"Time Technoplast Limited
Q2 FY2020 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the Time Technoplast Limited Q2 FY2020 Earnings Conference Call, hosted by Equirus Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Vikas Jain from Equirus Securities Limited. Thank you and over to you Sir!

Vikas Jain: Thank you Janice. Good afternoon everyone. On behalf of Equirus Securities I would like to welcome all of you to the 2Q FY2020 earnings conference call for Time Technoplast Limited. From the company we have with us the key senior management including Mr. Anil Jain, Managing Director & CEO; Mr. Bharat Vageria, Director (Finance); Mr. Sandip Modi, Senior Vice President (Accounts and Corporate Planning); and Mr. Hemant Soni, Head Legal and Company Secretary of TIME Group. I would now like to hand over the call to the management for their opening comments, post which we will open the floor for Q&A. Thank you and over to you Sir!

Anil Jain: Thank you very much. Good afternoon friends. I have with me Mr. Bharat Vageria, Mr. Sandip Modi and Mr. Hemant Soni. It is a pleasure to be together this afternoon. We are here essentially to talk about our results for H1 FY2020 and outlook for the rest of the year. The results are already announced, but I will just walk you through some of the key financial and operational highlights.

The key numbers are during Q2 FY2020 correspondingly the numbers for the same period last year, net sales consolidated stood at 871 Crores as against 828 Crores. EBITDA at 121 Crores as against 108 Crores, PAT at Rs.39 Crores as against 32 Crores and cash profit at Rs.80 Crores as against Rs.73 Crores.

In terms of percentage of growth, the net sales grew 5% both in India and overseas, this is the value growth, the volume growth is 11% again equal both in India and overseas. EBITDA grew at 13%, PAT grew at 22% and cash profit grew by 10%. The EBITDA margins were 13.94% as against 13.02% increased by 92 basis points. Net profit margin also increased by 61 basis points that is 4.43% as compared to 3.82%.

During H1 FY2020 our net sales stood at Rs.1739 Crores as against 1610 Crores. EBITDA at Rs.240 Crores as against Rs.229 Crores and PAT at 82 Crores as against 75 Crores and cash profit at 164 Crores as against 156 Crores. The net sales grew by 8%, the volume growth was 12%, EBITDA grew by 8%, PAT grew by 10% and cash profit grew by 5%. In

H1 FY2020 the EBITDA margins was 14.26% as against 14.21% for the corresponding period last year. The net profit margins also grew by 8 basis points.

The share of business, the value added products grew by 12% in H1 FY2020 as compared to H1 FY2019, the share of value added products is now 21% of the total sales in H1 FY2020, it is 20% in the same period last year. EBITDA margin in India and overseas businesses are at 14.36% and 14.04% respectively.

With this I would like to open the floor to answer specific questions. Thank you.

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

Ritesh Shah: Sir I had a specific question on two segments, what you had indicated in the past there was a large opportunity. I think the market feedback specifically on MOX films is quite positive. Sir just wanted to understand I think last year we had clocked around 110 Crores, so for the quarter how much did we clock, what is the utilization levels, what is the pricing environment like for this particular segment, I will come to my second question then Sir?

Anil Jain: The MOX film has growth of about 15% in this quarter and also in the half year. If the market is still strong, in fact we had some slight advantage this year because the rain is for longer period of time and as far as the competition is concerned, technology based products are still being offered by only two companies you know the other one. There are people who try and make me-too kind of a product they tried at last year, but they did not do quite well, in this year also they tried, but it was not accepted by the market, so I guess the competitive scenario remains the same and so whereas the pricing is concerned we are very clear that we are not going to be undercutting the market I think our product is being sold at a very reasonable price on the customer standpoint and we do believe a quality product does get acceptance for its price. So the competitive environment does not change much. The demand we have to really watch carefully especially now the tender season starts as the corp comes in because FCI and other big corporates they try and die for covering the food product, food grades, etc., which are lying outside so that is positive, but we would still be seeing a decent growth in this business.

Ritesh Shah: Sir when you say 16% growth is it volume growth or is it value growth?

Anil Jain: This 16% is value growth.

Ritesh Shah: And Sir on utilization levels on 12000 tonnes of capacity what we have are we at 70%, 80% utilization levels?

