



“Time Technoplast Limited Q3 FY 2018
Results Conference Call”

February 15, 2018



ANALYST: MR. NITESH DHOOT – EMKAY GLOBAL

MANAGEMENT: MR. ANIL JAIN – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER - TIME TECHNOPLAST LIMITED
MR. BHARAT VAGERIA – DIRECTOR (FINANCE) - TIME TECHNOPLAST LIMITED
MR. RAGHUPATHY THYAGARAJAN - DIRECTOR (MARKETING) - TIME TECHNOPLAST LIMITED
MR. SANDIP MODI – SENIOR VICE PRESIDENT (ACCOUNTS AND CORPORATE PLANNING) - TIME TECHNOPLAST LIMITED
MR. NIKLANK JAIN – VICE PRESIDENT (LEGAL) & COMPANY SECRETARY - TIME TECHNOPLAST LIMITED



*Time Technoplast Limited
February 15, 2018*

Moderator: Ladies and Gentlemen good day and welcome to the Q3 FY2018 Conference Call of Time Technoplast hosted by Emkay Global Financial Services. We have with us today Mr. Anil Jain, Managing Director and Chief Executive Officer; Mr. Bharat Vageria, Director (Finance); Mr. Raghupathy Thyagarajan, Director (Marketing), Mr. Sandip Modi, Senior Vice President (Accounts and Corporate Planning); and Mr. Niklank Jain – Vice President (Legal) & Company Secretary. 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 the conference call, please signal an operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Nitesh Dhoot of Emkay Global. Thank you and over to you, Sir!

Nitesh Dhoot: Thank you. Good evening everyone. I would like to welcome the management and thank them for giving us this opportunity. I would now hand over the call to Mr. Anil Jain for opening remarks. Over to you Sir!

Anil Jain: Thank you Nitesh. Thank you very much. Good afternoon friends. As my colleagues are already been introduced, I think I will go straight to the subject matter. So we are here to talk about the results of Q3 and also nine months for the current financial year. The results were announced yesterday and I would like to talk about the key financial and operating highlights for the quarter and also for the nine months. Of course I will be making the opening remarks followed by the question and answer session.

During the Q3 FY2018 the net sales stood at 755 Crores as against 671 Crores in the corresponding period last financial year. EBITDA is at 117 Crores as against 103 Crores and PAT at 47 Crores as against Rs.37 Crores in the corresponding period last year. The net sales grew at 12%. The breakup was India about 12% and overseas 13%, perhaps the most important thing is the volume growth and the volume growth was 16% all together India was 14% and overseas at 17%. EBITDA grew by 14% and PAT grew by 28%.

During the nine month period net sales stood at 2161 Crores as against 1945 Crores, EBITDA at 328 Crores as against 293 Crores and PAT at 125 Crores as against 104 Crores, The net sales grew by 11%, India was 10% and overseas 13%. In terms of volume growth it was 15% all together, India was 13% and overseas 17%. EBITDA grew by 12% and the PAT grew by 20%. The EBITDA margin were at 15.19% as against 15.03% so there has been an improvement by 15 basis points, net profit margins improved by 44 basis points that is 5.79% as against 5.35%.



Time Technoplast Limited
February 15, 2018

In terms of our share of business between established product and value-added product the share of revenue from value-added product grew to 18% in nine-month period and the balance 82% was our legacy business compared to 14% and 86% therefore the value-add business now has a larger share of business from 14% to 18% during this nine month period. The distribution between India and overseas remains more or less same that is 70% from India and 30% from overseas.

Interestingly, our EBITDA margin from the Indian business has now are ahead of overseas business our EBITDA margin for value business is at 15.38% as against 14.74%. The total debt during the nine month period remain more or less the same at the end of 2017 we are at 722 Crores whereas at the end of this current quarter it is at 740 Crores. On the operational front currently our capacity utilization stands on an overall basis at about 82% whereas in India our capacity utilization is around 87%, overseas 70%.

I would like to look at the numbers under the background of what actually happened in Q3 and I would like to touch upon that. One is that our pipe business which goes into infrastructure there have been a little disturbance in the market place as the EPC contractor who are our customers they have issues with the government department in terms of getting the GST hike from them. In the former times the pipes were charged to a concessional excise duty and the CST went of 2% all put together the tax incidence was about 8% to 10% whereas under the new GST regulation it became 18%.

The EPC contractor wanted amendment into the contract for the government department so the government department realized that it would means a larger expenses and therefore the project cost goes up for which they needed to have the budgetary support from the government and this process has taken far longer than we had expected. In fact the supply at quite a few these projects are still in limbo because the government clearances have not come to the EPC contractors and they do not want to run the risk of supplying the material least the government does not give then the statutory variation whereas we have a very large order book exceeding 220 Crores or thereabout for the dispatch clearances would not forthcoming. So whatever dispatches are taking place are from the projects, which have been finalized after the GST has come in and therefore those dispatches are currently going on. We expect this impact to continue probably in Q4 as well therefore we expect that our pipe business, which was supposed to be growing very rapidly, will see a little bit of impediment in its growth.

Number two you would find that the difference between the value growth and the volume growth is about 3%. It is essentially because of the polymer pipe is being lower as Indian new capacities are coming. Secondly the import branded pipes also came down because of the exchange rate, as we explained in the previous conferences we pass on increase or



Time Technoplast Limited
February 15, 2018

decrease to our customers therefore the value came down but the volume continued to be high so that the reason why underlined the volume growth rather than the value growth in this quarter overall.

The third thing is that we consolidate our overseas operations in the Indian business or the total business and the rupee appreciation has dropped that value down a little bit therefore the value growth may not be as impeaches as the volume growth there. So this is the background under which we will be analyzing our growth I will be very happy to take the questions. And I am sure my colleague and I will try and answer as much as we can. Thank you.

