



“Time Technoplast Limited Q2 FY 2016  
Results Conference Call”

**November 17, 2015**



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**Moderator:** Ladies and gentlemen, good day and welcome to the Time Technoplast Limited Q2 FY 2016 Results Conference Call, hosted by Systematix Shares and Stocks Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing “\*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Ankit Gor. Thank you and over to you Sir!

**Ankit Gor:** Thank you very much Ankit. On behalf of Systematix Shares, I welcome you all in Time Technoplast Limited Q2 FY 2016 Results Conference Call. I thank management for giving us an opportunity to host this call. From the management side, we have Mr. Anil Jain – Managing Director & CEO, Mr. Bharat Vageria – Director (Finance), Mr. Sandip Modi – Senior Vice President (Accounts and Corporate Planning) and Mr. Niklank Jain – Vice President (Legal) & Company Secretary. Now I request management to give details on Q2 FY2016 results, which will be followed by Q&A session. Thank you Sir and over to you!

**Anil Jain:** Thank you. Ladies and gentlemen, a very good afternoon and very warm welcome to you all. We already have the introduction of our team; just what it is the same as we had last time. We are here together to brief you about financial results of Q2 H1 FY2016 and the future outlook. The financial results for Q2 and H1 FY2016 are already with you, but I will just read them out the key indicators.

During Q2 FY2016 corresponding, the net sales consolidated stood at Rs.623 Crores which was 605 Crores in the corresponding period last year. EBITDA is at Rs.90 Crores as against 86 Crores same period last year and PAT at Rs.30 Crores as against Rs.26 Crores in the same period last year. Compared with the corresponding previous year quarter, the net sales grew just about 2.86%, volume growth was about 5.46%, EBITDA grew at about 4% and the PAT grew at about 17.6% almost 18%.

During H1 FY2016, net sales consolidated stood at 1230 Crores as against Rs.1175 Crores in the first half of last year. EBITDA is at Rs.175 Crores as against Rs.166 Crores. PAT on the other hand is at Rs.58 Crores in the first half this year as against Rs.46 Crores in the same period last year. But if you look at percentage growth net sales grew by just 4.72% and interestingly in India the growth has been muted 1.46% whereas overseas it was about 12.07%. Volume grew by 6.73%, again India was muted 1.35% and overseas was about 15%. EBITDA grew by about 5.63% and the PAT grew by 26.62%.

During H1 FY2016, EBITDA has a percentage to net sale was at 14.24% as against 14.11% in H1 FY2016. It is clearly Q2 and H1 together they have been challenging business



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environment and I think management's focus was very clearly to maintain the sale, but more than that it was to ensure that we are maintaining our EBITDA has percentage on one hand and about profitability on the other one. The real challenge was also from the working capital cycle. We found that the payments were not forthcoming from some of the customers as scheduled. We had to take a very cautious approach and we decided to cut down on list of customers only confining to those we were 100% sure that the payment would come even if it is by few days delay.

Insofar as total capex is concerned, in H1 FY2016 this stands at Rs.41 Crores that is I am talking about the regular maintenance capex which is slated for the whole year as Rs.75 Crores, now Rs.75 Crores we ended up using Rs.41 Crores in the first half. I must also mention that last quarter we had set out certain performance parameters of the company in terms of revenue growth to be doubled in five years and ROCE to go about 20% and the debt EBITDA to reduce to one time. So we had set out certain pointers to be done to achieve these targets. The total outlay for the current year and the next year was at Rs.175 Crores, but we have only used Rs.11 Crores up till now, but work is in progress and as we get through the completion of the projects, we would probably be ending up using this capex as well.

Segment wise revenues is more or less the same percentages, 71% is contributed by packaging, 9% lifestyle, 7% auto components, 12% infra-related products and 2% from others. In terms of geography, 67% is India and 33% is from overseas. So this is briefly the outline of our performance in Q2 and together Q1 and Q2 that is H1. I will be happy to answer the questions from our valid investors.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Vinod Malviya from Florintree Advisors. Please go ahead.