Anil Jain: We are sub 70%.

Ritesh Shah: So last quarter it was 70% this quarter it has dropped below 70%?

Anil Jain: No, basically we keep debottlenecking our capacity so this is based on our current capacity, but yes about 70% is what I would like to think is our capacity utilization.

Ritesh Shah: Correct and Sir just an extended question over here you had indicated around 23%, 24% margins in this segment now what we understand is one of our peers it is launching a new product called Silpaulin Star and Shalimar one of the other peers has also been very aggressive offering quantity discounts in the market. Sir what do you make of this will we change our pricing strategy going forward to retain our increased market share, how should one look at this?

Anil Jain: Not quite really, our brand is very well accepted in the market place it is a product which is sold based on its life. We are already in the market for three, four years, so our customers have seen the performance of our product over a period of time so we have not really seen any pressure on the prices, you are right we have heard about these companies also coming in, but I would like to think they are making more of an ordinary sales and the multi-axis oriented multi-layer film, which we and other reputed manufacturer makes it in India. Their product is quite different, so even if they offer it at a lower price I would like to think people who are buying the product for a longer period of time will still stabilize.

Ritesh Shah: Sir just before I move to DWC, as you indicated your focus on quality, but what will be the pricing gap because what we hear is Silpaulin has been losing market share to us because we have been quite competitive on pricing as well as the schemes that we offer to the distributors as well, so one is what is the pricing gap and how should one look at this and my second question is on DWC I will just move to that Sir.

Anil Jain: Silpaulin we do not offer any special price discounts, but if we are telling about price difference with the other companies who are entering the market that have a different kind of a product the price difference could be as high as 10%, 12%, but like I said even with this price differential we are able to offer this product in the market because it lies and the technology involve therein.

Ritesh Shah: Sir second question is on DWC, Sir how do we see the market, you are quite positive on this segment, so have we seen any ramp up if you could provide some color on the order book position that we have and if you could break it up between B2B and B2C if possible like I will say in government and builder segment and the kind of margins this particular product can actually give us?

Anil Jain: The DWC pipe I would still say that there are very large enquiries, which are there in the market place, but for some strange reasons they have not been finalized in the quarter and I guess one of the reasons why they could not get finalized is because the rains continued until two weeks ago, so the tenders are now going to be finalized so we already had order of about 800 tonnes of these pipes, which you will be supplying in next two months time that I am sure we will have a fairly large demand by the time, in fact if you look at the overall demand for DWC pipes is huge it is just a question of when the orders get finalized.

Ritesh Shah: Sir when you say 800 tonnes is this like government orders are we dealing with the government directly or is it through contractors or is it the builder segment?

Anil Jain: No we do not deal directly with the government, we normally go to the EPC contractors who buy this and they in turn have the government contracts. So we are not equipped to deal directly with the government. So these are not the agents basically these are EPC contractors, but the EPC contractor we deal directly or through any agents in between. For example L&T could be a big EPC contractor who takes the contract for sewage pipe from place A2B so they are the one who will buy the pipes from us and then they may be doing it for let us say that is from board so they will do that, so they deal with the government but we deal with them only.

Ritesh Shah: Sir when we stay in PE pipes we have order book of 325 Crores is this only PE or does it also include DWC?

Anil Jain: That is inclusive of both.

Ritesh Shah: It is inclusive of both and lastly Sir any new launches that we are looking forward to in the next six months because historically we have come up with new products periodically so is there something exciting that we can expect from your table?

Anil Jain: As you know last year even in pipe segment we had offered the special pipe or tables etc., and we are getting good orders so that was our introduction, but if you are talking about overall you will see some new products coming out from us of course this is difficult to predict this time because there are some approval processes for the government department, but we are essentially talking about CNG pipes both for onboard application that is on vehicles so we have got from 30 liter to 156 liter, 30 liter is for autorickshaw and 156 liter is for the buses. We in addition also are doing CNG pipes for cascades as you see the CNG has got to the gas stations by the cascades, which have a lot of cylinders on it. So we are going in for a pipe for cylinders so that we can on the same way we can carry almost three times the CNG. Interestingly this product has met international standard testing within our factory and now we have started the process of approval from PESO and ARAI it is difficult to say when will that be over, but once that gets over through the same time next year now we will be launching those products. This is a huge, huge market and by the way nobody has this technology in India there are some CNG cylinders or the busses that have been used in India that they had been imported and they are almost three times more expensive.

