"Time Technoplast Limited
Q2 FY 22 Earnings Conference Call"

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MODERATOR: MR. VIKRAM SURYAVANSHI, PHILLIPCAPITAL (INDIA) PRIVATE LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Time Technoplast Limited Q2FY22 Earnings Conference Call hosted by PhillipCapital (India) Private Limited.

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I would now like to hand the conference over to Mr. Vikram Suryavanshi from PhillipCapital (India) Private Limited. Thank you and over to you, sir.

Vikram Suryavanshi: Good afternoon and a very warm welcome to everyone. Thank you for being on the call of Time Technoplast Limited.

We are happy to have management with us here today for Question and Answer session with the Investment Community. Management is represented by Mr. Anil Jain -- Managing Director, Mr. Bharat Vagerai -- Director Finance, Mr. Sandip Modi --Senior Vice President, Accounts and Corporate Planning.

Before we start with the Question and Answer session, we will have some opening remarks from the management. Over to you, sir.

Anil Jain: Good afternoon to all the attendees. I have with me Mr. Bharat Vageria, Mr. Sandip Modi, who have been already introduced to you. We are here essentially to talk about our results for Q2 and also H1 FY22, and the outlook for the rest of the year.

The results are already announced. But I will just walk you through some of the key financial and operational highlights.

Before I do that, I need to apologize to all of you for missing the last investors meet due to some sudden urgent engagement for our CNG cylinders. So, I apologize for not being there last time. And even today when I am speaking to you there is a big delegation from MGNL visiting our factory, who wanted me also to come. And they have a fairly large requirement of cascades going forward. But I said this time around I must really talk to my investors.

Overall recovery has been quicker after the COVID-19 second wave. The company has seen significant improvement in the performance, in the 2nd Quarter and the first half of FY22, despite an increase in price of key raw materials and logistic costs, which will get reflected in our numbers as I explain.

The key numbers are, on a consolidated basis in Q2FY22 there have been a significant improvement in performance with revenue growth of 21% as compared to previous quarter that is Q1 FY22, and 23% as compared to corresponding quarter last year. During the Q2 FY22, the net sales stood at Rs. 915 crores as against Rs. 744 crores, EBITDA Rs. 131 crores as against Rs. 93 crores and the Profit after Tax has been Rs. 50 crores as against Rs. 24 crores. So, in terms of percentage, the net sale increased by 23%, volume increase 16%, EBITDA increase 42%, and PAT increase 106%.

The EBITDA margins were 14.34% as against 12.44% increase by 190 basis points. That is essentially because we have come out of the ill effects of COVID. The net profit margin has increased by 220 basis point that's about 5.5% EBIT compared to 3.3% during the previous period.

During H1 FY22 on a consolidated basis the net sale is at Rs. 1,670 crores as against Rs. 1,220 crores. EBITDA at Rs. 232 crores as against Rs. 147 crores. And Profit after Tax Rs. 79 crores as against Rs. 13 crores. In terms of percentage growth net sales grew 37%, volume increased is 32%, EBITDA by 58%, and PAT increased by 517%. But, that is basically because of a smaller base last year, which was affected by COVID.

In H1FY22, EBITDA margin was 13.90% as against 12.03% increase by 187-basis points. And net profit margin also increased by 367-basis points that is about 4.72% as compared to 1.05%. Again, as the larger volume and the larger revenue, you will see that the overheads have been diluted on a larger number therefore, the EBITDA increases, and also the net profit improved as our EBITDA margins went up.

Share of Business, Established product versus Value-Added products, value-added product grew by 35% in H1FY22 as compared to H1FY21. While Established product grew at 37%. The share of Value-Added products is 21% of the total sales in H1FY22 as against 22% in H1 FY21. So, we always welcome when Value-Added product growth is higher.

Share of Indian and Overseas Business, which have always been hovering around 70-30 or thereabouts, in H1FY22, it's a 65% and 35% as against 70% and 30% in FY21. So, our overseas business is 35% as against 30%. But the domestic business hasn't grown at the same pace. EBITDA margin in India and overseas are 13.94% and 13.83%. Historically also they have been more or less at the same level, with the difference of about 0.5% here and there.

