



“Time Technoplast Limited
Q1 FY2022 Results Conference Call”

August 16, 2021



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Moderator: Ladies and gentlemen, good day and welcome to Time Technoplast Limited Q1 FY2022 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 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. Hitesh Taunk from ICICI Securities. Thank you and over to you Sir!

Hitesh Taunk: Thanks. Welcome to the Q1 FY2022 earnings call of Time Technoplast Limited. From the management today, we have Mr. Bharat Vageria – Director (Finance) & CFO, Mr. Raghupathy Thyagarajan – Director (Marketing) and Mr. Sandip Modi – Senior VP (Accounts and Corporate Planning). Sir, I would request you to please start with your opening remarks. Over to you Sir!

Bharat Vageria: Good afternoon to you all. We are here essentially to talk about the result of the Q1 FY2022, and outlook for the rest of the years. The results have already been announced but I will just walk through some of the key financial and operational highlights.

The key numbers are during the Q1 FY2022 and previous figure also I will read it. On a consolidated basis, net sale stood at 755 Crores as against 475 Crores previous year same period. I just would like to remind you that previous year same quarter, it was the COVID first wave and around 40 days to 45 days national wide lockdown was there. Some of the units were disturbed but now we have are used to of running the units by way of digitization. And this year also in Q1 some of the locations especially Telangana, Chennai region, east region Kolkata, there was some disturbance but in spite of that we achieved net sale of 755 Crores as against 475 Crores previous year.

EBITDA was 101 Crores as against 54 Crores. PAT of 29 Crores as against net loss of 12 Crores. Cash profit of 68 Crores as against 26 Crores. In terms comparison with the corresponding quarter previous year net sales increased by 59%, India around 67%, overseas is 47%, volume increased by 57%. There is a difference between volume and revenue of around 3%. EBITDA increased by 86%, PAT increased by 344%. The EBITDA margin was 13.4% as against 11.4% an increase of 200 basis points.

I recall my last conference call of Q1 FY 2021 which happened when my EBITDA percentage was 11.4%. It was because of some cost fixed expenses which when the utilisation will increase, revenue will increase automatically it will set off. For example, salary wages, rents, interest etc. These are some of the fixed and continued expenses.



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Whether business is there or not there, we have to absorb these costs, therefore there is a straight jump of 200 basis points in the EBITDA.

Share of the business, value added products grew by 52% in Q1 FY2022 as compared to Q1 FY2021 while established products grew 61%. The share of the value-added product has been 20% of the total sale in Q1 FY2022 as against 21% in Q1 FY2021 almost the same. Share of India and overseas business, normal cases it is always 70% and 30% but in Q1, share of the Indian & overseas business was 62% and 38% as against previous year 59% and 41%.

I will clarify here, the COVID effect in the previous year in India was much, much more as compared to overseas, and therefore we have seen the 59% revenue was in India and 41% overseas. Now same quarter this year it is 62%, little little improvement is there as far as India part is concerned and I think except Q1 which has the major effect, now it is witnessed everywhere that COVID cases are reducing day by day. We all know that in the month of March-April COVID cases reached to 3 lakhs – 4 lakhs cases in a day which has now reduced to 30,000 to 35,000. But I think as everybody knows, everybody is worried about COVID third wave but I think government is also working hard on providing the vaccination to most of the people and every company is also taking care of their all staff strength, manpower so that is benefitting the company and the corona cases will be reduced.

Total debt in this Q1 is reduced by 22 Crores from the year ended FY2021. These efforts will continue. The total capex incurred during the Q1 FY2022 was to be 30 Crores which includes 14 Crores towards the capacity expansion, re-engineering, automation, cost products 16 Crores through value added products. Value added products always we mention are IBC, CNG cylinder, LPG cylinder and Mox film. These three are the products considered under the value-added product, where company is focusing and increasing the revenue.

We all have witnessed and I would like to again update, value added product where the company has EBITDA level in the range of 18% to 22%, and the established product where the EBITDA margin is in the range of 12% to 14%. So, company is focusing more on the value-added product even though established product will also grow as the industry will grow.

Now I would like to open the floor to the answer necessary questions. Thank you.

Moderator:

Thank you very much Sir. Ladies and gentlemen, we will now begin with the question-and-answer session. We have the first question from the line of Kajol Jain which is an Individual Investor. Please go ahead.



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Kajol Jain: First let me congratulate Mr. Bharat for such fantastic results. My question is on the lines of CNG cascade, my query is that as we can see that many electric buses are now on the road and government is pushing the electric vehicle buses projects, so do we see it as a threat for our CNG cascade in any way or what would be your view going next three to five years?