Moderator: Thank you. Ladies and Gentlemen, we will now begin with the question and answer session. We will take the first question from the line of Sangeeta Purushottam from Cogito Advisors. Please go ahead.

Sangeeta Purushottam: Good afternoon and congratulations for your numbers. I have two questions. One is that the growth like you mentioned has been very good for the quarter you said 14% for India and 17% overseas. At the same time we have also seen an improvement in the product mix towards value added product yet when we look at the EBITDA growth it has been only 13% so EBITDA growth has been lower than volume growth despite an improvement in the product mix and could you help me understand why that is so number one? And the second question I had was that if you could give us an update as to what is happening on the specific value-added products particularly in Mox Film as well as the Composite Cylinders?

Anil Jain: Sangeeta, I will explain it to you. You are absolutely right because of the difference in the prices of the raw material and the exchange rate impact we find that the volume growth have been much better than the value growth. As far as your question about EBITDA margin is concerned, we are seeing the improvement in our EBITDA margins by I think 15 basis points as a percentage to sale, you are absolutely right that there could be difference in the margin but if you look at my last conference, we have said that our target is at on a consolidated basis we would have the EBTIDA margin at around 15% or so and we are on that one. Now insofar your question about value add businesses let us say in the value add business one of the business is Mox Film. Mox Film season starts only in the month of April or May but during this period when we want to do the off-season sale first of all this quarter does not capture the business potential of Mox Film but then we have to sell the Mox Film during this period we normally offer a discount a sizable discount so that we continue to sell this during the off season as well. So to that extent some EBITDA margins are also getting sacrificed in the offseason sales of course that gets picked up when the season start. Secondly we had expected that our in the value add business we had expected



Time Technoplast Limited
February 15, 2018

our corrugated pipe business does involve corrugated pipe business to grow we have the orders also but some of the clearances have not taken place.

Sangeeta Purushottam: Sorry this is corrugated.

Anil Jain: Double wall corrugated pipe.

Sangeeta Purushottam: Corrugated pipes okay.

Anil Jain: That falls within our value add businesses but I think it is a mix of lot of these things but we clearly see that our EBITDA margin has grown from what it used to be which in turn impacts our ROCE. The next question was about composite cylinders and the Mox Film, which is all within our value add business. I am very happy to tell you in the composite cylinder business in this quarter we have seen a growth as compared to the same quarter last financial year we are seeing a growth of almost 100% so that business is growing with a lot of promise as for a change the composite cylinders are now going to be used in India as well. This could be the major order and the deliveries are going to be started and look very, very promising going forward. Incidentally HPCL who had been sitting on composite cylinders for a very long-term we are expect them to launch it from the last year finally it was launched the composite cylinder in Pune and this soon will be launched also in Mumbai.

Sangeeta Purushottam: I see okay so that is good news.

Anil Jain: That would mean that not only HPCL because HPCL had carried their projects for all marketing companies they have recommended to the oil marketing company also to go ahead and the IOCL is already in the process of floating a tender, which we will be very happy to participate and bid for GPCIL has gone up. So we are pretty happy with the development in composite cylinder. We would like to say that our export continues. I must say that I wanted to try this time giving too many details but Sangeeta I will promise we can discuss this offline because last time somehow I ended up speaking a little bit more and that did not work out to our benefit later on because the information can flow but the benefits and growth in this business and important thing is that we were looking for expanding our capacity or doubling our capacity in composite cylinders, which we physically completed by the last quarter and we said that the testing and approval process are on I am very happy to tell you that this is more or less done and therefore this capacity also will be pressed into service. We seem to have a good order book available with us so we expect that this winning streak will continue in Q4 and also into the next year. As far as the Mox Film is concerned Sangeeta we do not have the comparable numbers for the last year because it was the first year and we were told the base is good but we are doing very pretty well and I think



*Time Technoplast Limited
February 15, 2018*

our annual target that we have set out in Mox Film which would be able to achieve right now we are in the offseason but we are carrying fairly in the inventory as the stocking of these this takes place somewhere around April, May or thereabouts in anticipation of the monsoon, but the product has been received extremely well and we have been able to bring some variants for the first time in the country. I guess that should really keep us well placed in Mox Film business as well.

Sangeeta Purushottam: Thank you very much.

Moderator: Thank you. We take the next question from the line of Saumil Mehta from BNP Mutual Fund. Please go ahead.

Saumil Mehta: Thanks for taking the opportunity. Just taking the question the previous participant asked. Now if I look at the growth in the value-added itself we have done a significant growth on nine-month basis both for Composite and Mox, whereas if I look at the pure value added margins what we have one of the slide, slide #13, I see only a 100 BPS improvement in margin at nine-month FY2018 versus FY2017 so what I want to understand is what is the potential for margin expansion especially in the value added given both the businesses would be significantly higher margin than our existing business?

Anil Jain: You see when we defined our legacy business and the value add business we describe them as the one which will have EBITDA margin around 15% or just below 15% and the other one was supposed to be over 15% so if you look at the margin in our value add business this time around is only about it is about 18%. Considering the fact that the value add business contributes only 18% of the total business that the EBITDA expansion would not be very significant and even in this business, we would find that we have to undergo in another key areas for the offseason discount, which would mean that the EBITDA margins would be left. I think it would be appropriate to look at these numbers in the Q4, as you would see all these factors are playing fully and I expect that you would see improvement in overall EBITDA margins here.

Saumil Mehta: Sure while I understand both are growing business and you would want to feed the market at this point in time what would be a very broad price differential for our products vis-à-vis some of your competition?

Anil Jain: As a matter of fact, we are selling this product let us say even the Composite Cylinder or Mox Film we sell it today on our quality. I would not sell my product even 1% cheaper than the competition. As a matter of fact we keep our prices slightly higher to let everybody know that they are buying the better product.



