



“Time Technoplast Limited Q3 FY-19 Earnings
Conference Call”

February 15, 2019



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MODERATORS: MR. ROHIT DOKANIA – IDFC SECURITIES LIMITED



Moderator: Good day ladies and gentlemen, and a very warm welcome to the Time Technoplast Limited Q3 FY19 Earnings Conference Call hosted by IDFC Securities Limited. As a reminder, all participant lines will be in listen-only mode. 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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rohit Dokania from IDFC Securities Limited. Thank you and over to you sir.

Rohit Dokania: Thank you All. Good evening everyone, and welcome to Q3 FY19 Result Conference Call of Time Technoplast Limited. I would like to thank the management for giving IDFC Securities the opportunity to host this call. I will be handing over the call to the management team so that they can introduce themselves and after their initial commentary we would move in to the Q&A. Thank you and over to you sir.

Anil Jain: Good afternoon to you friends. My name is Anil Jain. I have got with me my other colleagues Mr. Bharat Vageria – our Director Finance, Mr. Raghupathy Thyagarajan – our Director Marketing, we have with us Mr. Sandip Modi and I take the pleasure of introducing you to Mr. Hemant Soni who joined us between the last conference and now as the corporate Group Company Secretary. So we have a separate company secretary for the company but we have a group company secretary to oversee secretarial functions of all the company including our subsidiaries. So Hemant is also there with us for the first time. We are here essentially to talk about our results for Q3 and nine months of FY19 and outlook for rest of the year. The results are already announced but I will just walk you through some of the key financial and operational highlights.

During Q3 FY19, and I will give the comparative number for the same quarter last year. The net sale stood at 873 crore as against 755 crore EBITDA was at 126 crore as against 117 crore, PAT at 54 crore as against 47 crore and the cash profit was at 84 crore as against 81 crore. Compared with the corresponding period last year this is the net sale grew at 16%, the volume growth was 15% and we saw the PAT grow at 16%. During nine months of FY19 the net sales stood at 2483 crore as against 2161 crore, EBITDA at 355 crore as against 328 crore and PAT 129 crore as against 125 and the cash profit of 240 crore as against 227 crore. I must underline here that it includes Q2 which was not the best quarter for us in a long-long time so you would see that despite of Q2 we are back and on track. The net sale grew 15% in nine months period, the volume grew at 13% and EBITDA grew at about 8% only the cash profit grew at 6% like I said the impact was because of the Q2. In nine months 2019 the EBITDA margin is at 14.29% as against 15.19% down by 90 basis point but like I said it is a net effect of Q2 but if you find in Q3 we have recovered from 13.02% that was our EBITDA in Q2, in Q3 it has come to 14.44% so we are well on the way to recovery and probably with Q4 in place we should be close to what we have targeted at.



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In terms of the businesses our value add product grew by 22% in nine months period as against the same period last year, the share of value added product has been 20% of the total sales as you can see that the value added business contribution to the total business is gradually growing from 18% that was in nine months of 2018 to 20% so we are increasing that is the level we were looking at. Indian overseas business I think the percentage remains the same that is 70 and 30. That is something that we will maintain, that would be that we are growing both in India and overseas at the same time. so far as our polymer and composite products are concerned we have polymer products contributing 70% and they grew at 15% the composite products contribute 30% and they also grew at 15% so we maintain in overseas and India the same percentage growth and also in two sensor segments that is polymer and non-polymer at 15% and there about but yes we have made efforts that our value added businesses grow faster than our regular businesses. The star performer had been the PE pipe business which is grown rapidly in the current year, the pipe segment is showing a good growth as currently we have a good order book also. So we have a total of 295 crore of worth of order book on hand which is excellent to 75% of next year target. We can estimate to close for revenue of 320 crores for PE Pipes business for FY'19. You can expect that if we are looking at turnover of about 320 crore for the current year to 95 crore translates into very strong order book for current year and the next year.

Total debt of the company is at 829 crore. We are now seeing that there is our ROCE is now back on track that we have projected and we can clearly see ourselves achieving a long term target that we have announced for the year 2020-21. With this I will be very happy to take questions please.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: Sir can you give more details specifically on the PE pipes order book that you indicated that was one and secondly also on MOX, specific question related to PE pipes is how should one look at the hedging of the raw material over here specifically we have such a healthy order book position so how should one look at the margins and the businesses given the volatility in the raw material prices.

Anil Jain: You are right the PE pipe order book is pretty strong 295 crores which actually if you look at the total annual sale translates into about nine months or probably longer than that. But, we are now seeing that our order book is mostly on to the value at pipes we have been, we made an announcement that we have developed for the first time India three layer pipes which is being used for smart cities for laying cables and other utilities. You are right the price, the raw material is of concern here, in most orders we either have a price escalation or if we do not have a price escalation then we do not take delivery period for more than six months. Partly this is getting mitigated because we carry the inventory for the raw material so that we do not get caught where we have a fix price with the customers and open for the raw material.



- Ritesh Shah:** Sir in most of the cases over here when we talk about the order book like should one assume 70% of the order book will have a price escalation clause?
- Anil Jain:** No, I would probably bring it down like I said if it is translating it to nine months order book and I can actually take a fix price for six months that means about 33% will have a price escalation and 70% will be fix price.
- Ritesh Shah:** Okay. Sir can you also elaborate on DWC pipes I think it's a similar business, applications are different so do we maintain an order book over here if you can share some numbers on both HDPE as well as DWC pipes on revenue, EBITDA order book it would be quite useful because these are the segments that the market is quite interest in now.
- Anil Jain:** We do not separate it out because our facilities and capacities are common so we do not differentiate the solid wall pipes and the corrugated pipes but I must say the double wall corrugated pipes haven't taken off as well as we have anticipated in the beginning of the year, I think it is essentially because of the allocation of resources by the government, we had anticipated that with this Swachta Abhiyan the small villages and towns will require a sewage treatment plants, unfortunately most of these toilets are based on soak pit basis so that process is getting delayed we still have that sort of inquires in the pipeline but the orders have not been finalized so our order book combines both the solid wall pipe and also the corrugated pipes.
- Ritesh Shah:** Okay. And sir how much is the capacity that we have for the HDPE and DWC separately.
- Anil Jain:** All put together we have a total capacity of about 53,000 which includes about 9,000 is DWC Pipepipes and the remaining is the solid wall place.
- Ritesh Shah:** That helps a lot. Sir lastly on MOX films we were quite excited about this business at the start of the year. Sir if you can update us on the capacity utilization levels and how the market has been for us. We hear a lot of good things about you and there is another player called Shalimar I think we have done a basically phenomenal job, sir if you can provide some color over here it will be quite useful.
- Anil Jain:** If you were excited about the MOX film I see no reason why that excitement should go down. We continue to do well in MOX film we are seeing a substantial growth in this year based on the last year and it is essentially because last year was our first year so the base is still small we are still inside of 70% of our total Capacity utilization I think that is what we will end up this current year with, we will carry some capacity for the next year and if the growth continues to be the same as we have experienced in this year then probably we will have revisit our capacity end of next financial year.
- Ritesh Shah:** Sir can you help us understand the revenue over here that we have clocked so on 12,000 tons of capacity we are guiding for something like 8500 for full year so what is the kind of revenues and margins and next year numbers that one should build in.



