



“Time Technoplast Limited Q2 FY 2018
Results Conference Call”

November 14, 2017



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Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY2018 Results call of Time Technoplast Limited hosted by Emkay Global Financial Services. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference, please signal an operator by entering * and then 0 on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nitesh Dhoot of Emkay Global. Thank you and over to you Sir.

Nitesh Dhoot: Thanks. Good evening everyone. I would like to welcome the management and thank them for giving us this opportunity. We have with us today M.D. Sir Mr. Anil Jain – Managing Director & Chief Executive Officer, Mr. Bharat Vageria, Director (Finance), Mr. Sandip Modi, Senior Vice President (Accounts and Corporate Planning), and Mr. Niklank Jain, Vice President (Legal) & Company Secretary. I would now hand over the call to Mr. Jain for his opening remarks. Over to you Sir!

Anil Jain: Good evening friends and thank you Emkay for hosting this conference call. We are here to talk about our results Q2 and H1 FY2018 and outlook for the rest of the financial year. The results were announced on Saturday, 11 November 2017 and now I would like to talk about the key financial and operation highlights of the quarter and the half-year. During Q2 FY2018 and corresponding Q2 FY2017 net sales stood at Rs.725 Crores as against Rs.654 Crores EBITDA at Rs.110 Crores as against Rs.98 Crores, PAT at Rs.42 Crores as against Rs.36 Crores. Compared with the corresponding quarter of the previous year net sales grew by 11%, the breakup in India 10% and overseas 12%, this was in the value terms, in the volume terms the growth was 14%, India 12%, overseas 15%, EBITDA grew by 12% and PAT grew by 18%. During H1 FY2018 and corresponding to the half of the previous year net sales to debt Rs.1406 Crores as against Rs.1274 Crores, EBITDA at Rs.212 Crores as against Rs.190 Crores and PAT at Rs.78 Crores as against Rs.67 Crores. Compared with the corresponding previous year six months net sale grew by 11% in value terms, India 9% and overseas 12%. In volume terms, it grew by 13%, India 11% and overseas 15%. EBITDA grew by 12% and PAT at 16%.

The EBITDA margins were 15.06% as against 14.89%, so there was an improvement of about 17 basis points and the net profit margin improved 27 basis points that are 5.57% as compared to 5.3%. Share as a business, as we have been giving our results based on our legacy business and the value-add business and the revenue from the value-add business grew to 18% in H1 and the balance of the legacy business was 82% as compared to the last year period was 14% and 86% respectively. As regard to the operations in India and overseas, in India total revenue is 69% as against 71% in the previous year and overseas, which is 31% as against 29%. EBITDA margins in India and overseas businesses are almost

the same that is about 15.27% and 14.57% respectively. The total debt of the company had remained more or less at Rs.719 Crores as against Rs.722 Crores despite of the growth in revenue. As regard to the ROCE of course we look at it from the first half it is about 14.24% as against 13.62% and we expect during the last year the ROCE was about 14.68%, we should be seeing improvement by about 1.8% at the end of the year. With these, I would now like to open the floor for the questions, please. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. We have the first question from the line of Gunjan Kabra from Niveshaay. Please go ahead.

Gunjan Kabra: Congratulations on the good set of numbers. Sir what is the capacity utilization in DWC pipe and what is the margin that we expect in this segment?

Anil Jain: Well, we have recorded the total turnover in the first half at about you are talking about DWC pipe, all the pipes together? Your question is with regard to the pipes or the DWC pipes?

Gunjan Kabra: The double corrugated pipe?

Anil Jain: So double corrugated pipe, in fact as you know that we started this operation in this year itself. In the first half, there was not a significant business because of lot of pipe projects could not get finalized due to GST applications, but we have done a total turnover of about Rs.12 Crores in the half for the DWC pipes. Nearly it is about 12% or so.

Gunjan Kabra: What is the margin that we expect is it like 12?

Anil Jain: Well, I mean these margins in the DWC pipes are more than our average pipe business or even in the average aggregate EBITDA, so we count DWC pipes amongst our value-add business. For the value-add business our EBITDA margins had been close to about 17.5%.

Gunjan Kabra: Thank you so much.

