



“Time Technoplast Limited
Q4 FY2021 Earnings Conference Call”

May 31, 2021



ANALYST:

MR. JIGAR SHAH– ICICI SECURITIES

MANAGEMENT:

**MR. ANIL JAIN – MANAGING DIRECTOR - TIME
TECHNOPLAST LIMITED**

**MR. BHARAT VAGERIA – DIRECTOR - FINANCE -
TIME TECHNOPLAST LIMITED**

**MR. RAGHUPATHY THYAGARAJAN – DIRECTOR -
MARKETING - TIME TECHNOPLAST LIMITED**

**MR. SANDIP MODI – SENIOR VICE PRESIDENT
(ACCOUNTS & CORPORATE PLANNING) – TIME
TECHNOPLAST LIMITED**

**MR. HEMANT SONI – HEAD LEGAL & GROUP
COMPANY SECRETARY – TIME TECHNOPLAST
LIMITED**



*Time Technoplast Limited
May 31, 2021*

Moderator: Ladies and gentlemen, good day and welcome to Time Technoplast Limited Q4 FY2021 Results Conference Call hosted by ICICI Securities. 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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Jigar Shah from ICICI Securities. Thank you and over to you Sir!

Jigar Shah: Thank you Bilal. On behalf of ICICI Securities, I welcome all to the conference call of Time Technoplast to discuss Q4 FY2021 and FY2021 results. From the management we have with us today, Mr. Anil Jain - Managing Director, Mr. Bharat Vageria – Director Finance, Mr. Raghupathy Thyagarajan – Director Marketing, 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. Anil Jain to start the call with his opening remarks and then we can proceed with Q&A session. Over to you Sir!

Anil Jain: Good afternoon friends. I do hope you all are well and your families are well from the COVID. Unfortunately for us it has been a terrible second wave, we lost our Head of Engineering Electrical and also we lost a very valuable colleague who was heading one of our plants in Silvassa so we had two casualties and of course there have been several other employees who lost their loved ones during this wave. I must admit that we as a company tried everything possible to support them and in the last Board meeting we have approved a scheme whereby those people who have suffered due to COVID say for example earning member gone away or there are medical expenses, etc., the company and employees have worked together to formulate a scheme so that those who have gone away the families get duly compensated for a certain period of time, their next of kin can get an employment, their medical expenses are met out and several other things that we could do. These are small little things that we can do for excellent service those people have rendered and the love and affection that they actually have commanded from people. I hope things will improve from here on, there are early signs, but I must admit it is only in the big cities, but if you go down to our factory sites, etc., there are still very severe restrictions, which are there, the moment is not open, our vendors are suffering because they are not able to resume their operations normally and therefore the supply line or supply chain is still severely affected. The biggest problem of course is the migrant labours who this time around were extra cautious with the moment they saw the COVID wave coming in they decided to leave for homes. In any case this is a time every year that they go for the annual vacations to be with their families so I believe they would use up that period and would only return in next one, one-and-a-half months depending upon how the situation would be. So right now the challenges have reduced a little bit but they are far from over.

We are here today generally to discuss about our Q4 results and the full year results of the last year. I will just read the highlights and then we will go to question and answer. We are pleased to report quarter-on-quarter improvement in the consolidated performance of the company. The net sales witnessed a growth of 14% in Q4 as compared to Q3 where the turnover went up to Rs.953

Crores as against Rs.835 Crores in Q3 FY2021. EBITDA in Q4 increased to Rs.131 Crores as compared to Rs.113 Crores in the previous quarter of Q3. EBITDA in percentage terms has improved to 13.8% in Q4 as compared to 13.5% in Q3 and profit after tax increased to Rs.52 Crores in Q4 as against Rs.38 Crores in Q3. Cash profit was Rs.90 Crores in quarter four as against Rs.78 Crores in the third quarter. Please note that the full year FY2021 results are not comparable to the previous year due to COVID-19 impact, also the results are in line with the management expectation for full year considering the impact of COVID-19. If you recall during one of those quarterly reviews or discussions with our investors, I said we will be very lucky if we are able to do around 80% of what we did in FY2020. I think we have done a little bit better than that but obviously we could not be compared with the same period last year. During the year ended March 31, 2021 the net sales stood at Rs.3009 Crores as against Rs.3580 Crores in FY20. EBITDA is at Rs.391 Crores as against Rs.501 Crores and the profit after tax is Rs.103 Crores as against Rs.169 Crores. The cash profit was Rs.257 Crores as against Rs.331 Crores. So we have seen a decline in the net sales, the volume, EBITDA and the cash profit for the whole year due to nation-wide lockdown in Q1FY21. So like I said if you compare Q4 with Q3 we could see improvement and we had hoped that improvement will continue well into the current financial year, though of course this year has started at a rather unhappy note with a lot of mini lockdowns, etc. So we will wait for things to clear up in the next quarter before we are in a position to indicate as to how would we stand at the end of this year. So we are right now holding back our projections for the whole of current year. Of course there are all kinds of things that are being talked about, we would expect that if it is only Q1 which is getting affected probably the rest of the three quarters might to some extent compensate, but if the second and the third wave that people are talking about also becomes a reality, God only knows where it would be.