Total debts as on 30th September 2021 is Rs. 832 crores, net debt at Rs. 737 crores correspondingly, as against Rs. 817 crores as on 30th of September 2020. Total CAPEX incurred during H1FY22 was Rs. 73 crores which included Rs. 40 crores towards the capacity expansion, reengineering and automation for the Established product and about Rs. 33 crores towards Value-Added products, including CNG cylinder, with ss seeing a remarkable growth, in terms of order book.

I would now like to open the floor for questions, so that we could answer the specific queries here. Thank you very much for listening.

Moderator: Thank very much. Ladies and gentlemen, we will now begin the Question/Answer session. The first question is from the line of Nakshita Mehta from Kredent AMC. Please go ahead.

Nakshita Mehta: I just wanted to ask a question about the inventories. I can see the inventory is consistently high. Is there any particular reason or?

Anil Jain: Yes, inventory built up has happened essentially in our PE Pipe business. As we got the orders and had the urgent requirement from the customers. We made those pipes for them. But in several states, the rains continued far beyond what they had, our customers had anticipated. And they asked us to hold the dispatches, because if we send the pipes to the site during monsoon, then either they get swept away or they get dirty because of the mud going inside of that. So, that had been one major reason for an inventory built up.

Nakshita Mehta: Do you still have booking for these products?

Anil Jain: Oh yes, we already had the orders, that's when we actually manufactured them. And then the cost of production has also gone up because the raw metal prices went up. Therefore the value of inventory also gone up because of that reason, so it's the combined effect of both.

Nakshita Mehta: Another question is on the CAPEX, so I can also see there is a good amount of CAPEX that has been happening. Can you throw some light on, are we planning for capacity expansion or what is it?

Anil Jain: Okay, I will explain it to you. We have CAPEX divided into two parts. One is for maintenance, upkeep, brownfield and internal capacity expansion etc. and the maintenance and automation. So, that is one part which is recurring every year. And then there is a CAPEX which is for capacity expansion in the areas where we may expect larger order. So, most of the CAPEX has been on maintenance etc., but there is a certain CAPEX which we have done, for our new product especially cascades as we are now flooded with orders which is a nice thing to have. And therefore, we have to prepare them, though there will be a time gap as we start getting the plant and equipment that they come with the time gap. But we had to take steps so, that we would be able to supply those cascades and cylinder on time.

Nakshita Mehta: So, another question is on trade receivables. So, I can see there is a huge buildup of trade receivables as well. So, can I attribute that to again the order problem that you said?

Anil Jain: Well, that net receivables have been a little bit of a situation especially again in pipes, the State Government, our customers supply the material to the State Governments and State Governments keep complaining to them that they haven't received their share of GST from the Central Government. So, they had the paucity of funds, therefore the payment got a little delayed from their side. But it is a very temporary phenomena we see it every year. And especially when the new order is not being executed, then they have a tendency to hold that for a little longer. But as the supplies have commenced, I am sure that will get recognized.

Let me assure all our investors that we are virtually nil bad receivables. In fact, the other day we were doing the calculations, it is inside of 0.001% of the total sale .

Nakshita Mehta: So, last question is on, there is increasing adoption of EVs, electric vehicle and all of that. So, what do you think in coming years will be the impact on the CNG and subsequent impact on your business?

Anil Jain: Nakshita, let me tell you that we are fully aware and are keeping a close watch on what's going to happen on electrical vehicle. First of all, Government has a long term plan for CNG. They have contracted certain areas to the private city gas distributors, and the schedule has been given. So, from 1400-1500 gas stations, they are going to go up to 10,000 gas stations. So, that is where we will require a lot of cascades. And as the CNG becomes available, then we would expect that a lot of these car manufacturers will go for CNG vehicles because the CNG footprints will increase substantially.

Let me just give you another comparison one is vis-à-vis electrical, let me be honest with you, the electrical vehicle cost is going to be much higher than the CNG vehicles. And then the cost saving will certainly be there in operating cost, but your capital cost goes up.

And up till now, if you leave aside some people in USA, lithium-ion batteries have not been able to prove themselves in India, especially on automobiles. Again, the lithium-ion batteries need to come from China, where the prices are going up every day. So, I don't know really how long electrical vehicles are sustainable. Besides for electrical vehicles, you need a very large infrastructure. So, that you could have quick charging or a swap system of the batteries. I would like to think that will take a little longer.