Moderator: Thank you. We have the next question from the line of Nitin Awasthi from Edelweiss. Please go ahead.

Nitin Awasthi: Just to continue the previous question on the DWC pipes, you said that this quarter the earnings was about Rs.12 Crores from DWC pipe, so was that figure included in the figure with the total pipes figure of around Rs.60 Crores?

Anil Jain: You are right absolutely, that is included there.



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- Nitin Awasthi:** Okay so if I take the standalone numbers of pipes, I would end up at Rs.48 Crores?
- Anil Jain:** That is right.
- Nitin Awasthi:** Secondly last quarter, you had guided for DWC order book itself, you had 800 metric tonnes of order book. So, this quarter we do not have any order for the upcoming quarters for DWC pipes?
- Anil Jain:** We have already total order book of 1000 tonnes of the DWC pipe in hand.
- Nitin Awasthi:** 1000 tonnes of DWC okay, so now I am assuming that this was again included in the order book for the pipes?
- Anil Jain:** Yes.
- Nitin Awasthi:** So 10,500 was for the pipes and 1000 for DWC pipes.
- Anil Jain:** Yes.
- Nitin Awasthi:** Sir out of this 10,500 metric tonnes of order book for the pipes how much is executable in Q3 and how much in Q4?
- Anil Jain:** There is still a question mark because this projects are still stuck up as the contractors are sorting out their issues with the government with regard to the GST, but we expect the pipe business, which is now Rs.113 Crores and we are targeting at about Rs.340 Crores or thereabout, so I would like to think out of the balance, we should be doing more than Rs.120 or Rs.130 Crores in this quarter.
- Nitin Awasthi:** Okay Sir. Thank you so much for answering the question Sir.
- Moderator:** Thank you. Mr. Dhoot would you like to proceed with your questions in the meanwhile.
- Nitesh Dhoot:** Yes.
- Moderator:** Thank you, please go ahead.
- Nitesh Dhoot:** Hi Sir. I would like to know, you have done a Brownfield expansion in IBCs at Vietnam and Sharjah that is completed, what is the capex value over here?



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Anil Jain: The capex in those locations put together was about Rs.15 to Rs.18 Crores that was the cost. It was just a Brownfield where we only had to add some blow moulding machines for IBCs and also the moulds.

Nitesh Dhoot: Sir one more question, could you please help us with the scenario on the raw material front; how are the prices for HDPE, LDPE and PPE moving for you overall and how the change is going to impact your output pricing and volumes going forward.

Anil Jain: As you can clearly see from our Q2 results, our volume growth had been higher than the value growth that is a clear indication that the prices of raw material have been moderating. I think this trend has now flattened out. The prices for all these polymers are pretty stable and we expect they would remain there with a negative bias, clearly we have now additional capacity available from within the country, and Opal another companies have started now operation. So we have a surplus capacity available in India besides in the Middle East, there are now capacities, which are further been coming on stream and they do not have too many different markets to sell their product. Of course I must admit China had been coming on and off, which at times disturbs the pricing for a short time, but I guess it is not as drastic as it used to be in the previous year. Clearly what you see here now is that with the Shell Gas coming on stream a lot of additional capacities have come in USA and the demand for polymers in USA and the North and South America is not great. Europe being self-sufficient and now the freight cost being very low from USA to India, even US based companies have started looking at India as their potential market for selling polymer, so that also has been able to stabilize the prices even when you have the surge coming in from China. Of course I must admit, the certain grades have seen some jump in the prices but that was only temporary. Now the prices are getting stable. I would say this applies to polyethylene and polypropylene and that the LDP prices have been coming down. Therefore, I do not see this year or even the next year, any major entries in the prices of raw material. In fact I would not be surprised if they remain at the same level or even slightly more than this.

Nitesh Dhoot: Right. Thank you Sir.

Moderator: Thank you. We have the next question from the line of Ritesh Chheda from Lucky Investments. Please go ahead.

Ritesh Chheda: Sir my question is on margin for the change in mix towards the value-added product for the higher growth rate in value-added product vis-à-vis the traditional product the delta change in margin does not commensurate, so we are seeking your comments on the sale and what would be your direction on margin on the forthcoming change in mix?