For the full year FY2021 the EBITDA margin stood at 13% as against 14% last year, so there has been a reduction and that is a net effect of the sales dropping down and some fixed expenses remaining what they were. One clever thing we did was and that was under our control we curtailed our capex, we have kept our capex moved to Rs.104 Crores as against Rs.145 Crores in the previous year. The capex has been our regular capex that we do every year and also part of this capex has also been used for our CNG cylinders and I will talk to you more significantly on our CNG cylinders, which is going to be something that will change the complexion of our business in the current financial year and the years thereafter. As far as dividend is concerned we focused on the payout, so we have improved the payout ratio by 20% and revised it to 15.3% of Profit after tax as compared to 12.7% previous year's profit, however, in the percentage terms the dividend had to be revised to 70% as against 95% in the previous year, but also the thought was to conserve and focus in view of substantial growth that we will be seeing in the current financial year and also not knowing how things are going to pan out in future.

I would like to seek the permission of the people attending this conference to make a short presentation on our CNG cylinders before I go to question and answer. There have been request by some of our investors that we should talk in a little more structured way about CNG cylinder business for which we have been making some important announcement in the last few months so that investors could have an idea as to where the business is going to take us in the current

year and like I said in the years ahead. Now CNG is the talk of the town these days as you would know that CNG has been promoted by Government of India as an alternate fuel and especially in the context of energy dependence. Government certainly wants a lot of CNG to be used and also is focusing on electrical vehicles. Considering the fact that electrical vehicles are far too expensive and not everybody will be able to afford them, I think the easiest way to meet our energy dependence would be CNG. There have been a major trust in this area, unfortunately for us the number of CNG dispensing gas stations were very very limited in the country. As a result of which not many people want to buy CNG vehicles and most CNG vehicles which were sold were dual fuel because one would not know if he had to go 400 miles inside from the main city then he may not get CNG. He would like to have diesel vehicle but CNG as an alternate fuel. That is not a very pleasant situation because in that case the cost of the vehicle also goes up. The government realized this and then decided to go wholeheartedly for spreading the footprints for CNG. Now just to give an idea in the first 8 rounds of CNG distribution, we have a total of 2100 gas stations where CNG was being dispensed. Now CNG is brought for the distribution from their main compressor stations to the dispensing stations by way of cascades where the piped natural gas is converted into CNG and then you see the battery of cylinders mounted on a vehicle, this is called cascade and they are used to bring CNG from the compressor stations to the dispensing stations where the vehicles can come and take CNG. Normally, every CNG dispensing stations need 2 cascades and in some unit maybe 3, 2 cascades would mean there are 2 cascades and 2 vehicles on which one cascade is mounted in each, so therefore you have to have 2 trucks and 2 cascades or 3 trucks and 3 cascades which bring CNG to the gas stations and when one is dispensing the other one goes to fetch the next round. That is a very cumbersome process as a result of that the CNG was not very popular and there were long queues.

Government of India till the 8th round had 2100 gas stations which is about 4200 cascades, mostly type 1 cascade. When I say type 1, type 1 is all Steel, so you see the steel cylinders in the form of cascade and they were mounted on trucks. However, in the 9th and 10th round, which were announced two years back, another 8181 gas stations were allocated. Now these gas stations are being rolled out because there is a timeline and if they do not roll it out within 5 years time then that allocation is taken away. So lot of private parties and also OMCs have participated in it and they are in a rollout stage. I think some extension has been given to them for COVID, but government is very strict about it that it has to be done in a certain timeframe. If you take another 2 cascades per station, it would require a total of 16362 cascades. Now typically one cascade would costs about Rs. 70 lakhs so that amounts to about Rs.11453 Crores (approx.), to meet out the 8181 gas stations and of course the previous ones which are already in place though admittedly even for the previous ones the full cascade rollout has still not taken place and people are buying cascade for them as well. Government has also announced that the 11th round bidding will take place sometime later this year or early next year which will allocate another 3000 to 5000 gas stations, which would require another 10000 cascades. So the value of business for the cascade for the 11th round gas stations is going to be about Rs.7000 Crores. Now, on top of it the government is also rolling out biogas stations, requiring about 300 cascades, which is also expected to generate about Rs. 210 Crores of businesses. So, total business for the cascade alone between the present arrangement, the 9th and 10th round and also the 11th round is going to be