**Vinod Malviya:** I wanted to know in the last concall that is Q1 FY2016, we were discussing about a product in the laminated space. Since at that time, you were in the process of retaining you did not disclose much detailed about it. Can you share more details about that product in terms of what would be the application and what margin would you making in that?

**Anil Jain:** In terms of application we did mention that it will be mostly for greenhouses, but that could be different kind of covers, we are talking about tauplin, but this could also be used for heavy packaging that may include the grains and cement etc., where we would be able to reduce the weight of bag and get strength with the same or it will be more. So, most of it will be the packaging application and the greenhouses. Insofar as the detail of the quarter is concerned, I would be very happy to explain it to you offline, but I can assure you that the



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project is going on as scheduled and we are very happy with the results that we have achieved so far.

**Vinod Malviya:** We have patented or it is still in the process?

**Anil Jain:** Part of product has been patented, the rest of it had been in public domain for a while, so we cannot get the patent for that one, but yes you are right, the part of this product actually has been or the critical part of this product has been patented.

**Vinod Malviya:** The second question was on this volume, you said 5.46% is the volume growth this quarter. So is this number includes the two subsidiaries which we sold in Q4?

**Anil Jain:** Not entirely, because we consolidate our subsidiaries three months behind, so as for the timing of the sale or prior the sale not getting completed within time, so part of their performance which is actually Q3 for them, has found their way into our Q2 results, but from next quarter onwards they would simply go away.

**Vinod Malviya:** Okay and in your initial comment you mentioned about client issues, so can you provide more details in which geography you are facing either in domestic or overseas market and what would be the likely volume impact in the coming quarters because of this?

**Anil Jain:** I think it is an external comment. I am not talking specifically for a certain segment of the industry or a particular customer, but we found that in general the paying capability of the customer was getting reduced in the sense that they were not able to make payments for the supplies on time or were causing some delays. We overlooked two, three or five days delay, but if it is persistently longer delays then it raises the question whether there is a possibility that the customer may not be able to pay it all in future. So we watch it very, very closely and I think that is one of the reason why we have taken a hit on our volume growth, because we decided to be on the cautious side of the business wherein we either reduced our exposure to such customers or we probably have moved away from them for the time-being till the situation improves.

**Vinod Malviya:** The referable issue is like is it new or you have faced similar kind of issues in the past also?

**Anil Jain:** Yes, I remember in 2008-2009 when the slow down came in suddenly, I think we saw these customers took a while to get adjusted to the new financial regime, but gradually they moved back to their earlier situation. We do not expect this to continue for a long time. Our discussions with the customers indicate that things are getting improved for them; of course I must flag the concern of those who have been exploiting their product when we have a fairly large market share for export packaging. They find that while they do have order from

the customers overseas, but they are not able to get clearances on time or the LCs are not coming and they are sitting with the inventory, which can disturb their cash flow. So, we are certain that situation would improve substantially in Q3 and Q4, we have started seeing early signs of that, but they are the customers whom we are doing working for 10, 12, 15 years and they have been able to take in slide as and when such slowdown has taken place suddenly.

**Vinod Malviya:** Last question on the composite cylinder, sometime back HPCL if I remember right, had come with the small tender for the composite cylinders. So I just wanted to know how is it progressing special in the domestic market?

**Anil Jain:** You are absolutely right, HPCL had come up with the small tender which was to be I think was due on August 28 or something, but the situation remains the same except now that there will be closing the tender on November 28. So, this is typical public sector situation that we are in and the number which was 10000 cylinders and has now been revised down to 11000, so there is no really is it some procedural delays that are taking place or this is typical bureaucracy because which these tenders are not getting fulfilled on time and orders placed. But if you go by utterances from our very dynamic petroleum minister lately he must have read it in newspapers that he has been meeting about the composite cylinder which are transparent and he said that in future they will be using only composite cylinders, so much so that they have told the state of Telangana and Andhra Pradesh that they would withdraw steel cylinders from there and would go only for composite cylinder, but they if they have to go by that they really have to buy couple of million cylinders and that does not happen overnight, so I do not know really what to make out of it, but it seems they have intentions but the system is not geared up to kind of finalize things quickly.

