"Time Technoplast Q2 FY2021 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Time Technoplast Q2 FY2021 Earnings Conference Call hosted by ICICI 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. Jigar Shah from ICICI Securities. Thank you and over to you Sir!

Jigar Shah: Thanks Melisa. On behalf of ICICI Securities, I welcome all to the conference call of Time Technoplast to discuss Q2 FY 2021 results. From the management we have with us today Mr. Bharat Vageria – Director Finance. Mr. Sandip Modi – Senior VP Accounts and Corporate Planning and Mr. Hemant Soni – Head Legal & Company Secretary of Time Group. I would now request Mr. Bharat Vageria to start the call with his opening remarks and then we can proceed with Q & A session. Over to you Sir!

Bharat Vageria: Thank you Mr. Jigar and Ms. Melisa for giving this opportunity. Good afternoon to all. I have with me Sandip Modi – Vice President and Corporate Planning. Mr. Hemant Soni is over telephone, as he is currently travelling. We are essentially here to talk about the results for Q2 and half year FY 2021 and outlook for the rest of the year and the years ahead.

The results are already announced but I will just walk through some of the key financial and operating highlights. Key numbers on consolidation basis there has been a significant improvement in the performance of Q2 FY2021 as compared to immediate previous quarter that is Q1 FY2021. We all are aware that COVID-19 is there but there is a substantial improvement compared to Q1 in Q2. Net sales grew by 57% to Rs. 744 Crores from Rs. 476 Crores in the previous quarter. EBITDA grew by 71% to Rs. 93 Crores from Rs. 42 Crores. EBITDA in percentage terms increased by 100 basis points to 12.4% as against 11.4%. PAT grew by 453% to Rs. 24 Crores from a net loss of Rs. 12 Crores in the previous quarter. Due to the impact of COVID-19 pandemic the result for Q2 and half yearly FY 2021 are not comparable to the corresponding period of previous year but a brief summary of the results I am producing.

During the Q2 FY2021 when compared to corresponding quarter previous year, Net sales on a consolidated basis stood at Rs. 744 Crore as against Rs. 871 Crore. EBITDA Rs. 93 Crores as against Rs. 121 Crores. PAT Rs. 24 Crores as against Rs. 39 Crores. Cash profits at Rs. 63 Crores as against Rs. 80 Crores.

Key highlights for the quarter compared with the corresponding previous year even though as I have mentioned on account of COVID-19 are not comparable, but I am just producing. Net sales decreased by 15% in India and overseas in the same percentage. Volume decreased by 13% in India and overseas in the same percentage. EBITDA decreased by 24%. PAT decreased by 36% and cash profit decreased by 21%. EBITDA margin was 12.44% as against 13.94%, decrease by

150 basis points and this 150-basis point is on the account of some fixed cost on account of the power, salary and wages which the company required to pay in spite of the business down and the lower capacity utilisation . The net margin also decreased by 114 basis points that is 3.29% as compared to 4.43% due to low volume, fixed overhead cost that is salary & wages, rent and insurance.

Now, during the half year FY2021 as compared to the corresponding period previous year, net sales stood Rs. 1220 Crore as against Rs. 1739 Crores. EBITDA Rs. 147 Crores as against Rs. 248 Crores. PAT Rs. 13 Crores as against Rs. 82 Crores. Cash profit Rs. 89 Crores as against Rs. 164 Crores.

Key highlights for half year even though as I mentioned are not comparable but again, I am reading. Net sales decreased by 30%, in India 34% overseas 21%. Volume decrease by 28%, in India 32% overseas 19%. EBITDA decreased by 41%, PAT decreased 83% and cash flow profit decreased by 46%. In HY FY 2021 the EBITDA margin is 12.4% as against 14.26% down by 222 basis point. Net profit margin is also down by 368 basis point that is 1.05% as compared to 4.73%. As mentioned earlier this is due to the low volume and fixed overhead cost like salaries & wages, rent and insurance.

Now, as far as the share of the business is concerned, we are also looking that the value of the value-added product decreased by 24% in H1 FY 2021 as compared to H1 FY 2020. The share of the value-added product is 22% of the total shares in H1 FY 2021 as against 21% in H1 FY 2020. So, the percentage of the value-added product and established product is maintained.

