



“Time Technoplast Limited Q4 FY19 Results Conference Call”

May 28, 2019



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MODERATOR: **MR. AADESH MEHTA – AMBIT CAPITAL PVT. LTD.**



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Moderator: Ladies and gentlemen, good afternoon and welcome to the Time Technoplast Limited Q4 FY19 Earnings Conference Call, hosted by Ambit Capital Private Limited. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Aadesh Mehta from Ambit Capital. Thank you and over to you, sir.

Aadesh Mehta: Thank you, Steven. Good afternoon, everybody. And welcome to Time Technoplast Earnings Call. To discuss the results, we have the senior management team, led by the MD & CEO – Mr. Anil Jain. May I request Mr. Jain to take us through the financial highlights. After which we can open the floor for Q&A session. Over to you, sir.

Anil Jain: Thank you, Aadesh. Thank you, everybody. good afternoon to all our friends. I have with me my other colleagues, Mr. Bharat Vageria – our Director Finance; Mr. Sandip Modi, he is Head of Finance; Mr. Hemant Soni, Head - Legal & Company Secretary of Time Group.

We are here essentially to talk about our results for Q4 FY19 and also the annual results and the future outlook. The results are already announced and I will walk you through some of the highlights.

Before I do that, I would like to congratulate all of us for the successful completion of the general election and we now have a stable government in next days, and that would actually ensure that we have growth and prosperity in coming years.

The key numbers are, during Q4FY19 the net sales stood at Rs. 1,084 crores as against Rs. 944 crores in the corresponding period last year. EBITDA was at Rs. 172 crores as against Rs. 147 crores. PAT at Rs. 74 crores as against Rs. 55 crores. And the cash profit at Rs. 114 crores as against Rs. 96 crores in the corresponding period of the previous financial year.

So far as the growth is concerned, we have seen the net sale growing at about 15%, India was about 16%, overseas was about 11%. Volume growth in India was 18%, overseas 13%. The EBITDA grew at about 17% and the PAT grew at 33%. So, it has been a very good quarter for us after we had a little difficult Q2 which was passed on to Q3 in the current financial year.

During the whole year FY19, our net sale is at Rs. 3,567 crores as against Rs. 3,105 crores. EBITDA at Rs. 527 crores as against Rs. 475 crores in the corresponding last year. PAT at Rs. 203 crores as against Rs. 180 crores. And cash profit at Rs. 354 crores as against Rs. 323 crores. And again, the overall year, the net sales grew at 15%, both in India and overseas more or less the same, 15% and 14%. Volume grew at 15%, it was both India and overseas was 15%, EBITDA grew at 11% and PAT increased by 12%.



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Like I mentioned, in the current financial year we had a difficult Q2 which was passed on to Q3 as well, part of it. Wherein we saw a steep increase in the cost of the raw material and also the cost of fuel, etc., which we took time to pass on and those two quarters were affected, but we tried to make up for it in the later part.

Business of PE pipes grew at 48%, the reason why I am highlighting this one is because historically this business is low EBITDA business, which is about 12% EBITDA as against about 15% odd percent. And this business has growing at 48%. So, when we look at the overall EBITDA numbers consolidated, then it might actually try to push the EBITDA percentage a bit below.

We divide our business in two parts our, regular business and also the value-add business. The value-add business grew at about 20% in FY19 as compared to the previous year. The share of value-add products is now 19% as against 18%. We highlight this every year because this value-add business has high EBITDA percentage, and therefore we expect that it will impact our overall EBITDA margins, or at least to some extent neutralize the lower EBITDA coming in from PE pipe business.

Indian and overseas business. We have EBITDA margins again at 14.91% in India and 14.41% overseas. In the segment polymer and composite products, the polymer products contribute 71% and that grew at about 15%, composite products contributed 29% and they also grew at the same percentage. As you know, polymer products essentially include drums, jerry cans, pipes, turf & matting, bins and MOX film; whereas the composite products include IBC, composite cylinders, batteries, auto products and steel drums.

The pipe segment showed an exceptional growth, which has very high order book position that we will talk about. And so far as ROCE is concerned, we have seen some improvement in ROCE, we had said by 2021 we will be having ROCE under the other side of 20%. We have two more years and we are quite confident that we will be able to reach there.

With these outlines, I will be happy to take the question. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Vikas Sarda from NT Asset. Please go ahead.

Vikas Sarda: One question on the FY20 CAPEX guidance, if you can comment on that.

Anil Jain: Vikas, normally we look at the CAPEX to be between Rs. 200 crores to Rs. 220 crores. I think we have been around that in the last three years, if you take on an average. So, I guess that is one which we will stick to, unless there is some compelling reason for us to invest into a bigger project. I think we will stay within that. If you ask me whether we see any major CAPEX coming in this year? Looks like towards the end of this year we will have to review our capacity for the Composite Cylinder where we seem to have a very strong order book, and there are a lot of new



projects that are opening up, mostly in Asia. But we will review at that time. Right now I think it will be sufficient to say that the CAPEX will be between Rs. 200 crores to Rs. 220 crores.

Vikas Sarda: Alright. And also, could you touch base on some of your key value-add products that how they have done in FY19? And what is the outlook for FY20 for them?