Time Technoplast Limited
February 15, 2018

- Saumil Mehta:** So pricing would be in line with some of the competition both for Mox as well as composite does that a fair assumption?
- Anil Jain:** Absolutely this will be perfectly in that line.
- Saumil Mehta:** That is the good. Sir my second question is with respect to our balance sheet while we had done a good job in terms of taking the total debt down or despite about 170 Crores of capex what I understand is that because of the working capital release and how sustainable is that do we have further levers to take working capital down?
- Anil Jain:** I think it should be possible because some of our business will allow us to collect money quickly as compared to the other one but again Q3 is not the true representative because we are carrying very large inventory of pipes, which were manufactured for our customers and they could not get the clearance from their respective ultimate customers that the government departments therefore we are that settled with unrealistic inventory and secondly for the Mox Film we are in the offseason right now that would be and we are at carrying inventory for that one as well the moment the season is start the money will get release from there. So we should see an improvement in this year in Q4.
- Saumil Mehta:** Just a book keeping question the 722 Crores the debt number what is their is that the gross number and does it include the working capital or this is only the term debt?
- Anil Jain:** No these all term loan and working capital all put together.
- Saumil Mehta:** Sorry come again.
- Anil Jain:** This is both the term loan and the working capital all put together.
- Saumil Mehta:** And this is gross or in net.
- Anil Jain:** Gross please.
- Saumil Mehta:** It was a gross, so what would be the cash balance as on December.
- Bharat Vageria:** This cash balance will be near about a 65 Crores.
- Saumil Mehta:** 65 Crores. Perfect. Thank you so much and all the best.
- Moderator:** Thank you. We take the next question from the line of Hitesh Tak from ICICI Direct. Please go ahead.



Time Technoplast Limited
February 15, 2018

Hitesh Taunk: Congratulation on a good set of number sir. Sir my question is pertaining to DWC pipe can you please share the volume data for the Q3 FY2018 what was the volume for DWC pipes?

Anil Jain: Well DWC pipe is a nonperformer in the current financial year. We have orders we have inventories that the dispatches are not taking place because those projects are stuck up because of GST and it is an order we already have about 20 Crore order from DWC pipes but we are not taking further orders because we do not know when those projects will get cleared and these are mostly on fixed price basis we are not willing to take the exposure. I think DWC pipe at the end of the financial year would not be performing as well as we had expected, because of these arguments that is taking place between IPG contractors, EPC contractors and the government departments.

Hitesh Taunk: Sir one more thing I wanted know like in the piping segment revenue under the established product segment do we add DWC piping revenue in that piping segment or will it be separate into the value added product category?

Anil Jain: Right now there is no nothing to be added really significantly.

Hitesh Taunk: No I am asking in future also?

Anil Jain: In fact it will be take into the value add business.

Hitesh Taunk: Value added business right it will be separate.

Anil Jain: Yes.

Hitesh Taunk: Sir can you please share the Mox Films volume and data for this quarter?

Anil Jain: The Mox Film we have done about 15 Crores business in the quarter and up till Q3 we have done 43 Crores as against our overall target of 105 Crores in the current financial year.

Hitesh Taunk: Sir I am asking volume data of Mox Films?

Anil Jain: It is 620 tonnes.

Hitesh Taunk: Is this for quarter.

Anil Jain: For quarter and 1790 tonnes in nine months period.

Hitesh Taunk: Sir if I can ask one more question, volume growth for breakup between established and value added product can you share like you said like for Q3 FY2018 we have clocked



Time Technoplast Limited
February 15, 2018

around 16% kind of volume growth so can we get a breakup between established product category volume growth and value added product volume growth separately?

Anil Jain: It is 9% of the legacy business and 45% for value added.

Hitesh Taunk: Thank you Sir. I will come in the queue Sir.

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

Nitin Awasthi: Thank you for giving me this opportunity. Sir I would just like to know a little more detail about the piping segment so currently we have shown that we have 200 Crores of these orders and we are already in the mid way of Q4 so has there been any headroom has there been any improvement in the situation?

Anil Jain: That is not as much as we had expected. We were planning to have 360 Crores coming in from our pipe business. I think we will be somewhere close to about 200 Crores finally.

Nitin Awasthi: But Sir these 200 Crores worth of pipes are already ready and are lying with us in our inventory?

Anil Jain: There are a lot of them but yes as good as bad the inventory because we really have got these pipes coming out of a years. Right now we are producing those which can be cleared immediately as against the new product, which have come up with GST for the old one we have got the order booking with us some inventories we are we are carrying but the rest we will start manufacturing only when they are start getting the clearances.

Nitin Awasthi: Would it be possible to get a breakup of the 200 how much of it is the GST issue and how much of it is non-GST issue sir if that would be possible?

Anil Jain: Well I do not have the number but I will have it supply to you.

Nitin Awasthi: Thank you so much. Sir next questions about the Sharjah Steel Drum Plant that we are going to set up when would this be operational?

Anil Jain: We should be expecting it by March 2019.

Nitin Awasthi: Is this in the standalone entity or is this in the Time of the JV?