But let me interestingly tell you, the more relevant comparison will be with hydrogen vehicles. As Hyundai and another company have taken permission from PESO that they would like to come with hydrogen vehicles. The operating costs in hydrogen vehicles will be much less than even electrical vehicles on one end. And secondly, it will be easier for having hydrogen available in a different location that is a replica of how CNG vehicles are operated. I drove a vehicle which is running on hydrogen with fuel cells, believe you me, it is a pleasure to drive such a vehicle. And we are now knowing that Reliance and some other people have taken a very aggressive approach towards hydrogen. But hydrogen also will require composite cylinders.

The difference is that a CNG composite cylinder has to have a burst pressure of 470 bars, whereas a hydrogen cylinder will have a burst pressure of 1250 to 1300 bars. So, steel cylinders are completely no no for hydrogen. And we have started working for hydrogen cylinders also as and when the demand comes up. We have been able to go up to the burst pressure in excess of 1000 bars. But to go to 1200 or 1300 bar is not really going to be a problem. So, if switchover takes place, let us assume one day from CNG to hydrogen, then we are still in good business.

Moderator: Thank you. The next question is from the line of Nilesh Shah from Arrow Investment. Please go ahead.

Nilesh Shah: My first question is on the LPG cylinders. We had received an order from Indian Oil and just wanted to know subsequent orders book what is the kind of position, after the first 30,000 cylinders, whether they have been delivered or is it an ongoing process?

Anil Jain: Between my investors and I, I am willing to share some important information after the first order, within a month, we have received another order from Indian Oil Corporation which is under execution now. I believe as they launched these composite cylinders in 30 different locations in the country, the response had been very warm. And therefore, they had to placed order for another I think 30,000 or something which is now being executed.

But that's not exciting. The exciting thing is that we are working very closely with them for preparation of tender specifications for 14.5 lakh composite cylinder, 14.5 lakh cylinders. So, even if you get half of it that will be close to about 7,25,000 cylinders. And we are told that inquiry would be out by the end of this month. And since, we have already supplied cylinder successfully in the past, and they have been received well by the customers. We see no reason as to why we would not be able to get a significant part of that.

Now, that is only Indian Oil Corporation, let's not forget there is Bharat Petroleum and also Hindustan Petroleum have also bought some cylinders in the past, composite cylinders. And they are very encouraged by the data that they are receiving on Indian Oil Corporation their cousin.

First let me tell you it's not just the liking for the composite cylinder, there is another factor which plays the role. In the former time, cylinders used to be for Rs. 1,400 and we were selling composite cylinder about Rs. 2,200. So, there was a significant price difference between both. Though all these companies acknowledged that the composite cylinders had great advantages over steel cylinder, but because of the price difference, they were not willing to go aggressively for them.

In the meantime as the steel cylinder prices have gone from Rs. 1,400 to Rs. 2,000 whereas composite cylinders are more or less at the same level plus minus Rs. 50, but for the difference in the price 40% has come down to like 10% to 15%. And with all the advantages the composite cylinders have, they are lightweight explosion proof, no rusting, no corrosion etc., I think it is only logical that the oil companies will now look at switching from steel cylinder to composite cylinder.

So, essentially we don't even have to worry about the new rollout of the new connections, because they have a total population of about 36 crores cylinder countrywide. And normally, life of the cylinder is 10 years, but they are sometimes stretch to 15. So, you always have a replacement demand every year, which earlier was being replaced by steel cylinder, but now they are going to look at composites. So, most of these composite cylinder will go as a replacement to the steel cylinders.

Nilesh Shah: The second query is basically on again on the LPG part itself that we have production capacity of 14 million cylinders per annum. We are exporting to 52 countries worldwide. So, that is still going on. And is there an incremental revenue that is coming in from those areas, those markets?

Anil Jain: You have touched my raw nerve because we are also contemplating that if the oil companies wake up, looks like as if they are, right, we will have to calibrate our exports to different countries, because we still have fairly large orders from some of the nearby countries, in Africa and Caribbean. So, we right now have a capacity of 1.4 million which there is a nameplate capacity. But in real production, this is closer to about a million. And if our friends at the OMCs take away, let us say 7,50,000 or 8,00,000 cylinders, out of that one, I will be left with little for the purpose of export. And I have a good solid order booking which of course we have been cautious about in anticipation of this local order. We will have a difficult time in kind of matching our preferences, the capacity.

Nilesh Shah: So, that's good news in a way.

Anil Jain: Yes, that's a good problem to have.