**Vinod Malviya:** Thank you. That is all from my side.

**Moderator:** Thank you. The next question is from the line of Keshav Garg from Equity Mechanic. Please go ahead.

**Keshav Garg:** Sir, I wanted to understand from you the market share of 200 is the mild steel drum versus the polymer drum in global market share?

**Anil Jain:** The global market share is different in different continents, but give you good idea the total drum market is 210 liters, 220 liters is about 227 millions drums per year. The penetration of plastic drums is just about 12.7% of the total drum market. The rest of them are still steel drums, but if you look at Asia or India, the plastic drums are closer to 55% of the total drum market and only 45% steel drums. In Asia, as we have said out, we are changing or there has been equilibrium in favour of plastic drums and in different countries, now we find that

the plastic drums penetration is increasing more than the board average, does that answer your question?

**Keshav Garg:** Yes Sir, also out of this 12.7% global market share of polymer drums, so in the next 5, 4, 10 years where do you see this percentage going?

**Anil Jain:** That is a very interesting question. I had expected that this change over will take place rather quickly and especially in Asia where the percentage is still lower than the board average and we are also happy about the fact that the polymer prices has come down which would have given us not only the performance advantage, but also some cost advantage, but in the mean time, the steel prices have gone down dramatically, so we have lost out on the size edge, but on performance basis, we will continue to nibble at steel drum's market share. I would expect the change if any would take place in Asia which is almost about 50% of the total packaging products, and right now this percentage this closer to about 6.57% if we can increase by even 2% point that would be quite substantial.

**Keshav Garg:** Is it true that I mean the retail value of the steel drum is more than the polymer drum, so that is advantage in favor of mild steel drum for customer?

**Anil Jain:** No, you are right about the price differential, but it is the other way round actually. The plastic drum retail price is much higher than the steel drum retail price. Because then you see steel drum has been used ones, it has corrosion, it has paint peeling off, the rusting is there inside, they have dents, whole lot of different problems, but the plastic drums would still look as it just new after one use and then this plastic drum is used for storage of water in fact it will go to the slum areas, you will find couple of plastic drums in front of every house for water storage. So, typically let us say a steel drum once used would be available for Rs.350 or thereabouts whereas a plastic once used drum would not be available for less than Rs.700.

**Keshav Garg:** Finally Sir, what is the price differential between 200 liter mild steel drum and the polymer drum?

**Anil Jain:** The price differential, I would say it is close to about 8% to 10%, now the polymer drums are little more expensive than the metal drums, but this is a see-saw, which you keep seeing from time-to-time, currently this difference exists because of the steel prices coming down dramatically.

**Keshav Garg:** Thank you very much.



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**Moderator:** Thank you. The next question is from the line of Ankit Bobade from Axis Securities. Please go ahead.

**Ankit Bobade:** Congrats for good set of numbers. I missed a few numbers, which you have mentioned in beginning. The segmental breakup packaging was 71% ?

**Anil Jain:** Yes and lifestyle is 9%, auto 7%, infrastructure related products are about 12% and others are about 2%.

**Ankit Bobade:** You also mentioned about project outlay of Rs.175 Crores for next two years, 2016-2017. So what exactly would be the programs where we will be using this Rs.175 Crores?