India and overseas business in H1 FY2021 is 65% and 35% which normally 71% and 29%. EBITDA percentage in India and overseas are almost same and in the range of 12% for the half year.

Now, polymer and composite products, the polymer products contributed 69% and sales decrease by 31% in H1 FY 2021. The composite product contributed 31% and sales decrease by 27% in H1 FY 2021. The polymer products include drums, Jerry cans, Turf & matting, Bins and MOX films. Composite products include IBC, Composite cylinder, Batteries, Auto products and Steel drums. In pipe business, the segment is showing growth and in the period ahead it is going to further increase. We have a good order book and are only waiting for the signals for start-up of all the EPC contractor work which we are seeing is improving from October.

One good thing I would like to bring to your kind attention that Total Debt in H1 FY2020 has reduced to Rs. 816 Crore as against Rs. 832 Crore in FY 2020.

Now, considering the current scenario in reference to the outlook I would also like to read, it will further take two minute of yours. Time Technoplast generates 70% of its revenue from industrial packaging in India and overseas namely Thailand, Malaysia, Indonesia, Taiwan, UAE, Bahrain, Saudi Arabia, Vietnam, Egypt and USA while the remaining 30% comes from the other products like PE pipes, Batteries, MOX film, Composite cylinder. Barring Saudi Arabia, Malaysia and USA, the company is market leader in all other countries in industrial packaging. It may be noted that the packaging product supplied by the Company are mostly used for the specialty chemical both in the domestic market and also for the export of specialty chemicals.

The Federation of Indian Chamber of Commerce and Industry has recently come out with a detailed report on the specialty chemical industry worldwide and India share therein. This is available with our investor relationship agency and I think they will circulate and we will also put that on the site. The report suggests that the specialty chemicals industry is likely to migrate from China and would look for low cost production area.

India will be one of the big beneficiaries from this migration. Some of the business may also go to other Asian countries where Time Technoplast has a very strong presence. Likewise, the customers, especially from Europe and North America are reluctant to source their requirement of specialty chemicals from China and are shifting their supply base to Asian countries in general and India in particular. This would mean that requirement of packaging in these countries will grow rapidly. The company has started seeing early signs of the same with some of the multinational companies who have initiated production of certain chemicals in India for domestic use and export.

Also, as per the report from the Ministry of Petroleum and Natural Gas which gives plan for the expansion of the CNG distribution in India for up till 2024. Before going in this note, I would like to tell you as the company has reported already that it has got the approval from PESO authority for CNG use of the composite gas cylinder for packing of the CNG for gas distribution, it is called a Cascade.

It is outlined by the government that they would go whole hog for expanding supply and distribution network of the CNG as an alternate fuel to petrol and diesel essentially to reduce pollution. One of the major concept is mobile refill unit which will require large number of the CNG cascades. Time Technoplast has produced for the first time in India type-IV composite cylinder for CNG which reduces the weight of the cylinder by 70% to 80% as compared to the steel cylinder and are totally blast proof. The company shall be participating in huge requirement of CNG cylinder that would arise for the purpose of the cascades which will reduce the CNG freight cost to half. This is another area with good business potential in the period ahead and will drive the growth of the company. In fact after getting the approval, we are getting the enquiry and company has already started receiving the trial order for the cascades.

Now, I would like to highlight one special point about capex. The target of the company is around Rs. 100 Crores and as far as this current six months is concerned we have incurred a capex of Rs. 36 Crores. Now, I would like to open the floor to answer the specific questions and thank you very much for listening to us.

Moderator: Thank you. We have the first question from the line of Hitesh Taunk from ICICI Securities. Please go ahead.

Hitesh Taunk: Good evening Sir. Thanks for the opportunity and congratulations on good set of numbers. I have couple of questions. One side we have seen kind of increase in the value-added products contribution in the topline and the second side also we have seen benign input prices, the crude derivative prices have been benign during the quarter but Sir we have not seen kind of extension in gross margin as compared to the reduction in the input prices and the mix change so just wanted to know your input like what was reason and do we see kind of benefit is coming into the system going forward?