Nilesh Shah: And last question, is on this battery division and the molded plastic furniture division, we were looking for exiting these businesses. And I think it's, again, a work in progress. And I just want to know any development on that front?

Anil Jain: I would like to take your advice because we have got, we have started getting orders from Tesla.

Nilesh Shah: You have started getting orders from Tesla for batteries.

Anil Jain: The batteries, yes.

Nilesh Shah: Wow, there is no announcement on that front anywhere. So, that's very good to hear.

Anil Jain: Yes and /I mean we have just started supplying and they are saying that they will be giving significant order. So, there is two things of course, we still are stuck on letting this business go. But with these order books with companies like Tesla, etc. I think the valuation will be more to our liking. So, that is still a work in progress. But in the meantime, we have not given up because it was a good business for us. And with some of these guys like Tesla and other people coming in, I think we can pick and choose from the prospective buyer.

Nilesh Shah: So, the NED Energy Division there was a merger that was supposed to take place between two companies, one in Bangalore and the NED in Hyderabad.

Anil Jain: We did it because we wanted to reduce the overhead etc. So, that part has been done already. And it makes a little more attractive for a prospective buyer because our offering from both the locations put together is quite large. And our Bangalore unit had been the blue-eyed boys of railways. And suddenly, railways have gone in for modernization. I am not talking about railway stations which Prime Minister is inaugurating as of this time, but even in terms of their coaches and operating parts, which require a lot of batteries, which our Bangalore unit supplies in. So, I think this is a good advantage and when we make an offering that will make it attractive for prospective buyers.

Nilesh Shah: But we are still looking at exiting these businesses

Anil Jain: We will exit from this business sooner or later.

Moderator: Thank you. The next question is from the line of Suresh Waran, individual investor. Please go ahead.

Suresh Waran: How many players are actually in the DWC pipes, how many players are in Indian market for LPG and CNG? And what is our ranking? And is there any export opportunities for these pipes, DWC pipes and HDPE pipes?

Anil Jain: So, let me first talk about the composite cylinders Type 4. We have no local manufacturer at all. And I am sure by this time, you know that the Government of India has come up with a new policy, for Aatmanirbhar Bharat, whereby those companies who have more than 50% of local value addition they are given 20% price preference in the purchases by Government companies. And that includes the CGD companies. So, therefore, we will have that advantage until somebody else comes in into the country.

For LPG cylinders we have us and of course, Supreme Industries, they are the one. It is good in a way there is another one because for Government purchases, you need to have at least two tenders. Otherwise, they cancel the tender. So, I am glad that they are around us.

And as far as these DWC pipes are concerned, I am afraid they have still not picked up as much as we had expected it to, because the Government of India is spending more money on for drinking water supply, as they call it "Nal se Jal". So, there is a lot of expansion in that area for supply of fresh drinking water. That's where our HDPE pipes are going. But we are now told that the Government is very aggressively going to go for sewage and sewage treatment plants for which DWC pipes will be required. And we still remain very optimistic that product will,but in so far as the manufacturer for those products is concerned, I think we have about one in Calcutta, one in Jaipur maybe about four of them. But let me tell you when the requirement comes up, any capacity will be less.

Suresh Waran: Just I want our opinion on this one, actually I attended Everest Kanto con call, in Q3 '21. What they are mentioning, composite cylinder is not adoptable in India. They are telling its only adopted in the U.S and now Europe it's not adopted. And also they are telling this technology is easy to manufacture, anytime they can adopt the technology in their factory. So, I need your opinion.

Anil Jain: What do you expect them to say? I mean we are we are pushing them out of the market. Some of the cascades which were Type 1, they make Type 1 cylinder, we are able to convert them into Type 4. So, they have every reason to say what they did. But let me tell you, even a common man can understand, if you can carry twice the CNG in every trip, right then why won't you and also the operating costs getting reduced to half, of course, the capital cost will be high, but that gets spread over a period of 20 years. I think it cannot be factually borne but the fact that it is only in U.S. and not in Europe that is not true. And Europe has several areas where CNG caskets are being used.

And number three, let me be honest with you, if the technology was as simple as one would like to think, you would already see quite a few people jumping into the market as they start losing business to us. As we speak MGNL is going to be placing order for 100 cascades for Type 4 cylinders. And the tender is only for Type 4, even Type 1 is not allowed to participate in that one.

Suresh Waran: Any update on the oxygen cylinder actually?

