"Time Technoplast Limited Q2 FY19 Earnings Conference Call"

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Moderator: Good day ladies and Gentlemen, and welcome to the Q2 FY19 Results Conference Call of Time Technoplast hosted by IDFC Securities. As a reminder, all participant lines will be in 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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rohit Dokania from IDFC Securities.

Thank you and over to you sir.

Rohit Dokania: Thank you Chris. And welcome to Q2 FY19 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 that they will make their initial commentary. Post that we will move into the Q&A. Thank you and over to you sir.

Bharat Vageria: Friends, good evening to all and first of all I would like to give over best wishes from behalf of the management for a new year and we are just closing to the year and today in this conference call I have with Mr. Raghupathy Thyagarajan he is a colleague director marketing and I with Mr. Sandip Modi he is Vice President, Corporate Planning and Finance and Mr. Niklank Jain who is the Company Secretary and Compliant Officer. Mr. Anil Jain in fact is not able to present today because he is traveling and therefore and we are now here to talk about our results for the H1 half year and Q2 of the FY 2019 and outlook for the rest of the year. The results are already announced but I will just walk you to some of the key financials in operational highlights the key numbers are during the Q2 FY19 corresponding QFY19 numbers in the bracket. Net sales, consolidated stood Rs.828 crores as against Rs.725 crores. EBITDA at Rs.108 crores as against Rs.110 crores. PAT Rs.32 crores against Rs.42 crores and cash profit at 72 crores as against 76 crores. Compare with the corresponding previous year quarters net sales grew by 14% which in India and overseas is almost same 13%-14%. Volume grew in India total volume grew by 9%, India 9% and over his also around the same percentage EBITDA decreased by 2% that would be extra and further. PAT decreased by 25% this is going down from 44 crores to 32 crores. Cash profit decreased by 4%, the margin was impacted due to increased raw material cost on account of the depreciation of the rupee approximately 6% against the US dollar and also transportation cost on up by 0.5% around due to increase in the diesel prices in Q2 FY19. Now during the EPC the half year performance of FY19 corresponding half year performance of 18 numbers in the bracket, the net sales consolidated stood at 1610 crores as against 1406 crores. EBITDA is 229 crores as against 212 crores. PAT 75 crores as against 78 crores but cash profit specially you see 156 crores as against 145 crores. Compare with the corresponding previous year six month net sales grew by 14%, India 15%, overseas 14%. Volume grew by 11%, Indian 11% and overseas same percentages. EBITDA grew by 8%, PAT decreased by 4%, PAT profit grew by 7%.

In H1 FY19 the EBITDA margin was 14.21% as against 15.05% down by only 84 bps that also factor have been explant because of the raw material cost, depreciation in rupee and the transportation cost. Net margin also decreased by 92 bps that is 4.65% as compared to 5.7% the previous 6 months. The share of the business established product versus value added product, the value added products grew by 25% in HYF19 as compared to HYF18. The share of the value added product has been 20% of the total sales in HYF19 as against 18% in H1 FY18. India and overseas business in H1 69% versus 31% as against previous year same period was 17% and 13% almost we can say it is 1% here and there otherwise same. EBITDA margin in India and overseas are 14.15% and 14.32% respectively. The EBITDA margin was down more in India as compared to overseas due to reasons as explained earlier that is depreciation of the rupee, raw material prices and the transportation cost. Now polymer versus composite product. The polymer products contribute 71% and grew by 14% and composite product contributed 29% and grew by 15% in H1. Polymer products covered Drums, Jerry Cans, Pipes, Turf & Matting, Bins and MOX Film. And composite products covered IBCs Composite Cylinders, Batteries, Auto Products, and Steel Drums. PE pipe business, the pipe segment showing good growth because of the infrastructure activity is increasing in India currently we have a good order book of around 20,000 tons in terms of the value I can say 260 crores approximately. The supply already started for newly launched new generation multilayer PE pipe for power and communication cable duct with silicon in lining this is the new development has been done by the company but it is a part of the PE pipe only. The pipes and ducts have substantial business potential especially in development of the small cities. The total tap in H1 is 823 crores is against 777 crores. ROC even though it should be count on annually but ROC in the first six months around 13.02% versus 14.24%. ROC also impacted due to decrease in the profit margin and increased bank borrowing in H1. However, we are expecting 16.5% ROC for full financial year. In fact, I would like to convey that recently whatever has happened in the first half of the current financial year we have seen and it has already impacts are coming in the market, the prices of polymers are again stabilizing and further we have seen the stability in the balance part of the November specially, the foreign exchange that is also correcting now it is coming at a reasonable level because it has went up to 74.48 which is now current running at around 72 between 72 to 73. So we expect the balance six months definitely should compensate whatever have been lost in the first six months that we should compensate and we are estimating that overall whatever targets we have given the guidelines we will able to achieve in whole of the year. And, I would now like to open the floor to answer specific questions. Thank you to all for listening.