Bharat Vageria: It is a good question. I think as you mentioned right the prices of polymer has increased by almost 5% to 7% and at the same time, we must see the landed cost including the foreign exchange part. As you know, 92% of our business is with the industrial customer. Where price increase is there we pass on to the customer and price decrease is there we pass on to the customer. You must have seen in terms of the percentage of EBITDA there is an increase by 100 basis points from the previous quarter. Further, the pass on that we have with customers is where we have some kind of price working of three month average pricing system so whatever price increase has come out in this last three months I can say in the last quarter, July, August and September with some of the customers that is probably 40 customers with whom we do quarterly pricing, the benefit will comes in the period ahead in the next quarter. So, you are right yes, next quarter definitely there will be an improvement in the gross margins also.

Hitesh Taunk: My second question is that now we have commenced our new capacities in USA which was a green field for the packaging products, so what kind of revenue contribution are you seeing from that I mean you must have a test kind of revenue from that plant now?

Bharat Vageria: I think I again recall our discussion last meeting also we have invested around 15 million dollar in US by setting of the plants for the packaging product in the three cities like Chicago, Houston and Iowa. Iowa plant which we have announced has commissioned in the month of August. So after August what we did is we have produced some of the products, supplied to some of the local customers, trial testing is ongoing, we got the local requirement of the approval from the authorities and we expect as I think for a 15 million investment we can expect a revenue of around 35 to 45 million dollar in a period of three years' time. Yes this year we definitely are estimating the revenue of around 15 million dollar but next year again we are expecting around 25 to 30 million dollar but from this kind of the investment we can definitely expect 35 to 40 million dollars in the three years period. In terms of the margins, I am telling you what we are doing in that, we have some fixed customers with whom 60% product we are selling and where we are getting a fixed margin but in our total pricing we are estimating EBITDA level I can say in the range of 13% to 15% from US market.

Our products I can say are very well accepted there by all authorities and all local customers and what we are doing is we are leveraging our exiting know how technology and we are using our customer base of Asian countries because some of the customers are common in Asian countries as well in US and in India.

Hitesh Taunk: Okay, got it. Sir, my last question pertains to our Brownfield expansion in India and overseas, you said around Rs. 36 Crore we have done a capex in first half and around Rs. 65 Crores is pending for the second half, so where are we going to expend then in Brownfield extension.

Bharat Vageria: As I mentioned to you the total capex you have seen in the past year was the range of Rs. 200 Crore to Rs. 225 Crore. But this year present capacity itself is down, so we have identified capex for the value-added products to be around 30% and 70% for the routine and maintenance capex to maintain the capacity that is brownfield expansion I can say, automation and reengineering. So around Rs. 70 Crore will be on account of that and Rs. 30 Crores on account of the value-added products which includes the USA business, and in other countries wherever requirement is there including in India. It includes some kind of the development which we have done for the CNG. What we are doing currently, as we know the capacity utilisation for the cylinder business is also in the range of 60% to 70% so we have a spare capacity available and we are leveraging that capacity and developing the CNG large size cylinders. So we have done some initial level investment to get the trial testing of the cylinders and at least some trial order can be executed by leveraging these assets. Some additional equipments we have already installed, so as I mentioned in my earlier talk that we have already got the order on trial basis for the cascades and just as I think in the last call Mr. Jain explained, one cascade means approximately 60 cylinders and one-cylinder sale price is approximately Rs. 75,000 to Rs. 80,000. It means one cascade sale value will be in the range of Rs. 50 Lakhs.

Hitesh Taunk: Got it. That's it from my side, I will come in the queue if I have more questions. Thank you.

Moderator: Thank you. We have the next question from the line of Mr. Tejas Mehta from Old Bridge Capital Management. Please go ahead.

Tejas Mehta: Hi, Sir. Thanks for taking my question. I have one question which pertains to the gross margins. If you see from FY 2015 till today, gross margin is very stable between 30% to 31% despite your raw material largely being linked to the crude and crude derivative, I kind of find it strange given that we have seen very large volatility in crude and its derivative products but we do not see that kind of volatility in your margins profile, why that so?