Anil Jain: Well, the value-add businesses have done pretty well. As you know Composite Cylinders we have grown at about 21% as against Rs. 150 crores last year we did about Rs. 182 crores. So, we had done about 835,000 cylinders in the last year. Which would mean actually, though, we have a capacity of 1.4 million, that is the nameplate capacity, but the real practical capacity will be close to about 1 million. So, we are very, very close to our capacity. That is the reason why I just hinted that maybe later part of the year we may have to review our capacity and then start expansion. Right now we are debottlenecking and see how much we can extract out of that one. The MOX Film has grown at about 70%. We are doing well. We of course still have some headroom available there, but the business is doing pretty fine. In terms of our IBCs and other businesses, they are still growing at about 15% or thereabout. So, we are seeing good growth in value-add businesses, which should be growing in excess of 20%. That's what we did in the current financial year. And I think we should be able to maintain that growth momentum.

Vikas Sarda: Okay. And how much leeway do you have in the MOX Film for further growth with the existing capacity?

Anil Jain: Well, with the capacity that we have, we can push up to about Rs. 200 crores, right now last year we did about Rs. 111 crores. But, again, the problem is that the nameplate capacity, but because of too many different sizes and thicknesses, the actual capacity comes down, but you still have headroom available. We aren't planning to expand any capacity in that space.

Moderator: Thank you. The next question is from the line of Kunal Mehta from Vallum Advisors. Please go ahead.

Kunal Mehta: Sir, just I wanted some data, can you just give us a number for IBC, comparative numbers for FY18 and FY19?

Anil Jain: The total IBCs that we did was about 465,000 as against 423,000 in the previous year.

Kunal Mehta: Okay. And will it be possible to provide the value terms?

Anil Jain: That's about Rs. 370 crores as against Rs. 336 crores.

Kunal Mehta: And the second question I have is, I was looking at the balance sheet, both the standalone and consol balance sheet, and the working capital has pretty shot up this quarter. And another thing which one can safely conclude is that the cash flow generation in the subsidiaries has slowed down this year to some extent and same was the case for last year also. Sir, just want to understand what is your view on the cash flow regeneration of the overseas subsidiaries which we have,



where there is some lower amount of cash degeneration as compared to our base which is very healthy in India?

Anil Jain: Just to answer the question about the working capital in India, of course, as you see that we have seen a very strong growth in our pipe business. And for some strange reasons the receivables from the pipe business was actually extended, because of the change of government of the election coming in. But this is now being expedited. So, there was a year end effect and also because of the pipe business going which historically requires more working capital, you will see the impact of that one. But so far as the generation of the cash from overseas businesses, as you can clearly see that we are growing at about 14% to 15%, now that the base has grown up, so therefore we will be finding that it has slowed down a little bit there. It is not going as quickly as in the previous years. But if you see the net return from our overseas subsidiaries, this is at par with our Indian business or even slightly better than that. You must appreciate also at the same time that in terms of the net profit we are better off from the overseas businesses, because the tax rates are much lower as against in India 28% and 18% overseas.

Kunal Mehta: Sure. Sir just a follow-up in this one. So, since we have the luxury of time for this, the standard metric which we look at is the conversion of your EBITDA to operating cash flow. And while I run the numbers, for the standalone business which is the India business your cash flow to EBITDA conversion ratio is around 75%. And for the cash flow to EBITDA conversion ratio for the overseas business is around 50%. I can send you the math. So, just want to understand that is the receivable days too high in the overseas business or we have to keep additional inventory in the overseas business? Can you just give us an understanding of how the working capital cycle is different for the overseas business, or is it was it was it the same?

Management: Kunal, I will tell you, the gap between India and overseas is three months. I am coming on that point. As far as the year end receivable part is there, especially as Mr. Jain has mentioned pipe business, but you are talking as far as operating margin EBITDA is concerned I think you will need to see me personally here at office, we can provide you all the relevant data whatever is required, or you can send me the mail, I can send you that working.

Anil Jain: And if you can send the math that you have worked out on, so clearly we will be able to comment upon that. We will be very happy to see how you have evaluated it. According to us there should not be such a difference as you have kindly mentioned. So, we will be very keen to have a look at that for sure.

Moderator: Thank you. The next question is from the line of Harsh Shah from Dimension S securities. Please go ahead.

Harsh Shah: Similarly, can you provide us with the volume data for your industrial packaging as well as pipe business for this quarter as well as the entire year?

Anil Jain: You want to know the volumes?



