility would be set up at Silvassa and Pantnagar. In the second phase two new production facilities would be set up in Chennai and Kolkata

Research Team

Dipen Shah
IT, Media
dipen.shah@kotak.com
+91 22 6621 6301

Teena Virmani
Construction, Cement, Mid Cap
teena.virmani@kotak.com
+91 22 6621 6302

Saurabh Gurnurkar
Media, IT
saurabh.gurnurkar@kotak.com
+91 22 6621 6310

Saday Sinha
Banking, Economy
saday.sinha@kotak.com
+91 22 6621 6312

Shrikant Chouhan
Technical analyst
shrikant.chouhan@kotak.com
+91 22 6621 6360

Sanjeev Zarbade
Capital Goods, Engineering
sanjeev.zarbade@kotak.com
+91 22 6621 6305

Apurva Doshi
Logistics, Textiles, Mid Cap
doshi.apurva@kotak.com
+91 22 6621 6308

Saurabh Agrawal
Metals, Mining
agrawal.saurabh@kotak.com
+91 22 6621 6309

Sarika Lohra
NBFCs
sarika.lohra@kotak.com
+91 22 6621 6313

K. Kathirvelu
Production
k.kathirvelu@kotak.com
+91 22 6621 6311

Analyst holding in stock: Nil

Registered Office: Kotak Securities Limited, Bakhtawar, 1st floor, 229 Nariman Point, Mumbai 400021 India.