Moderator: Thank you very much sir. Ladies and gentlemen we will now start the question and answer session. Our first question is from Baidik Prasad from Unifi capital. Please go ahead.

Baidik Sarkar: Sir just help me understand the last comment you made, you said on the balance expense given the environment will be in a position to compensate for the dip in Q2 till your pricing be retrospective and if it's not retrospective how will you cover and even if it, how do such contract allow for such differences in pricing.

Bharat Vageria: Yes, in fact what happened BFC very quick movement to much volatility in the foreign exchange in the last six months' time. In –addition to that, there was fluctuation and the polymer prices were also there, and always we have seen in passing of both the things have accumulated at a time, so we had now already taken action and we are passing price increase to the customers and when we are able to pass on the customer price increase at the same time we have already taken initiative to increase transportation cost also to the customer, but again we have seen it is temporary because coal prices have come back, diesel prices they have again started showing down and it was only shadow impact I can say and polymer prices also we have seen it is not directly linked with the crude oil prices but recently the US market is supplying polymers in India because China they are not supplying to China because China has imposed 25% duty on the polymer so US is looking the market in India nearby Middle East countries are looking to market in India, India also some of the new capacities have come out for the polymer products so we see that polymer prices also should come out at a reasonable level. And always we have seen in the first six months we achieve a 45% of revenue of the target revenue and the balance revenue we achieve in 55%. We are very because already CAPEX have been done we are ready to take up the market growth which we are expecting in the balance second half, that is the reason the balance second half whatever indicates in the first half we are able to achieve the targeted results but only this particular quarters in the Q2 we could not able because both the things have come together.

Baidik Sarkar: Sure. Probably I need to clarify this offline, but what you are saying is the incremental price hike that you will take in H2 will compensate for the dip in Q2 I am repeating myself. So you are saying that you will make up for that.

Bharat Vageria: Yes, exactly.

Baidik Sarkar: Okay, great. For Q2 could you please give us the segmental breakup revenue between pipes, IBCs cylinder, MOX and packaging.

Bharat Vageria: If you take the H1 then the packaging 69%, Lifestyle 5%, Auto 4%, Infra 14%, cylinder 4% and MOX 4% this is the segmental wise revenue.

Baidik Sarkar: Sir it would be helpful if you give us the actual revenues because you have done that and tracked all that as well so the actual INR for the reportable segments.

Bharat Vageria: Okay. It means we have provided a total revenue of H1 revenue of 1610 crores I have provided the percentage for example if you take 69%, 60 multiply by 69% which is working out 1100 crores.

Baidik Sarkar: So packaging is 1100, pipes and IBC.

Bharat Vageria: Pipes is 1610 pipes we have that revenue, 1040 crores for pipes

Management: Lifestyle is 80 crores.

Baidik Sarkar: I am sorry what is 80 crores.

Bharat Vageria: Lifestyle products. Auto components 55 crores,

Baidik Sarkar: Okay. And MOX?

Bharat Vageria: MOX is 60 crores.

Baidik Sarkar: Okay. A last question before I get back, we have been given to understand by a lot of players in the industry that the competitive intensity MOX Film the segment has really gone up, what used to be IP Led technology one point in time has now become commoditized, your comments on that and if you can here to understand the med take profitability in this segment.

Bharat Vageria:

Yes, your observations I would say is particularly correct. There has been off late good influx of products which are claiming to having a similar performance property to the MOX product that is there, but these products have a service type of NVS between one to three years depending upon the application. The market leading brand and Techpaulin which is our brand we have completed good two years in the market and they have been able to credibly deliver the performance result that the market is expected. The critical of the MOX film will be as to how they will be able to service over longer periods time and that is anywhere between two to three years performance period that is there. So, the other product that has been launched in the last almost about 6 months, 2 more around a year or so. The market feedback has not been really very good for most of them. The market may have Mi2 or same like hearing names but then the performance as a product the trade has not been able to confirm that the performance has been good, in fact there are one or two names which were introduced last year they have already folded up and gone away. Likewise, there are three more names that have really come up but it remains to be seen as to how. We have reasons to believe because we have been there in the market, the technology that is used for the production of MOX Film is with very limited hand and we are comfortably placed as far as the inflect of the competition is concerned.

Baidik Sarkar: So what kind of margins have you enjoyed in this segment for H1.