Anil Jain: We have done in nine months period total sale of about 87 crore and at the end of the year we should be looking at about 110. All the capacity in place and running full capacity we could expect a revenue about 150-160 because our useful capacity is lower than the name plate capacity, as we have some 20 different variants and only four lines so we have a lot of down time in changing from one to another sizes.

Ritesh Shah: And sir what is the kind of margins that we make over here it will be quite attractive I presume.

Anil Jain: You really want to know about that in the open line, we have our competitors listening it but I can tell you this becomes a part of our value-add business where in the value add business we have a marginal of about 18.7%.

Ritesh Shah: And sir lastly on the competition I think we have given touch time to the existing players so is it like our pricing has been a bit modest or is it like I think we are going ahead on a cash and carry basis so is it on pricing or what is our strategy has been as compared to the competition which has given us a lead over here.

Anil Jain: Let me just tell you that we normally don't discuss sales strategy on this conference but since you asked the question I am obliged to answer that, you are right about that, that we have the competition but we would like to believe that our product is better than any other product available in the market place and we have come chasing this product because we saw the margins in it, so we normally do not sell our product even if they are cheaper than our competitors but of course if they want to take the prices down we have to follow them up till now that has been the avoided but we have done strategically is that we have focused on overseas markets so we are seeing there have been developing markets outside India and we have gone into the territories where our present competitors had not catered for example North East, Jammu and Kashmir, some states down the south which let say for example Orissa, where are competitors found bit more troublesome or difficult to reach out we have gone to those areas and developed the whole new market so that our competitors do not feel the pressure of the sale and do not take the prices down, but of course if they do it we will follow them.

Ritesh Shah: Sir when you say quality is better does it stack up even better as compared to cross bonded films which one of our competitor companies have launched.

Anil Jain: So MOX film is actually the full form is Multi-Layer Multi Axial Cross Laminated film so our product is also a cross laminated film but an improved version of the cross laminated film, normally our competitors stretch it in 8 direction we do it in 16 so our strength is much-much better than a similar product available from elsewhere.

Moderator: Thank you. The next question is from the line of Punit Chabra and Individual Investor. Please go ahead.

Punit Chabra: Just one question, our depreciation in the quarter dropped by 11 crore Q-o-Q can you please throw some light on that.



Anil Jain: I would have been surprised if this question was not asked, I was debating whether I should start it in my opening statement but since you asked I think I will take the opportunity to explain it to you. We have felt that we are revised or rather we have reviewed our depreciation policy and I think the need arose because if you see our CAPEX for the whole year is almost about 200 crore and on that about 80 to 90 crore we spend on retrospect improvement of our assets, augmenting them etc, etc. And the life of these assets are as good as, they are as good as new and what must be happening is that we are with actually following the depreciation policy which was pretty aggressive for the example the molds were being depreciated for seven years and now we have the molds which are running for 15 or 18 years and they still look good because we have been maintaining and repairing and augmenting them all this while. So there was a need, there was internal discussion I said let us realistic in terms of our depreciation which current is about 8-8.5% of the total assets and if you are spending about 4% on maintenance that all combined together comes to about 12% that could not have been the realistic number, so we took the realistic life of the product for assets and then revised the policy, and that came into effect from the beginning of this quarter and that has an impact of about 3.42 crore I think that is what we have announced. You are talking about 11 crores from Q2 quarter, it is essentially because our depreciation will not keep moderating we are not a young company anymore we started our operations way back in 1992 and most of our investments took place between 2004 or around. Just before the IPO that was in 2007. So, some of these assets will actually be now getting fully depreciated and we will see in coming quarters or probably years the depreciation will get moderated, of course we do not moderate it to a large extent because we will be doing the CAPEX as well so I think that is the reason why we are seeing this difference and I must admit that the depreciation policy way is even more stringent. So we are actually trying to moderate that.

Punit Chabra: But sir we have come down 11 crore quarter-on-quarter so Q2 our depreciation was about 40 crore, Q3 our depreciation is 29 crore. Change in policy is explaining 3.5 crore out of that. But what else has changed between Q2 and Q3 for depreciation to drop by another 7.5 crore.

Anil Jain: Okay, if you look at the standalone itself that we have seen other than, other policy impact of 2.5 crore of depreciation drop, which translates into 10 crore a year right other ways it could be something like 110 and 120 crore of assets and we have the assets which were built around that time, we just reached a stage where the depreciation they would have been either fully depreciated or whatever and that wise we did two major acquisitions overseas one was in Taiwan and the other one was in India. And that coincided with this period and there we will see other than the policy change the top of depreciation of 5.1 so if you see the policy impact 3.5 and the other difference of 7.5.

Punit Chabra: So going forward what should be the expected run rate for depreciation sir?

Anil Jain: I would expect that our depreciation settle down at about 5.50 to 6% like most of the companies.

Punit Chabra: Okay, 6% of the net assets.

Anil Jain: Perfect.