**Anil Jain:** Let me put it this way and I think some of other investors may also have the same point in mind. We are talking about in maintenance capex that we have been talking roughly about Rs.70 Crores to Rs.75 Crores per year and that maintenance capex is typically debottlenecking of our capacity, adding some small, little additional capacity, it could be development of new products etc., etc. So that goes on, but in addition to that we have said that in the current and the next year, we would be investing something like Rs.175 Crores, on way to our target of doubling a turnover in next five years time, so this Rs.175 Crores out of that we have spent only Rs.11 Crores up till H1. I do not see this capex to be more than about Rs.70 Crores by the end of this year, but most of it will actually then happen in the next year when this project comes closer to the completion. We also wanted it this way so that this capex will start contributing almost immediately thereafter, so we do not have any lean period.

**Ankit Bobade:** You mean to say 75 for debottlenecking or maintenance capex and over and above that Rs.175 Crores to double the target?

**Anil Jain:** No, this is essentially because if you remember in the last concall I did mention that we have made a five-year perspective plan for the company wherein we have said that we will double our turnover in five year's time and turnover to be doubled and considering that our capacity utilization was fairly good, though it was felt necessary that we had to either bring in new products or increase our existing capacity of both. So this 175 is towards that particular target.

**Ankit Bobade:** What was the current capacity utilization in this quarter?

**Anil Jain:** We are on an aggregate it is about 75%.

**Ankit Bobade:** 75% on a consolidated basis?



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- Anil Jain:** Yes, on a consolidated.
- Ankit Bobade:** And what about industrial packaging?
- Anil Jain:** Industrial packaging, we have capacity utilization is almost about 80% in India and 55% overseas.
- Ankit Bobade:** I just wanted to have few more ideas you thought about composite cylinders what is the current status of order book as last time you told us that we have booked for FY2016?
- Anil Jain:** Yes, as you know currently we have the capacity of 3000 cylinders, Q1 was rather lean, because we started getting orders towards the second half of Q2, so between Q1 and Q2, we have done something like 56000 cylinders. In Q3 and Q4, we will be doing something like 150000 cylinders which is our 100% capacity for that six months periods, so we will end up doing something like 200000 cylinders in the current year. But we are expanding our capacity by another 1200 cylinders, which will be in place by end of this financial year. So the next year we will open up with the total capacity of 700000 cylinders.
- Ankit Bobade:** As you mentioned 56000 we have done for first two quarters and we have target of reaching 200000 for FY2016?
- Anil Jain:** That is true.
- Ankit Bobade:** So we are almost targeting 140 plus for next half?
- Anil Jain:** That is right, which is more or less our entire capacity.
- Ankit Bobade:** Do we have the order book?
- Anil Jain:** For six months, it will be 150000.
- Ankit Bobade:** 150000?
- Anil Jain:** Yes for six months and we are targeting more than 140000.
- Ankit Bobade:** Pardon Sir.
- Anil Jain:** We are targeting more than 140000 cylinders in Q3 and Q4.
- Ankit Bobade:** 130?





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**Anil Jain:** 140.

**Ankit Bobade:** Okay and we have order book of 150000 and we are targeting 130000 right?

**Anil Jain:** Order book is much more actually which will spillover to the next year. So, we will be spilling over close to about 200000 cylinder orders in the next year.

**Ankit Bobade:** Which is almost two-third of the current capacity?

**Anil Jain:** But at that time our capacity will be 900000 cylinders.

**Ankit Bobade:** Okay, still we will be only partly utilizing with whole capacity in this?

**Anil Jain:** 700000 cylinders.

**Ankit Bobade:** But you also talked about some orders, which we were expected from South East Asia?

**Anil Jain:** Yes, that is the one, which we have already got and we have executed partly in Q2 and they will continue to see us through in Q3 and Q4. This is not only in Asia, but I must say majority of them are coming in from here, but I am very pleased to tell you that we have been able to penetrate into Europe which is in Germany, we have also been able to penetrate into Italy which are double of word and they have very stringent quality expectations, Africa continues to be our favourite playfield where we have supplied cylinders in the past and now getting repeated order so, currently if you leave aside North and South America we are supplying almost in the entire region admittedly the orders that we are getting right now are small in quantity, because those customers want to try them out, but they are pretty confident with the quality that we are able to produce we have got repeat orders from quite a few customers then we will get repeat orders from those who have taken small quantities from us in the current year or in the rest of the period.