Ritesh Shah: Thank you so much for the answers. I will join back the queue for more questions.

Moderator: Thank you. We take the next question from the line of Anirudh Agrawal from AAA Investment. Please go ahead.

Anirudh Agrawal: My first question was actually on the overall economic slowdown so should we also see Time Technoplast as a business wherein the economic slowdown will have an impact or not really because a lot of our volumes especially in the packaging side are linked to chemicals, which is also linked to the overseas demand and not necessarily domestic and given the current environment what would be your guidance on overall topline growth in FY2020 particularly considering the first half has panned out for us?

Anil Jain: It is a very interesting question because this is something that we keep debating internally almost every second day. See let us take the fact that there is a slowdown in the market, I would not deny that there is no slowdown there is a slowdown, some of our business. Now interestingly Time Technoplast is a company, which has got several products say for example we have industrial packaging, we are entrusted several million products, we have box foods, we have pipes we have end number of different cylinders and end number of different verticals and I guess when we did these verticals at the back of our mind we always has this fear that someday some of our segments may not do as expected well, but the others should be able to compensate for it and I guess this is now coming through. If we look at automotive components this is only about 4% of the total revenue, we are seeing a sharp decline in the sale of those, but that is compensated largely by the cylinders, which are seeing a good growth, the consumer product, the matting, etc., of course I must say that uptick is less because the consumers are not buying as much, but I am sure the types will more than compensate for the decline so my guess is if you remember we always said that we are looking at a growth from 12% to 15% I will stick to the lower side of the range that we have given 12% that I guess this can change significantly depending upon how the economy works from here on.

Anirudh Agrawal: Right, so just a followup on that would be in terms of your industrial packaging segment what kind of growth do you see this year?

Anil Jain: We are looking at a growth of about 10% that is something that we have been able to maintain interestingly then the Indian chemical industry will see a little bit of an expansion as somehow the companies from China who are not able to export to North America are looking for new places to set up the factory so that they could qualify bringing their product to North America and I believe with the reduction in the taxation, which I am sure must have been one of the reasons that there could be new investments in the country as China now moves out, they are looking at India with a lot of interest and we are in touch with them. With the overall chemical industry growth obviously the packing cannot be brought by them from China because the freight itself will be more than the cost of the packaging, the Indian chemical industry will grow and we being the supplier of packaging to them I think we should be able to get compensated.

Anirudh Agrawal: That is great and secondly on the liquidity stress are we seeing some contracted liquidity stress in the market and is we on the receivable side?

Anil Jain: You are absolutely right, I think that is the area of concern for everybody including us that some of our customers who would always be on time now do delay some 8, 10 days or whatever yes the payments are not coming as quickly and we need to pay a lot of attention as to how much exposure do we have with our customers. Fortunately for us we do not have any bad debts but we are extremely careful in terms of supplying product to the customers and if we file that the receivables could be in doubt we would rather not do business with that customer rather than risking our receivables, but until now I can only say that the quarter is bit more upwards than previously, but things are still under control.

Anirudh Agrawal: And Sir why has the value added product growth slowed down in this quarter specifically because all the products composite cylinders, MOX and IBC we had healthy order books and growth outlook so any specific reason for the slowdown versus previous quarters?

Anil Jain: I think in the IBC, which is the part of business has not seen kind of a growth as we were expecting and the MOX and composite there you see 16% or 17% growth, but quite frankly we have anticipated this growth to be more than 20% or 25% so to that extent the growth of the value add products have been affected either because of the seasonal reasons or because of some temporary reasons, we expect that pickup in the next half of the year.

Anirudh Agrawal: Sir on composite cylinders, how many cylinders are we on track to sell this year and in terms of the 235 Crores I think we had targeted topline so do we remain on track to achieve that?

Anil Jain: Yes we have done close to about 200000 cylinders, we are well on our target and we are quite confident that we will be able to reach the numbers that we have given.

Anirudh Agrawal: And finally on the OMC front I mean why has there been no offtake from OMCs we have been talking to them for years, they have done trials with us and so on, so is it a pricing issue, is it favoritism towards the existing steel vendors and how do you read this?