Bharat Vageria: During our last conference call in the end of the May we have said that we have got the approval for on board application for CNG cylinder Type-IV. Immediately my marketing team started talking to the OEM people, now we are in the process of talking with some of the OEMs directly and we have standard two cylinders 60 litre and 156 litre. I think that definitely market is there and in our analyst meet also we have mentioned in our projections that how much business can be come on account of this on board application which we are expecting by 2024. We are expecting 2,10,000 total number of buses on road, out of that, we are expecting conversion to CNG of around 85,000 buses. Number of the cylinder per bus required is 8, so total number of cylinder we are expecting around 680,000 cylinders and this market potential market is the three year can be ~Rs. 5000 Crores, it is the total estimated business that can be done from cylinder business as far as on board is concerned, now I will give this to Mr. Raghupathy Thyagarajan, my colleague Director who will give more details about the CNG cylinder.

Raghupathy T: Kajol, very specifically replying to your question as to whether the CNG growth will be effected by the potential that is coming from the electric buses. I must tell you that as far as CNG is concerned, the government has rolled out a very ambitious plan to ensure that the CNG availability is improved. So far the availability of CNG has been focused mainly in the Northern NCR region I would say and probably some parts of Gujarat and Maharashtra. That is where you will see the most of the CNG growth has really taken place. Now as per the last geographical area that have been allotted by the government under the auspicious of PNGRB, they had given ambitious plan to lot of companies to whom the geographical areas have been allotted, they have said the current availability of CNG which is covering about almost 15% of the country or region will have to be increased to almost about 80% of the country. They have made an ambitious plan that the number of CNG stations has to go up from May be 1500 to 2000 currently to almost about 10,000 CNG stations over the period of 8 to 10 years, so with the availability of CNG improving this is likely to definitely grow there is no doubt about it. At the same time there is a valid question as to I mean CNG growth is also taking place primarily because of two reasons; a) it is a clean gas, so you have lesser pollution and b) it does not really make a deep hole in the pocket of the consumer because as on today with the price of the petrol and diesel that is going on when you use CNG, you are actually reducing your operating cost by almost about half, so there is a good potential for CNG as we grow forward. But as far as the electric buses are concerned, there is a lot of infrastructure issues that are yet to be addressed both by the government and the industry. The biggest supply chain issue will be coming with regard to



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the batteries, which is very difficult, the technology is not yet established, most of the lithium ion batteries and batteries are available mostly out of China, there are no other dependable sources that are available worldwide, so that is a very big question mark plus the fact that the infrastructure has to be provided for large amount of charging stations and charging time that will be involved that also has to go up now, so as per the expert that are there they would say that the electric buses industry or vehicle industry will be known little more evident in the next 7 years to 10 years before it is difficult to take a call in the Electrical Vehicle Industry.

Kajol Jain: Okay Sir got it. Just a follow up question, will we intend like any capex expenditure to this?

Bharat Vageria: Capex for?

Kajol Jain: Will there be any capex expenditure incurred for this CNG this year?

Bharat Vageria: Of course, in fact during last conference also we had told that CNG expansion we have taken because it is a new product. We have taken under consideration in this last six months only because for CNG as we have mentioned, we have initially done a capex of around 25 Crores to 30 Crores, out of which we can generate revenue of 55 Crores to 60 Crores for which we have already got the orders for this year. And, further orders are ongoing but first we are tying up and we are negotiating with some of the other CNG applications also. So capital expenditure this year we will do when the order booking is more and as per the market need. Normally as we have mentioned the capex is in the range of 75 Crores to 80 Crores for my existing business and the additional capex whatever will be there will be for the value added products which includes the IBC and mainly for this CNG. For LPG we already have a capacity and we are first utilizing our existing capacity.

Kajol Jain: Okay Sir, got it. Thank you.

Moderator: Thank you. The next question is from the line of Sanjay Jain an individual investor. Please go ahead.

Sanjay Jain: Thanks for taking my question. I wanted to understand about this LPG cylinder that 30,000 cylinders that you got order, so what is the progress on this and what is the scalability, what is the response from the market or what stage it has reached, in which city it has been launched?

Bharat Vageria: If you have gone through my press release, we have very clearly written update on the 'break through' order first time because long back we have supplied 40,000 cylinders and now after that we have taken the initiative, we have given the presentation to the



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government that nearby countries are also using our cylinder then why the Indian Government is not using. We have given our presentation to the Central Government also. Out of the current order which is under process, the supply has started for the orders which we got from the government companies. Another thing, steel prices have also gone up substantially, so that will give more competitive advantage for government to use the composite cylinder along with additional advantages like life save and additional features are available in the composite cylinder.

Sanjay Jain: Sir, my question is that this 30,000-cylinder order, we just got, so it did not get delivered, right?

Bharat Vageria: No, we have started delivering now. You will come to know.