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- Harsh Shah:** Yes, volumes and value for industrial packaging and pipes.
- Anil Jain:** For pipe business we have done about 30,000 metric tons, and in terms of value it is about Rs. 340 crores. It might be difficult to convert everything. It is about 215,000 tons.
- Harsh Shah:** For industrial packaging?
- Anil Jain:** Yes, all of the products is 215,000 terms. And the value is about Rs. 2560 crores.
- Harsh Shah:** And can you have splits, within industrial packaging split between domestic and overseas?
- Anil Jain:** We can do that. Right now we don't have it. But we can have it sent to you offline, please.
- Harsh Shah:** In case of piping revenue, how is the DWC pipe doing now? I think that was the overhang we had during last quarter, so is there any improvement that we are seeing now?
- Anil Jain:** The DWC pipes actually still have not been able to grow to their potential. And that is because the government spend has to take place, for strange reasons the orders could not be finalized in the last quarter. So, still we have some small carry forward. But going back again, like I mentioned the last quarter, there were lots of tenders that were in the process of being finalized and we are very, very well placed. So, the moment government starts spending on these lines, etc. we should be the biggest beneficiary, because we have the largest capacity located at different locations. So, we should be the beneficiary. But right now I am afraid the DWC pipes are the laggards.
- Harsh Shah:** And what is the capacity utilization we are running there?
- Anil Jain:** We are doing about 30%.
- Harsh Shah:** And last question is on the Composite Cylinder side. So, what is the exit volume now for FY19?
- Anil Jain:** Here we are talking about upwards of 800,000.
- Moderator:** Thank you. The next question is from the line of Amruta Deherkar from Trivikram Consultant. America director from TV from consultant, please go ahead.
- Amruta Deherkar:** So, could you just give us an update on how the IBC bottling plant in Chicago, as in how is it progressing? And are you planning to manufacture the whole IBC unit there any time in near future?
- Anil Jain:** The answer to the first question is that we are doing remarkably well in so far as the bottle manufacturers are concerned, we are also very keen to make the complete IBCs, but looks like our entire plant capacity for the bottle is kind of tied up right now. So, we will have to wait for a while until we can bring in another blow molder which can produce the bottles. And they intern



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can go for the manufacture of complete IBCs. So, we had originally anticipated that we will be part selling the bottles and part we will convert into complete IBC. But looks like the market was waiting for independent bottle supplier to come in, and as we came in they took up all the capacity that we had. So, it will wait for a while, probably towards the end of this year we should look at manufacturing of complete IBCs in Chicago.

Amruta Deherkar: And what could be the revenue generation from the IBC bottles right now?

Anil Jain: That's hardly anything, I think we are doing close to about, on an annualized basis close to about \$6 million.

Amruta Deherkar: Okay. And my second questions is related to the raw material prices, how is the scenario now for the raw material prices?

Anil Jain: Touch wood, things have improved a lot actually in the last two quarters. Looks like there is a lot of new capacities that have kicked in. And as the overall economy worldwide is slowing down, and the consumption of plastic is also getting reduced, it is virtually the buyer's market. And I guess, as one of the big buyers of polymers, we should stand to benefit because of the overcapacity available all across the world. Interestingly, the U.S. has also built in additional capacities and they are looking at India as a market, despite the fact that the trade cost is quite substantial from there. But that will keep at least the raw material prices in this region under check and we expect this to be between \$1,100 to \$1,200 for the time being, with a negative bias.

Moderator: Thank you. The next question is from the line of Ashish Agarwal from Navins Capital. Please go ahead.

Ashish Agarwal: I wanted to request if you could share your thoughts on the FY20 outlook, including if there is any specific guidance that you can share?

Anil Jain: Well, I would say I am a born optimist. So, I am very optimistic about what would actually happen in the current financial year. But just to name a few areas where we are very excited about is our PE pipe business, as we have heard our Prime Minister saying that in the last five years we have got electricity to every house, in the next five years they will bring water to every house. And also they are going to spend a lot of money on irrigation pipelines so that the income of the farmer could be doubled, as they have promised. So, in every state we are finding very, very big projects getting finalized for water supply, both for agricultural purposes and also for drinking water. And we have the product available for both those segments. In addition to that, there is an impetus on, you know, up till now the toilets that have been built in rural areas are based on septic tanks, which have now started spoiling the subsoil water, so there are a lot of projects that are coming up where they will have centralized sewage treatment plants, and that essentially will require double wall corrugated pipes for which we have a decent capacity available. So, we are pretty optimistic about that segment. In Composite Cylinder we surely are



likely to do very, very well. We have a strong order book and we have some major orders in the pipeline, which would mean that we would be able to effectively use our existing capacity, which is almost being used at about 80% or thereabout, and may even prompt us to go for capacity expansion towards the end of the year. So far the market is concerned, that will grow, we are seeing the growth possibilities in our overseas market. So, I guess our 15% growth plan will certainly be realized, if not better than that.

Ashish Agarwal:

Okay, thank you. And also, what is the traction in the domestic adoption of Composite Cylinders? If you could share an update on that.

Anil Jain:

That is a very interesting question. We are expecting them to come in quickly. Oil marketing companies are still slow, we know that they are doing a pilot project, but we are very fortunate that we have been able to tap in local a very strong Indian company, which is going very strongly in LPG distribution. And they have decided to bring LPG to the customers in composite cylinders. So, we have entered into an agreement with them, they are likely to purchase something like 300,000 cylinders in the current financial year. And we are all geared up for that one. And then they have taken off pretty well. So, this will probably prompt the oil marketing companies also to go for the composite cylinders because clearly this company is targeting the same market, which is being catered by OMCs. And they feel that the customers would be willing to shift over, essentially because of better service. And blast proof safe cylinders. So, at some stage, OMCs will also take cognizance of that and we will go for that. But in a way it's okay because when they come in, they will come with a very huge requirement. So, we will have to prepare ourselves for that. But right now, India market is also taking off.

Moderator:

Thank you. The next question is from the line of Dhruv Shah from Ambika Fincap. Please go ahead.

Dhruv Shah:

Anil, can you give an outlook on your EBITDA margins? Because EBITDA has fallen in the current year, although you have maintained your sales guidance of 15%, but your EBITDA margins have come off a lot. So, can we expect FY20 go back to FY18 levels?