Bharat Vageria: As I mentioned to you, we have 92% business B2B and they are the end use customer, so wherever the price increase is there we pass on to the customer, if price decrease is there we have to pass on to the customer. So as far as the contribution which you are telling 31% to 32% it will be continued, only 8% is the consumer product which we do the pricing depending on the prices of the each of the products.

Now, you are talking about the prices of the polymer linked with the crude. I will explain you, immediately 100% is not linked with the crude. You have seen in the last four days that crude prices have jumped by 10% but polymer prices have not jumped by 10%. It is always linked with the demand supply because polymer is not only made from the crude. You see, overall worldwide 50% capacity of the polymer manufacturing is based on the oil and 50% based on the shale gas, the natural gas. In Middle East most of the plants are gas-based production and in US also there are plants of 50%-50%, oil based, and gas based. These are the two I can say inputs for manufacturing of polymers. So, crude is not directly linked with this again it is demand supply. I will just tell you, we have seen in month of May and June the prices were down because there was total uncertainty in the market, nobody was knowing how the market will go up, what will be the effect of the COVID but Indian market slowly picked up. Even I can say from March 20, 2020 to May 15, 2020 entire things were uncertain but slowly as unlock started and businesses started picking up and it came back in July-August when slowly business started. We are very lucky that our product mix is considered as essential packaging product which is used by the Pharma, FMCG, the chemical companies, specialty chemicals, so we got very lucky, we got the permissions and government allowed us to operate the plant by available local manpower. One major challenge in the last six months was the availability of the man power because everybody is aware, most of the people have migrated to their native places specially most of the workers ,skilled or non-skilled which were coming from the UP, Bihar and like that. So in spite of that what we have done as many units were closed down, we took those people, we made the arrangement for staying in hotels and in factories in the different areas and we have provided by following the local guidelines and we continued the production and continued the supply with the customer. I tell you those companies who have timely supplies to the customer, certain times I remember some of the customer calling in the night and telling, Sir, we need tomorrow packaging can you give us in spite of on-going COVID. Everybody knows that in the last six months the cost of the freight is also on-going because the drivers were not available, logistics itself was challenging but we have managed and we continued the supply, that customer also remembers today with whom we have association and relationship. Most of the customers we have a relationship for 15 years, 20 years or 25 years, it is a relationship business I will tell you.

Tejas Mehta: Coming on this gross margin point, in the last six months to eight months we have seen crude falling from 60 dollars to below zero and then again back to 40 dollars now, against that polymer prices?

Bharat Vageria: I think you have a right question. I will tell you the history because I am in this polymer line since last 40 years. I will tell you the history of the prices from 1987 to 2020. In my life I have seen the lowest price of the 700 dollars and highest price of 1700 dollars but nothing to do with the oil. One, everybody is aware that the crude went up to 125 dollars and it has gone down up to 25 dollars also. It does not mean that when the oil was at 25-dollar, polymer prices were 700 dollar and if the crude has gone up to 125 dollars then polymer price should have been 3500 dollars but I have not seen. So, it is again the demand supply position, still I will tell you because when you are talking of the polymer, I will give a little limelight. My product, in fact the user industry of my packaging product is FMCG which constitutes 29%, construction chemical and adhesives where we supply 13%, specialty chemical companies 31%, paint and ink industry 12%, pharmaceutical 5%, Lube oil and additives 5%, food products 3% and 2% others. These are the whole composition of my packaging user industry. Now, in China because all people are not aware about the chemical industry, biggest chemical industry in the world is China it is around 1200-billion-euro business for all type of the chemicals, fertilizers, sulphuric acid, caustic soda, polysilicon, ethylene, pure benzene, methanol, synthetic materials all put together. Next after China is EU (European Union) with 565 billion euro, next is 468 US then Japan 180, South Korea 127, India comes 6th with 89 billion euro only. We were talking in our board meeting, if India gets only 5% business shifting means 60-billion-euro business of the chemicals from China to India, then India can grow at 80% level, but yes this is going to happen in the period ahead. Because in India as everybody know the establishment takes some time, the formation of the company, setting up the premises, getting the permission and all put together at least minimum one and half year to two year time when the foreign company will think to put the plant for the chemical manufacturing. We are seeing now especially solar chemical, India was importing solar panel earlier but now the entire solar panel is not coming from China, local manufacturing has started where the solar chemical companies have started the use and increasing the business in the solar chemical. Because solar panels are used everywhere you will find it in the construction sector, every building, every factory, even now government made compulsory to have a solar electricity, 14% of your requirement and most of the states are going to make it compulsory and already is happening on the grounds.