Punit Chabra: Okay, just one more question along with polymers there was a lot of volatility in the currency over the period of Q3 can you throw some light around any FX gains or any unrealized FX gains losses that you had to account in this quarter which are unusual or exceptional item side.

Anil Jain: Actually if you see the Q3 have been more like, Q2 was the worst period and I am sorry I could not attend the last conference from Q2 but Q2 was probably the worst affected one, a part of this impact was carried forward to Q3 otherwise Q3 would have been even better than what we have been able to project but otherwise if you look at the later part of Q3 it has been pretty stable and continues to be so, and the visibilities also that things would now stable and you have been hearing about the exchange rate which have been ranged bound and the polymer prices are moderated and then they stay around that level. Of course it is arising out of the fact that there is lot of new capacities that have come in North America and they have started finding their into Asia so while the middle east is still supplying a lot to China but China is reluctant to buy from North America so the North American are selling their product into this part of the world and they getting actually balanced out. Earlier the problem was that China was also buying and this new capacity that came in North America were not available in this part but that kind of over, I think we should expect a very stable raw material prices of course the exchange rate is something that we can only have that a guess they will be stable. But, I would like to say that the worst is over.

Moderator: Thank you. The next question is from the line of Pritesh Chheda of Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Sir I have two main questions and then I have few data related questions so, I will just take the main questions first. Sir what is the progress on the batteries business at what scale and size we are and what is the growth rate there and what kind of capital have deployed in batteries and do we have a business strategy in place.

Anil Jain: The battery business continues to perform exactly the same as it has been doing in the last year, we have done about 120 crore in the first nine months we expect to reach about 185 as against 163 crore that we did in the previous financial year. So we remain there of course one good thing that we did was we moved away from telecom batteries in to the solar ones and there is a very strong demand for the solar batteries and also for the UPS batteries so earlier on the telecommunication batteries which used to constitute almost about 50% of our total sale and now down to about 20% of our sale and we have used that capacity for some valuable products and going into solar, etc but the full impact of that would be realized probably next year but they continue to do well interest thing is that we are now setup for them at a small investment that capacity to assemble lithium ion batteries where they could import cells from overseas and convert them into batteries which will be going into electrical vehicles and some of these other lithium ion battery applications and if we go by the government policy which has been announced recently that they said in next five years' time they would like 15% of the vehicle being sold to be based on lithium ion battery we expect there is going to be a major - major demand for the lithium ion batteries and we are amongst few people who have been able to setup assembly facility in India, we cannot of course manufacture lithium ion cells but we can combine them together and convert in to the battery as per the requirement of our customer so we remain pretty happy with that



investment and we expect it will now see the next round of growth. Of course I must admit at the same time there was a period in between when we wanted to let that business go at that point in time we could not find somebody who could give us the value but now we see the tail winds and we would like to ride on it.

Pritesh Chheda: Sir what is the capital invested in battery business.

Anil Jain: Initial stage we have invested 45 crores.

Pritesh Chheda: Now what is the total capital invested.

Management: If you see the total capital investment in this business is 65 crores.

Pritesh Chheda: Sir this being not a core expertise for us why don't we exit the battery business.

Anil Jain: That cannot be the subject of this discussion or the conference, I will be very happy to meet you separately and discuss with you but yes I have told you just now that we have looked at the possibility at some point in time the telecom business was going down and we were right in the middle of that one, I will probably will have to change the product mix and bring it to a point where lot of people will get interest in to and further lithium ion battery is also to create value for that business. But we will be crossing the bridge when we come to it.

Pritesh Chheda: My second question is what is now the update or progress on the pledge of the promoter holding.

Anil Jain: This is exactly the same which it used to be to the extent that the price of the share goes down or up it gets changed so about 8.76% of the total company's capital is pledge. And this translates into about 17% of the promoters holding. But like also underline here that we have not taken any additional loans or anything it is the pledge has gone up a little bit because the price has come down.

Pritesh Chheda: Sir we are the recipient end because we hold the stocks as investors.

Anil Jain: But what can I do if the prices keep going down then of course I have to really make up for their difference as per agreed terms

Pritesh Chheda: Sir you have best of both the worlds, so you have the stock and you have land asset we always have only one which is

Anil Jain: I am willing to swap my assets with you, let meet.

Pritesh Chheda: No, so is there a strategy 2 there to address it because it has been an over impending part for us for a quite a long time so do we anyway have any plan to strategy to where we can address this once in for all.



- Anil Jain:** The point is we will exit from there, these assets that borrowing is for asset which are valued lot more than that, but we have made a plan for doing it because the development was to take place for the property that we have in promoter company that for the market situation we are not able to go ahead with that one so that is the only reason why it is right now waiting, but I fully share your concern that and in fact in sometime in between we had said that we probably will be completing this whole exercise in three four years.
- Pritesh Chheda:** So do we have so now since three four years have already passed I think.
- Management:** As we have talked last time also that as far as our project part is concerned the separate approvals all are in process and I think we have a targeted three years' time the project will be completed. So after three years in any case we have said that after three years the pledge will be free till then.
- Pritesh Chheda:** And what year are we right now?
- Management:** We are in the process of approval already, everything you know that the plot is already cleaned and everything approvals are on place.
- Pritesh Chheda:** Okay. Is there any quick fix solution for it?
- Management:** Which solution you want?
- Pritesh Chheda:** To monetize the asset.
- Management:** Can we discuss this offline, this is something that I would like to discuss separately, I think this is not related to the performance of the company, I think let us try and focus on the results that we have announced.
- Pritesh Chheda:** My last question is what is the cash flow from operations in the nine month that we have generated and I know the CAPEX figure which is about 170 odd crores that you have put up in the presentation but what is the nine month operating cash flow that we have generated and when I look at the debt figure there is some increase so is there any increase in working capital.
- Management:** Net debt from operating activity is total 200 crore.
- Pritesh Chheda:** This is after working capital.
- Management:** Yes.
- Pritesh Chheda:** And how much is the increase in working capital.
- Management:** Total Debts at the end of Q3 about 829 crores including working capital .
- Pritesh Chheda:** Versus 777 last year.