Anil Jain:

Not quite actually, if you look at it the EBITDA margin for the full year is 14.77% as against the last years of 15.31%. So, these two is combined effect of two things, one is that Q2 impact, which we recognize has dropped down to as low as 13% or thereabout. So, we recovered from there and brought it up. Secondly, let's be mentally prepared that as our business of pipes grows faster than our other businesses, the aggregate EBITDA margins will look a little less, because that business is about 12% EBITDA margin. So, we have to be mentally prepared that on a consol basis EBITDA percentage may be lower than the previous year, if this business grows exceptionally well.

Ashish Agarwal:

But you used to say that our value added products will be growing at a faster rate, and hence there will be an improvement in EBITDA margins every year, even though it will be a 10 basis points, but there will be an improvement.



Anil Jain: Yes, but we were not expecting our pipe to grow at 46% or 48%. So, we have had an exceptional year. Of course, the value-add businesses have grown, but they have not been able to, they grew at about 20%. So, they could not completely set off the impact of this margin.

Ashish Agarwal: And what kind of growth are you expecting in the next couple of years as far as the top-line is concerned, still guiding for 15%?

Anil Jain: Which is what we have planned, and I am sure we will be able to do that, if not better

Ashish Agarwal: okay. And Anil, can you give outlook on your new launches in the current year?

Anil Jain: Well, we are working in different directions, but one of the big things that will be coming out is the CNG cylinders, we are getting ready for that. We have developed CNG cylinders in 30-liter, 60-liter, 65-liter, 75 liter and 156-liter capacity. This is for onboard application; we are working with some of the leading automobile companies who with the BS-VI coming in want to change over to CNG. And those CNG they would like to go for composite cylinder where the weight reduction could be as high as 65% to 70%. So, we have got the product, internally we have tested and approved it, it has to undergo the approval from PESO, which process is on right now. And then they will require the ARAI approval. So, if they don't adopt those products this year, because normally it is about a 12 to 18 months program for the product to get accepted, but we should be seeing them coming. In addition to that, there is a huge potential for composite cylinder in cascades. As you know, right now, CNG is available only at 159 gas stations all across the country, and the government has said that they would like to take it to 5000 outlets. Can you imagine in Pakistan, they have about 8,500 outlets where CNG is available? So, we have not been able to spread and that's the reason why automobile companies are putting pressure on government that if you want us move over to CNG you must make CNG available at the gas stations. And if those have to become available, then they will be cascades which will have to bring CNG to the gas stations. And those cascades right now are using steel cylinders, which restrict the quantity of CNG that can be transported in every truck, by the use of composite cylinder the same truck can carry three times the CNG. And that would make it economical and also faster for the CNG to become available. So, we are working with the leading CNG suppliers for the cascade application. So, these are the two things which we are very bullish about and I am sure that will open up a whole new area of business for us. Needless to say, we have developed a special duct for cables etc., for the smart cities, and with the new government coming in there will be impetus on the smart cities and we expect that business to grow. We are amongst only few companies who have been able to develop that product. We have made further improvements on that and that has also being launched. So, I can only think of these two right now. But of course, in every sphere we are doing something new that will be coming in.

Moderator: Thank you. The next question is from the line of Hitesh Taunk from ICICI Direct. Please go ahead.



Hitesh Taunk: Sir, you mentioned that there is an opportunity of 3 lakh composite cylinders going forward. So, just wanted to ask, whether this 3 lakh units of composite cylinder will be executed in FY20 or will it be spillover in FY21 also?

Anil Jain: Hitesh, I am talking about 300,000 cylinders in India. Of course, we have very large order book for our export market. Because up till now most of our production have been going to the export markets. In India we are working with a LPG distribution company. As you know, earlier LPG distribution was confined to oil marketing companies, but after the GST come in the playing fields have become leveled and this company has gone out aggressively to distribute LPG. I think they already are in 12 states and further expanding. So, they have given us a plan to buy 300,000 cylinders in the current financial year. I mean, considering the fact that the total population of steel cylinder in India is 360 million, buying 300,000 cylinders doesn't look to be a difficult task. But we are dependent upon how quick they can pan out in India.

Hitesh Taunk: Sir, you also mentioned in your opening remark that the piping business, the PE pipe business have grown significantly in the last one year. So, we are already into a high base, so what would be your assessment in terms of growth rate for the coming one or two year? Would it be kind of 40%, 45% or would it be lower than that?

Anil Jain: Now that our base has gone up, I think, to repeat 48% growth may be a bit difficult. But like I said, it all depends upon how government pans out their water supply schemes in India. And if that happens, then obviously there will be a huge demand for PE pipes. And we will have no choice but to cater to that requirement by expanding our capacity. Needless to say that we would like to be the most preferred supplier for PE pipe, especially in higher diameters for water schemes in India. And we have approval from almost all state governments, of course, we don't supply directly to the government, we supply to the big EPC contractors. And to the best of my knowledge, they prefer to buy PE pipes from us whenever they get the contract from the government departments. So, like I said, it all depends upon how government rolls out their water supply schemes in India. And if that goes the way it has been promised, it looks like we should be able to see a very good growth in this business even in coming years.

Hitesh Taunk: Okay. Sir, I have seen your interview in media today were you mentioned like are you planning to reduce the debt also. So, can you throw some light, like, currently we are sitting at around Rs. 800-odd crores of debt in our book. So, what is your plan? Or say how much reduction or how much debt to equity would you be planning to keep in the coming financial year?