Anil Jain: You are asking this question in the context of composite?

Anirudh Agrawal: Composite cylinders yes.

Anil Jain: See we are of course the oil marketing companies as you know in the petroleum we did buy some 15000 cylinders that we did not use it for the last almost two-and-a-half years they have been sitting there. I think partly what you have said is right all marketing companies have a special affinity with steel cylinder manufacturer who had been their partner for the time immemorial so that they are very much the part of this. Secondly I think that then you rightly identified our cylinders are something like 20% to 25% more expensive than the steel cylinders though I must admit that the lifetime cost of our cylinders is lesser than the steel because we are talking about life in excess of 20 years or so. So that all marketing companies fairly look at short-term where they would find the prices of the cylinders being higher than the steel cylinder, which they are using and what we are doing with the composite cylinder mainly is the safety that is they do not explode, the light weight, translucency and some other features. I guess unfortunately in my country safety is not the prime reason for somebody to spend a little bit more for this kind of products. So once something happens in that direction we do not expect, but right now we are busy exporting composite cylinders over 33 countries already.

Anirudh Agrawal: And one final question then overall how do you view the margin outlook considering that the pipe segment contribution has actually been increasing and that is slightly lower EBITDA than the others so overall how do you view the margins playing out on a blended basis in FY2020?

Anil Jain: When we are looking at the margins it is about 14% to 15% but do not forget as the pipe grows faster and try and bring the EBITDA down because that is relatively low EBITDA the margins. We also have got some new products, which I just talked about in the beginning, which are substantial market in the country and that will be much higher in EBITDA so we expect that it will get compensated from there.

Anirudh Agrawal: Thanks a lot for your answers.

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

Mahindra Jain: Sir my question is like that two or three things we can look in future in two, three or four years like that what you feel to do which can really help our evaluation it has been drastically undervalued like we are in a market cap and everything like that so what do you think, what two, three things or overall we should do like any value unlocking or regarding abroad businesses or something like that what we are reducing debt or something like that what you do feel from our end we should do like which can be really helpful?

Anil Jain: You are absolutely right, but that is something that concerns us also. We have really worked towards improving our ROCE. What excites us is that we will be seeing substantial growth in our value add businesses, for example if you look at our cylinders, which are high EBITDA margin business probably next year sometime we will have to double the capacity looking at the demand for those cylinders worldwide that we are working on it, our CNG cylinder, etc., we are working on them and they will give. Now interestingly they are not only bringing in better margins but they also improve our working capital because these are mostly cash and carry, so if we improve our margins and then try it and we can reduce our receivables and fairly increase the credit on our raw material, etc., which used to be pretty long in the previous years I guess it will be home and drive so these are the directions add value add products with higher margins, number two reduce our working capital cycle by increasing or going to the supplier who can give us on a credit, otherwise our biggest problem is that we have to carry the inventory of more than three months of our raw material consumption and that is because we give fixed price to our customers for three months and I do not want to take an exposure that I had order from the customers, but on a fixed price and I have to then buy the material in this part and that can actually adversely impact. I guess with these things in place we should improve our overall performance. Incidentally good thing about the company is that even if there is a bit of a slowdown in the economy we still have avenues where we can grow and I must underline here that when BS-VI has thrown open the market for lots of new interesting product where the rates could be reduced and the strength could be more and I guess our composite product will put in, in those space very well so I think that is generally the strategy.

Mahindra Jain: Sir any planning to hive off any international business like any part of the business or anything like in the next two, three years Sir?

Anil Jain: We are looking at some business to be added up but we have been looking at it for a while already. We have a business called NED energy down south that is at Hyderabad we are looking at some decent valuation for the business and we would be happy to let it go, but otherwise we have businesses, which all are growing and there is no absolute necessity for giving away any business last year.

Mahindra Jain: Thank you Sir.

Moderator: Thank you. Next question is from the line of Harsh Shah from Dimensional Securities. Please go ahead.

Harsh Shah: Sir I wanted to know about your business in the US the last time we spoke you were going to fall into the US business so just wanted to get an update on how it is panning out?