Management: Yes

Pritesh Chheda: Yes, so the increase in borrowing is on account of the working capital increase in working capital?

Management: Yes.

Pritesh Chheda: So here we had this whole strategy of enhancing the ROCE by reducing the working capital so where are we in that whole journey and process?

Management: We had a Q2, the market right now is stressed, the payments of the customers are also delayed at some time so we really have to make up, I think we have been telling it in the Q2 result this is the temporary phenomenon driven by the market conditions, so as we are controlling it, in any case what you are seeing is the net effect of the way we are managing our working capital in the value add businesses which is mostly cash and carry and the working capital requirement in the regular business maybe a little bit up because the payment, etc are not coming on time. But we have said that this is only a temporary phenomenon I am sure as the day pass by we would be back to what we used to have.

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

Sanjeev Zarbade: Sir my question was regarding the gross margins which have been weak in the third quarter as well, now I understand there was commodity cost pressure in the second quarter but in the third quarter the HDPE prices have come down so is it and I also know there is a bit of lag effect so just wanted to understand if the cost increases have been completed passed in Q3 and some more portion needs to go and come back in Q4 so that the margin can go back to the 15-15.5% level so while we are on a quarter-on-quarter margin have improved but it is still over than 15% level on a year-on-year basis so just wanted to know that if margins still further room to increase in Q4.

Anil Jain: Sanjeev if you look at the EBITDA margin are at about 14.4% as against 13.02% in Q2 so we have actually recovered. And it is essentially because there is a lag effect of Q2 which actually came into Q3 as well. Second thing happened was that our pipe business which is historically at about 12% EBITDA margin etc has saw a fair big jump in the total share of business therefore the aggregate EBITDA actually came down a little bit. But we had to moderate that then we would find that the difference is not very much if you look at in Q3 the last two months probably then we are back to what we used to have and I am sure in Q4 we are looking at more than a percent jump in our EBITDA margins. So at the end of the year we will be at the same level as we had FY2018.

Sanjeev Zarbade: Okay. And sir I am seeing the capacity utilization levels have reached above 80%, now we have a net block of around 1200 crore on a consolidated basis. So are we now closer to another round of CAPEX to really build capacities or we can still grow by brown field expansions and having the same level of CAPEX every year of around 200 crore kind of level what is the sense you are getting.

Anil Jain: In our legacy business we are not making any major investments whatever we had committed we are staying with that one and we will keep increasing the capacity by debottlenecking or augmentation of



the machines. Some investment will continue to happen in the value add businesses, they will see a growth opportunity and like I said we will be gradually moving towards the value add businesses which can offer us better EBITDA margins. And a better cash flow so 1200 crore of CAPEX so there by I think we will speak as we have expected in the beginning of the five year period since then you continue at the same level but everything now we invest is on improvement on ROCE.

Sanjeev Zarbade: Yes, sir that is why third question if I can take it, sir like you have a target of around 20% plus ROCE by 2021 but we are currently at around 11% maybe up 12%.

Anil Jain: 11%

Sanjeev Zarbade: Yes, so what changes can happen wherein we can really scale it up to 20% in a one or two years' time frame.

Management: Calculation can be shared with you, there is no problem our ROCE is in the range of 14 to 15% and there is no change in the working system of ROCE since beginning.

Management: And now in Q3.

Management: Q3 we stay that only ROCE for the Q3 it is more than 16%.

Sanjeev Zarbade: Okay. I will check on that sir.

Moderator: Thank you. The next question is from the line of Saumil Mehta of BNP Paribas. Please go ahead.

Saumil Mehta: Sir first question what I want to check is where are we in terms of working capital days as of now versus what are the levels which we were in March 18 on consolidated level.

Management: It is about 89 days as against 86 days.

Saumil Mehta: Well in terms of when I look at the margin while obviously this last two quarters were a bit challenging but our target was that once the value added proportion reaching to 25 over future years I think they already had about 22 margin profile should look a lot better so do we maintain that guidance and given the market is a bit challenging do we have to compromise a bit on growth so that the balance sheet does not suffer.

Management: In Q1 our EBITDA margin was about 15.46% against in FY2018 it was 14.96 so we were higher than the last year in terms of the EBITDA margin, Q2 was an exception where this drop down to 13.02% as against 15.15. In this quarter it is 14.44% as against 15.43% so that is about one percent lower as we expect it to improve it in the next quarter. Now the EBITDA margin as a percentage of the total sales may vary because of the product mix change. You are right that we are actually coming up with value add businesses which are gradually growing but, our other businesses which are with low EBITDA margin are growing probably faster than the value add businesses therefore they are actually trying to bring in percentage terms the EBITDA margins so for example the pipe is about 12% EBITDA margin



as against let say average of 15% and if it's grown at 60% then it will try to bring aggregate EBITDA margin a bit lower whereas of course you are seeing the growth of the value add business also but there the size of the business itself is not very large right now. So we expecting EBITDA margin and what we had projected it was about 15% and the total sale will be our aggregate EBITDA margin, I am sure we will stay with that.

Saumil Mehta: Earlier we had guidance back by FY21 our revenue should exceed 5000 crore with a comfortable margin of 18-19% does that change now with.

Management: I don't think we talked about 18-19% we have been always saying 15% per year growth, 15% EBITDA margin, the turnover doubling yes I do remember that and we had said that our total debt would not be more than two times of our then EBITDA so those are the four milestone that we had set out for ourselves. We probably might be targeting more than 15% but what we had projected was about 15%, We might pull up the fact that our pipe business will grow where our effective turnover is almost four times as compared to my other businesses where is the turnover is only 2.5 so therefore we are working on pipe business at a lower EBITDA margin and therefore if that business grows as we had anticipated then the EBITDA margin will get the increase will get neutralized so the increase which is coming from value add business will get utilized because of lower EBITDA margin for this business which is growing faster so we are looking at about 15% EBITDA margin, will be there yes 20% ROCE that is still a target achievable but I can probably miss it for some reason but not forgone by time.

Saumil Mehta: Once we see increase in contribution from value added I think composite is the only challenging part over here and this is meant to do with regulation rather than anything else but MOX business I assuming is doing good with your healthy margins, the IBC is doing good, so what will it not take for margins to go up from where we were in FY17.