Bharat Vageria: H1 you mean to say in terms of the turnover.

Baidik Sarkar: MOX

Bharat Vageria:

MOX turnover within the first six months, margins are there, in any case in the range of 18% to 22% margin is there MOX Film, evaluated product all margins we have said it is in the range of 82, 22% margins are there MOX Film business we have done in the first half, 63 crores business we did as against the last year of 28 crores, just double the business of MOX Film in the current because are able to capture the market because we increased the capacity also.

Baidik Sarkar: Okay. And you said your margins and MOX have got 20 to 22% is that right?

Bharat Vageria: Of course it is there, for value addition as the business in UP so contribution is going to be increased in the margins.

Moderator: Thank you. The next question is from Andre Purushottam of Cogito Advisors System.

Andre Purushottam:

I was trying to see, you were saying that the ROC for this half is about 13% but you expect a year end ROC of about 16.5% that would imply that for the next half your ROC would be roughly in the area of 20%. Now is that likely, that is my first question. The second question is that, if your performance has and the profit percent has worsened because of raw material price increase, etc. What it say about your ability to price and pass on the cost to the consumer number one and secondly what are your hedging policies at this point of time. These are the two questions that I have.

Bharat Vageria:

As far as your first Mr. Purushottam, is regarding ROC for these concern, is the in the first six month ROC is 13% and we have initially also said every year ROC is going to be increased by 1.5 to 1.75% so we can reach by 20-21 ROC around 21% that was the whole guidelines, we were talking since last five year that guidelines have been fixed based on the March 16 results. We were on that line till the last 2018, as far as whole year last year was in the range of 14.5% around 14.5% was the ROC in the period of March 18 only specific this quarter this first half it has gone to 13. I agreed as the business and whatever profits we have lost in this quarter should compensate in the period ahead. Exactly ROC what will be the next this that will be worked out but we are sure overall ROC compared to previous year based on the March 18 which increased by 1.5%. And second as far as hedging policy is concerned yes we have a certain guidelines given for the hedging policy we should cover $15 million policy we can keep maximum open otherwise we have to cover balance amount. So we are following the guidelines which is given by the audit committee and we do not want to change in between because we are also hearing, we have seen in the last three months that highest rupee depreciated up to Rs.74.48 currently which is Rs.72. So we know that therefore we are not changing in between policy so company should not lose the money if anything stabilized near term, because this was seen in the temporarily sudden jump you, a March 18 again the dollar rupee was around Rs.66 which is increased in June quarter 69 suddenly went up to 72. So in the last six months only seen rupee have been depreciated by 10% which is already corrected in the last six days itself corrected by 3 to 4%.

Sangita Purushottam:

Right. Sir this is Sangita Purushottam what I wanted to understand was that, what we change in the second half apart from the fact that seasonally the second half is a stronger quarter that you get 55% of your sales apart from that will the raw material prices obviously your margins have come off this quarter, now will you be able to take price increases going forward and is that what is going to help us cover.

Bharat Vageria: Sangita you have taken the right point that the price increase which we definitely we have a system of passing to them, but – especially in the last quarter there two things has happened, one the raw material price has increased, second the rupee has also depreciated, third the transportation cost has increased.

Sangita Purushottam: Right. So are you basically saying that you will be able to pass them all the cost increases with the lag you could not do it immediately in the second quarter but it will be done in the third and the fourth quarter and that is what is going to help you recover the profits.

Bharat Vageria: Yes, you are right.

Andre Purushottam:

One most last question I had was, could you give us an update on what is happening on composite cylinders in terms of the progress you are making domestically and abroad.

Bharat Vageria: Okay. As far as abroad is concerned new countries are adding up, wherever initially we had supplied trial quantity now we are receiving the repeated orders and we have not seen any decrease in the overseas quantity, as far as single business is concerned if I will take from the last year there is a growth of almost 20% in composite cylinder compared to last year same period.

Andre Purushottam: In terms of your ability to break into some of the big guys like HPCL or BPCL, etc

Bharat Vageria: I am coming to that line, I think there is no any much change in the Q1 and Q2 as far as government purchasing is concerned but the local party is concerned who have launched in own branch local private gas distribution company have launched there volume is increasing on month after month because they are in the process of appointing distributors in all metro cities and the semi metro cities. Definitely month on month business is increasing locally also so that one day government should learn and government should pressure will come from the end user that they want composite cylinder because of the safety reason.

Moderator: Thank you very much. Out next question is from Mahendra Jain of Way2Wealth. Please go ahead.