Anil Jain: Well, you know that we have started our operations in two locations Houston and Chicago. We are planning to add some more equipment there to improve the productivity and increase the range. We will for the time being work in these two locations because we take up any additional location, but I must admit in the same deck that the opportunity for our products in North America are quite strong as the market has only three major players and quite a few of our customers whom we are servicing in this part of the world has significantly large presence North America and they would welcome us coming to North America with the kind of products where we are supply to them in Asia and around so we will keep the ears and eyes open for the new location, but for the moment we are doing work on these two locations only.

Harsh Shah: And Sir what is the revenue, which we are generating from the US as of now?

Anil Jain: Yes it is about 3 million in a quarter.

Harsh Shah: And Sir during this half our cash generation from operating activity has been lower by 25 Crores despite generating higher PBT and the tax rate being lower so how do you see that and how are we acting on getting our cash flows right?

Bharat Vageria: Cash generation is there but as we have seen there is a volume growth of 10% the borrowing has not increased so we are maintaining by using our cash generations of the growth plan of the company, which is towards the capital expenditure and make out the working capital requirement for the enhanced businesses.

Harsh Shah: The operating cash flow has been lower last time because 94 Crores and this half it has been around 70 Crores?

Bharat Vageria: There is a repayment is also ongoing and the debtors are also as we have seen the working capital cycle time in the range of around 90 days and we have to maintain the current market scenario, but going period ahead it is to be improved in the period as the liquidity conditions the market will improve so this working capital cycle time will also improve.

Harsh Shah: And Sir in our pails and jerry cans segment do we only cater to chemical segment or are we also cater to the paint industry?

Anil Jain: We are not significantly present in the paint industry as the paint industry has their own favorite suppliers, but we are normally catered to the lube oil and also for the chemicals and food and pharmaceuticals. Paint is not on our list of course we supply some quantity sometimes.

Harsh Shah: That helps. Thank you so much.

Moderator: Thank you. We take the next question from the line of Ashi Anand from Allegro Capital. Please go ahead.

Ashi Anand: The first question is on our capacities I just wanted to understand what is our current capacity, what utilizations we are running on and what our incremental capex plans specifically on the pipes, cylinders and the MOX businesses?

Anil Jain: I will just give you the capacity utilization will be somewhere around 80%. As far as the capex is concerned we have provided for a total capex of 200 Crores or thereabout for the current year we have done till now only 64 Crores and so far as the capex is concerned both for the MOX film and composite cylinder I believe it will happen in the reverse order and then we will have to go for a capacity expansion for the composite cylinder first and then the MOX film later on. We have not planned any specific time periods when we have to do it, but we have already alerted that these are the two areas where the capex will come in.

Ashi Anand: But how much should we currently be in say for example cylinders what is the current capacity in MOX, cement pipes in terms of million tonnes?

Anil Jain: The cylinder there is a little bit of a paradox yes though our name plate capacity is about 1.4 million, but we are not able to go beyond 1 million for a simple reason that we have about 19 different sizes of the cylinder and we have to make all of them on the same line so change over time, which causes the downtime is significantly high so the reason of us going for the next line would be that we can then divide the product on two separate lines and in turn it will give us the increased capacity so that is cylinder. MOX film is also at about 70% or thereabout, but the setting up time for a MOX film product is over a year, therefore if we are expecting a growth of about 15% or thereabout our MOX film that mean we have to keep it at the back of our mind as we might need to increase our capacity sometime soon.

Ashi Anand: And how about pipes what is our capacity currently?

Anil Jain: For?

Ashi Anand: In the pipes business.

Anil Jain: For the pipe business we have 49000 tonnes of pipe capacity the same thing because we have different sizes of pipes, but currently the capacity utilization is about 65% as you know we have increased some capacity last year also.

Ashi Anand: On our international business has now been a significant period since we actually moved internationally in a bigger way, just wanted your thoughts on what is the experience now that a certain amount of time has passed and what are the kind of utilizations and ROEs that we are seeing in the business and just overall thoughts on the whole expansion overseas?