Tejas Mehta: Sir, there is one last question if I can squeeze in what has been the polymer price range in the last six months?

Bharat Vageria: Polymer price range in the last six months?

Tejas Mehta: Yes, as on today raw material…?

Bharat Vageria: If you are asking me the range you can take between $.900 to $ 1100.

Tejas Mehta: That is, it fairly stables in the last six months, okay.

Bharat Vageria: Most of the products are my special products and we do not have a commodity polymer because every product needs a separate kind of the product mix and that of 10%-15%. Another thing we are forgetting, the prices of direct Dollars is not and that we have to see the exchange rate. For example, $ 900 is the price and exchange rate is Rs.75/- okay, then that will work out how much 900 multiplied by 75 which is working out to Rs.67,500/-. For example, $ 1000 is the price and exchange rate are Rs.70/- so it works out to Rs. 70,000/-, so we must see the landed price along with the exchange rate also.

Tejas Mehta: Yes, got it. Alright, thank you so much.

Moderator: Thank you. We have the next question is from the line of Hitesh Taunk from ICICI Securities. Please go ahead.

Hitesh Taunk: Sir, I have question related to the recent ban on import on phthalic anhydride, just wanted to know I think we have some customers who were sourcing this from the outside and started sourcing in India only. So, post this ban on import of phthalic anhydride do we see kind of incremental business opportunities with those customers?

Bharat Vageria: You have told me in the last month, I have given my person to find out and he has given to the marketing department. How many customers are producing this product and what are they looking for that. He is working on that. As you mentioned in the last month also about India going to ban the low-density polyethylene because market talk is on-going, India is going to have some anti-dumping duty of the LDPE products. But I think that matter is still under discussion and because in India you know the large manufacturer of LDPE is Reliance only. But again, not that some nearby countries are dumping the material here, so I think this is just initial action taken and government is collecting information from all Asian countries whether they are dumping their prices, what is the requirement. But I have seen in the past also normally when this starting survey and finally anti-dumping duty, it takes some time of almost one year to two years, because government has a double treaty agreement with most of the nearby countries for the import and export strategy together.

Hitesh Taunk: No Sir, I think that import ban was from the Korea?

Bharat Vageria: I have the report available, major instant manufacturer of this product which you have said, it is IG Petrochemicals Limited and Thirumalai Chemicals Limited, SI Group India Limited, the market share of these people is almost 70%. Out of these three people, the product you have said Phthalic anhydride, two are my customers, Thirumalai Chemical and SI Group India Limited, we have seen some improvement is there in their buying.

Hitesh Taunk: Okay, Some improvement?

Bharat Vageria: And most of the people are importing from South Korea, Taiwan, Belgium, Russia, Italy, these people are doing the exports.

Hitesh Taunk: Okay, and one more question I wanted to ask that we have known that the overseas business of ours was less impacted because some of the countries have remained open despite of COVID pandemic. But sir current Q2 FY2021 if you see the performance of overseas business, we have seen kind of de-growth in volume also. So, I just wanted to know whether the demand of those countries was impacted due to lock down or the loss customer or say any big customer loss or anything means what would you like to tell the reasons?

Bharat Vageria: As far as overseas customers we have not lost any customer, some controls are ongoing between the Saudi and Bahrain area still things are not open. But hardly 4%-5% of my revenue comes from these regions, so it is not much affected. But one thing, this is all because of the COVID-19 impact in overseas not on loss of any of the customer. But what we have seen ultimately whatever packaging for that we are providing them, their customers should also further supply and demand should be there because most of the packing in other countries, people are using for the local as well as for the export of packages. But we are sure definitely the period ahead will be much better than the Q1 and Q2. As you have seen Q2 is better than Q1, Q3 again will be better, Q4 further will be better. So, as we have seen, the business in the Q3 and Q4 is always better and we are also estimating considering the current effect of the COVID ongoing and every day media reporting, I think business should resume back from next year onwards, 2021-2022 business should come back as usual.