Anil Jain: Let me just explain it to you, the value-add businesses though they have grown that the base is very still small, so even if they impact our margins that will not be so glaring when you look at our EBITDA margins on a consolidated basis, but yet you can see that on the consolidated basis, we have seen small expansion in our EBITDA margins. To be very honest with you, we have targeted for ourselves, the consolidated EBITDA margins to be around 15%, we have exceeded 15% after a long time and I guess we would remain around there. Let us also not forget that our business, in the legacy business, their pipes which are growing rapidly and historically the EBITDA margin for the pipe business is low though the gearing is very high, but we will still get a decent ROCE, the EBITDA margins are more like 12% and 13%, where the pipe business also grow along with the value-add business. On the other hand, you will see that EBITDA margin gets on a consolidated basis remain more or less around 15% or so. I do not expect any major jump in the EBITDA margin on a console basis going forward, but I guess if it remains at about 3% we are sufficiently happy.

Ritesh Chheda: Sorry I did not get your last two lines, you said you do not expect the EBITDA margins to jump substantially that is what you put it?

Anil Jain: That is what I am saying and since our entire guidance for the future are based on EBITDA margins being about 15%, we are more or less there. Of course, there will be some further improvement but we are not really counting a great deal on that one. I think it will be a 15 to 15.25% is the range in which the margins will get stabilized.

Ritesh Chheda: My next question is on the traditional products' growth side, the growth is much slower than what you did in the past, so your comments there?

Anil Jain: Well let us not forget about this that this period was a troubled one. If you look at the business in the first quarter since we are talking about half yearly. In the first quarter, the June was the affected month in anticipation with the GST, a lot of de-stocking took place at our customer's place; therefore the customers did not also buy to their full potential and then going into this quarter, we had July and August getting affected by that one. So let us see that in six months we have two-and-a-half months in between, which was not to its full potential. We do not see the destruction of demand, although there have been some postponement that is the reason why we expect that in the next two quarters, we will not only be performing as we have guided, but would be better because some of these accumulated demands on the previous quarters would play in.

Ritesh Chheda: Do you expect the growth rate to accelerate in second half?

Anil Jain: In the second half, yes of course. Normally if you look at the previous year, we used to have in the first half 45% of our annual turnover. This time from our guidance, we see it to be only 42%, so we expect to make it up in the second half and we will be on our way to achieve the growth 18% to 20% that is what we have been writing here.

Ritesh Chheda: Well, I am seeking your comments on the composite cylinder business in terms of developments in the Indian market if any and what is the progress on volumes and your targets for growth this year?

Anil Jain: Let me tell you, I think I have been maintaining it all along in all conferences in the past that Indian market is something that we very much look forward to but have we counted in our business plan for the future, the answer is no and we have got cylinders going to Bangladesh, Nepal, Maldives but one great country in between is missing that is India. We do know that some private players have started using composite cylinders. One of the private players, who is now growing aggressively for distribution for LPG in India is only about a week ago, launched LPG in composite cylinders, those cylinders are manufactured by us. Of course, we have made very positive projections for the future; let us see when it comes. Insofar as OMCs are concerned, which are the main buyers of cylinders, of course this year they will be buying something like 15 million cylinders but that will be all steel cylinders. In the last year, we had supplied some 15,000 cylinders to one OMC. They have been telling us that they would be launching it in India sometime soon, but it has not happened for almost a year, so it is very difficult for us to predict it when that would happen, obviously once they take this largest quantity because this project they are carrying out for all the three OMCs. When we go and meet them they show a lot of excitement a lot of positive comments were passed, but it has not translated into the real demand. Frankly if Indian market gets activated then we do not have to export a single cylinder out of the country that is the kind of demand that can be built, but we are now exporting cylinders to almost 30 countries and we are seeing increased demand coming in from there, so for the time being, we are happy to use our capacity for meeting out the demand outside of India.

Ritesh Chheda: So versus last year what is the volume to be sold this year and what would be the revenue in composite cylinders?

Anil Jain: We are expecting the total revenue from the composite cylinders to be about Rs.140 Crores or thereabout. Last year, we did about Rs.72 Crores.

Ritesh Chheda: Volumes?

Anil Jain: In terms of volume we did about 343,000 cylinders and this year we should be doing about 70,000 cylinders.