Sanjay Jain: Are the cylinder out in the market?

Bharat Vageria: No, it is going to take some time because we have just received the order, I think press release was given on August 4. One day before only I received the order, so after that there is a need to prepare as per their specification, as per their policy we have to supply them then it will go for the testing and PESO approval and their nominated agency will test it and it will go to the filling station. I think in market the cylinder should come out in the next quarter in the public place. There is some distribution time that takes place between the companies.

Sanjay Jain: Is there any somebody else who is supplying cylinder because I remember seeing some Tweet by Indian Oil companies say that these cylinders are available in the market?

Bharat Vageria: No, I think you are talking about one another private gas Distribution Company who is selling the cylinder filled with the gas that is called Go Gas company, you are talking about that company?

Sanjay Jain: Perhaps yes?

Bharat Vageria: I think I have also seen on the media on Aaj Tak or some media channel I have seen Go Gas. Go Gas is also buying from us, you have heard, the name of the company called Confidence Petroleum?

Sanjay Jain: No, I have very little knowledge.

Bharat Vageria: Okay fine, I think I will tell you the Confidence Petroleum is a metal cylinder manufacturer and at the same time they are providing services of the gas filling station to the government companies, OMC. They provide the gas filling and they have started their separate company

called Confidence Petroleum Limited where they have launched their own gas distribution scheme in the metal as well as composite cylinder and we have signed a corporation agreement with this Go Gas who is also given preference for supply of the composite cylinder. They have launched in India at many places and they are in the process of recruiting their own distributor for this Go Gas composite cylinder.

Sanjay Jain: Yes, good information, the point is that if you are already supplying to Go Gas and Go Gas is already using these products then what are we doing with the OMC like?

Bharat Vageria: OMCs are large. These are the private gas distribution companies, the government supply in terms of the present cylinders in population is very, very high.

Sanjay Jain: Okay, so basically it means that the product is already accepted by the regulator and established in the market, now you just going to get?

Bharat Vageria: Yes, it is going to be from the circulation point of view because the product is approved by the government nominated agency called PESO. It is the question of just buying and launching in the market and now it had been started.

Sanjay Jain: Okay and any market feedback you got from the experience of Go Gas how our customer is preceding it in terms of the additional payment they have to pay to get this cylinder instead of steel cylinder any feedback on that?

Bharat Vageria: Mr. Raghupathy will explain you about this Go Gas and all distribution channels.

Raghupathy T: As far as the composite cylinders are concerned, the biggest advantage that they offer to the consumer on a day-to-day basis is that it is extremely light in weight, and you can view the level of the gas inside. People who have received these composite cylinders have been finding it extremely wonderful. It is next generation kind of a packaging for LPG and it has received very good response. Of course in the realm of use of these cylinders with these public sector units like IOCL, HPCL etc., to a large extent that was also limited with the fact that any government company would go in for such a purchase only when the price savings are there, we in the meantime continue to market these composite cylinders, we supply to almost about 40 odd countries globally where these composite cylinders where the LPG is marketed privately. In India off late there is a tremendous amount of interest that gets generated back to LPG in composite basically because of two reasons; a) the differential pricing between composite and steel has come down substantially as Mr. Bharat Vageria told and b) overall availability of steel cylinder continues to be problem with the availability of steel being very big situation challenge as on date. So, those kinds of interest are kind of pushing the interest towards the composite and consumer reaction is already



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validated that they have found that wherever the composite cylinders have been introduced their market share have also gone up as compared to the companies who have not adopted composite.

- Sanjay Jain:** Okay. Thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Nilesh Shah from Arrow Investments. Please go ahead.
- Nilesh Shah:** This is Nilesh here. I just wanted to know where is Mr. Anil Jain? I think he is not at the analyst conference, I hope that everything is well with him, and all is fine.
- Bharat Vageria:** No, all is fine. In fact, all is fine. He has gone for some customer meeting and some urgency was there in reference to the CNG discussion.
- Nilesh Shah:** Okay. He was missing on the analyst meet.
- Bharat Vageria:** No, he was there but suddenly the meeting was fixed up because today was the finalization of that deal. I cannot disclose name of the company but because of this thing. But definitely he is there, he is fine, everything well. Therefore, Raghupathy is here to explain whatever needs reference to the CNG, LPG or any other products for the marketing.
- Nilesh Shah:** This is the only question I had.
- Bharat Vageria:** No, nothing, everything is fine, do not worry. All are safe. Everybody is safe in the company and all the people. I am glad to tell you each and every person in the company we have provided the vaccination to people, most of the people had taken two vaccinations, including the workers. I am telling, first vaccination had been given and for the second time gap is there for 84 days, we are going to arrange for all the worker because if people are safe then company is safe.
- Nilesh Shah:** My best wishes to you. Please be safe and take care. Thank you.
- Moderator:** Thank you. We have the next question from the line of Gayathri who an individual Investor is. Please go ahead.
- Gayathri:** Good evening everyone. Congratulations for the good results. Sir, I would like to ask since the board has recommended an increase in the share capital from Rs.32,50,00,000 to Rs.52,50,00,000, how will you ensure that the share value of the present shareholders will not go very low, Sir?