Anil Jain: Hitesh, sorry, I have been misunderstood. I don't really mean that we are essential going for reduction in debt, we had set out a discipline for us that our debt at any point in time will not be more than 2x our EBITDA, right now it is at 1.4x. So, we are pretty comfortable with these kinds of debts. We are just saying that if we do not have a major expansion then we should be able to meet out our CAPEX plan from the cash accruals that we have. But of course, if there is a need for us to expand quickly, especially in cylinders or maybe in PE pipes, then at that point we will review whether we should actually allow ourselves to borrow more.



- Moderator:** Thank you. The next question is from the line of Govind Sahoo from India Nivesh. Please go ahead.
- Govind Sahoo:** Sir, my question is regarding your guidance of ROCE to increase to 20% in two years of time. So, it looks quite an uphill task, can you throw some light on how do we wish to achieve that?
- Anil Jain:** We are very hopeful that we will be able to improve our ROCE. 2% per year is our target. And there is a plan to that one, clearly for the reason that our value-add businesses which have a relatively higher EBITDA margins will grow. And if we are able to expand our capacity for cylinders, for which we already have the order book, relatively we have better EBITDA better margins in there, we should be able to get that in next two years' time. This is the target that we have set out for ourselves and I can promise you if it doesn't happen it won't be for the want to trying.
- Govind Sahoo:** The second question is regarding your cylinder business. So, you are mentioning that 3 lakh cylinders you have domestic orders. So, this is all from the private players, PSUs have still not participated in the composite cylinder?
- Anil Jain:** PSUs participate but they don't finalize. I mean, every two months they come and visit our factory, we get engage with lots of discussions, but we don't know exactly what happens thereafter. But yes you are right, the one that we are talking about 300,000 cylinders is with the private players.
- Govind Sahoo:** And how much capacity are we trying to expand or we plan to expand this year for cylinders?
- Anil Jain:** I mean, we expand our capacity in a multiple of 0.7 million, that's 700,000. If you remember, earlier on it used to be 700,000, we doubled it to 1.4 million. And now if we expand we will be going to 2.1 million.
- Moderator:** Thank you. The next question is from line of Arpit Agarwal, an individual investor. Please go ahead.
- Arpit Agarwal:** Sir, wanted to ask a few questions. First is the possibility of margin expansion, because we actually had an EBITDA margin loss this year and with the increase of pipes coming in do we see a possible margin expansion, because we are also focusing on MOX Films, which I guess contributes to a very good margin. And I guess we are going for an export focus in Thailand and other regions. So, can you give some guidance on that?
- Anil Jain:** I mean, if we look at our numbers, we have said that our EBITDA margins will be about 15% of our revenues, and will stay there. But you are right, absolutely, with the value-add businesses the EBITDA margin can go up and should go up, because EBITDA percentage is better there. But we have to be mindful of the fact that we have a pipe business which is about 12% EBITDA margin. Now that business grows very quickly and we are not averse to that one, because let's



accept the fact that though the EBITDA margins are lower in our pipe business, but our asset to turnover is much better. So, in terms of ROCE it may not be all that bad. So, therefore, if the pipe business grows much faster, then on the aggregate level you would find that the EBITDA margins may be the same, or marginally lower or higher depending upon what percentage of business is contributed by PE pipes.

Arpit Agarwal:

Okay. Sir, so if margins remain constant or they might go down a bit because of the pipe segment gets a boost, so the ROCE which we are saying of increasing of 2%, that will take a hit then?

Anil Jain:

Yes, but we are working very, very hard to improve on our working capital. And also, probably we can increase the turnover more because of the capacity is available. There is a plan that we have worked out, which is combination of a lot of things that we can do. As you can see that in our overseas units our capacity utilization right now is still about 70% or so, we are working very hard to push that capacity utilization. And also, with the strong demand for our products here in India, we should be able to move up in the capacity utilization here as well. So, this, this is just not a wish list, there is a plan behind this EBITDA margin ROCE going up to 20%. We will be monitoring those factors very closely. Let's hope and pray that we are able to do that. Up till now we have been able to keep our promise most of the time. I sincerely hope we would be able to do it this time too.

Moderator:

Thank you. The next question is from the line of Kunal Mehta from Vallum Advisors. Please go ahead.

Kunal Mehta:

One question. Sir, considering the demand for chemicals in India is growing quite well, but how do you see the volume growth in the traditional drums business for the next two years? And do we have the sufficient capacity to back the volumes which...?

Anil Jain:

Yes, we have the capacity. As you might have seen it now, we have expanded our capacity in Bangalore, because we are seeing the chemical industry is going faster in the southern state as compared to the north. And I think it is especially because most of the chemical companies in India are now going towards value-add businesses and the market for those products is overseas. So, they tend to be close to the coastal regions. So, therefore, we have expanded the capacity, of course, we have capacity available. As you know that as a part of our CAPEX, we always have something provided for debottlenecking or I would say incremental improvement on the capacity utilization. So, I don't think there should be a problem. But talking about chemical industry, as a matter of fact, we are where we are happy when the value-add businesses or value-add chemical business grows. The basic chemicals don't require packaging, they normally go in road tankers, etc. But we are seeing that a lot of investment from overseas is coming in and there is a consolidation that is happening in chemical industry in India. And if China is not able to push as much as they have been doing it in the past, I am sure Indian chemical industry will be the biggest beneficiary of that. And we are freely available to tap that additional business that can come our way.