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- Ritesh Chheda:** So which means you will use 50% of your capacity of 1.4 million cylinders?
- Anil Jain:** Yes I mean that is the mainstay capacity, but we have got 16 different sizes of cylinder, till now we are only one production line with 700,000 cylinders, we keep changing sizes from one to another when we see a lot of this capacity gets destroyed in changeover. That is the reason why we are now a bit excited as the second line has already been installed, it is right now undergoing approval process so that will kick in, not only it will add the capacity, but our capacity utilization will also improve.
- Ritesh Chheda:** What is your capex for FY2018 and what will be your debt repayment if any for FY2018?
- Anil Jain:** We have a total capex plan for the year at Rs.235 Crores out of which in the first half, we have used up Rs.109 Crores that includes the capex towards maintenance, R&D, automation, Brownfield projects, debottlenecking, etc., but also a large part of it is for project expansion, which included doubling up our capacity for the composite cylinders and as I said earlier on, we are also doubling our capacities for the MOX Films which we were expecting to happen by end of this financial year, but we are preponing it, so probably that will come on stream midway into the last quarter, so that is the mix. We do not expect the capex beyond this. Our borrowings will remain more or less the same as we had in the beginning of the year, maybe it might go up marginally to meet the working capital requirement and to take care of the year-end effect, which would be more prominent this time around. Insofar as the repayments are concerned, in the current year we are looking for repayment of about Rs.91 Crores.
- Ritesh Chheda:** So the borrowing will be flat right, even after... You will repay Rs.91 Crores, so borrowing should be lesser by 91 or borrowing will be flat?
- Anil Jain:** Total borrowing will be more or less the flat actually.
- Ritesh Chheda:** Thank you and all the best Sir.
- Moderator:** Thank you. The next question is from the line of Shanmuganath Sundaram from Plus 43 Capital. Please go ahead.
- S Sundaram:** Good evening. Congratulations on the good results, I just wanted to know if there is an update on the battery division that you had recently had a tie up with?
- Anil Jain:** Before I do that I had a question you have a very interesting name, how did you get it?
- S Sundaram:** Plus 43 ISD code for a country called Austria and we subscribed to the Austrian's code of economics or free market economics, so that is Plus 43 Capital.



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Anil Jain:

Okay, great. About the battery business of course as you see that the battery business has done wonderfully well for us in the last two or three years and one of the major reason was that we owned only 71% of the company that we had 29% was still being held by the previous owners. In the beginning of this year, we have acquired 100% of that company that would mean now we are completely free to do what we intend to do in that company. First thing we did was in the previous years, the company was largely dependent upon telecom battery business, we do recognize telecom would not do as well and perhaps they would be under so much of pressure, they would negotiate the prices, so we have moved away from telecom, the solar and other UPS batteries, etc., and I am very glad to tell you that in this year, we expect telecom business to be less than 50% of our total revenue, so that will first improve our EBITDA margins though the numbers may not really be very high, so we expect the revenues to be remain flat, but with better EBITDA margins, what we have done for them is we have worked out next three years' plan for the company and that looks pretty promising in the sense that our product mix will change on one end, on the other one we will now go into the new business that is lithium ion batteries for which there are not too many people in India, I must admit that at the outset that it will not be making the lithium ion cells, but we will be making the batteries out of cells. We have tied up with a company in China, which is the best lithium ion cells that are produced by China, so they will be supplying us cells and on the other hand, we have also tied up with Samsung, so they will be also supplying us the cells in India and we will be converting them into the battery as per the requirement of the customers. In addition to that we have also tied up the battery management system BMS, which is integral part of lithium ion batteries and to start with we will be imported them from a very reputed company in China, so that we can offer the complete package to the potential customers in India and as you know, India is now developing into a very big market for e-autos especially e-rickshaws, so they need lithium iron batteries because Government has offered a substantial subsidy on lithium iron battery operated vehicles. So we are trying to fill in the gap, which is usual in the market place, I must say that it will not tick up in the current financial year, but obviously we have got a lot to look forward to in the next year like I said in the beginning we own it 100%, so we can take this company onto the growth path like all other subsidiaries.

S Sundaram:

What is the margin that we can expect on this business for this year Sir, around 15% or do you think it will be closer to 18%?