**Ankit Bobade:** How has our battery business done?

**Anil Jain:** Battery business is doing not so great. Of course we will be able to achieve what we did last year. We are contended with that. Telecom companies are not buying batteries, so we do serve them, but our percentage, our share of business for the telecom batteries has come down that is also deliberately, because the prices are not very good, but we have made a lot of inroad into solar batteries without giving any names right now, because this is an initial stage. Now they have been able to tie up with a Chinese company, which is a leading solar panel company and they are joining hands together with them whereas this Chinese company will be setting up solar projects in India and they would require batteries they would source from MedEnergy at a decent price levels, but that would actually happen may



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be Q4. So, we have better prospects in the next year, but this year I would still think we will be closer to Rs.200 Crores or with the regular EBITDA margins about 12%.

**Ankit Bobade:** This solar energy order book will be executed post Q4 only?

**Anil Jain:** Yes, we have signed MoU and now the details have to be worked out, but this is going to be a long-term partnership with this company, this is the \$2 billion company from China. They are specialized in solar panels. So they have tied up with us for the batteries and this project will be done in joint venture where MedEnergy will be contributing 25% and the rest will be coming from the Chinese company, but that will ensure that they buy all the factories that are required from Med.

**Ankit Bobade:** Any capex for the joint venture you mentioned?

**Anil Jain:** It is hardly any because after some time China will be bringing in a lot of debts at the low interest rate, so our capital investment will be rather low. In any case batteries we do not have to invest in because we have the capacity, so we will be diverting some of the batteries to this joint venture.

**Ankit Bobade:** So, next year we will see better utilization of our capacity on battery?

**Anil Jain:** **(Inaudible) 30.01** of them in the next three weeks ago, where we signed MoU and so I am expecting the final shape to be given when I am in China at the end of this month and probably then we will make some kind of announcement.

**Ankit Bobade:** But tentatively we are seeing better utilization?

**Anil Jain:** I certainly share that optimism yes.

**Ankit Bobade:** In next year?

**Anil Jain:** In the next year, yes.

**Ankit Bobade:** Any other developments on other front like autos or so?

**Anil Jain:** No, they are maintaining the same level of operation, so probably some modest growth which is more or less same as our aggregate growth, but nothing very special seems to be happening in automotive sectors, but they all are in plant stage, but they have not given us, the green signal yet, otherwise we are sitting on four or five projects for fuel tanks that can give a lot of business, but right now they are put everything on hold because they do not



want to incur capex in this case of the tool cost has to be borne by the customer and therefore they would like to be done a bit later.

**Ankit Bobade:** That is all from my side and good luck.

**Anil Jain:** Thank you very much. I need all the good luck.

**Moderator:** Thank you. The next question is from the line of Ritesh Shah from Investec Capital. Please go ahead.

**Ritesh Shah:** Thanks for the opportunity. Could you please detail, what is the margin profile for each of the segments, you gave the revenue breakup packaging, industrial, auto, infra would it be possible for you?

**Anil Jain:** I can do this Ritesh, if you want I will send you the segment wise, but you can be rest assured that the margins are more or less the same in across the segments except for maybe it is a bit low in case of our pressure pipe more in the range of about 12% or so, but we do not mind that because that case our gearing is pretty high, I mean our assertive turnover is much have in that case. So, quite clearly if you are talking about 14% EBITDA you can assume that it is between 13% and 15% depending upon a particular segment.

**Ritesh Shah:** You did mention that you are looking to double our revenues, how do you see the segmental share change over in next five years?