about Rs. 21500 Crores. I remind you, right now the cascades are all the type 1 Steel cylinders. Now we have come out with type-IV composite cylinders, the advantage is that the weight is very light and is reduced by almost 70% to 75%. The formula in a cascade normally is that you can bring in a very limited quantity of CNG to the gas station because the truck has a certain payload and the cylinder is so heavy that the weight available for this gas to come in is extremely limited; however, in type-IV cylinders as we are able to reduce the weight of the cylinders the payload available for the truck can actually be used for bringing more CNG and not carrying the dead weight of the cylinders. As a result, one cascade and one truck is good enough to bring CNG equivalent to type-I two cascades and two trucks. So you can bring twice the quantity of CNG in type-IV cylinders as compared to type-I and therefore even if type-IV cylinder cascades are more expensive than the type-I cylinder cascade, it is still comparable because you cut down one cascade and one truck and secondly the operating cost is reduced dramatically. Now in India, as you would recall, we as a company started making the composite LPG cylinders a couple of years ago and few million composite cylinders have already gone in about 58 countries all across the world. We then decided to move into CNG and developed the technology for it and used the carbon fibre instead of glass fibre and made CNG cylinders, which could withstand pressure. For example LPG cylinder has to withstand the burst pressure of only about 80 to 90 bars whereas in the case of CNG cascade it is required to withstand the burst pressure of 750 bars. So we have developed these cylinders and they were put down to a thorough testing, finally we submitted those samples for approval of PESO, the formerly CCOE. We announced few months ago that our cylinders have been approved by PESO and we are allowed to use type-IV composite cylinder for the first time in the country for CNG cascades. Now, in this short period of time we have got few cascades already which are in operation, we have orders worth about Rs. 53 Crores of cascades which are under execution and we have participated in RFQs for the tenders for cascades, which are valued at Rs. 210 Crores and all of these will probably get finalized in the next few months because of the timelines that have been set out for the rollout. We are pretty hopeful because of the merits of our product and the advantages that it brings to the CNG distributor, it would actually be preferred and we are already seeing those customers who have started using type-IV composite cylinder cascades are actually asking for more and probably have decided that this time around they will not go for type-I but will go for type-IV cylinder cascades.

We also got approval for CNG composite cylinders for on board applications, recently, in this month only. Now when we talked about on board application we are talking about buses, we are talking about medium & heavy commercial vehicles, we are talking about LCVs; we are also talking about passenger cars. Typically, if you look at bus, the bus has to be on in operation all through the day. It is supposed to be travelling something like 800 to 1000 kilometres in a day and it requires 6-8 cylinders of 156 litre capacity to be able to meet out the daily requirement. Now, these cylinders are normally mounted on the top of the bus. The type-I cylinder will be let us say in the case of 156 litre will be about 225 kg or even more whereas it will be about 40-45 kg in the case of type-IV. So what happens is, if type-I cylinder is mounted on the top of bus, the centre of gravity goes up and if the bus takes a sharp turn it is feared that it might overturn. Secondly the number of passengers allowed in such a bus are reduced because the total payload

has to remain the same and part of it is eaten away by the dead weight of steel cylinders. So anybody who is operating a bus with type-IV cylinder where the weight is reduced dramatically has a great advantage of having additional payload. Therefore they accept lot of these type-IV cylinders by the advantages they accrue. Likewise for the commercial vehicles they require 8 to 10 cylinders which are mounted on chassis. They add to the weight of the vehicle as a result of that the payload gets reduced, if they use type-IV composite cylinders where the weight is reduced by 70% to 75%, therefore, they can carry more load and get the freight for that. The buses and commercial vehicle, also the LCVs, the same is applicable, for them as well that is a great advantage. On top of it the passenger vehicles also prefer to have lightweight cylinders as the fuel efficiency improves, secondly the additional dead weight spoils the suspension and the brakes very often therefore when we talked to the passenger vehicle manufacturers they showed tremendous interest in using lightweight cylinders for CNG. Incidentally in the last year itself about 1,70,000 cars have been sold fitted with CNG cylinders by the OEMs and they could be the potential user for on board CNG cylinders. We have got cylinders in 60 litres and 156 litres denomination to meet the requirement of small vehicles and the large vehicles or we can use them in combination. We are expecting that on board application the business will grow tremendously as the rollout of CNG takes place and more CNG will be available on the routes, so people will then prefer to buy CNG vehicle, which they do not do right now. In the next five years time we expect that on board CNG business will grow to about Rs. 500 Crores per year. We talked about for the cascade about Rs. 750 Crores per year and then we talk about on board which could be about Rs. 500 Crores per year. We have not even talking about retrofit business, where people convert their cars or vehicles from diesel or petrol to CNG, in which case they would prefer type-IV cylinders rather than type-I, so we are pretty upbeat about the potential of type-IV composite cylinders. Right now, we are the only manufacturer of these cylinders in the country and we are promoting them under Atmanirbhar Bharat initiative. If you look at other manufacturers worldwide there are just a few, there is a company called Agility, which does type-IV cylinders, Indoruss who together with TK Fujikan in South Korea, there is one Luxfer, and another one is Quantum. And there are type-III cylinders where the inliner is made out of aluminium and then you have carbon fibre on top. We have got three people, Worthington, Luxfer and Catalina, all of them are from USA and others I talked about are from Europe in type-IV. So we have the advantage of being the first one in the country, we have got PESO approvals so nobody can displace us in a hurry because PESO takes anyway between two to three years to approve cylinders and we are building up the references, our cascades are in place, we are already talking to OEMs for on board application, so I think that the leads we have taken already will stay with us and help us grow orders. Can we then now go to the question and answers please?