Anil Jain:

No, from regular battery business, the EBITDA margins will be between 12% to 13% that is slightly better than the last year but lithium ion battery is high EBITDA margin business and it is a very specialized business so I expect them to change from the next year onwards.

S Sundaram:

Sir I just had one more question on your loan, are all your loans rupee denominated at this particular point in time Sir?

Anil Jain: We have got the borrowing both in India and overseas, so the overseas is of course the local currency, which overseas units are looking after, we do not have any foreign denominated loans in India, so we are not too much concerned about the exchange rate except for the fact that we import substantial amount of raw material and to that extent, we take cover at the time of opening the receipts...

S Sundaram: Thank you very much Sir and all the best.

Moderator: Thank you. We have the next question from the line of Sanjeev Zarbade from Kotak Securities. Please go ahead.

Sanjeev Zarbade: Congratulations to the management for good set of numbers. Sir it was regarding the capex like we have done almost Rs.101 Crores capex in first half Rs.109 Crores and also commissioned couple of plants, but still we have around Rs.120 Crores capex to be done in second half, so what are the fresh commissioning activities that is expected in second half?

Anil Jain: As we had declared in the beginning of the year the capacity for the MOX Film, which was limited to only 6,000 tonnes, we launched that product in the month of April, the initial indication from our distributors are that they would not only be able to observe capacity, but would be wanting it more, so we decided to double our capacity normally from 6,000 tonnes we moved to 12,000 tonnes, so that will require the capex, which will now be coming in mostly in the second half as we come closer to commissioning the capacity, so there is additional capacity that will come at a capex of about Rs.70 Crores or thereabouts and we have some ongoing de-bottlenecking maintenance and Greenfield project, which we are continuing with. As you know this capex is console basis, so we have subsidiaries also who are making capex, for example our subsidy called TPL plastics is setting up a new project in Vizag, so they will be also requiring. In overseas operations we are adding a capacity which is intermediate bulk container at two locations and we will start working on new projects in overseas as well, so these are all, all put together...

Sanjeev Zarbade: Sir now we have a fairly diversified manufacturing locations India as well as abroad, so in the future cannot we go through de-bottlenecking for capacity additions or do we need to still go for Greenfield plants, I was coming from the point of view that the capex should largely be stable in the coming years or what is your view on that?

Anil Jain: That will have to be right...capex is always a cause of concern, but quite honestly the capex that we are actually making is mostly for growth-driven project, if you look at our regular capex is not as high, but the point is should we let the opportunities go past us or we should grab them with both hands. Let me tell you other interesting thing, I was in USA and I was talking to a friend there and they asked me one question right at the beginning and they said



what is your debt EBITDA ratio and I said it is just about 1.6 and you know what he told me we do not invest in a company which has debt EBITDA less than 2.5 and it was quite a puzzle, but then he said that would mean the management is lazy, they are averse to taking risk, they do not want to grab the opportunity that are coming their ways, I would not have a review, but we got a different view, but insofar as we are concerned we have said very clearly at some point in time that we will ensure that our debts at any time are not more than 2.2 times of our EBITDA and I think that we are sticking to that very carefully, so we are focused on opportunities that are coming, we are one of those fortunate companies who has had our existing businesses, which have a scope for expansion and we have a good pipeline for new products like for example, I mentioned in the last conference about CNG cylinders type 4 that is for automobiles and also for gasket, we just attended a conference and if you go by what these users have projected, I think there will be a huge, huge opportunities coming our way and we are the only people who are manufacturing type 4 CNG cylinders which are of course undergoing approval process right now. So I guess so long as we see the opportunities coming our way, we are not going to shy away from them just because we are going to take it a little easy in life.

Sanjeev Zarbade:

Okay Sir. Thank you so much.

Moderator:

Thank you. We have the next question from the line of Nitin Awasthi from Edelweiss. Please go ahead.

Nitin Awasthi:

Provide me the volume numbers for your plastic products and also your composite cylinders and MOX Films?

Anil Jain:

There is a little bit of mixed number because there is some numbers in terms of tones and the percentages, so we are seeing...

Nitin Awasthi:

If you could just give me the volume numbers?

Anil Jain:

I can tell you that in the first half we have done in the composite cylinders 279,000 cylinders as against previous year first half 157,000.