Anil Jain: Well, we are ready with the cylinders, oxygen cylinder, but in the meantime, that scarcity in the market has gone away, so we have the product available we will be now looking for an alternate use for that one especially for fire brigades and Navy. So, that is the two areas where we have planned , but the sizes that they require are slightly different. So, we will be preparing the sample for them and probably approval will take a little bit wide longer.

Incidentally, when he talked about Type 4 composite, I can quote a very Senior Officers in PESO, who said "that the future of CNG is Type 4 cascades and Type 4 cylinders. "And they are not going anywhere for the next 25 years.

Suresh Waran: Actually today Mr. Nitin Gadkari's interview, he told in two years' time, the petrol car price and the electric car price will be same. So, do you agree with that answer, actually, is there any, what is your opinion sir?

Anil Jain: I met Mr. Nitin Gadkari in various forums. He is a very straightforward person, though admittedly. Of course, this is what they would like to happen. But I mean, being an electrical engineer who has worked on electrical vehicles for some time, I can promise you, it will take a lot longer than what has been promised with regard to the prices being the same.

Please tell me today, policymaker in the country are slightly confused. They talked about methanol being added to the fuel, so that the fuel prices could come down. And a lot of people invested in the methanol hybrid vehicles. Then they came out with a CNG. And we are working extremely hard, and we have brought it to a point where it can take off. Then, the Government is also talking about LNG for large trucks. I don't know whether you heard, they have already planned a copy of which is available with me, which says that they will be doing LNG for large vehicles. That's a welcome thing. And I quite agree LNG has been gathering momentum.

For electrical vehicles, if you are doing it for energy independence, let me tell you electrical vehicles don't make sense, because lithium-ion batteries are coming and will continue to come from China, as all the mines for lithium, especially in Australia are owned by Chinese people. And they move the prices based on on-demand. So, I would like to think because of the energy independence point of view, and also because of the cost and imports from China, electrical vehicles can wait for a while.

Suresh Waran: My next question is regarding the hydrogen cylinder actually, you told 1250 bar.

Anil Jain: That is right, I forgot to tell you that the policymakers are again confused, because even before they could talk about electrical cars, they started talking about hydrogen initiatives. And let me tell you that is the best thing that can happen to this country. Because normally, you have hydrogen vehicle at the operating pressure of 400 bar, and the burst pressure of the cylinder has to be 1200 bar. But for 1200 bar burst pressure, a steel cylinder weight will be so much that you can't even move the vehicle. So, it has to be a composite cylinder and that too, who can withstand 1250 bar.

We have crossed to the other side of 1000 bar, and God willing by end of this year, we should be close to about 1200 bar. We are closely in touch with Reliance. As you know we have a two-way relationship with Reliance where we buy a lot of polymers from them and then we have told them that we have the capabilities to do hydrogen cylinders. So, if the switchover from LNG or CNG or any other alternate fuel to hydrogen, we won't have to worry about the same capacity can be used for making hydrogen cylinders.

Suresh Waran: The hydrogen cylinder is there anywhere adopted substantially in the world now, right now?

Anil Jain: Oh sure, I have seen vehicles with the hydrogen fuel in USA, it is nothing but electrical vehicle. What you do is, you generate electricity by way of a fuel cell. Fuel Cell uses hydrogen and air, and therefore it generates energy and the byproduct is distilled water. And that energy, the electrical energy is used to run the car as an electrical car.

Moderator: Thank you. The next question is from the Mahendra Jain from Way2Wealth. Please go ahead.

Mahendra Jain: Any new segment or any new innovation we are planning like apart from CNG, as our top line is saturated around Rs. 900 crore. And I don't know the raw material prices right now, but looking at the metal prices and all these things, so, do we expect in two years like top-lines to go by 30% to 40%?

Anil Jain: Let me give you a macro situation, right. All composite cylinders are replacement of metal cylinder. Metal cylinders are called Type 1. And composite cylinders are Type 4 cylinders. So, steel price is being what they are, I expect that the steel prices will go up, even in future, as you know China does not have energy, they have no power and electricity available, all steel plants have been closed down there. So, there is a huge capacity that has been taken off the market.

Secondly, the steel producer was USA, USA has announced the infrastructure expenditure of almost $3 trillion as their infrastructure is very old. And a lot of steel is going to go into making bridges and roads etc. in USA. So, therefore, no matter what happens, the steel prices are going to stay up. And people who did not switchover to composites in the past, because the prices of the steel and the composites are quite large they are now rethinking whether they should go back to composites.