- Kunal Mehta:** Sure. So, that would at least support the historical growth rate which you have had in the last three years in the range of 12% to 15% at least for the next three years?
- Anil Jain:** Absolutely right.
- Moderator:** Thank you. The next question is from the line of it Hitesh Taunk from ICICI Direct. Please go ahead.
- Hitesh Taunk:** Sir, my question pertains to our gross margin. We have seen some contraction in gross margin from Q2 FY19 to Q3 FY19. Though you expand very well that we had a higher raw material cost and delayed price increase. So, just wanted to ask whether we have completely passed on the price hike, we have taken a price hike or we have completely passed on the raw material pressure? Or you see kind of still some pressure in gross margin going forward?
- Anil Jain:** If you go back to our business, it's very clear that we are at most occasions able to pass on the price increase or decrease, I would underline the decrease as well to our customers with a gap of about a quarter. But that is for the business which is with the institutions. If there is a business, which is let's say for example, MOX Film or some other products, we had to absorb that because normally we don't change the price every now and then. So, we have been able to pass on, but as I said, it is with a gap of three months. The problem starts when there is exceptional increase or decrease. So, there could be a little bit of a disturbance, that's what we saw in Q2. But we recovered quickly in the latter part of Q3 and Q4. So, you can be rest assured that with a small time lag we are able to pass on the increase and also the decrease to our customers.
- Hitesh Taunk:** Sir, recently we have seen the sharp fall in the PPC prices, as some of your competitors have also mentioned that the PVC prices have seen some sharp downwards. So, can we see kind of inventory losses or anything related to the lower raw material price impact in our gross margin in the coming quarter or say FY20?
- Anil Jain:** Hitesh, you are right, as you mentioned the PVC prices have been going up and down, there have there been a lot of variation. And you are right, there are a lot of companies actually suffered the inventory losses because of that. But as the luck would have done it, we use no PVC at all actually, we are we don't use PVC at all in any of our products. So, we are not affected by the PVC pipe up and down.
- Hitesh Taunk:** Okay. Sir, my next question pertains to MOX Films. You are very optimistic in the MOX Films segment and we have seen a good traction in demand during the first half of FY19 also. So, you mentioned like there is a possibility of revenue of around Rs. 200 crores in this segment. So, what kind of growth do we think would be fair to assume in the coming one or two year in this segment?
- Anil Jain:** We have grown at about 70% in the last year in the Mox Films. So, it will be very difficult to maintain the same percentage as the base has grown. But I think 25% or 30% growth in MOX



Films should be quite expensive. And that is the reason why I said we probably do not need to expand our capacity right now. But we foresee the growth to be faster than this 25% then probably we will require to augment our capacity.

Hitesh Taunk: Okay. And sir my last question pertains to the tax rate. Would there be any guidance for the tax rate going forward?

Bharat Vageria : Currently our overall tax rate is 26%, it will be overall in the range of 27% to 28% in the future.

Moderator: Thank you. The next question is from the line of Mahesh Parekh from Marwadi Financial Securities. Please go ahead.

Anil Jain: If you don't mind, actually I have got a flight to catch. My colleagues will still be on the conference call and they will answer all the questions. This is Anil Jain. But my colleague Bharat Vageria, Director Finance will take over from me. Thank you very much for everything. Thank you.

Mahesh Parekh: Sir, my first question is with respect to battery business. So, any updates or any future plans, guidance for battery business?

Bharat Vageria: Tell you as far as battery business is concerned, there is no any much growth, we are sustaining our business in the current scenario, because you are aware that telecom sector is down, but what we have seen in the last three years, we have reduced our dependence on the telecom sector business and we are using small modification, we are using some other sectors like inverter batteries, solar batteries, railway signal batteries that we are using it. We have not achieved any much growth, but businesses are sustaining in the current scenario because we are more focusing on our realization, we don't want to deal, we are reducing our dependency with the business with the government companies in the current scenario. But again, after looking now current year, definitely we have received that that will also grow more than 20% in the current year and onward, because now a stable government has come and look after the new applications which is fast growing with the solar sectors. And we are putting our more effort to get the solar business.

Mahesh Parekh: Sir, my next question is with respect to raw material. So, can you help me out in terms of understanding that out of total purchase of raw materials which is there on the books, what would be the composition of purchase of PE, whether it would be HDP or LDP in terms of volume?

Bharat Vageria: Yes, you are right. As far as my total, most of the products are based on the HDP, polyethylene then some products on the polythene is HDP, LDP, LLD, like that. But the maximum products are HDP, almost 80% production of HDP, which all goes to front-end applications. And the rest of the 10% products are linked to the LDP. Balance 10% are based on the poly-propylene and some other attributes.



Mahesh Parekh: So, basically what my extended question was that if you could have bifurcated out of this purchase how much would be domestic and how much would be foreign, I mean, the main logic is to understand the price differential we pay if we are purchasing from local market or visa visa the international market.