Bharat Vageria:

In MOX Films, we have done, the total tonne 1300 tonnes.

Anil Jain:

Last year it was not there.

Bharat Vageria:

Plastics maybe...

Anil Jain:

Nitin let we be honest with you, we do not have this number right now, if we make the calculation there might be a mistake, can I have it send to you offline?



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- Nitin Awasthi:** Of course Sir.
- Anil Jain:** I am sorry we did not have those numbers really, at least there is a good realization that we are not fully prepared.
- Nitin Awasthi:** Okay Sir, not a problem. Just few more questions, you had a plan and a vision of having an IBC plant in every county that you are present.
- Anil Jain:** We have done it.
- Nitin Awasthi:** Currently you have a plant everywhere with your Vietnam and Sharjah plant except Malaysia right?
- Anil Jain:** Malaysia has also got a plant in this month. In that three days' time we will start the production there as well, so where in all countries with IBC you are right absolutely. I am happy that I shared this dream with someone.
- Nitin Awasthi:** Okay Sir also congratulation for achieving that and yes Sir one more thing on your cylinders front you had indicated at the beginning of the year that we had about 18 lakh orders for about 18 lakh cylinders and if you have delivered roughly three lakh cylinders that would leave you with again about 15 lakh cylinders order?
- Anil Jain:** That is right. In fact have better than 1.5 million already, but the problem is that this staggered over a period of time. Our customers are all big gas distribution companies. Even if they place the order, they placed it as per their plan, but they do not change all their cylinder from one way to another, it is staggered over a period of next three years or so.
- Nitin Awasthi:** Current order book would be how much?
- Anil Jain:** My current order book is after discussing this one is about 1.65 million cylinders.
- Nitin Awasthi:** Out of this Sir how much is deliverable in the Q3 and how much in Q4?
- Anil Jain:** We are expecting about end of this year, we should be slightly short of 700,000 cylinders.
- Nitin Awasthi:** Any other fresh country which have given order Sir in the last quarter?
- Anil Jain:** Can we discuss that offline, the specific details, we normally have NDAs with the customers, but I will be very happy to share it with you offline.
- Nitin Awasthi:** Okay Sir. That will be great. Thank you Sir. That is all from my side.



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- Moderator:** Thank you. We have the next question from the line of Nikhil Gada from Asian Markets. Please go ahead.
- Nikhil Gada:** Thank you Sir for the opportunity. I wanted to know regarding the MOX Films as you said that you are going to prepone the capacity and it should be ready production in Q4 itself, so what could be the estimated revenue that we would be projecting for FY2018?
- Anil Jain:** In this current year we are expecting the revenues to be around Rs.80 Crores from MOX Film, but then just compared to 0 in the previous year because we launched this product in the beginning of the year itself. Again we suffered the same situation though we had the capacity, the nameplate capacity being high, but we are from different sessions and different colours and there was a change of colours and the sizes would mean that we have a loss of production, so we are very anxiously looking forward to the additional capacity coming in, not only it gives us the capacity, but also the changeovers get reduced and we have then better capacity utilization, but I think next year will be the best year for us to evaluate the potential of this business. In this year we expect to sell everything that we will be able to produce that would be a challenge for us to produce as much as we can.
- Nikhil Gada:** Okay, Sir you have also mentioned that you have opened five fabrication centres, so what would be the capex that have incurred in that?
- Anil Jain:** The capex of each location would be about Rs.3 Crores or so.
- Nikhil Gada:** For each centre you are saying?
- Anil Jain:** Yes. Slightly less, I had been calculating just now, it is about Rs.2.25 Crores.
- Nikhil Gada:** We had always mentioned that our major plan was to start exporting a majority of our MOX Film, so I guess you had also mentioned in the previous concall that there were some orders from Europe, so any updates on that front?
- Anil Jain:** We are exporting now, we have added some more countries. So we have now total of about six countries and we have started exporting it to, but like I said earlier also this is not that they will change over from immediately, it will be happening over a period of time, but our focus in the overseas market is more of greenhouse films, which we have developed in India and it has excelled itself, so there is a potential that we are exploring, as we all know that greenhouse is a very big application for such a film and we are focused on that completely especially for her export markets.
- Nikhil Gada:** So any updates on the as in how much of exports we have done over these two quarters and...?