Mahendra Jain: Sir what is the outlook for MOX Film in the second half, because in the last concall you were saying that rainy season is the main season for the MOX Film so what will be the outlook for the MOX Film in next half and sir second question is regarding polymer price, so what percentage has increased in last quarter.

Bharat Vageria: In terms of the polymer prices. First Mr. Mahendra, as far as polymer prices are concern polymer prices in the last in H1 it is increased by around 6 to 7% and as far as exchange is concerned also increased by 6 to 7%. Now number two, your MOX Film are concern, whole year we ourselves are keeping a targeting of around 120 crores for whole of the year in the first half of the period we have already covered our business of 50%. So again these people start buying of this material in advance because in the rain in the season when it comes they keep inventory themselves and we are confident of market practice, whatever we are producing they are buying yes, there is a certain scheme is to be worked out, there has been a market trend which is all other competitors, other producers are also offering. Similarly off season discount we have to offer but we have already taken into consideration while we are providing you EBITDA margin of 18 to 20% we have already taken into account for the seasonal and nonseasonal business. We are on the target and we will be able to achieve the guidance revenue of around 115 to 120 crores provided for this current financial year.

Mahendra Jain: Okay. Are we equipped with whole capacity or we are still in expansion mode in MOX Film putting in some more capacity.

Bharat Vageria:

I think initially when we had provided guidelines by 20-21 what kind of business MOX Film we are expecting, we have decided total lines will be around because we are creating some new applications of the MOX Film also. Now as far as capacity part is concerned current capacity is on place, no need, expansion we will see later on in the next to next year that is maybe in 1920 or 2021 but again some part of the product development where the uses of the MOX Film will increase some normal CAPEX will be there for the product development and the new applications providers.

Mahendra Jain: Yes sir, as the polymer prices has now related as a raw material is a gas correct not an oil.

Bharat Vageria:

Yes, I tell you all over the world if you see the polymer manufacturing technology based on the gas and based on the oil, if you take because new plants which has come out in US, --Shale gas base new plants which are in Middle East on gas based but the old plants which are certain plants on the petrochemical complex oil based. So if you take the world over is almost 50% gas based plant, 50% oil based. The polymer prices are depending on the demand supply, we have seen in the demand in China is going down because Chinese manufacturer has setup their plants where the finished goods requirement because China cost of the production has also increased. We are expecting this prices should stabilize in the next six months' time depending on the new production capacity which has already come out in India and in the nearby countries.

Mahendra Jain: Okay. Sir last question, any new value added product we are planning in near future.

Bharat Vageria:

As I think we have mentioned that some of the new product which is pipeline for the 1920 life CNG cylinder the development is already done. All trail, testing internal is going on, another product leaf spring is already there, then we have an anti-fatigue match that is also developed, this can't compare, listening product development is on so that company can add the value added product more. A unique account field expansion at the existing location.

Moderator: Thank you. The next question is from Manish Bhandari of Vallum Capital. Please go ahead.

Manish Bhandari: Sir, my question is regarding the has the bank borrowing rate has increased for you and would that impact second half or maybe a year forward the rate of interest.

Bharat Vageria: Manish bank increase is, bank borrowing increase is considering the various factors as I think all are aware in the last March 2018 or I can say in the last six months so many changes have taken place like government of India, like Central Bank RBI has stopped without any notice buyers credit facility which earlier was available, on the extended credit towards the imports and you know that we are largely I can say our raw material cost is 68% out of that 68% I used to have an imports of 60 to 65% balance I buy the local material. Now the buyers credit which was available at the cheaper rate is stopped by RBI in April onwards. So resulting that creditors have been converted to the bank liability. Major effect, another the 10% prices of increased including the exchange rate and including the raw material prices increase. Further the 10% growth of the company is also there so considering all this factors and there is a liter increase of around I can say it is a 10 to 15% on the liability side. And it is reflecting in the cost of the interest also because interest cost is also in the last three, four months seeing the bankers have increased their MC other bankers have increased their cost. So, overall cost of the funding has also increased.

Manish Bhandari: So considering these challenges your guidance was 16.5% return on capital employed to be achieved or likely to be achieved, doesn't it looks like aggressive in nature.

Bharat Vageria: But I am just pleased to tell you, if you will see this is not relate to this quarter but I would like to share with you the good news, if you see that today all poly manufacturer in India has announced price reduction of Rs.5 in NTP other polymer was Rs.3 so It means, in addition to that, they are giving price for the percentage in the next 15 days also. So it is a clear indication when any polymer manufacturer start giving with a price protection when polymer prices are reduce is indication that prices are going to be softened. And prices will go down then definitely as our working capital requirement should go down in the next six months' time depending if the price stabilize then we will be able to get back our returns, I have to invest less money to get the same kind of return.