Time Technoplast Limited
February 15, 2018

- Anil Jain:** No this is subsidiary of my overseas Sharjah operation that is ELAM which is 100% owned by Time Technoplast now this is not the part of joint venture but we will be getting the technical support from ourselves.
- Nitin Awasthi:** Thank you that is all from my side.
- Moderator:** Thank you. We will take the next question from the line of Anirudh Aggarwal from AAA Investment. Please go ahead.
- Anirudh Aggarwal:** Good evening Sir. Thanks for the opportunity. My first question was actually on the drums business so just from a board perspective what kind of growth do we see going ahead is this volume growth largely replacement demand or are we actually seeing the market growing?
- Anil Jain:** The plastic drums go for the packing of chemical, petrochemical, leather chemical, textile auxiliaries, construction chemicals, food products etc., so boards business is driven by the GDP growth. I would expect that this business would grow as the GDP grows. Of course it could be faster because we supply this packaging essentially for performance chemicals or value add chemical the growth of which is higher than the GDP growth or even the growth of the basic chemicals, so we should expect the growth to be higher than GDP right now it is not there because the capital industry is going through a lot of readjustments and we expect this to pickup. Earlier on our growth was higher because we were replacing steel drums with the plastic drums but right now we are in a state where plastic drums are almost about 55% of the total drum that are being used in the country it is 55% plastic, 45% steel worldwide, the plastic drums are only 12.7% therefore we are well ahead of the world average. I do not know how much we will be able to switch from metal to plastic that process continues so I think it will be safe to assume that this business will grow at about 10% or so.
- Anirudh Aggarwal:** What would be the market size in India for drums?
- Anil Jain:** Well we have got in the stable market size of about 15 million drums both for plastic and metal.
- Anirudh Aggarwal:** Okay any value terms?
- Anil Jain:** I would like to think if you multiply by 1200 so that is about 1800 Crores.
- Anirudh Aggarwal:** Okay so we have significant market share in this?
- Anil Jain:** Well yes we have a significant market share yes you are right.

Anirudh Aggarwal: Just a couple of more questions so on the composite cylinder side what would be the value of orders that we have got from HPCL?

Anil Jain: That is a small order. Unfortunately we have a confidentiality agreement with the customer but I would say their initial trial order was small because they were carrying out a project for all the three oil marketing companies, but I do know now their stock is about few hundred thousand cylinders to be bought between all the three oil marketing companies. I think what is important to understand here is that under Ujwala Yojana the government is the oil marketing companies are going to be buying something like 15 million cylinders this year and probably the same quantity next year. In fact they have already announced that this under Ujwala Yojana the numbers have gone up to 80 million so this will be distributed between this year and the next year further the demand would be fairly large. It is a question of how much we can convert them into composite. I do not expect a very significant change as they complete the pilot project by the time they come up with the new one and put them to the trial probably this first phase of the growth will be done and then we will have to go for the replacement of metal cylinders with the composite cylinders. This is to say that every year because the life of steel cylinders sales about 15 years it is about 7% cylinders get replaced every year and the total population of the cylinders being 320 million in the country that should generate enough demand with the such replacement in coming years we should be fairly well of the pipe.

Anirudh Aggarwal: What would be the price differential in the composite versus the steel cylinders it would be a fairly significant amount right?

Anil Jain: Quite actually I mean it is about 30%, 25% to 30% but let me tell you that does not go to the pocket of these oil marketing companies, because they take a deposit again the cylinder from the consumer and if you go to the consumer and say I am giving you cylinder it should not explode but I want to have Rs.400 extra deposit I do not think anybody is going to say no to it.

Anirudh Aggarwal: Would that be partly subsidized by the government I think we still have a cylinder subsidy right?

Anil Jain: The subsidy is on the gas, not on the cylinders but under Ujwala Yojana you know the cylinders are being given free to the consumers. The government is taking a stance. Let us understand government has received a huge sum of money from Paris when they have environmental conference and everybody decided to reduce the carbon footprint so as the firewood is one of the biggest culprits so there is a lot of emphasis on replacing the firewood or the core by the LPG and therefore there are enough funds available with the government the subsidized LPG or subsidies even the cost of the cylinder. So I think it will

not differential reasons I think it is basically reduced you to change and perhaps the steel cylinder lobby, which is pretty strong in this country.

Anirudh Aggarwal: Sir just one final question from my side, the guidance that we have of 20% plus ROCE is in the next couple of years so what are the biggest risk or challenges in your mind to achieve this?

Anil Jain: No, I think we should be able to do that I see no reason why we do not.

Anirudh Aggarwal: No major risk that you are seeing?

Anil Jain: No.

Anirudh Aggarwal: Thank you.

Moderator: Thank you. Next question is from the line of Pragya Vishwakarma from Edelweiss. Please go ahead.

Pragya Vishwakarma: Good evening Sir. Firstly I have few questions on Mox Film so we were doubling the capacity we kind of preponed that looking at the demand so when do us expect the additional capacity to come up?

Anil Jain: I am glad Pragya you asked this question I was waiting to answer that. We had announced that we will be doubling our capacity from 6000 tonnes to 12000 tonnes and we had set out the time limit of April 2018. Now this capacity is to be commissioned but we will be commissioning this next week. So by February end you can expect the work capacity would be doubled already.

Pragya Vishwakarma: The follow up question on this is that as you said you kind of your estimate is that at least you sell 100 Crores of Mox Film but in the nine months we have done 43 Crores considering that the fourth quarter it is already half done so you still see that kind of growth is possible in this quarter?

Anil Jain: It should be there it is not exactly but it will be very close.

Pragya Vishwakarma: Secondly I wanted to understand our rational behind putting up a steel drum capacity because what I have understood is that we were always in the replacement market from steel to polymer and we kind of propagated these IBCs and polymer drums so what has made us to put up the steel drum faculty and what is the outlook for that business from your end?



Time Technoplast Limited
February 15, 2018

Anil Jain: Pragya, you are absolutely right we were and still are committed to replace the metals drums with plastics and that is the reason why we adjust subventions that we are 55% we have converted that in India and in most countries that we have gone to the participation of plastic drums is significantly higher in the drum market there as compared to the one that we had before we came in to those countries so we stand committed to that one but like I said the world average is only 12.7% so we are way ahead of that world average, but let me also say the fact that if you look at these three international industrial packaging companies namely Greif, Morgan and Schütz they make plastic drums, they make IBCs but they also make steel drums and I guess the underlying thought is that you want to become one stop shop for your customer well even if I want to replace the entire metal raw material plastic, I would not be able to do that for variety of reasons one is that there are some products, which cannot go in plastic drums at all. Secondly in certain countries like Japan and all they do not want to bring the plastic drums because of the environmental issues etc. The question was should we let these customers go towards to the steel drum or we become one stop shop. We decided in favor of latter. Now we do steel drums in India through the joint venture with Mauser so we would like to think that we know how to make good quality steel drums but outside of India we can decided to go on our own incidentally UAE is not developing into a big market and there is the significant demand for good quality steel drums. There is only one company there, which is Balmer Lawrie who is ruling the market for the steel drums. The customers whom we are supplying plastic drums and they also use steel drums wanted us to give them metal drums also. So I think it is mostly customer demand driven and I think we see the synergy in with the customers and become one stop shop so that is we are pretty excited about what can be done with metal drums like I said that is still about 88% of the world market and there are three international players who are in this field so we can carve the place for ourselves not only in India which we have done already for the Middle East and other countries that we already have a presence. So you should expect us to do the same not only in UAE but in other countries also in coming years.