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Anil Jain: Well that is what I told it is not very large, we have done only Rs.38 Crores in the first half of this year, I do not know maybe it is about 10% or thereabout, I do not have the numbers right now?

Nikhil Gada: Around 10% you are saying.

Anil Jain: Yes.

Nikhil Gada: Sir apart from that you mentioned that IBC for the Brownfield expansion, but I guess in Vietnam and Sharjah we did not have IBC, so the capex that the number I guess you said was Rs.15 to Rs.18 Crores, so is it like this is a Greenfield expansion number that you are giving or...?

Anil Jain: It is Brownfield to the extent that we already had a factory there, land, building, utilities were available, only had to augment both capacities and add may be a little extra construction there to be able to accommodate IBCs, but it was not really a project up; therefore, we did not have to invest typically large sum of money, which would be required otherwise IBC manufacturing factory in those countries.

Nikhil Gada: So you are saying it is more of a using some existing machine line in expanding over there and?

Anil Jain: Basic infrastructure, so the production lines are very different.

Nikhil Gada: So suppose just if we want to set up a new facility outright how much would be the capex, any assumptions over there?

Anil Jain: I would to think this will be close to about 12 to 15 million dollars.

Nikhil Gada: Okay, so this 15 to 18 Crores like we are saying it is basically for both the capacities right including?

Anil Jain: Yes.

Nikhil Gada: Sir just one last point on IBCs we have always had very low capacity utilization overseas, so as in how much time would it take to achieve some around 50% sort of capacity utilization levels because I think reconditioning is one of the major challenges and that is what has worked in Europe as well, so is there any updates on that?

Anil Jain: Let us see it actually, the IBC is a newer product in this part of world so though they were not existing, so we went in there because we realized that that we wanted to be one stop

shop for a customers and some of them required IBCs also, so we went into those market hoping that the IBCs will be used, we have been successful to a very large distant, limitation is not manufacturing there as it is the demand and the change over is very gradual process, which is continuing, so our capacity utilization and of course we had to go with a certain capacity because that is the minimum economic size; therefore, you would find that initially the capacity utilization will be low, but will keep improving years after year.

Nikhil Gada: Just lastly on the pipes business, HDPE pipes I think they are not many players, large players like us, but now more and more companies have now started expanding in this business Supreme, even Finolex is planning, so how are you seeing the competitive pressures if there are any in this business?

Anil Jain: Let me clarify to you that we are not in those PVC pipes at all, we are in PE pipes, so you are right absolutely there are companies, but we are now three companies that I can name who are this technology based, products just as we have, I cannot name them on the open line, but there are people who keep coming in this business because they think making PE pipes is a very easy job, but let me assure you now the buyers or the government companies are becoming more and more careful in terms of buying the PE pipes and they have now put conditions that whichever EPC company is setting up the pipeline for the customer they are asking them to also carry out maintenance for the next 5 or 10 years, so there is a disincentive for them to use cheaper pipes or not so good pipes, because then maintenance cost goes up, so I would like the technology based products will get precedence over other people, but also let me tell you that this business is expanding very, very rapidly. If you have a good quality and you have a descent capacity I do not think it absorbing that in Indian market is a big challenge.

Nikhil Gada: Okay Sir. Thank you so much for your time.

Moderator: Thank you. We have the next question from the line of Rajesh A from Fortune Financial. Please go ahead.

Rajesh A: Sir I had one question when we interacting with few of these gas players the point, which they keep around in the environment is that there is a lot of focus on high-tonnage commercial vehicles and in China, they have ordered a lot of them, which run on LNG directly and have a very high range as high as let us say 900 km plus so that presents a very good sort of economics for these kind of cylinders, domestically also I think both Ashok Leyland as well as Tata Motors are ready with them, so that particular cylinder, which can directly take LNG or even the gaskets which are used for last mile connectivity, have we looked at that particular area and what are your thoughts on that?