**Anil Jain:** Yes despite of our industrial packaging business growing which I am pretty confident about it is doing fairly well outside of the country. The packaging will again a little bit more on the share of business, but there is a new gas that will have in our lift and that is composite cylinders, because we are looking at Rs.40 Crores this year, next is Rs.60 Crores, five years down the line, I should expect it no less than Rs.250 Crores or thereabouts, so that will share of business will actually go up for that one, also that pressure pipes where currently we are maintaining the same and the infra that is 12%, but you know that Telangana, Andhra Pradesh in most of areas and Orissa and also this Ganga cleaning project the requirement of hard pressure pipe is very, very large and we are planning to order for regular capex of 75 Crores some of it may be diverted toward setting up additional capacity. So, I would like to bring that LTV pipe business will also grow comparatively faster. I am not getting so much on auto and lifestyle, because they would really move together with the GDP.

**Ritesh Shah:** You did mention about the composite cylinders we could expect around Rs.45 Crores this year, Rs.50 Crores next year, is that number right?



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**Anil Jain:** Rs.64 next year, Ritesh.

**Ritesh Shah:** Okay and Sir how much will be the margins that one can expect on this particular business?

**Anil Jain:** Ritesh, currently this we have not been able to drive that capacity fully as you can see in Q1 and Q2 together we have done only 56000 whereas for these two quarters our total capacity would have been 150000, so I would say that they are still at about 15%, 16%, but the capacity utilization improves which we are expecting in the rest of the current year and most certainly in the next year. So, we can see the EBITDA margins improving significantly in this business, this allows us for ask for a decent price from our customers.

**Ritesh Shah:** Great. Can you please throw it some colour on the variants wherein we have approvals for 6 kg, 10 kg, 12 kg, how should one look at it and if you could please breakup the numbers that you spoke about like 56 kg, 150 kg in Q3, Q4 into between domestic and international?

**Anil Jain:** There is zero domestic, everything is international like I mentioned in the beginning when OMCs have come out with this small tender of 12000 which was to be closed in August, it has now been postponed to end of this month. So domestic nothing has happened, everything that we talk about is overseas as to the approvals I can assure you that all our products are approved by TUV Rheinland which makes them useful in the whole of Europe, but there are certain other countries wherein in addition to TUV approval you have to take the approval from the local authorities. On the last count, we had approval from 19 such countries where we got the approval from the civil defence or the local approving authorities and this number is increasing even though we are not going into particular country, but we are making sure that we have the approvals, so that if there is a good demand then we can actually start supplying from quickly enough.

**Ritesh Shah:** Just to get it right at this approval are there plants specific or is it more product related approval, which can be supplied, from any of your plants?

**Anil Jain:** No, they are specific to the plant and also the product. So there is one approval which is with regard to the plant whether the plant layout is okay, the equipment that we have used are right. They are fully calibrated, whole lot of these people have been properly trained, the factory has been maintained that that is the kind of approval that you have for the plant and the next one is for the product as we know in India, we do not have a standard and move for the countries have not taken their own approving standard, so they follow ISO that is the international standard and some of them follow European tender which is EN, so there are two European standards and one international standard. We fortunately have got approval under all the three standards. So the product approval may still be there from independent agency, but these approving authorities in that particular country would still like to go



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through the paperwork and see it for themselves that they have proper and adequate approval and they are still value existing.

**Ritesh Shah:** Lastly, I just wanted to check you said by start of FY2017 will have 700 kg of capacity in place for cylinders, is that right?

**Anil Jain:** 700000 cylinders, because as you know we already have capacity of 300000 and 400000 cylinders capacity is being brought in fact that work is in progress and we expected to be in place by end of this financial year, if not (inaudible) 38.30. So beginning of next year when we open the next financial year, we will start with the total capacity of 700000 cylinders.

**Ritesh Shah:** If you can provide some colour on any incremental project launches besides composite cylinder, which is big one for us?