Pragya Vishwakarma: And what is the capacity of this plant and what kind of capex we are putting?

Anil Jain: Well we are still in the process of finalizing the whole project but the investment will be something like 35 Crores and the capacity will be about 1.8 million drums per year.

Pragya Vishwakarma: You said 35 Crores.

Anil Jain: That is right.

Pragya Vishwakarma: My next question was on pipes business so as you kind of explain in your opening remarks also the issue is there but do you see like when do you see this issue getting resolved and demand picking up for pipes business?

Anil Jain: The problem is getting resolved with regard to the new contracts so the new contracts which are being signed between EPC and the government department they are with the new GST so that problem is over from prospective effect. So retrospective side it is with regard to the orders which was signed by the EPC contractor before GST came in and they are the ones, which were to be executed at this stage and the pipes were to be supplied for them those are the ones which are kind of stuck up we are finding that these are getting resolved gradually. I think there is some kind of a policy that is also being formed with a large states where the demand is significantly higher because there is no reason why they should not give them an increase with regards of the GST because this is amounting to the statutory variation and this variation in tax has taken place because of the law promulgated by the government then the EPC contractors are entitled to get that increase but like I said that is between the government demand and the EPC contractors insofar as we are concerned our contracts with the EPC contractors very clearly said that we will be charging taxes as are prevailing on the date of dispatch.

Pragya Vishwakarma: I missed to ask two things on you the investment the steel drum investment one is what is the payback of this project would be?

Anil Jain: We normally do not go for project, which has payback this, is longer than three and a half years so it will be about three, three and a half years.

Pragya Vishwakarma: Just summing up everything the kind of guidance you had given in probably last three quarters for the growth of this year so do you think we would be missing on that and if yes what is the kind of growth do you see in FY2018 on a cumulative basis?

Anil Jain: In fact I had said in the last conference also that will be going to about 18%, 20% what we have said. I think we should be somewhere very, very close to that actually but it will be plus minus 5% yes.

Pragya Vishwakarma: On the composite cylinder side, I think I missed when you are commenting on it, but when like when the capacity expansion is completed when did it get completed?

Anil Jain: It is now completed already. In fact we have got the plants in operation right now the testing and approval process is on we should expect that to happen in next few weeks so I would test.



Time Technoplast Limited
February 15, 2018

- Pragya Vishwakarma:** So you are doubling of composite cylinder right?
- Anil Jain:** In terms of our composite cylinder yes even after you have got the capacity in place then there is a approving process from the international agencies for the new plant as well and also the authority in India called PESO in the format and Chief Control of Explosives because that was in the backdrop so that process is on right now it should not be a problem but there are certain tests which are long-term tests which are going on right now and as they complete we will get the certificate so that will be also presence only.
- Pragya Vishwakarma:** What is our HD pipes capacity currently?
- Anil Jain:** We have a total capacity of 43000 tonnes.
- Pragya Vishwakarma:** So earlier we expanded it from 28000 to 44000 tonnes.
- Anil Jain:** And we added 9000 tonnes capacity for that DWC pipes.
- Pragya Vishwakarma:** In tonnage terms how much did we sell for nine months, HD pipes?
- Anil Jain:** It is about 14000 tonnes.
- Pragya Vishwakarma:** Do you maybe it is a long drawn question but do you think next year we should be operating this at some good capacity utilization factor?
- Anil Jain:** If you grant me and pray that there is no another GST coming in surely we will be able to do that because it was, can you imagine we have order book in excess of 220 Crores.
- Pragya Vishwakarma:** That is it from my end. Thank you Sir.
- Moderator:** Thank you. We will take the next question from the line of Sanjeev Zarbade from Kotak Securities. Please go ahead. There seems no response from the current participant we take the next question from the line of Kunal Mehta from Vallum Capital. Over to you Mr. Mehta!
- Kunal Mehta:** Sir firstly congratulations for the commendable volume growth in the base industrial packaging business this quarter. It is based on the questions which one of the previous participants had also asked that I wanted to understand how would we see volume growth especially for the domestic business packaging business moving forward in the especially while after we consider the prices of polymer which are going to be stable over the next two, three years so just wanted to understand from which pockets would the volume growth

would it come by substitution would it come by gaining additional market share the incumbent players or how would it play out on the volume growth side?

Anil Jain:

Let me just give you an overall scenario in chemical industry, which is our main customer base. There is a lot that is happening in chemical industry. A lot of multinational companies are now started coming into India and they are putting in Greenfield projects or they are acquiring Indian chemical companies even if you look at those multinational chemical companies who are present at India already they are expanding their operations in India and some of those difficult chemicals where manufacturing in Europe and North America may have its own challenges are being shifted over to this part of the world and India offer itself to be the best destination. So that is one thing that the customer base is increasing and I think process is continuing but we are seeing a significant growth in certain areas like construction chemicals, adhesives, steel, and gear chemicals so these are the industry which are growing and they are significant buyers was in the industrial packaging so we will be growing because a) the industries certainly will expand and b) the share of the industries, which have significant demand for the industrial packaging is also going to grow so I think that should really answering your question we should expect the volume growth at around 10% if not more.

Kunal Mehta:

So adjusting for roughly 2% maybe fall in polymer prices our value growth should be around 8% for the base businesses?