Anil Jain: You see we have gone into different countries overseas and those businesses have been growing alongside our local business, I am very happy to tell you that we have become market leaders in all countries barring Malaysia for some strange reasons we have not been able to assume the market leadership, but I would like to think we are close second. So the overseas businesses have served us well. Secondly overseas business is our insurance against geographical fallouts so for example for some reasons India refuses to grow or Indian GDP refuses to grow at least we can guarantee or we can at least assure ourselves that there is a growth in other countries and we have seen us doing well there. The ROCE from the overseas businesses is expected about 18%, which is as against 14% in India and incidentally our cash profit overseas are much better than India because the tax rates there are much lower than what we have in India so we see no reason and incidentally that puts us in a very unique position that we have presence in these countries where the big three namely Mauser, Schutz and Greif are not present or present in one or two countries so that gives us a leverage with our international customers and help us their business in other new geographies.

Ashi Anand: If I could just ask one last question. On the US what product lines are we looking at is it only IBC or we looking at going in with the larger kind of packaging products?

Anil Jain: At present we have done IBCs but we will be soon doing the plastic drums as well we do not do steel drums here we will be looking at IBC as you globally know IBC currently are manufactured by three companies Schutz, Greif and Mauser. In fact Greif is a smaller player and I must admit some of our customers have told in US that they have to wait for the IBC from these companies for 18 or 20 days, incidentally we in India supply them within 24 hours. So for example I have a customer a) whom I am servicing in India, plus in Indonesia and Malaysia and that customer has a significant presence in USA so he would then insist that any customers that you guys should come over to North America also and we guarantee some minimum business. So IBC is to start with and the drums will follow.

Ashi Anand: Great Sir. Thanks a lot and wish you all the best.

Moderator: Thank you. Next question is from the line of Manu Agrawal, an Individual Investor. Please go ahead.

Manu Agrawal: Congratulations for the decent set of numbers given the sluggish economy we are in. I will just have two questions, firstly has the promoter shown any intent to depledge the shares in the current scenario and secondly what is the achievable ROCE for FY2021 given that we have 80% of the capacity utilization and we would be having a extended capex for the FY2021-2022 so we will be taking on it as well so any figures that you could give with our achievable and you have worked upon?

Anil Jain: Manuji first of all now we are not looking at depledging our shares because we have engaged in a investment, which is long-term so they will remain pledged for the time being, but yes we are not borrowing anything extra. So far as ROCE is concerned we are in 2021 we are looking at about 17.5% and in 2021-2022 it will be about 19%. So question is just to how we reach there. Let me tell you and I think I listed that in the beginning of our conversation that our value add businesses are going to grow and they will have much higher EBITDA margins and then we are going to be working on our working capital as a matter of fact and this is just around the corner, it is only our raw material suppliers give us a fixed price for three months period and I do not have to carry the raw material inventory of three months and then you look at my ROCE and ROE shooting up this is something that we use to have eight or ten years ago, but when there was shortage of supply and the buyers put these conditions. Fortunately for us now the shoe is on the other foot, there is a huge capacity for some of the raw materials that we buy and we are in discussions with some of our suppliers that they can give us a fixed price for three or two months so therefore our risk is covered and we do not have to carry physical inventory, which engages lots of fund. So I think with all these efforts that we put it we should be at those ROCEs at least pretty close to that.

Manu Agrawal: And any debt plans that you have either to reduce the debtor to take on extra debt?

Anil Jain: We are following a discipline that as the business is going we are not letting the debt grow that would mean we are engaging our resources both for the capex and also for working capital as my colleagues just informed. As a matter of fact I will be happy to see not only us, but other companies also keeping their receivables under discipline because I suspect that getting payment from the customers is going to be more and more difficult and therefore there might be more requirements for the working capital.

Manu Agrawal: So any long-term debt plans like because the economy is in stress so should I believe that at least we will not be going into aggressive capex for the next two years and work with the current capacity and try to reduce the long-term debt and manage our working capital so that with the management plan or are we going for the capex?

Anil Jain: You were just stated the management's policy.

Manu Agrawal: Do we have any targets that you would like to achieve by FY2021-2022?

Anil Jain: We used to have a target, but look again the situation that is there around we are holding it back we will be giving you some idea as the next quarter because right now the economy is very, very fluid and as of now like a fool in making some predictions and they getting changed because the economy around us has changed a lot give me time and give one more quarter please.

Manu Agrawal: Okay no issue and just one more question given if I ask you to be very optimistic by how much time would you say the economy would actually get back to its pace?