Hitesh Taunk: Okay, and by the end of FY2021 how much debt are we projecting?

Bharat Vageria: We are focusing mostly to decrease the working capital cycle time so that will help us in reduction of the debt also. Everything is depending on how the last quarter is coming out because we used to give them a credit period of 60 days to 75 days to the customer which has affected. Because of the COVID period delay is ongoing by 25 days to 30 days. But we will see in the period ahead that how it is coming in next two quarters business. But our focus is very clear to improve the ROCE, improve the margin, and increase in the sale of the value-added products that is our focus. I again say from my side that you are very well aware that we have appointed E&Y to look after the businesses, where the study is ongoing and we will come out with the report before the end of this financial year. As we have identified some of the assets which were discussed in the last Conference Call also, Battery business, Moulded furniture and Medical business that in fact we have identified for the sale of these businesses at the right time. Our focus is there for reduction of the debt as I mentioned to you but how much exactly that depends on the business cycle. That is depending on how much business we are going to give in the last quarter.

Hitesh Taunk: Okay Sir. Thank you.

Moderator: Thank you. We have the next question is from the line of Shreyas Nevatia an Investor. Please go ahead.

Shreyas Nevatia: Is there any timeline for the reduction of promoter pledge?

Bharat Vageria: Yes, I think it is a good question you have asked today, you all are aware that promoter has given the pledge for Rs. 70 Crore loan and Time property of the plot is given as a prime security, collateral security by the way shares is given and I am pleased to tell you by now till we talk in this conference call we have paid Rs.20 Crores back to the finance institutions and now the amount outstanding is Rs.50 Crores. So, we are in process and we are projecting to release the pledge of the shares or reduction in the pledge of the shares at the earliest possible time. We are also focusing on, we have already in discussion with some two or three builder or joint developers so that the property can be developed, or it can be sold out. So, I think as the period will improve the result will come out. But this reduction we are focusing.

Shreyas Nevatia: Have we said any timeline by which we will reduce?

Bharat Vageria: Timeline is there in fact because of COVID it is delayed otherwise timeline was there till March-2020 but because of COVID but we internally we had the timeline by March-2020 we should do it.

Shreyas Nevatia: Okay, thank you. That is, it from my side.

Moderator: Thank you. We have the next question is from the line Arun Kumar Ohri an Investor. Please go ahead.

Arun Kumar Ohri: Hi, Sir, thank you for the results. I noticed that your finance cost has remained and has not declined in correspondence with your total volume, that is the question number one. Question number two is that given very small volume of TPL plastic why do not we merge that company back into the parent company?

Bharat Vageria: Yes, I think this question after two year-three years you have asked is the right thing. Always we have learned from the business, we have seen in lower Parel area suitcase shops were there, one owner is there but ten shops are there okay. All ten shops are owned by one person only, but they know very well that the business comes in from first shop or second shop. If some customer asks him okay, I will go to the next shop very peacefully he will say okay you can go and buy there. This TPL plastic you know the name of the earlier company was Tainwala Polycontainers Limited that company we had bought in 2007. Now, the business in my segment, 6% to 7% of revenues they give as far as packaging products. They are only in the packaging product and we are just kind of the investor and the company is run by the professionals separately. We are getting the business advantage because every multinational, every customer needs two suppliers. They do not see who the investors are, but they want alternate supplier. So, second position gap is filled by the TPL Plastech and if I will merge that company in my business, we are going to lose that business.

Shreyas Nevatia: Sir, would you like to say that your finance costs are still high compared to reduction in business?

Bharat Vageria: Yes, I am coming to that, now finance cost if you see compared to the last year is down by Rs.3 crore last year the same quarter it was Rs.28 Crores and as against that Rs.24.7 Crores, Rs.3 Crores is reduced. If you see the six month also it is reduced by Rs.5 Crores as against Rs.55 Crores it is Rs.50 Crores and you are very well aware that bankers have not pass on the benefit to the customer which RBI has directed to reduce because bankers themselves have their own problems and you know that all the bankers mostly give did their working capital on the MCLR or PLR plus one year rate, MCLR one year plus their margins. So, they change when the year completes so, this benefit of the interest rate decision is also going to come in the period ahead. Reduction is there even despite COVID period you see that there is not increase in the cost and company managed it effectively during the COVID period.