Anil Jain:

That is right.

Kunal Mehta:

Sir just one more follow up question on some other lines. Now our volumes in the national and then the overseas which have also been doing very well but if I look at your utilization number we have been clocking at 70% for the last roughly two to three quarters so just wanted to understand whether going forward how would utilization pan out for setting this OE volumes whether would we see 80% utilization in FY2018 or FY2019 for the overseas business?

Anil Jain:

I lost you in between but let me just guess your question and try and answer but if something is there people ask me. Our total capacity utilization is 70% overseas and about 87% in India, if you see the capacity of 70% is desirable because we do not really allow run very close to 100%. Secondly in overseas businesses we have gone with the capacity which is a minimum economic size but the market of those countries is not large enough to absorb our entire capacity so therefore you would find overseas our capacity utilization to be lower than what we have in India because India is a much larger market in export of packaging products from this respective country that we are presently not feasible because of the project is freight cost so I would like to think that and so far the overseas business is

concerned this capacity utilization will grow between 70% to – or will oscillate between 70% to 75%. Insofar as India is concerned the moment we touch for about close to 90% that is the signal for us to go for an expansion but the capital expenditure is not very large here because as the Brownfield we will have the setup already in place and we only already have as you give blow molding machines or the molds that does not really call for significant capital outlay.

Kunal Mehta: And just one final question from my side, I wanted to understand the competitive in IBC because I think product is now getting goods steam both in the India and internationally so wanted to understand whether the product has gotten more competitive at present?

Anil Jain: Yes and no. Of course there are people who keep coming in but at the end when they come to IBCs, which normally end up reaching with the product into Europe and North America that the ultimate customers there are extremely quality conscious and they want to make sure that they do not run into any problem because the linkages that might take place in IBC so worldwide Schütz is number one in IBCs, followed by Mauser and I would like to think we become number three or number four, so we are a significant player. There are people who claim to make IBCs but I would like to think they would end up servicing some of these limited markets. We do not see too much of a competition. Insofar as region that we are present in mostly Asia and Middle East the big guys Mauser is now present, Greif is now present with IBCs, Schütz is there in two or maybe three locations but we are now present at IBCs in nine locations. So therefore we have a strong footprint and we saw this the demand of international customers in all countries put together therefore we become the preferred supplier and therefore we have customers sticking to us more than to our competitors.

Kunal Mehta: Just final question on my side also now I think we are in the process of getting approval for the new additional capacity of 7 lakh cylinders which we added to our existing base of 7 lakhs so I just wanted to understand that when we end FY2019 given the scenario playing out with respect to OMCs excluding our tender that good demand now you are seeing good overseas and in India what number would we think have in our mind for composite cylinders by end of FY2019 next year?

Anil Jain: We should be touching a million.

Kunal Mehta: A million okay.

Anil Jain: We export our cylinders to 76 countries already but we have approval from 58 Crores and we have started cheap marketing because it is always grows gradually so the customer would ask 1000 to 2000, and then they switchover but after a long time I am very looking

about danger market because these countries have been very well received and our domestic order book itself exceeds 600000 cylinders.

Kunal Mehta: All the best for the future Sir. Thank you.

Moderator: Thank you. We will take the next question from the line of Nikhil Gada from Asian Market Securities. Please go ahead.

Nikhil Gada: Sir the first thing is that this 35 Crores capex that we are doing in the steel drum plant is it going to be over and above our guidance of 200 Crores in FY2019?

Anil Jain: Yes that is the next year my friend.

Nikhil Gada: Sir I am talking about FY2019 itself we have guided for around 200 Crores of capex in FY2019 so would it be?

Anil Jain: Yes it is difficult to say maybe we will be having some plants deferred or some plants we may, but we would like to keep our total capex around the same number, which we have projected here.

Nikhil Gada: Sir the second question would be when you say that the Mox Films you are giving sizable discounts in offseason so would it be stable to bifurcate the margin front on the margin front how it would be in peak season and how it would be in offseason?

Anil Jain: First of all we are not the only one who gives this discount. The competitors do the same. This is an established practice in this market we are the new players so we are following the rules of the game, but you are right we have to give it so that without we have to carry very large inventory otherwise the entire pressure comes during this season so this is the discount that we offer so has to take some pressure off during this year is as far as the margin is concerned yes the EBTIDA margins offseason maybe corrected on an overall basis by about 3% or 4% overall but that does not make significant difference.

Nikhil Gada: If I can ask this question in terms of the volume so if I know it is just your first year but would you have any understanding in regards of what would be the volume we do like 70% of the volume in peak season and 30% in offseason or something like that in terms of volume if you can guide?

Anil Jain: I will tell you Nikhil we are climbing the ropes. We do not like seasonality at all. We will play the rules or the game as per the rules that are prevailing but in the next year we are developing markets outside of India where the monsoon period the same is not exactly as we have in India. So during what we call is the offseason in India those are the market that



*Time Technoplast Limited
February 15, 2018*

we will be catering to and my internal target is that we will try to reach a stage where we will have that gradually from take off during the year.

Nikhil Gada: Sir have we added any new dealers in the current quarter in Mox Film?

Sandip Modi: Moving around in all India basis appointing distributors and sub-distributors till date we have got about 17 who are primarily engage and distributing the materials and also appointed about 245 sub-distributors who are also dealing directly into the distributors.

Anil Jain: Nikhil, it is not significant presence now in all the key markets as a matter of that we decided that we will reach out to the places where the competition has not reached out because we would like to expand the market and therefore the product will be reach to those states as well was now available already.

Nikhil Gada: Next on the composite cylinder side what is our current order book now?

Anil Jain: We have about 1.5, 1.6 million.

Nikhil Gada: Sir maybe just on this pipes business so when we say that we have an order book of 200 Crores and is it like it is just we just have to dispatch it right we just have to get the clearance from the EPCs and we have to dispatch it. So is there any possibility that we may have to write-off that if those orders and all come as and how long do we have to wait for this clearance?