Management: My value-add business might grow up by 200 crores but my pipe business grows by 300 crore let say at the end of this five years period and that brings so my value added business gives me a EBITDA margin of about 18% and that gives about 12% so that to 15%. So, I am not saying that value added business will not grow but I am saying that other businesses which are historically a lower EBITDA margin will probably moderate that percentage that is the point I would like to make sure.

Saumil Mehta: Sure. And my last question in terms of pipe business can you give us an update of how do you see the DWC pipe because some of our competitors seems to be a lot foolish how do it opportunities of that market, market size how any update would be helpful over there.

Management: Like my colleague mentioned you in the beginning we have a capacity of only 9000 tons of corrugated pipes or DWC pipes, in this year we will end up selling only about 2000 tons or slightly more than that, this is essentially because the tenders could not get finalized, you imagine the real requirement of these DWC pipes is in projects which are under the government of course we do not supply it to the government we supply it to the EPC contractors but they have not been able to get any contracts so we are equally bullish about DWC pipe I think the pipe is only the challenge if you look at the tenders



which are there in the pipeline they should be able to bubble up the entire capacity DWC pipe that is there in India but the question is when.

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

Chintan Shah: Sir, I wanted to know about DWC pipes as in what is the market size in India could you please throw some light over there.

Management: Let us estimate this that if you look at the entire demand for DWC pipe in the current year that was estimated was supposed to be about something like 60,000 tons, the installed capacity in India was still about 30,000, we had 9000 ton capacity so we were expecting that we will be flooded with orders once that sorted out but it is not..

Chintan Shah: Sir you said we have capacity of 9000 tons so I wanted to know what would be our total CAPEX for this capacity.

Management: The Capex for this was 25 to 30 crore.

Chintan Shah: For 9000 ton capacity?

Management: That is right.

Chintan Shah: Okay. And wanted to know what kind of margins can we expect over here.

Management: The DWC pipe can be about 14 to 15% that is in the solid wall pipes but still will be not so very exciting in margin terms EBITDA margin but of course like I said it is very interesting business because we could with this tend to about 90 crore with investment of 20-25 crore that is four times the investment.

Chintan Shah: Okay, fair enough. And sir how does the working capital stand over here especially for this segment.

Management: Working capital see it all applies to the government so it is to the EPC contractors we normally work against LC or we work on a credit period that we insist let say our biggest customer is one very reputed EPC contractor largest in India so they ask for 90 days credit but we insist that they discount the bills that pay to us so the working capital cycle will be about 60 days.

Chintan Shah: And how is the trend for that, I mean it has been like this or it has changed now?

Management: No, it's same maybe sometime whenever the government funds are not released so our EPC contractor they might delay it but this time I hope Q3 and Q4 will be, Q4 will be good because normally the funds allocation in Q4 takes place much faster as they have got the whole budget to be exhausted. And they are in that phase right now.

Moderator: Thank you. The next question is from the line of Shalu Hasija from Invest Researcher. Please go ahead.



- Shalu Hasija:** My question is regarding can we have segment wise contribution PE pipes contribution to total revenue.
- Anil Jain:** The PE pipes is about 9% of the total revenues and the EBITDA margins are in the range of about 12%.
- Shalu Hasija:** Okay, and for IBC.
- Anil Jain:** You want to see each product wise. We have broad categories industrial packaging is about 70%.
- Shalu Hasija:** Yes, sir but in segment you have segregated into polymer products and composite.
- Anil Jain:** That is right.
- Shalu Hasija:** But they know bifurcation like what is included in polymer and what is included in composite.
- Anil Jain:** We had define that long time ago as to what does our polymer and composite businesses include but if you want I can actually have it send it to be you the polymer products include drums, Jerry Cans, Pipes, Turf & Matting, Bins and MOX Film and the composite products includes IBC, composite cylinders, batteries, auto products and steel drum wherever we have all the raw material being polymers that is a polymer product and wherever we have polymers raw materials and others then we call them composite.
- Shalu Hasija:** Okay sir. And can I have a capacity of Turf & Matting total capacity.
- Anil Jain:** That is in number of pieces we normally do not calculate because they are fungible capacities and included in the plastic products.
- Shalu Hasija:** Like in plastic processing it is 53000 metric ton to..
- Anil Jain:** Shalu you would like to have product wise breakup it's not that we don't have it, I will request my colleague to reach you out and then answer your question.
- Shalu Hasija:** It will be very obliged sir.
- Anil Jain:** Of course you will be.
- Shalu Hasija:** Sir my second question is regarding agreement with DOW chemical international in which you are planning to invest \$10 to \$12 million in next two to three years for can manufacturing so when it will be executed.
- Anil Jain:** Right now we are in the stage where we have got the products that we imported and we are evaluating the market by giving them some small quantities which are essentially being brought from outside and



in next month's we get established then we will go into the local manufacturers but that investment that we talked about is over a period of time and it is going to be.

Shalu Hasija: Yes, in the next two to three years.

Anil Jain: Maybe longer for that matter, depending upon the response that we receive from the user industry here.

Moderator: Thank you. The next question is from the line of Pritesh Chheda of Lucky Investment Managers. Please go ahead.

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

Kunal Mehta: Sir, I wanted to understand that in the locations where we have the IBC capacity can you just help us understand total capacity of all the players in those markets and what is our total capacity of IBC combined and you have mentioned in the note that you would be setting up a plant in Chicago for IBC.

Anil Jain: You want to know the total capacity for the IBC worldwide the number company should say actually but of course they are not in India or you want to know it in the Indian context?

Kunal Mehta: Yes, I just want to understand the overall capacity and plus how we are setup in this whole IBC businesses.