Anil Jain: You want to know my views about how the economy going to be doing?

Manu Agrawal: Yes, if I ask you to be optimistic on this, by how much minimum time would you say that the economy should get back on its back?

Anil Jain: I would like to say by Q4 next year.

Manu Agrawal: Okay Sir. Thank you.

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

Sanjeev Zarbade: My question is on the tax rate, what kind of tax rate should we work with for FY2021?

Anil Jain: 26% is our aggregate tax rate and will remain the same. We are following the same tax policy as we used to have before the new announcement that has happened because MAT is available for us so I do not see any significant change in our tax structure.

Sanjeev Zarbade: And Sir regarding our pledge shareholding we had started I guess it was regarding the construction of our corporate office building so that was some construction started around one or one-and-a-half years back so by when do you think that project is ready and we are able to now remove the pledge shareholding something some timeline on that?

Anil Jain: We are planning a building of course, we have only bought some FSI the physical work is still start. The reason why we are holding back this building is because we are within 1 kilometer radius of metro and there is some significant increase in FSI utilization that is going to be announced that proposal has been pending for almost two years already. If I make an application and get my plan approved now and I am proud of that FSI and that would not be really good for us and secondly the reason is that we are close to the airport so we had a limitation on the height, so that permission takes longer, but very difficult for me to say as to when will that be over. Now for your comfort of course the value of that would be much higher than the value added share that we have placed therefore you should not worry too much about that.

Sanjeev Zarbade: And Sir on the divestment of NED batteries are we not actively looking at it or it is like maybe moderately profitable so we plan to continue with it something?

Anil Jain: No, we do not intend to continue with it, but at the same time we are not going to be selling it for a distress recovery as you rightly said is still doing okay. Now we are making efforts, you know very well that the battery industry in India is not doing remarkably well those because of automotives and also because their biggest customer that was telecom that is more positioned to buy the batteries I am sure you have seen a lot of call drops, which is the effect of that one. So I guess as the environment around this industry improves we will be able to find someone who might be interested in this segment then we will let you know.

Sanjeev Zarbade: Okay Sir. That is it from my side and all the best.

Anil Jain: If you may kindly excuse me I have got a conference call, but my colleagues will answer all the other questions. Thank you.

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

Mahindra Jain: Sir my question is regarding our market investors, big institutions and all these things so how they much convinced with our investment or anything like which is initializing the price of shares in the market or they are just convinced orally they are good investor like what is the situation like that you would have, do you have any idea regarding that?

Bharat Vageria: I can tell you as far as the company's ID is concerned I tell you as far as the company's efforts are concerned all operations are positive**,** company is working in the right direction because as far as share prices are concerned we cannot comment because these you know it again if the demand and supply and investor sentiment. Last eight, ten months you must have seen the market sentiments regarding especially the small and medium scale enterprises I am giving apart from the from the first 50 or 100 companies together, but as far as company I will tell you certain eight or ten highlights, which will give attention especially. As company has diversified it geographically derisk business India and overseas, overseas also in different eight to ten geographies. Second company product is also widely spread and derisk every product goes in the different sectors and especially Mr. Jain has mentioned you auto sector is down by 30% but our portion of the product, our portion of the revenue in that segment is hardly 4% to 5% if 30% down I will be slow by 1% not affecting much, but the same thing in spite of the current scenario in the last six months we have seen we have grown by volume growth of 11%, which is in the current market circumstances looking with the current it does not mean that there is no demand is there, no sale is there, but at the same time we have to be very cautious. We know very well in the last six months time the government efforts and I have also seen many interviews of the people government is not releasing payment to the EPC contractor because many contracts have affected, everybody has slowed down their businesses so we are also in the same path, but again we have a pipe business is hardly 9% therefore it is not much affected, but yes definitely the business will come out, orders are in hand and as the way we slowdown by 3% to 4% against our projection, but as I think we had committed in the three years back also the company is in revenue product we do not have any capital product and not affecting much so this will affect our consumer market or something we have all industrial products, which goes to the B2B so we are expecting definitely in the next three years also looking to this, the minimum growth will be in the range of 10% to 12% with sustainable growth is there and again we have seen what we are doing, we are derisking business by increasing the value added product. Now the value added product, which we have seen what we do composite cylinder market is there what is our capacity hardly 5% of the India requirement capacity we have if you take the world capacity it is hardly 1% of the capacity, but in the possible way of time then the replacement will take place, some of the countries who started replacing the metal cylinder to composite cylinders they are quite aggressive. India is taking more time because of their Indian policy and you know very well Indian government is busy in their own work since the last I can say one or two years. So as far as product wise is concerned company is doing very well, company has known everything**,** prices are concerned depending on the every fund had their own time for the investment, every fund had their own restriction market sentiments, but as far as businesses are concerned at this point controllable and as company management has given guidelines that in the next three years time we will achieve ROCE of 20% as against currently of 14%.