Anil Jain: I am most admired that your understanding of this market is very, very good. You are absolutely right that there are a lot of vehicles, which are now getting change over to LNG or CNG but more or less for us from the cylinder standpoint more or less remain the same because the bus pressure has to be very high. You are again right in saying Tatas and Ashok Leyland of the world they have started looking at these cylinders very closely. If you probably would know a couple of months ago we made an announcement that for the first time in India we have fitted a type 4 CNG cylinders and can also be modified to LNG and in which case we have been able to get the bus pressure in excess of 640, so that would mean they are fully qualified to be used for these application. The wide range of the vehicle which can be run on CNG or LNG is dependent upon the gasket that you have on top of the truck or a bus and therefore they use three, four or six depending upon the kind of a range they want to have, but the basic design and the testing parameter of this thing remains the same. Just to give an idea a typical CNG cylinder of six-liter capacity would be about 70kg that if you look at type 4 that is carbon fiber wrapped composite cylinder, the weight is only 16.5kg so you reduce the pure weight and they are completely excellent proof. Without giving names, I am willing to tell you that we are now taking trials with one of the leading OEMs for one of the commercial vehicles with the cylinders that we have created, of course it is undergoing in factory trials and then later on going to go into the field trials etc., normally it takes about year or two, but I am sure we are already there and we will be ready for mass production of them soon as our customers are ready to buy them.

Rajesh A: Our existing plants you are saying they are fully capable of producing it because we already producing type 4 kind of CNG cylinders, which as well you comply with equivalent norms of safety and pressure?

Anil Jain: My answer to your question is yes and no, if you look at my present capacity of 700000 cylinders, the machines and equipment were not designed to do CNG cylinders, but then we are now expanding our capacity from rather 2/6 lines have been made in such a way where they can also do a CNG cylinder. Of course as the demand comes in we will be able to add similar of those lines, but for the time being these two lines would be able to allow us to enter into this market when we go for the next expansion may be next year or thereafter, those lines will be aligned, it can work both on, CNG and LPG, so that is not a problem, but we have the technology, know-how and the capabilities to be able to do that and our design has been hugely successful. Right now from 60 liters we are also developing another one for 70 liters that is because in certain areas that is one required, we are doing 30 liter CNG cylinder as well and on top of it we are now working on gaskets. Our biggest gaskets will be having a capacity of about 4 tonnes of CNG, which is about 900kg of present gaskets, so there is a lot of work to be done in that space and we are fully geared up to do it, yes.



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Rajesh A: Globally which are the major companies are there, any larger players, which are already catering to this particular segment?

Anil Jain: Well of course in the steel there are people like Everest Kanto and other people who are excelled in making steel based CNG or LNG cylinders, that in type 4 composite cylinders I think there is no one. In fact there is no one any worldwide as well. I can only talk about two companies one in USA and one in Norway, but I believe there is one company in Korea, which is claiming that they have also done it, but we do not hear too much about the companies who have been able to work in this space.

Rajesh A: Thank you Sir. Thanks a lot.

Moderator: Thank you. We have the next question from the line of Ankush Datar, an Individual Investor. Please go ahead.

Ankush Datar: Good evening Sir. Congratulations on a great result. Sir I would like to ask two questions. The first question would be what was the volume of sales you did for your MOX Films in this quarter versus your previous quarter?

Anil Jain: Well I can give it you.

Niklank Jain: Total sale of MOX in the quarter it is 800 metric tonne and in last quarter it is in 500 metric tonne.

Ankush Datar: My second question would be for first half of FY2018 for the total revenue that you have done how much has come from domestic and overseas?

Anil Jain: 71% was domestic and 29% was overseas, of course in this quarter domestic is 69% and overseas is 31% because the overseas business grew faster than the local one.

Ankush Datar: That would be helpful. Thank you.

Moderator: Thank you. As we have no further questions I would like to hand the floor back to the management for closing comments. Please go ahead.

Anil Jain: Thank you very much to have valued investors for the confidence in the company. I can promise them that we are working as hard as ever and we expect to meet our guidance in the current year. We look forward to the future with a lot of hopes and expectations, I am glad that we have the product, which will excel and that I always said value add business will become more and more prominent in our business and will improve our overall performance. Thank you very much for the confidence. Thank you.



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Moderator: Thank you. Ladies and gentlemen on behalf of Emkay Global Financial Services that concludes this conference call. Thanks for joining us. You may now disconnect your lines.