Anil Jain: Okay, Shutts is number one followed by Mauser and then Grief they are the three major players. I would like to think that Shutts has come something like 10.5 or maybe 11 million IBCs, Mauser will be about 5.5-6 and then about Grief would be about a million. In so far we concerned, put together will be about 1 million, so we are as close to the Bahrain but Grief is mostly operating in North America and Europe, our capacity is mostly in India and the country that we are present Taiwan, Malaysia, Indonesia, Thailand, Bahrain, Sharjah and Egypt. So we are actually away from them and there are of course the small players in China and other places but they don't really adapt to a great deal. The reason why we are going, we have looked at North America that is of course entry level investment we are making because in USA there are only three players right now namely Shutts, Mauser & Grief and the demand is taking place can you imagine that these people are not able to supply the ordered IBCs even for 28 to 30 days because of the demand that has picked up. So we saw an opportunity there, but we are not making a full-fledged IBC right now we have made entry level investment to start manufacturing IBC bottles, as you know IBC comprises of three major components the pallet, the cage and the bottle, the bottle is the blow modeled one so we are starting with the blow modeled bottle we are supplying it to lot of conditioners and re-battlers who are not able to get bottle from the main suppliers or the main manufacturers because they give them the bottle so we are severing them. And looks like the demand is in excess of million and a half or maybe 2 million bottles requirement which is like untapped. So our capacity currently is going to be about 120,000 bottles in Chicago that is where we have started operating and again we are on a run rate basis we should be close to about 90,000 bottles in a year.



Kunal Mehta: Okay, as a follow up question on that one sir, can you please share the nine month number for IBC in terms of total volumes.

Anil Jain: Kunal I can borrow time from you we can send it to you we do not have it. Just a moment let me check, total IBCs for the nine month period is about 350,000.

Kunal Mehta: Okay. Second question is that this year we made incurred CAPEX is around 30 crore for the polymer products business in which we are trying to setup two green field plants I think we are in the process of completion so could you please segregate the number in terms of the CAPEX for the green field investments and the brown field CAPEX and the maintenance CAPEX.

Management: CAPEX is for the existing product which includes some value added product and some of the other existing packaging product and it is including in India in overseas.

Kunal Mehta: Okay, you have to breakup that. But breakup of 61 crore, 49 crore is for the regular business and 12 crore is for value added businesses out of 49 crore this is both India and overseas. In India we have got a project in Bangalore which is coming up and in overseas we have actually expanded our capacity in Thailand and Indonesia so that is it and this also includes in the regular business also the maintenance and the automation CAPEX so we can give you a fine breakdown into these categories that you have asked.

Moderator: Thank you. The next question is from the line of Dhananjay Mishra from Sunidhi Securities. Please go ahead.

Dhananjay Mishra: Sir how are the composite cylinder progressing and where we are in terms of revenue and order book catch up now and one more thing that this London based customer which had issue with us and why we again engage with that customer and what is the guarantee that he will not trouble us in future.

Anil Jain: A very-very good question and I am sure it crossed my mind several times. Let me answer the first thing, the business composite cylinder is doing well, it is not doing so well in India because we still have not been able to make a major breakthrough with oil marketing companies of course we never count it on them at all but we are very happy to tell you of course name withheld there is a private major player who is expanding into distribution of LPG country wise I think they already have gone up to 12 states and they will be expanding the business of course they have placed a major odd on us and then has started buying but let us see how it gets the momentum. But India is not a place that we are pretty bullish but of course is this clear and successful as we expect it to then that could also, the Indian market can also be developed. Oil marketing companies are still away from composite cylinder, I think we are right now too busy with Ujawala and for that still cylinders are the only thing that they are doing. Over this we are exporting it to 29-30 countries let the move continues you asked me a question about this company there is a company in London these people we have supplied some cylinders through them to our neighboring country for some reasons there were let say confusion and they decided to kind of argue with us and went into situation of course they realized that it was wrong and we this misunderstanding we have notified already, they have withdrawn their complaint with EOW



and wherever and I think matter is also being closed if not closed already I don't know exactly what the current status is. But they have already withdrawn their complaints, etc. Let me tell you think party is only a go between and the buyers is a very large LP distribution company in our neighboring country, so what we have done is and they have nominated them to be the buyer. So this point of time what we have done is we have established contact directly with the actual user so that the confusion does not take place of course this London based company remains and go out but most of our business everything is done in liaisons with actual user and therefore we have eliminated the possibility of any confusion coming in. we have not disclosed it so much in detail but we now have an order from that company very substantial order for the next three years in fact in this year itself they have indicated that they would be doing upto calendar year they should be buying half a million cylinders. So that significant purchase.

Dhananjay Mishra: I think sir initial order was 7 lakh cylinder and amount was about 150 crore so we are executing that order.

Anil Jain: That order have been cancelled and it is a new order that we have entered into and this is full year order endorsed by the actual user earlier it was only from the London based company.

Dhananjay Mishra: So they are paying on time.

Anil Jain: This is all by LC sir, even in last order we never had a problem with the payment we have already got money for what we have supplied.

Dhananjay Mishra: Because we were also supposed to initiate FIR against them for some claim award some 70-80 crore.

Anil Jain: No, we do not go to FIR and all we had filled a deformation case against them and we had also gone for the arbitration in Singapore but that is for non-fulfillment of their order, and so far as they might have concerned that was never a problem because we not supply for overseas without the LC as a matter of fact.

Dhananjay Mishra: Okay, sir. Sir second question regarding if you could give this guidance about HDPE Pipe sales because earlier, we had a target about 450 crore so where we are in terms of nine month and can we achieve that number.

Anil Jain: We had 220 crore is what we have done up till nine months and back to the year we will be doing 340, I think that 450 is not what we have been targeting.

Dhananjay Mishra: 350 crore

Management: Yes.

Dhananjay Mishra: Okay, sir. And sir earlier we used to provide all data in terms of volume and volume wise the suddenly we stopped providing that data, so at least we could provide value wise data that will be useful in terms



of analyzing because how different operators are doing so that will be helpful actually. If you are not providing volumes that is okay but at least value wise data we can provide now onwards.

Anil Jain: Okay, we will discuss that internally and we will come back to you on this answer.

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

Mahindra Jain: Sir are you looking for any fund raising or diluting equity or something like right issues and the debt part Anilji.

Anil Jain: Whatever we need to have, now we have no chance we have no plan for diluting the equity. If you remember we became public in 2007 at next time was in 2017 January that we had raised about 150 crore but otherwise nothing before that and nothing after that.