So, I am confident that the advantages associated with composites are so many that that product will keep replacing metal in high technology areas. Because you reduce the weight by 80%, they are explosion proof, and they also have a long, useful life and there is no corrosion, no rusting. So, I see no reason why composites will not be the material of future. As we have started seeing composites are replacing metal in automobiles, in a big way, to make it lightweight. And so long as the concerns for the pollution remain and which I am sure will remain because everybody seems to have signed on Paris Agreement whereby you have to bring down your emission levels to the level of 2005, year 2005.

Now, China had to close down lot of their thermal power plants because of the same reason. Now light making of the vehicles is going to be the priority going forward and that can only be done by composites which has the strength of steel and 80% less weight.

Mahendra Jain: I agree with you, that's why I am asking are we are going to focus totally on automobile or any new opportunity into this price rise of steel and scarcity of steel. Are we planning any new innovation or are we are going to focus totally on automobile?

Anil Jain: Well, I mean to be honest with you, we have a fairly large product portfolio in composites like I said, we have LPG cylinder, CNG cylinder for cascades, CNG cylinder for onboard application, also for oxygen, right. So, we have worked on this. There are several other products which can be made out of composites, but we will go to that a bit later as we have done justice to what we have created so far.

But if you want to know what are the other applications let me tell you armaments, all these arms, which are using steel can be converted into composites. So, your shoulder-held rocket propeller is built of composites. Most part of your fighter planes, they have composites, and we are now looking at a product called exoskeleton, for example, third arm and some other devices whereby it can help people do their job a lot easier, especially for the Army in high altitude areas. So, those are the kinds of things that are the future of composites. And as this industry develops, and so lot of new revenues will open up, it will be there.

Mahendra Jain: Any inventory gain, part of profit, what have you showed, is there is inventory gain?

Bharat Vageria: Not much, because we carry the inventory of 80 to 90 days, but based on that we also have contracts and we have to serve them. So, therefore, the EBITDA margin range of 13.5 to 14.5 we are seeing.

Anil Jain: But I tell you interestingly, we are expecting some additional capacity for polymers to come in India, Bharat will tell you that Mittals are coming up with a fairly large plant and they will be making the grades that we use for manufacture. So, probably advantage would be that, if you are buying it locally and not importing that you don't have to carry a very large inventory

Bharat Vageria: Currently we do much imports, almost 60% we have to import the material, because local manufacturers are not there. And you have seen that currently, the container problem is coming we have to keep the inventory because of the specialized products i.e. large blow molding where the new manufacturers as Mr. Jain has said actually is coming by this time I think next year they will start production. So, I can say, in the next 12 months or 18 months definitely some inventory levels will go down as the production stabilize by them.

Mahendra Jain: Then is our projection for working capital in future is based on these?

Bharat Vagerai: You have seen in my last presentation of August when investor presentation was also done and in the analyst meet also, we are coming back to the inventory, net working capital cycle time for 85 to 90 days, which currently has increased because of import containers problem, some supply situation is problem. So, I think by 2025 definitely we have presented in that thing. In the last analyst meet, revenue wise also we have said we should reach to around Rs. 5000 crores and net working capital cycle time and there will be improvement and will be net of 85 days

Anil Jain: I am sure, if these days, where the ocean freight has gone up five times, and the availability of shipping container is so difficult. And to get material from overseas one time is a logistic nightmare. So, I think gradually, more and more dependence would be there on local production. So, we are encouraging local polymer suppliers to adopt the grades that we use we need for our hi-tech products. And hopefully they will listen to us.

Moderator: Thank you. The next question is from the line of Hemal, an individual investor. Please go ahead.

Hemal: I have to two questions. 1) Since several quarters since 2019 we are observing that in India's capacity utilization is close to 67% to 70%. I just wanted to understand since you make so many different products, what is the range generally like in terms of certain products? What is the cause of this being sub 70% in India in our capacity utilization? What product is, is it our regular product or some other product that is leading to this lower use of capacity,

Anil Jain: Lower use of capacity as you referring, first of all, you cannot have capacity utilization more than 80% in our kind of products, because we have just-in-time delivery situation with the customers. So, you don't want to have a situation where you are already 80% And then something happens to the plant and then you start defaulting on the deliveries.