Bharat Vageria: So, I will tell you, as far as price parity you may sum of the total of the turn month, you will also find that there is no any much difference, because all the international suppliers also matching their prices with the local producer, because they are also sitting around the country's only. So, you will see if anybody is in this line, some local producer also changes their prices on weekly basis or fortnightly or monthly, and if any price reduction is there then also they review the price, production and they kind of give a special discount or something. I have not found in my history over the last five, six years, there isn't really much variance in the input price and the local price. It's a question of timely supply, quality commitment and continued supply. If I give the contract to the overseas supplier, he will continue the supply with a price ups or down, but in local you can give maximum order on a weekly basis, then after whatever price change that will come on. So, it's a very, very cautious approach to be taken while buying. Now, if you ask what is company's strategy? I'll tell you, in the last 15 to 20 years we are continuing imports, so earlier as we were doing impulsive 70% that 30% local, but now as the local production facilities are increasing, availability of the local polymers is increasing, therefore, slowly, slowly every year 4% to 5% we are reducing. And we have a target, in the next few years' time we will have a 50% import 50% local, that's our company's strategic.

Mahesh Parekh: Okay. And sir lastly in terms of HDP, can you help me with the average procurement price for FY18-19?

Bharat Vageria: Yes, because you know that last all of the year if you take the price ranging, you can take \$1150 to \$1400 was the range overall in a year. But very safely you can take an average of around toward \$1200 to \$1250.

Mahesh Parekh: And sir lastly in terms of, this is not pertaining to financials or anything, but when can we get access to annual reports of subsidiaries on your website?

Bharat Vageria: I think what we are planning, because number of the subsidiaries and their local currencies are different. What we will do, we will summarize with a standard format and then we will put on the site. That is what we have already advised to our separate department, because every currency is different currency so we have a plan to do that.

Moderator: Thank you. The next question is from the line Govind Sahoo from India Nivesh. Please go ahead.

Govind Sahoo: Sir, just a couple of small questions. So, I just wanted to know how much cylinders did we supply to the domestic distribution company in FY19?



- Bharat Vageria:** As Mr. Jain said, the overall major business is growing from outside, in India business we did hardly 15% of my total revenue, as local is concerned. But in India as private sector gas distribution company is in the business, so we estimated this current year we may supply to around 300,000 cylinders to the local company.
- Govind Sahoo:** So, how much have you supplied to them in FY19?
- Bharat Vageria:** Exact quantity I cannot give you my dear. I can give you the total quantity what business we did in Indian and overseas.
- Govind Sahoo:** Okay. So, what was the total number of cylinders?
- Bharat Vageria:** Not very much, these are small companies, small customers are there. So, exactly it is not possible.
- Govind Sahoo:** What are the total cylinders?
- Bharat Vageria:** Total cylinder is over 800,000.
- Govind Sahoo:** Got it. Sir, the reason I was asking this question was that since five businesses are showing good traction, we have Rs. 400 crores of order book in our hands and from industry sources also we have come to know that there is a lot of migration from steel pipe to HDPE pipes.
- Bharat Vageria:** It is going to happen in future also, as the replacement of metals to HDPE is going on, it is going continue. And now as a stable government has come, so I think it will pick up and it will do the fast development of 100 small cities which is the main program of the government. And second, government's program to make water availability in each of the region. So, for water drainage, sewage, pipe is going to be used.
- Govind Sahoo:** Sir, we have good traction in our pipe business, plus in drum business actually the chemical sector is also growing well.
- Bharat Vageria:** Right, chemical sector is growing in the range of 8% to 12%.
- Govind Sahoo:** So, our growth is directly aligned with the chemical sector?
- Bharat Vageria:** Yes of course, maybe replacement market, maybe 1% to 1.5% we can take it. Still there is some gap available for use from metal to the plastic.
- Govind Sahoo:** So, the idea is that if we have to increase the share of value-added products, then which are the major products which can drive the growth actually?
- Bharat Vageria:** As far as growth is concerned, if you to take, as we have discussed in many forums that if we would like to achieve Rs. 500,000 crores business then definitely major sector will be the



composite cylinder, MOX Film, IBC and further as from April 2020 which is going to come like a CNC cylinder. In the auto sector there is a lot of demand going to be there in reducing the weight of the vehicle.

Govind Sahoo: So, sir next year what kind of share value added products we aim?

Bharat Vageria: The three years guideline as we have discussed long back also, just established product is 81% and value added product is 19% right?

Govind Sahoo: Yes.

Bharat Vageria: Now, you see even though we are growing 15% into the sector, then my value added product in the next three years' time will reach to 25%. Value added product will have a growth of more than 25% and other products we have around 12% to 13%, so combined growth will be 15%. And one thing you know very well in overseas, we do only with the packaging products. We don't have value added product overseas currently, all value added products are locally in India only.

Govind Sahoo: Right. Got it.

Bharat Vageria: So, in this scenario, the growth of about 15% I considered defending, if anything comes out with fresh government investment or something new business come out then growth may be increased.

Govind Sahoo: So, is it safe to assume a 25% CAGR for value added business products for next two, three years?

Bharat Vageria: Yes, then only we can reach the 25%.

Govind Sahoo: Then only math can actually match up, that is what the whole idea is.

Bharat Vageria: Of course, and all are expandable. See, government requirement works out, and this MOX Film again is relating to the infrastructure related activity. I let's hope for the good.

Moderator: Thank you. The next question is from the line of Dhruv Shah from Ambika Fincap. Please go ahead.

Dhruv Shah: Bharat, I just have one question. I guess you had mentioned a couple of months back that by FY21 we want Rs. 500 crores of turnover from composite.