Moderator: Sure Sir! Thank you very much. Ladies and gentlemen, we will now begin the question and answer question session. The first question is from the line of Harsh Shah from Dimensional Securities Private Limited. Please go ahead.

Harsh Shah: On the composite cylinder part you mentioned the size of the opportunity so do we also envisage any opportunity in the overseas market as well that is number one and number two what is the

replacement value of this business, I would presume that the cylinders will be long lasting so once an OEM buys these three cylinders from us then what will be the replacement value few years down the line?

Anil Jain: Replacement value you said right?

Harsh Shah: Yes.

Anil Jain: The life of the cylinder is minimum 20 years we actually get them tested for 20 years life so you do not require to replace these cylinders for the next 20 years whereas in the steel type-I cylinders you have to inspect them every 3 or 5 years and I think they do not really last for more than 10 or 15 years because of rusting and corrosion that takes place. Overseas market is very exciting, like I said there are only limited number of manufacturers worldwide, but we have decided that first we will test them out, use them in India, which is the most difficult geography from operations and handling point of view and then we will take them overseas, but I have no doubt in the mind that overseas also there is a huge demand for composite cylinders for CNG.

Harsh Shah: When you say business for on board application could be as high as 500 Crores so for how many years do you expect this business sustain at that level?

Anil Jain: I am sure so longer the cars are being made, buses are being made and the commercial vehicles are being made they will require it every year because you need to have fuel for that and if company decides or the buyer decides to have a CNG vehicle, you need composite cylinder on the vehicle, so it is not really limited to one, two or five years because every vehicle will require those number of cylinders.

Harsh Shah: Can you throw some light on your pipe business so there has been some traction in the infrastructure award so what kind of order book are you looking at and what is the roadmap there?

Anil Jain: You talked about the pipe business as a matter of fact it has been rather disappointing. In FY2021 our pipe business was extremely slow of course we had seen it coming in the middle of the year itself, but the reason being because of the COVID the layout of the pipeline, etc., was curtailed. Number two we had a situation where state governments do not have enough resources to be able to buy pipes or to pay for the pipe projects, etc., to the EPC companies and also there have been lesser allocations from the central government. So the order book is very strong I think we have order book over more than Rs. 200 Crores but the clearances have not been forthcoming because the rollout was not taking place, the pipelines have not been made and the state governments were not able to pay to their contractors.

Harsh Shah: How long these orders have been with us?

Anil Jain: It is about a year-and-a-half.

- Harsh Shah:** None of these orders are getting executed?
- Anil Jain:** No, they are getting executed that is reason why we still did about Rs. 170 Crores FY2021, but we could have done lot more if things have been normal, but only thing is where we could have supplied let us say Rs.20 Crores worth of pipes we ended up doing only Rs.3 Crores, Rs.4 Crores or Rs.5 Crores.
- Harsh Shah:** Okay understood and on the raw material side what kind of situation are you looking at because the prices of commodities have been rising significantly, so how are you placed in?
- Anil Jain:** The raw material prices have been up, but they are now getting moderated, I think there have been demand restrictions for the polymers worldwide, the demand supply gap is now getting bridged and we are seeing that the price of polymers are getting moderated. What we would like to think is that these prices went up, that was more of an exception, otherwise now the prices are coming to the regular price levels that we have been seeing in the previous years.
- Harsh Shah:** Okay we are not expecting any major disruption on the cost?
- Anil Jain:** No, supplies have been maintained, of course there are certain delays because of non-availability of shipping containers as you know there is a worldwide shortage of shipping containers, so to that extent there have been some delays in between but otherwise we expect the supply to continue.
- Harsh Shah:** Understand. Thank you so much Sir and all the best.
- Moderator:** Thank you very much. The next question is from the line of Vikram Vilas Suryavanshi from Phillip Capital. Please go ahead.
- Vikram Suryavanshi:** Sir can you share a few breakup of revenue for established products and value-added products like what was the revenue share from IBC, composite and Mox films in value added?
- Anil Jain:** Regular products we have done around Rs. 2410 Crores or thereabout and the value added business has been about Rs. 595 Crores.
- Vikram Suryavanshi:** IBC was how much broadly?
- Anil Jain:** In the previous year?
- Vikram Suryavanshi:** Yes in 2021.
- Anil Jain:** IBC we did about Rs. 326 Crores.
- Vikram Suryavanshi:** Revenue from packaging?
- Anil Jain:** Rs. 2317 Crores.

Vikram Suryavanshi: Okay.

Moderator: Thank you. We have next question from the line of Nikhil from KRIIS Portfolio. Please go ahead.

Nikhil: Thank you for the opportunity. Sir I just wanted to understand we have been working on the new development products like cylinders for a pretty long period of time now and we keep on introducing that, recently in the current presentation I am seeing oxygen cylinder has been introduced, Sir wanted to understand your strategy like what type of company are we trying to be? Your strategy is very clear Sir that you want to increase value added but I am just trying to understand the products and the synergies that we have in our production capacities and what are the expected timeline, I understand probably the approval takes long period of time, but what are the bottlenecks that we are facing that we are not able to scale composite cylinders like beyond Rs. 600 Crores or Rs. 700 Crores because we have introduced these products for a pretty long period of time?