Anil Jain: No there is no question of write off at all that the orders are there with us already and we have to supply to them it is just that our customers are basically EPC contractors. They do not want to play in the hands of this government departments which is mean to supply then they might get stuck insofar as so their leverage of negotiating but tax issues goes down. So already done 30%, 40%, 50% of the projects so they are now going to be running away from there and we have to supply to them so we have answering your question we have the inventory but there we saw the situation not been so favorable we stopped manufacturing them so the moment the embargo is listed we will supply from our existing stock and press our capacity whole hog to be able to meet the requirement because let us imagine it is like a string, which is complex when it opens up it will be all over the places so everybody will be sitting on our neck and in India we should supply immediately.

Nikhil Gada: Sir lastly on the IBC front so I understand that the penetration levels overseas are quite low so are we seeing any uptick in the overseas business in IBC?

Anil Jain: As a matter of that the IBC business for us will expand because earlier on of the nine locations that we were present outside we had IBCs only at six but now we have made it at



Time Technoplast Limited
February 15, 2018

all the nine locations so now we are manufacturing IBCs also in Sharjah and in Malaysia and in Vietnam so those are the markets which were under so that the local availability of IBCs we expect the consumption or the use of IBCs will be increase there but insofar as our market here is concerned in most countries we are the only guys who are making IBCs there. So we will grow as the demand grows and we are able to make people change over from steel drums to IBCs or whatever.

Nikhil Gada: Yes Sir, but I understand that a major chunk of a demand will come in when we have good reconditioning facility that is my understanding that is what books in US and Europe so we have also trying to do something on that front so where are we on that front are we able to communicate to the market this products?

Anil Jain: Nikhil I must say that you are very knowledgeable on the subject. You are right absolutely that which are asking IBCs depends upon how you can put the life into these IBCs after their first use. So we started an initiative called NICOTEC, which is a 100% subsidiary of, Time Technoplast all our local companies in different countries and companies specializes in life cycle management of our packaging products, IBCs being right in the front. Number two is the rebottled IBCs so we use the pellet biscuits and replace the bottle the initiative was started the end of last year and we are making significant presence we are now with NICOTEC in all countries and we are seeing the results already and with this rebottled IBCs we are able to penetrate the alternate packaging with the steel drums because the prices are affordable. So we are putting the light into the IBC so the disposal is not a problem and then making an affordable for people who are using alternate packaging.

Nikhil Gada: Lastly if you can just give the nine-month value numbers in IBCs if that is possible?

Sandeep Modi: IBCs total is about 315000.

Nikhil Gada: Thank you so much Sir.

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

Sanjeev Zarbade: Sir my question was regarding the tax rate, which has come down a bit on the consolidated basis now, I understand it could be because of the various subsidiaries getting consolidated but for FY2019 what kind of tax rate we can expect on a consolidated basis?

Anil Jain: I think it will be in the more or less same actually the tax rates are different in different countries and as the business mix changes on different countries so that might have a



Time Technoplast Limited
February 15, 2018

marginal impact on the overall tax rates as we calculate but it would be safe to assume that about 25% unless you can convince our Finance Minister to reduce the tax rate cost as well.

Sanjeev Zarbade: Sir our share of value added products are definitely rising from 11% to 18% now. Where do you think it can go up in the future in maybe at it is full level basically in next three to four years and at that level what kind of margin picture it will reflect on an overall basis just wanted to understand that?

Anil Jain: See our target is that our value add business over the years will actually go up to 28% or 30% of the total revenue and we should see our EBITDA margins expanding from the current level of about 15 point some percentage to close to about 16.5%, 17%.

Sanjeev Zarbade: Thanks and all the best.

Moderator: Thank you. We take the next question from the line of Sangeeta Purushottam from Cogito Advisors. Please go ahead.

Sangeeta Purushottam: Actually I just wanted to draw your attention to basically slide #8 where I think you have given the margin for the existing business as well as the value added business separately now I notice there that for the nine months period basically there has been a slight drop in the established products business is that because of the exchange rate and is it possible to quantify what you have lost that the result of the exchange rate or is it also because of the pipe orders getting delayed? Second question I had was it on the pipes if I heard you right you said that you are expecting to do about 360 Crores of sales but actually it will end up in closer to 200 because of the GST related issues so does that mean that about 5% to 6% of sales growth is actually overall for the company has been pushed back because of the GST issue?

Anil Jain: I think it will be a fair assumption though of course I would say that we will not try to the reach as close to the target that we have set up to ourselves and we try and compensate it from elsewhere so on the back of the envelope calculations you are right in what you are saying. Insofar as the EBITDA margins are concerned I will look into this as to why this is the when you look at the consolidated basis EBITDA margin of 14.4% to as against 14.56% that is not true. I think we have an explanation for this one and our legacy business the growth had been far more significant from overseas where our EBITDA margins are lower than the domestic margins therefore in the established businesses we will find that the EBITDA margin we have corrected marginally.

Moderator: Thank you. Next question is from the line of Anirudh Aggarwal from AAA Investment. Please go ahead.