**Anil Jain:** Last time, we have talked about smart light containers especially for lube oil and other retail products. These are special containers the process that we use is very, very different wherein we can save something like 30% of the polymer without compromising on the strength of the container and they can be decorated very nicely, which is what oil companies report. So even if you sell them at the same price, which we are selling it now, other containers 30% saving and the material can be then pocketed by us, so we expect that to be high margin business. This is a project which is coming up in our factory in Sharjah and we have tied up with some lubricating oil companies who are housed in free trade zone in Dubai or in Sharjah and I guess we should they have no problem and selling capacity 1.5 million plus containers every year. In addition to that, we are looking at, we are doing multi-axle laminated film which has tremendous strength, this is different patented manufacturing process where we can reduce the weight to one step and the once the strength of the store as much if not more. So, there is a whole lot of this market which is waiting for such approval, say for example in the greenhouses, they require such otherwise they get torn every year, also for heavy packaging let us say for polymers right now the bag is being something like 250 grams, the empty bag, we can easily reduce it down to 65 grams or 70 grams bags, so that is one advantage also for cement where the normal bag give away we stack them 10 or 15 stack high, but this will not, so there are lot of applications for this and we expect that it would be a very exciting business for us in the days ahead.

**Ritesh Shah:** Last two questions. Do any subcontracting that is one and secondly what percentage of revenues would be under the brand signed Technoplast?

**Anil Jain:** In the same sequence no. We do not any subcontracting. Yes sometime some of the components let say accessories etc., which going to manufacture of drums, which we get it down, but lately we have been focusing on getting them down in house, because the quality



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that we are getting was not entirely to our satisfaction. Our brands that you asked about we have different brands for different product group. For example, TechPack is our brand, the packaging business, so whether this packaging business is in India or overseas everything has done under TechPack brand but the MAXM is our brand for pipes. We have Duro Turf and Duro Wipe that is for Matting. So for different products we have different brands but yes these brands are owned by the company and we do that in that brand only.

**Ritesh Shah:** Sir would it be possible for you to quantify what percentage of revenues would come under branded products?

**Anil Jain:** Almost 100% actually.

**Ritesh Shah:** Thank you.

**Moderator:** Thank you. The next question is from the line of Dikshit Mittal from Shubkam Ventures. Please go ahead.

**Dikshit Mittal:** Sir you mentioned second quarter volume growth of around 5.4%. So can you break it up in terms of domestic and overseas Sir?

**Anil Jain:** The volume growth we have said 6.73% this will be 4.35% in India and 15% overseas.

**Dikshit Mittal:** This is for first half?

**Anil Jain:** Yes first half.

**Dikshit Mittal:** Sir last quarter we were targeting around 10% to 12% growth?

**Anil Jain:** In fact in my discussion with another friend I did mention that we have pulled ourselves back in certain areas where we found that the capability of the customers to pay on-time was diminishing and we did not want to expose ourselves unnecessarily this is exactly what we did in 2008-2009 we allowed the business to kind of slowdown a little bit but not take an exposure with the customers where the money will be at risk so that have been one of the reason but I must admit at the same time there is a bit of a slowdown particularly in India and more so in export of the products, which require our packaging. We have seen slowdown because I think almost all the currencies are adjusting to the new regime and the exports have kind of come to a standstill but no comments as the currency get stabilized and we will be able to get our market share that. So it is yes of course the reason that there is a slowdown in the economy and secondly we have not we have decided not to expose ourselves too much in the areas where we may not be very confident about.