Anil Jain: No that is not correct actually, we did not introduce them for a long period of time. As a matter of fact, we just got approval for CNG cylinders few months ago for cascade application and for on board application we just got it less than one month ago and we could not have manufactured or even giving samples to the prospective buyers until we had the approvals in place, but you are talking about is the LPG cylinders type-IV?

Nikhil: Yes.

Anil Jain: For which we are already doing good amount of business consistently years after years. You asked interesting question as what kind of a company are we going to be? We had been and continued to be a polymer product company with the focus on industrial packaging and that continues to be our mainstay. But as you very rightly said the company is now focusing on value added businesses where we have developed confidence over a period of time and composite is the area where we are now feeling confident enough to introduce some interesting products, which have huge business potential going forward, so going into CNG cylinders both for cascade and on board application is a part of the same process. I talked about the oxygen cylinder; please understand a cylinder is a cylinder is a cylinder. Now the concept is the same, you have an inner liner, you have reinforcements by way of glass fibre or carbon fibre and the cylinder is able to withstand very high pressure inside. This one time we saw there is a great opportunity for oxygen cylinders and by the way if we think we are through with oxygen that is not true as we get to know from the doctors that a lot of people who have recovered from COVID still require oxygen support at home for a prolonged period of time, especially senior citizens. So you would require a personal oxygen cylinder at home, which could be used intermittently or in few cases regularly to maintain your oxygen level, so that it has a huge prospect. Again the same reason, you have got a steel cylinder of 10 litre oxygen, which is about 18kg in weight, we could develop up that in 6 kgs, so we see that will be a huge advantage. There is going to be a requirement, we have the technology and we have been able to develop a product, which can meet the requirement of the customer. I am sure that is just a natural progression what we are doing already.

Nikhil: Got it Sir. If my understanding is correct the incremental capex over the years will definitely be more towards cylinders probably say 60%, 70% and probably we will be incurring lesser towards the regular products, right?

Anil Jain: Of course the polymer products also are having a lot of opportunities and wherever we require we will be doing capex there, but you are right absolutely there will be large part of our capex is going to be in these areas where we have such large business potential that we just talked about both in cascade and on board application and oxygen, so we will judiciously allocate capital expenditure to the areas where we will have a better ROCE or higher EBITDA or better returns.

Nikhil: That is it from my side. Wish you all the best.

Moderator: Thank you very much. We have the next question from the line of Ujjawal Kumar from Green Portfolio. Please go ahead.

Ujjawal Kumar: Sir my question is regarding again composite cylinder, it is definitely looking like a very good prospect. I am just trying to understand what is the difference between the pricing of the metal cylinder versus the composite cylinder so that is the first question in terms of the cost difference, second question is have you sort of received any orders from OEMs like Maruti, Hyundai for the on board business as of today?

Anil Jain: Second question first, we got the approval for on board application in this month, only after we got the approval we can start sending the samples to discuss with these OEMs, before that they do not even want to discuss the possibilities, so we have already started discussions with OEMs. Firstly we are going to the people like Tata Motors, Ashok Leyland, Eicher, Mahindra and all where they have a lot of buses. By the Supreme Court order the school buses and the buses inside the cities have to be run on CNG, so that is what this is a low hanging fruit when we are talking to these companies who are making buses then the next would be we will go for heavy commercial vehicles. If you ask me personally passenger car will be at the end of our priority list because the process for them is a very long one and probably they negotiate great deals so let us remain focused on area where the customer is in dire need of lightweight composite cylinder on top of the bus or on the commercial vehicle.

Ujjawal Kumar: Right.

Anil Jain: By the way Maruti has made an announcement that in the next three years' time they will be making about 4 million cars in a year and out of that 1 million cars are going to be run on CNG so you can imagine the kind of business potential that exists even for passenger cars.

Ujjawal Kumar: Understood Sir and if you could just a little talk about the cost difference between components?

Anil Jain: Depending upon the area of application say for example in the case of cascade the price of our composite cylinders could be something like, let me give you an idea about the cascade price. Type-1 cylinder cascade will be about Rs. 23 lakhs; however, type-IV composite cylinder

cascade will be about Rs. 70 lakhs. But incidentally for the same capacity as type-IV cylinder cascade, in type-I cylinder cascade you will require two cascades in two trucks, so the total capex is always comparable and whatever little difference is there the payback is less than one year because of the operating cost being halved.

Ujjawal Kumar: Just one question on the LPG side, FY2020 you did an overall business of Rs.179 Crores globally and you have claimed that you are the second largest manufacturer of composite cylinders on the LPG side, trying to understand what is the global market size here and how fast is this growing?