Mahindra Jain: Okay, so how do you see the overall demand for the next two, three years is there is any change in projection due to the market scenario evolved in export or something like that so how is the follow demand for both type value added product all.

Anil Jain: Now we are pretty confident that the business should actually pickup we are seeing the GDP growth continues the same way as it is doing today then we see no problem in meeting those targets which we have set out for ourselves and in some of our segments we are seeing good growth which is diagnostic to the Indian market, we are overseas. If something drastic happens worldwide then it is a different matter but otherwise we should remain enforce.

Mahindra Jain: Okay, where you see the opportunity for when will product, in which area we are to launch new products.

Anil Jain: The business has just hear the scope for the MOX film like we said we still have some headroom available in terms of our capacity and we will revisit our capacity requirement next year sometime as we get very close to what the capacity we have right but otherwise cylinders continue to do well we still have a headroom available there and the IBCs so for the time being I think we are pretty good we will continue to debottleneck and probably add some brown field capacity just to make sure that we are in the position to full it like the capacity. I think the value add business will continue to grow as we had expected to have them our regular business.

Mahindra Jain: So in that same business we may go for the next categorized you mean to say MOX film or Composite cylinder.

Anil Jain: Next financial year towards the end if required.

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



- Harsh Shah:** Sir just one question from my side, can you throw some light on the overseas business, how much does it contribute to your revenues and what was the growth for these nine periods and also the margins if you can share that.
- Management:** Overseas business is about 30% of our total revenues. Right and it is also growing at about 15-16% actually, since all put together, so we are seeing a good growth there as well probably it might accelerate a little bit because of our new initiative in North America but that impact will be seen only in the next financial year.
- Ani Harsh Shah:** Sir this 16% I believe 16% won't be sustainable going ahead so what is the growth rate you are seeing for the next three years or so given the current scenario in the global economy with the US economy expected to slow down and European Union not performing that well so, if I have to look at this segment for three years period what would be our growth guidance.
- Anil Jain:** Let me tell you if you see our presence we are into the segments which were the demand remain consistent that is not prone to slowing down just because economies are not doing so very well mostly essentials that we are in. Right, so I do not see a major impact taking place if the economy worldwide slows down but even if it slows down in particular country the fact that we are in different countries and now in different continents we should be able to insulate ourselves from any slowdown. Of course, in India we remain highly bullish because some of these things which are being said in motion I think and the -GDP grows at 7% or higher than that then we should really see a good demand in India as well. We remain very-very optimistic and if you look at our past growth also we have been growing at about 15%, so our CAGR growth is about 15% to the past, I see no reason why it should be any different and that includes period when the slowdown took place.
- Harsh Shah:** Sir just one thing I wanted to understand when we talk about growth of say 15% odd how much is the organic that is the growth from our existing business and how much is it the growth which comes from conversion or substitution of certain product which are say something which is made of steel or wood which is getting converted into plastic.
- Anil Jain:** Almost 80% of our business is where we are replacing metal.
- Harsh Shah:** Okay. And 20% is what you are seeing is the organic growth.
- Anil Jain:** Right. And that process is continued if you are asking me a question the replacement demand or the replacement business does not get affected because of the slowdown.
- Moderator:** Thank you. The next question is from the line of Ashish Kumar from Infinity Alternatives. Please go ahead.
- Ashish Kumar:** Just wanted to understand from you as to for the next year what kind of CAPEX are we looking at and what kind of growth are we targeting in terms of fiscal year 20.



- Management:** See, I will go back to the projection that we have given a couple of years ago and I think we will still maintain that we are looking at the CAPEX to be around 200 crore there about p.a. which is divided into two one is the maintenance CAPEX for R&D and also for automation so that is about 80 to 90 crore and the rest will be for capacity enhancement, amortization and the new projects that is what we had projected give and take few crore depending upon the last minute opportunities that could combine with this kind of investment and the capacity that we already have with us we should be able to see a growth of about 15% a year and that is what we will maintain.
- Ashish Kumar:** Okay. And on the working capital side currently where 89 odd days do you see any scope for reducing materially over the next couple of years or do you think this will kind of remain at these levels for the next two, three years.
- Management:** We are working very hard to reduce it, but I must say that it has not happened up till now but we intent to reduce this one I am sure the value at business is where the cash flow is lot better in terms of the cash and carry we should be able to influence our total working capital cycle but let me tell you that that is very much on our agenda.
- Ashish Kumar:** But what has been the constraints so far is it the market conditions is it competition what has been the constraints so far.
- Management:** The market conditions that also the prevailing practices for years together, so we have not been able to break through we don't do that so for example if the customers have been buying some product for 60 days credit period he have to go in the market and do the same, we cannot change the practices that has been there for long – long time.
- Ashish Kumar:** In which case probably for the next couple of years we should budget in that working capital will remain at around the current levels.
- Management:** This is we are forcing if you look at our working capital cycle it used to look better in the past where we could buy a raw material in advance so for example if we could take further contracts for our raw material at that time because there was too much of capacity and lesser demand of the polymers that facility was available so we did not have to carry the physical inventory of the raw materials but we are expecting now that the new capacities of the polymers are coming in this should return and that should give us some relief in terms of the total working capital cycle.
- Ashish Kumar:** So it will be essentially from increasing the credit cycle that is what you are saying.
- Management:** Yes.
- Moderator:** Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.