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- Dikshit Mittal:** So Sir in this changed scenario what is our target for full year in terms of volume growth?
- Anil Jain:** We have not revived the target as yet. We are going ahead with the same target because the indications are the Q3, Q4 they will come back with vengeance. We have seen some upward movement in the month of October. November first half is not as strong as we have thought but there are clear indications that we will be better than the Q2. So at the moment we are maintaining the same guidance hoping that things will actually improve but overseas we did expect 20% as against 15% that we have got. We are sure we expecting this to go to 20%.
- Dikshit Mittal:** So based on the current visibility or orders in hand we still expect around 15% growth for the second half?
- Anil Jain:** That is what we are holding onto.
- Dikshit Mittal:** Sir you mentioned that this year you will be spending around 70 Crores for the new capex. So the revenues from that will start from next year onwards?
- Anil Jain:** No. Dikshit, this will be in the next year that is the reason why out of 175 Crores I am only looking at 70 this year we will do it in the next year closer to when they will start contributing.
- Dikshit Mittal:** So next year means in FY 2017 we will see some impact of revenue?
- Anil Jain:** We completed that by the time and then they should start giving revenue because products have already been tested in the market place.
- Dikshit Mittal:** Sir if you can share what could be the margin profile for the new product?
- Anil Jain:** I think I can broadly the guideline that we have said very clearly that in five years time this is the part of our five-year plan in five years time we are looking at ROCE in excess of 20% therefore these new projects must bring us much better EBITDA margins then what we have been earning until now. So I would place them closer to 17%, 18% or even higher.
- Dikshit Mittal:** Lastly, in last conference call you mentioned one of the option in the battery businesses you may sale that subsidiary to the Chinese company so that option is still there or you are going ahead?
- Anil Jain:** This is still there. I mean we have got two sets of Chinese companies now instead of one, which I talked to you about last time. There is one Chinese company would is wanting to buy battery business. The other Chinese company does not want to buy our battery business



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but want to collaborate with us so that in the scheme of things that could buy batteries from us and do the solo projects, which I just kind of briefed the investors about. So it is difficult to say which will materialize but we are open the both.

**Dikshit Mittal:** So as of now both options are available.

**Anil Jain:** Absolutely.

**Dikshit Mittal:** Because you mentioned the debt will not go beyond 800 Crores even after the current capex. So you maintain that even in the change?

**Anil Jain:** I will obviously maintain that.

**Dikshit Mittal:** Thank you Sir.

**Moderator:** Thank you. The next question is from the line of Sanjeev Zarbade from Kotak Securities. Please go ahead.

**Sanjeev Zarbade:** Sir just confirmation regarding the debt we have which is around 800 Crores?

**Anil Jain:** That is what 800 Crores.

**Sanjeev Zarbade:** The capex for 2017 and 2016 together is 175 Crores?

**Anil Jain:** That is right.

**Sanjeev Zarbade:** That is it Sir.

**Moderator:** Thank you. The next question is from the line of Dikshit Mittal from Shubkam Ventures. Please go ahead.

**Dikshit Mittal:** Sir last two years what we have also observed is first half is around 40% of the profits and second half is around 60%. So will that be the case this year as well?

**Anil Jain:** Which is the case that we have been seeing in last 10 years. So I think our business peaks in Q4 and Q3 and Q4 put together bring in something like 55% to 58% of our total business.

**Dikshit Mittal:** So if I analyze the first half I think can we do 135 to 140 Crores profit for the full year because we already at?

**Anil Jain:** I will have a separate call with you on that one.





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**Dikshit Mittal:** Thank you.

**Moderator:** Thank you. As there are no further questions I would now like to hand the conference over to the management for closing comments.

**Anil Jain:** Thank you very much to our valued investors. We thank them for their continued confidence in the company and the management like I did mention we are driven by growth but at the same time we have to be cautious. I can assure you that a little smaller growth in a particular period does not disturb our long-term plan. We have things to catch up. We are now driven by our long-term objectives, which are ambitious admittedly but we would be trying our very best to be there. I can assure you the economy being whatever we would not leave any stone unturned to reach our or to maximize the value of investors into the company. I thank them once again, thank you.

**Moderator:** Ladies and gentlemen on behalf of Systematix Shares and Stocks that concludes this conference call. Thank you for joining us. You may now disconnect your lines.