Anil Jain: You see the cylinder business per say is growing very rapidly because lot of countries are now switching over from the regular fuel to LPG especially Africa, far East, etc., so therefore the LPG business could be growing at about 10% to 11% and I am talking about LPG cylinder business., The type-4 that is composite cylinder is only 2% of the total population of LPG cylinders all the rest is steel cylinders so the composite cylinders are gradually eating into the steel cylinder market and also the incremental demand that is coming in because of the changeover from fossil fuel to the LPG. If you ask me the total market for type-IV composite cylinders worldwide could be about 4 million cylinders in a year. We are talking about less than about million cylinders a year so we are looking at 25% of the total composite cylinder business market.

Ujjawal Kumar: Understood and what is the number for this year, for FY2021 what was the size of the LPG business composite cylinder?

Anil Jain: Rs.170 Crores.

Ujjawal Kumar: Okay thank you Sir. That is all from my end. Best wishes for the future.

Moderator: Thank you very much. We have a next question from the line of Aniket Khanolkar from Trivikram Consultants. Please go ahead.

Aniket Khanolkar: Sir you mentioned that we are expecting Rs.5 00 Crores revenue per year in the next five years from on board application of CNG so what is the opportunity that we are expecting in the captured part?

Anil Jain: We are expecting 20% of the demand that will be coming up for on board application in composite cylinders and the rest 80% I am still giving it to the steel cylinder people so the opportunity is much higher, the 20% of that is Rs. 500 Crores, which is what we are targeting to tap in 3-5 years.

Aniket Khanolkar: The opportunity in case of cascades?

Anil Jain: The cascade opportunity like I said is close to about Rs. 21500 Crores in the next nine years because this rollout has to take place on or before 2030 so that is close to about Rs. 750 Crores a

year and in the case of cascades we are expecting a much larger share because we are not only bringing in operating advantages but even capex is quite comparable.

Aniket Khanolkar: Right Sir and my other question would be looking at the current scenario what is the impact that you are expecting in order topline in the first quarter of FY2022?

Anil Jain: FY2022 is a difficult nut to crack. Allow us to talk about our projections for 2022 in the next quarterly review that we have because there are too many moving pieces and believe me if you were sitting in my position you would go bonkers because you cannot even predict what would happen in the evening for one month or a quarter later from now so let us get this under control, things to stabilize. We do not know whether third wave is going to come or not come and how is it going to impact people attendance, availability of supply chain, etc. Let me tell you there is no dearth of demand by the way, we are experiencing a good demand from our customers, of course admittedly even that is a little truncated because some of the challenges that we have and they also have the same challenges, not having enough people, not getting the supply chain fully mobilized but I think as things go forward they will put their act together and we will be able to serve them as per the requirements.

Aniket Khanolkar: Got it Sir. Sir if I can squeeze in one more question, is there any revenue that we received from cascades in FY2021?

Anil Jain: Zero.

Aniket Khanolkar: Got it Sir that is it from my side. Best of luck for future.

Moderator: Thank you very much. We have the next question from the line of Hitesh Taunk from ICICI Direct. Please go ahead.

Hitesh Taunk: Sir any update on asset held for sales?

Bharat Vageria: I think you know that since last one year we are talking about E&Y suggestion and the study that was on-going. After getting this E&Y report almost 90%, they have suggested and we have identified certain asset, which has been classified for sale as the situation arises. Most of the things are relating to land and building and some of the related assets business wise I can say, some kind of medical division assets, which we have identified to put up for sale and other furniture division item also. The injection moulding machines we can use for alternate business development in conical paints etc. So these are the land and buildings and some of the business assets identified which provided approximately Rs. 60 Crores.

Anil Jain: This is the most opportune time to do the liquidation of these assets as they will get stabilized and I am sure there are going to be people looking for these assets as they are very valuable and I think we should be able to see them done by the end of this financial year.

- Hitesh Taunk:** Okay Sir my next question pertains to our order book on composite cylinder LPG; can you share what is the order book in that at present?
- Anil Jain:** So we have order book of around 1.2 million cylinders if you want to know how much is it in value that is about Rs. 260 Crores to be précised.
- Hitesh Taunk:** This will be executed in FY2022?
- Anil Jain:** Yes, it keeps happening, we will get the new orders and we have got these orders get executed.
- Hitesh Taunk:** My next question from overseas business, two quarters back when we were in call you had indicated kind of we had \$15 million kind of investment in our Iowa plant in USA and we were expecting kind of 2x from that plant, so are we on track on that?
- Anil Jain:** USA we have got three units, where we invested around USD 15 million, which are already up and running, Chicago, Houston and Nashua (Iowa) and the sale had been rather good. As US economy is booming everything you produce gets sold out the same day or the next day. So we are very happy with those investments and we have been able to make an entry in the market, which holds a huge potential going forward.
- Hitesh Taunk:** Sir let us say our overseas revenue is around 33% of our overall topline now being domestic business impacted by second wave of COVID, now if I assume correctly 33% or 35% of our revenue will grow by double digit going forward?
- Anil Jain:** No questions about that, while the business has lesser challenges though admittedly second wave has started a bit late, but looks like they have better control on situation, they do not panic, people are still available to work and the companies are working to the truthful potential.
- Hitesh Taunk:** Okay so in that mean further debt reduction from here on?
- Bharat Vageria:** I think I recall our discussion last when we mentioned that FY 2021-22 business will be the size of FY 2019-20 business, which one point of time in 2019-20 was Rs. 3600 Crores business, last year it was 80% of that business and this year we will be going to come back to that original business, so debt reduction maybe Rs. 10-20 Crores here and there depending on again prices of the products and the investment plan of the company. So still we cannot say about the debt reduction part, but we are sure that our Net Debt to EBITDA that definitely will not be more than two times.
- Anil Jain:** If we talk about composite cylinders, CNG cylinders, etc., right now we have not made any allocation for the capex for creating the capacity to tap the market potential that exists. We are going to do it through incremental capex and kind of debottlenecking some of our capacities otherwise for LPG and we are diverting that into CNG space. But I do not know if this market really picks up the way we are expecting it to, we may have to consider making some capex