Manish Bhandari: Okay. My second question was regarding the IBC to be introduce in the global market, so is that changing our composition of margin in the global business.

Bharat Vageria: No, as far as IBC is concerned we are not changing any of our policy as per the margin is concerned. In IBC even, I think handover to Mr. Raghupathy will explain more thing about the IBC part.

Raghupathy Thyagarajan: The IBCS that we manufacture all are different product foreign location, they are actually supplied locally to the customers there and they use these product basically for export of their products for per say. So overall scenario if you look at it the demand for this IBCs continues to grow in those regions because internally these products are being used for packing their chemicals and they continue to export it, any change in the currencies, etc we are not really adversely affected because they are all internal sales in those specific countries per say.

Manish Bhandari: Okay. My last question is regarding a sales of shares by the promoter entity so, I remember that there was some sale last year also and at that point of time we made a comment that, that is the last sale we are doing. So is there anything that we should get worried about as a shareholder that why there has been a continuous sale by the promoter entity and what is negative in doing so.

Bharat Vageria:

No, Manish you are right but I think I will just recollect thing, as far as I think promoter appraise their equity and taken borrowed money from the NBFC and 48 development on the plot which was owned by the promoter company. And that placing of the shares company need to serve their interest cost because this now the new guidelines, construction guidelines has already come and work on the project have already started and the promoter need to give their margin towards the start work for that project. Already the initial payment, Techno has the new guidelines and we have last time also we have clarified in the next three year signs promoters have an estimated and projected to release of that share because by that time development of the property will be over and we will get release of that loans also. So that sale of the equity is only on account of the begin work for the development of that property which is already common.

Manish Bhandari: Is there any further likely change to complete.

Bharat Vageria:

No, because the total project was for development of the project is estimated around Rs.200 crores because lend is already with us and we are targeting our revenue even we are expecting at the end of the previous there maybe surplus fund also after retiring of this loan which we will take for development versus property. So promoter contribution whatever you require that have been generated and that will be used for the development of the property as a margin.

Manish Bhandari:

Sir my last question since it is direct marketing is around. It is regarding the reverse logistic which is wonderful area across the globe. So what we are during for the reverse logistic and is there any way where we can have a significant our business on reverse and fix side.

Bharat Vageria: Yes. We have our, in India we have been able to adopt a very strong model because we have now locations in almost 17 to 18 places all over India. And we have multiple business that has been spread across. So we have got IBCs manufacturing in different locations, which are maybe about two or three, we have got drums manufacturing in many of those locations so there is a good amount of criss- cross of the material that grow keeps going from one location to the other. For some of the product lines we have a maximum travel of the fleet to about maximum of 150 to 200 kilometers. But for some or the other products where we have a longer travel time these fleets have been designed in such a way that they go to a nearest factory which is there in the close proximity and they already have a tie up where in they will be able to pick up the material that is coming to other destination. We even plan to such an extent that even the raw material that go from the post to our destination, to our factory location on the return also they collect back the finished goods and they come back to their different nearby location wherever they have to return. So we have been able to manage the entire utilization of the fleet where in every transportation requirement that has been made available to us we are able to optimally utilize them.

Manish Bhandari: Sir can you share some numbers may be we can keep that as a for each quarterly to understand that how you are shaping, how this reverse logistic is shaping do you have any numbers to.

Bharat Vageria:

So, what happened for example I have send a raw material from Nawashiva port to Daman, Daman raw material is unloaded, they will plan in advance in Daman for dispatch of the consignment to the customer who is having in Nawashiva. So that truck will be loaded and that consignment on that way we will negotiate with the transport company I am giving you two way freight please give us rate otherwise, and that time we can get for example a single trip the transporter is asking me Rs.5000 and now in return trip we can negotiate with him to give Rs.8000. That will be the said, because he will also save that way the return trip is assured otherwise he will have to wait for that location to get the new consignment and then he may waste for a one day that itself will compensate him by getting the immediate business. So in other thing I tell you, we have a specialized truck I do not use the normal and single layer truck we have a long chases truck who can have a for example we have a large packaging business where a normal truck can carry 100 drums but our some of the vendors who have developed the trucks for ours business only which can carry 200 drums, 240 drums. And based on that only we have decided the rates with them, I will give you to and fro fare so that whatever maximum possible with the vendors that already we are doing it on the maximizing to send to the nearest locations. Trucks are not owned by the company it is a vendor that has been developed for requirement for our product.

Manish Bhandari: What percentage is of ours?