- Anirudh Aggarwal:** Thanks for the follow up. My question is on composite cylinder now that we have received these domestic orders and we see a pipeline are we looking to expand the capacity further and do our revenue target of FY2019 and 2020 remain the same as they were a quarter or two back?
- Anil Jain:** The answer to both the questions is yes but we will wait for the capacity expansion. It is a fact that we met the oil marketing companies who are the biggest player for composite cylinders are going to be they wanted us to have the capacity of minimum 5 million cylinders per year before they should start switching over from metal to composite cylinders and we told them very clearly unless you start buying significant quantities we will not be expanding our capacity to that extent. So answer to your questions there could be a demand whereby we maybe compelled to expand our capacity further but that is going to be at the back of confirmed orders from oil marketing companies and as they go through the experience of changing over from metal to composite cylinders. So right now we are now looking at the capacity expansion in the next year probably next to next year between will cross the bridge when we come to that.
- Anirudh Aggarwal:** Great because on the revenue side I think our target was 250 Crores in FY2019 and 350 Crores in FY2020 so they remain largely similar.
- Anil Jain:** The target will remain the same and the of course if I remember correctly it has been a long time ago we had expected the capacity expansion further but that was in the year 2019-2020, but like I said it will all depend up on how the market pans out.
- Anirudh Aggarwal:** And the asset turn in this business would be roughly?
- Anil Jain:** 2.2 to 2.5 times.
- Anirudh Aggarwal:** Thanks a lot.
- Moderator:** Thank you. Next question is from the line of Pragya Vishwakarma from Edelweiss. Please go ahead.
- Pragya Vishwakarma:** Sir is it possible to give realization for Mox Film in your pipes business the per tonne realization?
- Anil Jain:** Can we talk this offline? I mean of course I will be happy to share it with you but it is the same line as the competition as it.
- Pragya Vishwakarma:** Thank you.



*Time Technoplast Limited
February 15, 2018*

Moderator: Thank you. Next question is from the line of Mahendra Jain from Way2Wealth. Please go ahead.

Mahendra Jain: Sir Congratulations for the good set of numbers. Sir I want to ask regarding this you are saying like value added product growth will be around 28% to 30% in next coming two years?

Anil Jain: Next three years.

Mahendra Jain: So where we will see the Mox Film contribution in that value added products. I mean what will be the share of the Mox Film in that value addition I mean what is the EBTIDA of Mox?

Anil Jain: Like I said the consolidated EBITDA of value added business is an excess of 18% which includes Mox as well but you are right if we are looking at 28% at that time coming in from value add businesses I would like to take a good 12% to 13% will be coming in from Mox Film. It would mean a further expansion in capacity that let me remind you.

Mahendra Jain: By February we will complete this expansion and should we expect we will come out with new capacity just coming to two years?

Anil Jain: Put us in your prayers and we probably will have to go for expansion next year itself.

Mahendra Jain: Thank you Sir.

Moderator: Thank you. Next question is from Kunal Mehta from Vallum Capital. Please go ahead.

Kunal Mehta: Just one question on Mox Film. Our competitor has a capacity which I believe is approximately 2, 2.5 times the capacity, which we have and as far as we have understood that this product is a fairly difficult product to in terms of with IT, it is difficult to manufacture so just wanted to understand whether we could has a decision what should it be have a much larger capacity of Mox Film to you get an advantage from the market that exist?

Anil Jain: Yes you are absolutely right that you shared that their competition has two and a half times of ours, but then they will be in this business for 15 years so as we come into the market we have already have from to 1200 tonnes, which is about yes you are right it is about 40% of their existing capacity. We are trying to break new grounds actually for this product and finding new applications and we are mindful of the fact that if we go to the same market with the same people then we end up creating a competition and bring the prices down. We have come after this product because we found this is an interesting business and can

provide us higher margin. So as we expand the market and find new applications I am sure that the overall demand would grow. Let me just give you one simple example right now the Mox Film is not being used for green houses and for the green house itself are not there in this country. We in India have a demand for films for green houses ranging to 5000 tonnes as against per year as on this per year as against 3 million tonnes in China. Now if and we are making a lot of inroads into this film being used for green houses if we are able to break those grounds then you can imagine the market will expand right through so again I want to say there is a difficult product to make. There are look alikes in the market place but because this is the product that people are buying for use for two or three years so a) they would like to go with a reputed company whom they can trust and number two most we are able to establish that our product last for three years and there about we see no reason why would they go to anybody else other than our main competitor whom we hold in very esteem.

Kunal Mehta: Just if I am allowed to have one more question it is an observation actually because I had met somebody who being with in green house films and I was informed that the films which our competitor has and by that implication the films which we have which was similar to that we are not suitable for green house applications in India we may be suitable for a abroad, so is it a fair assumption or we are totally in compliant with what the requirement for green house films in India also?

Anil Jain: You are absolutely right when you say that product which is being made by our competitor is not suitable for green houses that is absolutely correct but we have made a derivative product, which is suited for their requirement so that is the variation that we have taken but the process remains the same and this is the one which are going to be promoting for green house application.

Kunal Mehta: Thank you.

Moderator: Thank you. We take the next question from the line of Hitesh Tak from ICICI Direct. Please go ahead.

Hitesh Taunk: Thanks for the followup Sir. Sir actually I missed the capex figure for FY2019 can you please tell it once again?

Anil Jain: For the FY2018, we have said it will be 235 Crores in FY2019 the projects which is about 225 Crores.

Hitesh Taunk: Sir one last question what was the volume of composite cylinder for the Q3 FY2018 Sir?



Time Technoplast Limited
February 15, 2018

Anil Jain: In terms of the numbers.

Hitesh Taunk: Volume number composite cylinder Q3 FY2018?

Anil Jain: It is in excess of 200000 cylinders.

Hitesh Taunk: Thank you Sir.

Moderator: Thank you. Well that seem to be the last question. I now hand the floor back to the management for their closing comments.

Anil Jain: I thank you all for participating. I find this discussion very lively and I am glad that you asked questions, which are very, very relevant to our business. We are very excited about what we are doing and can potentially bidding in future. I do know that we have challenges in FY2018 but that is only temporary arising out of the factors which were not in our control but even if there is a postponement of the dispatches that would mean that they will actually get over in the next year and to that extent if we would have and take the average between the next year and the current financial year, we will be exactly the same or better than what we have given the guidance for. We look forward to the future with lot of optimism and thank you very much for your support. Thank you.

Moderator: Thank you. Ladies and gentlemen on behalf of Emkay Global Financial Services we conclude today's conference. Thanks all for joining us. You may disconnect your lines now.