though admittedly we will not do it until we clearly see that the capex can start contributing almost immediately after we have made investments.

Hitesh Taunk: My last question pertains to our near term points you discussed about the impact of COVID certainly on our supplies and labour crisis, but do you think this quarter impact will be higher or will be in line with last quarter where we had a kind of 40 days of lockdown or will it be better than last quarter in FY2021?

Anil Jain: If you try and compare because last time you are right 50 days were washed out like 30 days of April and some in May, we should be better than the last year.

Hitesh Taunk: Okay that is all from my side. Thank you very much.

Moderator: Thank you very much. We have next question from the line of Deepesh from Maanya Finance. Please go ahead.

Deepesh: Congratulations for excellent set of results. Most of my questions have been answered previously but just wanted to know what is the current capacity of these CNG cascade cylinders that we are having because most of the production was taken as I remember in the last concall you have said that most of the production was taken from the LPG?

Anil Jain: Deepesh you are absolutely right, we have two parts for the cascades one is making the cylinders and other one is making the cascade because those cylinders had to be fixed inside of a frame with a certain piping and fittings, etc., to make it one single unit. So we have been able to build the capacity for making and converting those cylinders into a cascade. Cylinder manufacturing is done on the same plant and equipment, which is used for LPG cylinders, of course we have to add some testing equipment and allied equipment because of different testing requirements so I think for the time being what we are projecting or looking at for the current financial year we should be able to manage with the capacities that we have, of course there might be some marginal investment required in some testing equipment, etc., but no significant capex if you ask me.

Deepesh: So when are we expecting significant capex to come in since you have already Rs. 260 Crores of order book for CNG cascade and you have been so bullish and even for the product I think it is really an excellent product?

Anil Jain: We do not have the order book, the order book is for around Rs. 53 Crores, those Rs. 210 Crores cascade is where we have participated for orders and we are expecting the orders to come in next couple of months . Once we have those orders in hand I am sure we will then have a look at our capacities because let us face it, I do not want to kill too much of my LPG cylinder capacity as the business is growing and we have worked so hard to develop the market for LPG cylinders, so at some stage we will have to ask the question whether we should keep diverting capacity from LPG to CNG or we should like you rightly asked the question, make separate investment for manufacture of CNG cylinders.

- Deepesh:** Okay and most of the supply is to OEM only, we are not planning any replacement market for on board CNG cylinder?
- Anil Jain:** You are now talking about on board application, on board application most of the requirement is going to be OEMs on one hand, secondly in many cases OEMs do not put the cylinder on the vehicle on their own as they have their own associates who provide them the conversion kit along with the cylinder. So we work with those kit suppliers who can then offer to the OEMs the complete fuel system including our cylinder. So in some cases it will be OEMs directly and in some cases it will be through these fuel system suppliers.
- Deepesh:** Are we in talks with anyone?
- Anil Jain:** Yes, In fact they are also in talk with us because they would like to increase the value of their fuel system by offering a type-IV composite cylinders instead of type-I.
- Deepesh:** Just a last question about your oxygen cylinders, are we planning for any industrial oxygen supply also the ones which require a larger capacity maybe from when they take, are we looking at that point?
- Anil Jain:** No, we are not looking for the industrial oxygen cylinder because the steel cylinder seemed to serve them well, and the price wise they are much lower. We are looking for feather weight ultra clean oxygen cylinders, for example a typical steel cylinder has a lot of rusting and corrosion and including black fungus and then when you force oxygen from those cylinders into the patients you actually create another monster. We are looking at only for the individual use of oxygen by people who need to have a very lightweight absolutely clean high purity oxygen.
- Deepesh:** When are we planning to make these?
- Anil Jain:** We have made the prototypes, now it will all depend upon PESO how quickly they give us the approval. We have started the process already.
- Deepesh:** Okay all the very best.
- Moderator:** Thank you. The next question is from the line of Mr. Irani, an Individual Investor. Please go ahead.
- Homeyar Irani:** Number one question is how long have the operations been down for this April to June quarter, which divisions were affected and closed and what percentage of the business was closed and what impact will it have on revenue and profit numbers?
- Anil Jain:** Well like I said we will answer this question more intelligently as we go for the next quarter reviews, just to give you an idea we did not have to close down any of our units. For example, it is a different matter we may not have been able to run all the three shifts in some other places or

the number of people who are coming to work were less but we did not have to close down the unit and they have been running regularly with truncated capacity.