- Pritesh Chheda:** Sir on the industrial packaging side which customer segment or which sector is our business more linked to, I am just trying to understand the strong growth which is there in the industrial packaging side.
- Management:** I think if you look at industrial packaging we are generally servicing chemical, petrochemical, dye intermediate, leather chemical, textile, construction chemical, food products and lot of other value-added products. So we have actually fairly well diversified in that space and they are quite linked, so for example we are seeing very good growth in construction chemicals right now as the roads and bridges are being constructed so we are not related to a particular event and chemical and petrochemical we see a consolidation taking place in India as we are seeing now a lot of foreign companies are coming into India and establishing their chemical plants or buying the local companies and they will not only be servicing the Indian market but they will be using India as a manufacturing hub for exporting their products into neighboring countries and then they do that they will be requiring packing locally here so we see all of these factors will play role we have found that normally the packing grows at about 6 to 7% over and above the GDP growth. That has been the imperial formula that we have been applying.
- Pritesh Chheda:** So should I believe that a lot depends on chemicals whatever be the form.
- Management:** Yes, you are right chemicals will certainly be the drivers, I would like to say chemicals, food and construction chemical. Chemicals food and you can put pesticides and insecticide in chemicals then I agree that is chemicals.
- Pritesh Chheda:** Okay. And we called out that MOX film will be about 110 crore odd business in FY19, I wanted to know how much PE business and composite cylinders we should be in the FY19.
- Anil Jain:** We should be doing PE pipe business will be doing about 330 crore and we will be doing about cylinder will be about 185 crore.
- Pritesh Chheda:** What kind of growths would be these?
- Management:** Cylinder growth will be 20%, MOX will be 100% growth from last year.
- Anil Jain:** But that was the small one, the base was very small.
- Management:** And PE pipes is 50% growth from the last year.
- Pritesh Chheda:** You said composite cylinder will be 180 crore.
- Management:** 185 crore.
- Pritesh Chheda:** 185 and 20% growth.
- Management:** That is right.



- Pritesh Chheda:** And we have Lifestyle business.
- Management:** That will be about 4% of our total revenue, the growth is about 15% near about that is the regular growth that we see.
- Pritesh Chheda:** Okay. And what is that actually
- Management:** We do some very interesting product when you see a green grass kind of turf for entrance matting, etc 9 out of 10 times you are looking at our product. Then we have also launched anti-fatigue which is matts new development so these people keep adding some new products to themselves.
- Pritesh Chheda:** And there is a 10-15% growth you said there.
- Management:** Yes, 12 to 15% growth.
- Moderator:** Thank you. The next question is from the line of Kunal Metha from Vallum Capital. Please go ahead.
- Kunal Metha:** Sir just one single question can you just please share the way you define valued business can you please share the contribution in the nine months periods for the value added products.
- Management:** The total value add business is about 488 crore and with a growth of 22%.
- Kunal Metha:** Okay. And these value-added business would include MOX film, composite cylinder and?
- Management:** Composite cylinder, intermediate bulk containers.
- Kunal Metha:** IBC, okay.
- Moderator:** Thank you. The next question is from the line of Manish Bhandari from Vallum Capital. Please go ahead.
- Manish Bhandari:** My question is regarding the CAPEX from the maintenance CAPEX which has been stable around 60 to 80 crore or so, so I just wanted to know that how do you do a is this a number which will remain permanently there or does it go up and down because these molds maybe I am sure there is some shelf life of these molds so how do you define this and is there any assessment of the return capital employed of this maintenance CAPEX that is my first question and my second question is regarding the, do you have a very firm plan that how would you achieve a return on capital employed of 20% by 2021 and what is the guide post to that in terms of, then you may have to slow down your non value added item or your value added item after some point of time will grow in a very different trajectory.
- Management:** So the first thing the maintenance CAPEX, Manish what we do is yes you are right about 60 to 80 crore normally what happens is you have the machines which have been installed from time to time right and what we do is we have a plan for augmenting these machines every five years of there about. So by rotation these machines keep coming in for augmentation or updation because in the meantime



the new generation polymers have come in and they probably cannot be processed by the old method that we have been deploying and therefore we have to really keep ourselves updated. Secondly the molds require some major maintenance or up gradation so that they are adapted to the new materials that are available. Then it also includes certain amount of automation that we keep doing or the machines to keep them in pace with so for example I had given example, in the former time we had made a machine where we can control the flow of the material at 20 points, but now new processors or the new PLC that are available we can control it at 100 different points and then we have to pull out the old PLC and put the new one in and with it require a whole lot of new wiring and cabling. The advantage of that would be that #A we can have a little better productivity so therefore your cost of production can actually come down and secondly the uptime could be more. So therefore yes this is also how we decide so we in the beginning of the year we decide which are the machines that had to undergo this augmentation and we then get on to doing something unless there is a major breakdown in between person or machine which actually or so gets included. If you ask me about the return on this investment well we do not have a scientific way of calculating it separately as to how much they have been able to contribute but so long as they get reflected in our overall performance we think we have taken a right decision, but I think it's a point well taken that we should try and focus as to what we are able to achieve by way of this CAPEX. About the ROCE the only way we can do is the following, we have to keep looking at our value add businesses where we have got better EBITDA margins and as the value add business is contribution to the total business grows then we should actually be able to see a better to see. On the other hand of course we have to reduce our working capital cycle and that will also be a function of our value add business and of course we are to find newer ways that our cost of borrowings, etc could keep doing down like for example we have been doing some commercial papers, etc personally they have disappeared and we expect the interest rates will also get moderated so I think all this put together we should be at 20% or somewhere close to that, that is what the projection is.

Manish Bhandari:

Yes, but if I have to do all the math's then the value added off side of the business has to grow significantly higher base than what we have seen till so would that have you done any backward number to do that how we achieve maybe at 18-19% between not so or maybe we have to restate the target after six months or one year. And, so I just wanted to know that if there math being done that when you look at the number from the value add and you can achieve your 20% return on capital employed which will be desired list for all of us.

Management:

I agree with you, yes we have some internal targets that we have set out for ourselves which includes the value add businesses, if I can take an appointment with you probably we will be able to show it to you as to what and how we are intending to reach there.

Moderator:

Thank you. Due to time constrain that was the last question. I now hand the conference over to the management for their closing comments.

Anil Jain:

Thank you very much. I thank all participants for their very active participants and asking question which are essentially probing but happy to bring them the details as you see we are quite open in sharing the information's till the extent it does not hurt the interest of the company, now knowing as to how the information might actually get transmitted to other people, but if there is something that is left



*Time Technoplast Limited
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out we will be very-very happy to share that information on one on one and will be happy to receive any request for a meeting. Thank you very much for your participation. Thank you sir.

Moderator:

Thank you. Ladies and gentlemen, on behalf of IDFC Securities Limited that concludes this conference call for today. Thank you for joining us. And you may now disconnect your lines.