Mahindra Jain: Not industry I am saying competitor like Supreme Industry are getting good valuation in the market so where we are making something which we are not getting the value chain because despite of slowdown even they are facing some?

Bharat Vageria: I will tell you Mr. Mahindra you can come to my office you can see the company with me from the Supreme I tell you I have industrial business Supreme has done the industry business there are more than 90% business in consumer product the market sentiment that do cash and carry business, in industry it is not acceptable. I have to pull up my packaging product which I have more than 60%, 70% packaging product we do in that I have to follow the industry norms so I think if you are making the comparison so what we are getting compared to Supreme so that already the execution has been affected I do not see today I am a Supreme but we are making ourselves with the Supreme in the future period ahead therefore we have added the value added product it is very clear I am not getting my valuation of Supreme when you are comparing with the Supreme.

Mahindra Jain: That is what I am saying why we are not getting into it?

Bharat Vageria: Why we are not getting because my product is different we have derisk our business I have created the value, our management and we as a promoter have created a value by extending our businesses in overseas market, overseas we have a presence, we have created the value and when we will achieve a 90% capacity in overseas then you will come to know what is the valuation of the company, which is today 70% and you know very well in my overseas business each of the companies is a profit making company in a period of the two years we have done in such a way all company have come out in the profit between 18 months to set up the unit and come on the profit it is a remarkable achievement has been done, Yes, definitely that is difference somebody has to understand the consumer product company and different company.

Mahindra Jain: So where we see in next three, four years the valuation business right now around we are 20%?

Bharat Vageria: Since our target is very clear as Mr. Jain has mentioned to you how we can create a value of the company. Number one increasing the percentage of value added product where the EBITDA margin is between 18% to 22% range average we get a 20% that business, which is currently in the 20%, which we are targeting to reach to 25% in the next two years time. Number two it does not mean other products did not grow they will grow but that will grow at 12% other product will go around 20%. Number two reducing the working capital cycle time, which is currently 90 days we ourselves are wanted to reduce it, but certain market consensus happened in the last six to eight months time we could not able to do it, but as we are getting the commitment government is also coming to each of the people each of the companies so that should improve with some margin addition. Another thing I will tell you very interesting, my overseas business which is currently 30% of total revenue after setting up the entire plant automations in US market we are targeting ourselves my overseas business will be in the 35% to 40% range. Next fourth currently we are doing the imports of the material, which we would like to reduce it in India you know the polymer capacity is increasing, now the new plant has come out which is utilization increasing ONGC opens IOCL is also new plant is coming out in 2020 so after availability of polymer increase in India we will able to reduce our inventory level so material handling will increase. We are also suggesting to the local manufacturer to manufacture the special grade, which we need for our product and because they are also willing to make a trial of that product then we are keeping target which is currently we are doing 60% import 40% local we would like to reverse we would like to have only 40% import and 60% this local so that will give us more reduction in the inventory level figures in the working capital cycle. So we are working of that line.

Mahindra Jain: Thank you Sir. Thank you very much.

Moderator: Thank you. Well Sir that is the last question in queue. I would now like to hand the floor back to the management for closing comments.

Bharat Vageria: Yes I would like to convey on both, on behalf of the management thanks to my all valued investors deposit investors and to listening the company's management presentation and we definitely will try our best to achieve the targeted revenue what have been done the balance four, five months in hand and definitely we do our best possible time. Thank you very much to all my valued investors.

Moderator: Thank you very much. On behalf of Equirus Securities Limited, we conclude today's conference. Thank you for joining. You may disconnect your lines now.