Bharat Vageria: Right, I am not saying no.

Dhruv Shah: But right now, you are guiding only for 30% in MOX, which will take you in FY20....



Bharat Vageria: In Rs. 5000 crores so many times I have told you it is the four businesses which can reach to the Rs. 500 crores each business, mainly pipe business can reach to Rs. 500 crores to Rs. 600 crores, in few years' time; another business I mentioned is IBC which also can go up to Rs. 500 crores; another business MOX Films which can go up to Rs. 450 crores to Rs. 500 crores; and then composite cylinder which definitely Rs. 500 crores. So, these four products itself can reach to Rs. 2,000 crores. Balance Rs. 3000 crores, is a question of time. You know very well as far as current year 2018-2019 is concerned, almost four and a half months back there was little slow in India, it is once every year, its six month here and there. But definitely we can reach in the three years' time to Rs. 5,000 crores.

Dhruv Shah: But right now, we are at Rs. 110 crores, a 30% growth also will take you to 150 crores. So, to go to Rs. 500 crores...

Bharat Vageria: But I can tell you, relating to MOX Films also we had certain other products which lined up as a smart can which already you are aware we have assigned a technical collaboration with the Dow Chemical, that is elite product which is again resulting to films only, because we have to make the smart can from the films. So, a large potential is there in the market. Just that product is for the current financial year impact.

Dhruv Shah: So, when are we planning to roll the product out?

Bharat Vageria: It may be in this financial year, in Q2 it will come out.

Dhruv Shah: Okay. So, basically MOX Films will be including the smart cans, and everything will be inclusive of it?

Bharat Vageria: It is part films only. It is a part that film, can will be made from there. If I tell any new development in the packaging product, it will be packaging products only.

Moderator: Thank you. We take the next question which is from the line of Shalu Asija, an individual investor. Please go ahead.

Shalu Ashija: Sir, my question is regarding capacity utilization of PE pipes. Can you tell that?

Bharat Vageria: As far as PE pipe business is concerned, because it is good but again the demand comes in the 9 to 10 months in a year, you will find in the rainy season demand little bit is slow because EPC contractors cannot walk on the ground. But capacity utilization if you take specific average capacity utilization, maximum we can get 80% because of this two, three months' little slowdown. But the peak capacity utilization we can reach to 80% and current also we are utilizing almost 75% capitalism is there already in the pipe business.

Shalu Ashija: 75%?

Bharat Vageria: Yes.



- Shalu Ashija:** And what about IBC and composite cylinder capacity utilization?
- Bharat Vageria:** Capacity wise, as far as composite cylinder is concerned, we have a standard capacity of 1.4 million cylinders, but when we take the manufacturing of different sizes of cylinder then we can produce 1 million cylinder of different sizes. But in terms of the revenue, yes, we can do the business of around Rs. 250 crores for the cylinder business. Capacity utilization you can assume in the range of 80% composite cylinder.
- Shalu Ashija:** In the last financial year?
- Bharat Vageria:** Yes.
- Shalu Ashija:** And what about IBC?
- Bharat Vageria:** IBC is again different in each of the vehicle separately, because some of the regions like western region we are working for so many years where the utilization is almost 90%. But in terms of new region we have expanded later on. The average utilization of IBC in India, you can take it, all put together is around 80%. Overseas definitely it is around the 65%.
- Shalu Ashija:** And you said about smart can business, what are we planning for in the coming financial year?
- Bharat Vageria:** Pardon please.
- Shalu Ashija:** I am asking for smart cans project, like what is the...
- Bharat Vageria:** Yes, that project will come out in the Q2 of the current financial year, because installation of machines is ongoing.
- Shalu Ashija:** And like in the press release you said Rs. 150 crores value order we have received from this business?
- Bharat Vageria:** No, I think currently this project is yet to start the production and launch the product, but overall there will not be additional revenue, it is part of our projects only. Whatever projections we are giving, growth of 15%, it is inclusive of that. It's just kind of adding to the packaging product. It is range of the product for the different verticals of the packaging.
- Shalu Ashija:** Sir, Rs. 150 crores is for smart cans or...
- Bharat Vageria:** No, I am not telling you Rs. 150 crores. Smart can is a part of my packaging product only where we say the company on overall basis will grow around 15%. It will be additional revenue over that, it's a part of the company's growth plan.
- Shalu Ashija:** Sir, there was one more press release released, in that pipes and duct new is started, in that that was used for power cable ducts like new generation power cable ducts.



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Bharat Vageria: Yes, you are right. It is a power duct application site, it is going to be used wherever the new development of the smart cities are coming.

Shalu Ashija: So, now in this year what is the plan for this project?

Bharat Vageria: As per my already existing line, we have done certain modifications and we are continuing supply, that product already previous year also we have supplied. And as last year we did business of Rs. 340 crores and currently year we are projecting a growth of over 30% in this segment, so the application of that is also configured in this overall growth plan.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Aadesh Mehta for closing comments.

Aadesh Mehta: On the Office of Ambit Capital, I would like to thank the entire senior management team of Time Technoplast for being with us today. Thanks to all the participants for joining the call. Thank you and goodbye.

Bharat Vageria: Thank you very much. Thank you very much to all my valued investors.

Moderator: Thank you. Ladies and gentlemen, on behalf of Ambit Capital Private Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.