When we talk about the capacity this is the nameplate capacity, but there is some idle capacity which is part of our process. So, for example, I am making on the machine with a mould a 200 liter drum but next order is for 150 litre so I have to stop the machine take the mould out put another mould in and start, that could be about 24 hours. Now that capacity is not being utilized eventually when I calculate my capacity utilization that shows a negative effect on the capacity utilization, but I might turn around and say, "Hey, I am using more or less my entire capacity."

Secondly, the power outages. Every time I have a power outage, I have to wait for at least 10 hours for the machine to restart because it has to come to a certain temperature and stabilize. Now, most places, they say, "Oh, we have bought surplus power and there are no outages." But there are outages because of some circuit breaker tripping at someplace or some wires snapping at some other place. So, every interruption for us is not just a five-minute interruption. That is because you have to reset the machine and raise it to be stabilized. So, probably there is a reason why you don't expect our capacity utilization to be 80% or 85% above. And the moment we see that the capacity utilization you see that we have got expansion on Brownfield that CAPEX so we add another machine so that we don't run into the situation.

Hemal: So, is it a fair assumption that we should, like 70 to 75%, is a number that we aspire in capacity utilization? Like is there a number in your mind where?

Anil Jain: I have to set a difficult target for my people. So, I expect it to be 80%. But we are still less than that. That is mostly because of the change of molds and the power tripping.

Hemal: One final question, because you mentioned about I mean, since the past couple of days, we are hearing that, even though you are correct due to climate conditions, China may have reduced steel the production. But over the past couple of days, we are hearing that they are again, we because they have a lot of recyclables steel, so the recycle plant which are electric furnace base, they are all coming back and steel prices are like declining in China. But do you see this as a, my question is not on that. But my question is broader is, if the risk is if the steel prices shift back and do in the next quarter or two or later start shifting downward, do you see impact on any of your LPG cylinders or composite cylinder business?

Anil Jain: No that is not quite possible once a company has switched over from metal to composite cylinder it is very, very difficult for them to go back because of the customer's preference. Since you asked a general question about the price of steel and how we look at it in future, you see, the problem of China closing down their plant is energy. 70% of their energy they make out of coal, all the coal mines are flooded, and they have a difficult relationship with Australia. So, the coal price have $110 metric tonne have gone up to $210 to $220. And I don't see the coal prices coming down, that is the largest besides the iron ore, that is the largest cost constraint for them. If the pollution norms are going to remain the same, I would like to think that the steel prices will be up because it is one of the large energy guzzlers. But we will also see simultaneously countries going for nuclear power and alternate power. But that is not something which comes from one day to another.

So, if you ask me for next three to five years, I don't expect a steep decline in the prices of steel. Unless of course, right now what you're seeing in China, the automobile production has come down dramatically. So, even if they are producing less steel, they still have surplus capacity because they do not have chips for vehicles, right. So, they have a long waiting for the vehicles therefore the steel is not being used there. So, they have truncated production, they still find that they have steel exports and the prices have come down a little bit, but I would like to think it is temporary. But again, talking about the impact on our business, no, I don't see that happening anytime.

Moderator: Thank you. The next question is from the line of Nilesh Shah, from Arrow Investments. Please go ahead.

Nilesh Shah: One more small thing can you give us any forward-looking guidance for the rest of the year, for the next six months will we meet our pre COVID levels of turnover?

Anil Jain: I think Bharat, from his notes, from the last conference has said that we will be at pre-COVID level and I confirm that, that is the direction in which we are moving.

Nilesh Shah: Alright, so we are looking at a profitability of around Rs. 180 to Rs. 190 crores for the year?

Bharat Vageria: I cannot comment on the exact amount but you are right, I think it will be around that Nileshji, overall pre-COVID level we know the business was around Rs. 3600 crores. So, I think you are right and we will come to know about this in the period ahead. We will try our best to get that one.

Moderator: This was the last question. You may go ahead with the closing remarks.

Anil Jain: I thank all the investors who took the trouble of coming onto the call and asking questions. We are grateful to them for their support and for their understanding of our business. We are trying very hard to come out of the COVID situation and reach pre-COVID levels. We can't thank them enough for the confidence in the management of the company. Thank you so very much.

Moderator: Thank you very much. On behalf of PhillipCapital (India) Private Limited, we conclude today's conference. Thank you for joining me now disconnect your lines.