Bharat Vageria:

Now, I will tell you the other way, the normal packing cost, transportation cost which was 5 to 6% of our product cost for example I have done a sales revenue of 1610 crores then you can take a transportation cost of around Rs.80 crores. That is the transportation cost it is there for the six months.

Manish Bhandari: Sure sir. So what percentage of our turnover cost structure is now going through your reverse logistics.

Raghupathy Thyagarajan: It is nothing new it is nothing new it is already doing, optimization is there already. Because my vendors have developed we have negotiated, when we negotiate with them we ask them you will get the consignment from here to there then you go to the nearest location and now a days a networking is so good.

Manish Bhandari: Sure, I get your point.

Raghupathy Thyagarajan: -- they tell you in advance that please keep the consignment ready and loading based on that only we have done the negotiation Manish.

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

Pritesh Chheda: Sir can you give the CAPEX that you have spent in the first half.

Bharat Vageria: Yes, in the first half the total CAPEX amount is as I mentioned to you so is 110 crores. Which inclusive for the regular CAPEX from the value-**added** product both together and in the beginning itself they have given whole year target will be around 200 crores.

Pritesh Chheda: Okay. And I see a 50 crore increase in borrowing and there is a cash flow of about 150. So 150 plus 50 is 200 out of which CAPEX is 100 and another 100 crore is utilized where.

Bharat Vageria: It is increased in the current asset, you know that almost 15% revenue growth is there, 10% valuation of inventory had already increased. So it is a 10%, you see that 10% inflation, 14% growth of the business is there, 10% prices have increased if this 10 and 15% prices will come down then it will come back to the original level.

Pritesh Chheda: And how much of the business is contracted in nature where you cannot take an immediate price increase.

Bharat Vageria: Specially I tell you the 12 o 14% business of the pipe business we always take on the fix price basis if today that advantage we can get approved in the next balance sheet quarter because pipe business we have to submit our tender based on the, then prices we take contingency of two persons or three person when opening the price but if the price increase is more than three person contingency then we have to absorb that price. We have a fix price where we give like for the price business, where we cannot pass on immediately it is going to take time next tender I will submit based on the revised price. Another the cylinder business I cannot, once the order I have received I have to supply on the average price only.

Pritesh Chheda: That is 3-4% of your business cylinder.

Bharat Vageria: Yes, so that is not affecting. Now but again my packaging business where in a month fluctuation is too much there in the exchange rate for example I take the exchange rate first of the month is 72 and based on that I decide my packaging with the rate and whole of the month I do business, but during the month because I also have to take the forward booking on daily basis. I do not take in a day as per the policy given to them, whatever my permission is there they buy every day that dollar so in a month there may be much variations. So in packing business passing of the prices takes 30 to 40 days' time, if the time gap.

Pritesh Chheda: How much is packaging business as a percentage of the total.

Bharat Vageria: In India and overseas both together have a 70%.

Pritesh Chheda: Sorry 70% in?

Bharat Vageria: 70%

Pritesh Chheda: 70% of your business is packaging in which the price lag is about 40 days.

Bharat Vageria: Yes, 30 to 40 days always.

Pritesh Chheda: Okay. And pipes business is contractual and cylinder business is also contractual.

Bharat Vageria: Yes.

Pritesh Chheda: So at least on this 70% of the business we would if the polymer prices stay where they are then you would recover your margins next quarter itself.

Bharat Vageria: Next to next quarter because I carried the inventory for 65 to 70 days.

Pritesh Chheda: Sir then that inventory should have benefited you in quarter two right, in quarter two you got a hit.

Bharat Vageria: No, in quarter one and quarter two both time two things have happened rupee also depreciated and raw material prices also increased.

Pritesh Chheda: Sir that gets reflected are raw materials both the things.

Bharat Vageria: One thing I will clarify you, in April to June quarter I was not affected in the margins and that thing because I was carrying those inventory but these again the prices further increased in the second quarter which with a lag of this time gap between the passing on entire passing was not possible the last quarter because continues consequently two quarters polymer prices increase and the rupee also depreciated. Now the thing 50% we are able to recover in this quarter but in Q4 the 100% recovery will come out.

Pritesh Chheda: Okay. And how much was the hit on the freight side?

Bharat Vageria: Freight side in terms of the percentage as I explained to you my packaging cost, my packaging, transportation cost for product is almost around 6%. Normally transporter consider a 50% is considered the cost on account of the diesel which is increased by around 7% in the last quarter. So almost in terms of the EBITDA margin I can say half percent this is affecting to my EBITDA.

Pritesh Chheda: Sir as percentage of sales when I am looking where it would be, it would be in operating and manufacturing expenses where you would classify it.

Bharat Vageria: Yes.