- Homeyar Irani:** What is the percentage of output that was affected?
- Bharat Vageria:** Mr. Irani I think one gentleman has asked us the question as this Q1 business how is affected which is already replied, Q1 of FY2022 will be better than the last year Q1 because it is less affected than the last year.
- Homeyar Irani:** No, I am talking about volume output how much have been affected, 10% or 30% affected percentage wise?
- Bharat Vageria:** Percentage wise I agree each business segment has a different percentage, in terms of the overall percent you can say 15% business affected.
- Homeyar Irani:** Okay only 15% business affected. To another person you answered what your current CNG production capacity is that one or two cascades per day or one or two cascades per month?
- Anil Jain:** We can do one cascade every alternate day, but like I said that is for the manufacturing of cascade, but the cylinder is a different matter altogether. So how much we will be able to do will depend upon which size of a cylinder for that application, whether it is cascade or it is on board application, the numbers that we have projected for the current year or where we are expecting the business to come in I think we will have enough capacity to meet out the requirement.
- Moderator:** Thank you. We have the next question from the line of Jigar Shah from ICICI Securities. Please go ahead.
- Jigar Shah:** My question was that steel prices have gone up through the roof so do you expect that polymer drums would gain the market share as against steel drums across the world?
- Anil Jain:** Yes, you are right absolutely right. One is that we can get more market share, secondly we can get a better price for our polymer drums and I think we will prefer later because we have a fairly significant market share. 50% is steel drums and the 50% is polymer drums so I think that is more or less given, but within the same customer since the steel prices have gone up customers are willing to pay a bit better for polymer drums now rather than comparing with the steel drum prices. You see the steel drums are not being replaced in certain area for example lubricating oil or some chemicals which cannot be filled in plastic drums so that cannot be changed because of the chemical characteristic of polymers, but yes you are right the steel prices staying up certainly gives us an opportunity to penetrate into the customers who are better pay masters.
- Jigar Shah:** We have already passed on the higher prices so do you expect our EBITDA margins to go up in FY2022?

- Anil Jain:** As a matter of fact if you look at the history also whenever there has been an increase in the price of polymers we have been able to pass it on to our customers as we have a very transparent process; however, if the prices are coming down or moderating and we are duly bound to pass it on to our customers too, the time gap will be a little bit, so to some extent there might be a difference in a shorter period but in the long period it will get passed on.
- Jigar Shah:** My next question would be on capex front what kind of capex are we envisaging for FY2022?
- Anil Jain:** Well I can tell you it will be minimum what we have done in FY2021 because we have done only about Rs. 100 Crores out of which is about 70 to 80 is on maintenance and other things. But we will take a call on the capex like I said depending upon how market for CNG cylinder pan out whether we are able to meet the requirement of the customer by diverting our capacity from LPG cylinder to CNG or we need to add more equipment.
- Jigar Shah:** So currently how much revenue you will be able to generate with the current capacity in both LPG and CNG?
- Anil Jain:** We can do about Rs. 50 Crores to Rs. 60 Crores from the existing capacity.
- Jigar Shah:** So currently you did around Rs. 170 Crores in FY2021?
- Anil Jain:** That is for LPG cylinder. I am talking about CNG cylinders where I can do about Rs. 50 Crores to Rs. 60 Crores without affecting my LPG cylinder business.
- Jigar Shah:** Incrementally if you want to do capex then how much capex we will be incurring approximately and how much revenue we will be generating from that?
- Anil Jain:** To be honest with you we are not going to do capex at one go, so even if we do that we will be doing it incrementally and Brownfield expansion because it will be an extension of our LPG cylinder capacity as some of the equipments actually are fungible. It is very difficult for us to say, I think everything will depend upon how the CNG cylinder business pans out and what are the kinds of timelines that we have to work with. Interesting thing is we are keeping the powder dry that if the demand goes up we should be able to create the capacity in a jiffy.
- Jigar Shah:** Okay that is the great to hear Sir, that means for couple of years with only Rs. 100 Crores to Rs. 250 Crores capex, you will have better cash flows?
- Anil Jain:** Yes.
- Jigar Shah:** Okay that is it from my side Sir. Thank you.
- Moderator:** Thank you very much. Due to time constraint that was the last question for today. I would now like to hand the conference over to the management for closing comments.



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Anil Jain: I hope we have been able to answer some of the questions. I wish things were little bit more clear for us as well so that we could give some more definite answers but I am sure when we meet three months from now things would be clearer and we will be able to answer the questions more intelligently. I thank investors for their continued interest and their support to the company. Thank you very much.

Moderator: Thank you. On behalf of ICICI Securities Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.