Shreyas Nevatia: Thank you Sir.

Moderator: Thank you. The next question is from the line Jigar Shah from ICICI Securities. Please go ahead.

Jigar Shah: Thank you for the opportunity. I just wanted to know my first question is that what was your growth in the October month if you can highlight that?

Bharat Vageria: Sorry Jigar I cannot give you that because that quarter has just ended and I will definitely submit to you the after the end of the quarter but as I mentioned in my comments that Q3 will be better than the Q2, month-on-month I cannot give because you are aware the restrictions on our side, management side. But I can say, yes, month-on-month it is better.

Jigar Shah: Okay Sir, and in Q2 what was the growth in the segments like composite cylinder and mocks films?

Bharat Vageria: I tell you as far as segment Q2 you are asking me Q1 to Q2 only.

Jigar Shah: On a Y-o-Y sir?

Bharat Vageria: In packaging business FY2021 quarter wise you are asking me, the packaging business is down by 12%, the pipe business is down by 42%. You know very well for pipe business the major is the EPC contractor which in turn work for the government and you know the government all payment is stuck and even no workers were available. I think this EPC contractor has started most of the contractor work in the month of September and October onwards only. So, pipe business is down by 42%, IBC business down by only 12%, composite cylinder down by only 9%, MOX film is down by 9%. So, overall, down by 15% this quarter compared to the previous year quarter.

Jigar Shah: Okay Sir, you also mentioned that you have got the some of the enquiries in CNG cascade business, can you elaborate on that?

Bharat Vageria: As we got approval in August for the CNG cascade from the PESO authority which is the regulatory authority. I have some government report available which I would like to read on natural gas and which government is planning. I think most of the people have seen how in current market conditions PUC people are getting. Just we have to take our vehicles, go to the PUC vehicle which is standing and he will complete it and give us the PUC certificate. Government is planning to have mobile re-filling units and as per the government data available they would like to have 7300 total existing and commercial new CNG stations in India by 2024. So, we are also expecting, in fact this CNG cascade will be used by the gas distribution company that I can say some of the name like, Gujarat Gas, Mahanagar Gas, they are going to use these kinds of the mobile van and other distribution agency is going to use this kind of the cascade. As I mentioned in one cascade 60 cylinders are required and that will give substantial saving in the logistics cost and the weight of the cylinder is less.

Jigar Shah: So, Sir each CNG station will have one cascade?

Bharat Vageria: Currently what they do, every CNG station they keep two or three cascade in their petrol filling stations but again the new guidelines of government is coming where government is allowing for distribution of CNG gas by any company who would like to come in this business but subject to they will have to keep their vehicles two kilometers away from the present filling station. So, that is going to be very huge business for the gas distribution company in the period ahead.

Jigar Shah: As you mentioned that incrementally 7300 CNG stations will be put up and let us say around 15,000 cascades. If you multiply it by 2 let us say each station has 2 cascades, so 15,000 cascades and each having around 60 cylinder -70 cylinders so that is the huge opportunity you have in front of you?

Bharat Vageria: Yes, cascade value is Rs. 50 lakhs and as I mentioned we have already received order for the trial basis for four cascades. We have received the order which we have to execute in the next two - three-month time.

Jigar Shah: Okay, any company has approached for any further orders or big orders or something like that?

Bharat Vageria: Furthermore this is the recently approved type-IV-cylinder, first time it is approved in India, so now whenever the government tender comes, we have specified this kind of a specifications in the tender itself. So, we have already submitted our product details to the government authorities who are going to use these cascades. So, they will include in tenders, tenders will come then the gas distribution will pass and we are going to supply a cylinder. A cascade needs one kind of long trailer or a commercial vehicle, then there will be the cascade which will be made from the metal and we have to supply the cylinder because entire cascade I tell you rough estimate which works out around Rs.1Crores 20 Lakhs which includes Rs. 30 Lakhs on account of these vehicle and around Rs.25 Lakhs on account of the other accessories for making the cascade and cylinder value is around Rs.50 Lakhs.