Pritesh Chheda: I do not see a YoY increase or a QoQ increase as a percentage of sales so when you are saying transportation where does it gets reflect or there is any other expense which has come down.

Bharat Vageria: No, of course when other expenditure will go down that will compensate to the other expenditure of example, I have done the Brownfield expansion so my that cost will not be same proportionate which the 14%, 9% volume growth is there, it has been done that the existing locations only. It is affected by the half percent only which is not coming directly on this but if you need any further understanding at any time you can visit our office and I can provide you the details available for the head wise expenses.

Pritesh Chheda: So as of now should I understand that half of a percent impact on freight you gain something on operating leverage.

Bharat Vageria: Yes.

Moderator: Thank you. We have a follow up question from Mahendra Jain of Way2Wealth.

Mahendra Jain: Sir what is the outlook for export, looking at the volatility and all these things sir. In what percentage we are exporting total polymer products.

Bharat Vageria: I will clarify, as we are in the voluminous product in our all of the product we have our presence in India then we have many purchasing presence overseas to cater the local market. Physical export of the voluminous product from India is not economical because cost of the freight is equivalent to the cost of the product. From India we are doing export mainly I can say we are supplying our product to the chemical company who use our product as a best packaging and they fill their chemical and they export it.

Mahendra Jain: Okay.

Bharat Vageria: Now from my product profile export is very negligible, very small which I can say we used to do export of the composite cylinder. We do some export of MOX Film so in terms of percentage is a very-very minimum if you take the overall site maybe 3 to 4% of my total product, we are doing exports.

Mahendra Jain: OKay. Even in MOX Film we are around 3-4% sir on total sales.

Bharat Vageria: No, if we take the MOX Film yes we ourselves are keeping target to do around 20% of my MOX Film turnover for example we have projected a revenue of 120 crores, 20% we have projecting for around 15 to 20 crores we are keeping a target for the exports.

Mahendra Jain: Sir which countries we are exporting MOX Film.

Raghupathy Thyagarajan: It is normally going to countries like Germany, many parts of Europe and USA, etc.

Mahendra Jain: Okay. Mostly developed countries.

Raghupathy Thyagarajan: Yes, mostly they use it basically as covers especially as winter has come in, they order lot of covers which are basically used for protecting their furniture's, outdoor stuff like that air conditioners and all.

Mahendra Jain: Okay.

Bharat Vageria: And further in that we are providing training to our exiting overseas people also to do the marketing of their product so we can do the export directly from here to the end user.

Raghupathy Thyagarajan: Because we presence overseas nine countries.

Mahendra Jain: Okay. Sir is this a big bucket in abroad like for exporting MOX Film is it a big market.

Raghupathy Thyagarajan: Market is definitely big there because conventionally many of these places still there are conventional tar coal which are used, we have found replications in many markets but where there are still a very large market, for example in Thailand we have got a full fledge team which is in place so they have been able to take initial shipments in to Thailand and then distribute the products they have been able to do a cycle of about six months and the trader there are very convinced about the longevity of the product. So we are now putting up a fabricating facility in Thailand wherein the roads will be transported from Indian and we will fabricate it in Thailand. So that is the kind of way forward we are looking at so that we can optimize the market reach there.

Moderator: Thank you very much. We do have a follow up question from Pritesh of Lucky Investment. Please go ahead.

Pritesh Chheda: So what is your outlook on the volume growth.

Bharat Vageria: I think initially as we have projected revenue and volume growth of 15% for the entire year but as the first half we able to get 9% volume growth so in balance part of the year I think combined average, whole of the year can be 12 to 13% but we are sure in the balance 6 months the volume growth must be there as looking in the past history also and looking into the pipe business in hand around 15%. So overall estimate of the year maybe volume growth of around 12%.

Pritesh Chheda: And what is pulling down the growth?

Bharat Vageria: No, there is no because in the first half what we.

Pritesh Chheda: What is pulling down versus your earlier expectation so where is the disappointment.

Bharat Vageria: Okay, especially I can say the disappointment has come out some of them specially in the packing product which is we had projected 15% but we are able to get around 8%. Pipe we are expecting more growth, MOX is on line, cylinder is on line. In fact we are hopeful we can get even overseas is not affected badly as India is affected overseas will not that much affected. Almost 2% here or there otherwise in the whole year target because we have a good order book in hand.

Pritesh Chheda: So what has affected the packaging product growth rate in India.

Bharat Vageria: Almost I can say as normally initially we had projected to 13% growth, 12 to 13% which we have able to get at around 8%.

Pritesh Chheda: And what happened what is the reason?