Jigar Shah: Okay, got that. And Sir you also mentioned that your Rs.70 Crores loan which was pledged and all it has come down?

Bharat Vageria: Yes, it is to Rs. 50 Crores as on today.

Jigar Shah: So, it is at Rs.50 Crores.

Bharat Vageria: Yes, today it stands Rs.50 Crores.

Jigar Shah: So, is there any plan to ….

Bharat Vageria: That Rs.50 Crores in fact yes, of course plans to repay as you know that we have also received the dividend. We have paid that money to them and reduced the loan amount and further as planned already I mentioned we are in the process of liquidation of the assets, so I am working out with some of the developers and do the encashment of the land.

Jigar Shah: So, accordingly the pledge must have also come down?

Bharat Vageria: Of course, it will come as it is in process therefore I am not committing because pledge was given at lower price. Pledge was given for Rs. 70 Crores and we are in the process of reducing that of course. It is going to happen in this quarter.

Jigar Shah: Okay, Sir that is it from my side. Thank you.

Moderator: Thank you. We have the next question from the line of Arun Kumar Ohri and Investor. Please go ahead.

Arun Kumar Ohri: Thank you Sir. Just want to ask for the house cylinder, the domestic gas cylinder has there been any progress.

Bharat Vageria: I can tell you in fact progress you mean to say as far as India there is no any progress only some local distribution agency like Go Gas who is buying from us as the requirement comes but my export is continuing and I am able to I think as last year you are aware that we have sold almost around eight Lakh cylinders and current year in spite of COVID also we are planning to sell around seven Lakh cylinders. So, my export is continuing, and good demand is coming.

Arun Kumar Ohri: But we are not able to crack the domestic market?

Bharat Vageria: Domestic market I think you know very well the government is busy in their own and I think just recently they are free from the Bihar elections. Now we are also tying up meeting some of the government authorities to present our products once again CNG as well as the LPG both. We are talking to have a meeting with senior officials of the government and prove them with the blast proof cylinders available in India that surrounding countries are buying and why our Indian county is not buying when Narendra Modi is saying that we want to ‘Make in India’.

Arun Kumar Ohri: Do you think it makes sense for you to start from country like Nepal which has wooden houses and like smaller demand and single suppliers?

Bharat Vageria: I am exporting in Nepal, Bangladesh and we are exporting in other many countries. We are exporting in Philippines, Middle East, Europe, and we are exporting even to South Africa. In India we are giving our presentation to the government and asking is there any reason or is there any deficiency in the product to tell us. This is the product where the life safety is there, one day it will come and I think even I tell you we have seen our history in the past for use of polymer drum also. Long back, I go back 26 years when they were not taking the polymer drums, because they were using their steel drums but when the private chemical companies started using the polymer drums and market competition came then government also started buying polymer drums. I have seen now, today I can say that Hindustan Colas, HPCL, IOCL, even government for army is buying the polymer drums. They have seen the advantages, light weight, no rust, no dust, no paint peeling off and easy in handling. Similar advantage and you know that in the last

25 years, 55% conversion has taken place from metal to polymers. Similarly, we are expecting, in LPG, around 36 Crore LPG cylinders are in circulation of various sizes and you know our capacity is 14 million cylinder only and every year 5% to 6% replacement requirement is there by wear and tear because maximum life of the metal cylinder is 15 year to 18 years. You know that steel prices are going one side only in the last four months. Steel prices have increased from Rs. 40/- to Rs. 55/-, 30% jump in the steel prices. So, one day looking at the advantage of this product and the safety, there is no doubt that when it is available in India then will have to get it.

Arun Kumar Ohri: Good luck and hopefully that it comes soon.

Bharat Vageria: Yes, we are also working, and our eyes are there.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, I would like to hand the conference over to management for closing comments. Please go-ahead Sir.

Bharat Vageria: I would like to convey thanks on behalf of my management for listening to the performance of the company and further I would like to tell in advance, wish all of you a happy and prosperous Diwali and New Year. Because we are near to the Diwali only but again my request to keep self-distance and stay safe. Thanks to everybody.

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