Bharat Vageria: Because they could not able to pass on immediately price increase because that also some order booking at the old rates. Maybe some of the people we have suffered now we wanted to improve you are aware that –liquidity some of the customer we have not supplied because we told them first we should get our price, we should get our money because we have to very-very conservative in the last six months looking into the market circumstances even you take the example of 45 days or two months before everybody was worried, liquidity market, bankers were not releasing the facility. So, I also told to manage some discipline, so within to take hit on the business but not at the cost of the money.

Raghupathy Thyagarajan: There has been some impact of the fluctuation in the crude oil prices as well because related products which are derived from the crude oil they also have gone substantially up. So some exports, many of our customers were exporting oil, etc to some of the economy they have also been affected because of the sudden price increases which they are recouping now.

Pritesh Chheda: Okay. And your overseas business exposure by way of direct and via exports is about one fourth of your business right.

Raghupathy Thyagarajan: No, Pritesh I think as far as overseas business is concerned. Overseas companies are manufacturing for supplying the local market, we are not from India supplying to that companies.

Pritesh Chheda: Yes. My question is your total exposure is how much as a percentage of sales.

Bharat Vageria: 30% in my overseas business and 70% is Indian business.

Moderator: Thank you. Our last question is from Govind Sahu of IndiaNivesh. Please go ahead.

Govind Sahu: Sir what was the sale of pipe in first half and what is the outlook in the second half.

Bharat Vageria: Pipe in the first half was around 60 crores, it is increased in this first half, both put together is around 140 crores. And second half I am expecting more than 200 crores. Because order book is already there, as I mentioned we have an order book of almost 20,000 tons in terms of the value which is to be supplied in the period and till March only.

Moderator: Thank you. We have one more question from Aditya Mehta.

Aditya Mehta: My question is regarding the development of the plot that we are going through so what is the purpose behind this development of this plot.

Bharat Vageria: No, I will just give you history if you are aware of that. In fact development of the plot means the promoter company is owned the plot nearby because currently our office is in Andheri Sakivihar road. The Time Technoplast earlier was hopping was earlier heading their offices in the old premises which is nearby area on the Sakivihar road that the company, the promoter company have placed shares and took the loan for buying out that old property. Now that property is on the vacant land and got the approval and there is going to be construct around 2 lakh sq.ft. is a saleable area which is working out. And that area after developer will sold out and realization will be used for the retirement of the loan so that shares, placed shares will be released.

Aditya Mehta: And what is the completion time for this project.

Bharat Vageria: It will take a 36 month time.

Aditya Mehta: And one more thing is regarding the promoter's sale of shares so will there be any more selling of the shares.

Bharat Vageria: No. Currently because whatever margin was required that care of and initially the balance will be taken care of by way of loan and as because initially we will have to, we have got all the clearance it is a vacant land already there. We were waiting for the new guidelines which is for the incremental FSI is there.

Aditya Mehta: Okay, excluding this pleading of the shares also there was some sale by Mr. Vishal Jain.

Bharat Vageria: Vishal Jain is the son of Managing Director Mr. Anil Jain, he is doing his own business and to start his business Managing Director had no any money to give him the cash therefore has given the equity so that he can sell and he can do his own business. And it was a very-very small share that is given if you see that.

Aditya Mehta: Yes, around 3 lakhs share.

Bharat Vageria: In terms of the percentage negligible.

Moderator: Thank you. We have a question from Manish Bhandari of Vallum Capital. Please go ahead.

Manish Bhandari: Sir my last question is there is a promoter group has any other company apart from the listed entity Prime Techno and PPA Plastics.

Bharat Vageria: Manish, we don't have any other company we have one company called Avion Exim Private Limited that is doing the metal products and metal products especially almost 70% of that metal products which otherwise the manufacturer actions says to give in the retail sector market but 70% they do work for the Time Technoplast only and that is a special technology product because the promoter would like to have in-house developed technology especially IBC product which has a profile. Horizontal and vertical profile which is designed and we would like to know how within the group only. Therefore, and this is a special, is not a sender machine which is developed when this Avion Exim is existed for more than 10 years when they started the IBC business with the help of them has been done and that company is having a separate unit in the state of Gujarat there is no other business which promoter is having.

Manish Bhandari: What is the turnover of that company.

Bharat Vageria: Turnover of the company is I can say 70 to 80 crores.

Moderator: Thank you very much. Ladies and gentlemen we have no further questions. I would now like hand the conference back to management for some closing comments.

Bharat Vageria: Thank you very much to all friends and wish you a very Happy New Year and best wishes for the second half of the current financial year. All the best. Thank you very much for listening to the management about Q2 and H1 results of the company.

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