Bharat Vageria: I tell you because after going through these published results many people have asked me this question. One thing I will tell you, nothing on the table, nothing on the agenda. One of my subsidiary company you must have seen in the results, TPL Plastech who announced bonus and that was announced because the liquidity was very, very poor in that company, Rs. 10 a share, hardly the share capital was 78 lakhs shares and out of that 75% owned by the promoter, 3% owned by the government transferred to the government and 5% is still in physical. So, liquidity was not there, and that company has completed almost 28 years and they have announced the bonus. I have received this question you are asking many times in the last three days, does the company want to pledge the shares, is there any plan for the right issue, I am clarifying you nothing is on the table. It was discussed in the AGM because AGM happens once in a year so just keeping in mind in the future of the company if anytime board decides whatever way of this but nothing is on the table as on today.

Gayathri: Thank you. All the best, Sir.

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

Hitesh Taunk: Thanks for the opportunity, Sir. Sir, I have three questions, first is how has been the demand scenario post ease of the lockdown situation starting from July. So, we got the number of Q1 but if you could throw some light on scenario which is building up for the upcoming quarters? This is my first question and Sir my question is pertains to our PE-pipe segment that segment has remained a bit laggard as far as the overall segment is concerned. So, if you could throw some light on that segment also because the order book is Rs. 210 Crores as of now. So, please these are the two questions from my end I have more questions to ask I will come in the queue.

Bharat Vageria: Thank you, Hitesh. First you asked about the Q1 as we have seen compared to previous year growth is there. Q2, I tell you as the Q1 of 2022 was affected because of COVID second wave afterwards we have also seen some demand is increasing, chemical industry is growing, it is evident from the export data also that India export has increased in July by 50%. So, export of the chemicals, speciality chemicals is increasing and that is evident from the growth in the chemical business also. Because previous year already you have seen that some value was up, and everything have been normalized now. So, this year business as far as packaging is concerned, as the chemical industry will grow this business definitely is growing, packaging segment which is almost 70% of my total revenue. Now, you ask about the PE-pipe business, yes, I agree always we have seen the PE-pipe business normally takes place in the second half of the year. During this first April – May – June quarter business was good. But as far as this quarter is concerned business is in the range of Rs.32 Crores we did, but we are quite hopeful we will be able to get our targeted revenue of this current year

which we have projected at around Rs.250 Crores to Rs.275 Crores, which has been assured by marketing team, they are going to achieve it because the government has also given guidelines to each of these states, infrastructure activity they are not going to compromise but major this is the time when the people finalize orders, give the tenders, this is the time and execution will take place in Q3 and Q4 as the monsoon goes away because everybody is aware in the monsoon season it is very difficult to dig the ground and they cannot lay the pipes.

Hitesh Taunk: Sir continuing with the same question, I just wanted to know if you could throw some light across the segment performance. We have a MOX films also where the demand scenario was tepid as well as we have a composite cylinder how has the growth on that segment also?

Bharat Vageria: I will tell you compared to previous year same quarter if you see the packaging item excluding the IBC all other, means packaging product excluding the IBC we have seen the growth in FY2022 compared to this around 59% we have seen, the pipe business you know last year Corona was very, very active and even working was also very difficult. Last year Q1 we have done Rs.17 Crores as against this time we have done Rs.32 Crores so 90% growth. Value added product especially in IBC we actually did a growth of 64%, composite cylinder 62%, MOX film 15%, because this year also COVID second wave has affected business as far as MOX films are concerned. Overall, growth is ~58% in terms of the volumes and revenue.

Hitesh Taunk: Okay, so in overall if I want to understand what is the current utilization level which is in July and August vis-à-vis Q1 FY2022, ballpark figure or average number if you give us?

Bharat Vageria: We do not provide guidance but I can tell you as far as compared to Q1 FY2022 definitely there is a percentage increase of around 10% I am expecting in this quarter further increase of 10% to 15% percent utilization.

Hitesh Taunk: Okay, so that much of improvement in the utilization level?

Bharat Vageria: Understand.

Hitesh Taunk: Okay, and Sir how much revenue we have booked in our new CNG cascade type-IV in this quarter Q1 FY2022?

Bharat Vageria: CNG booking is the first time we have started and this is the first year where we have supplied this CNG cylinder for cascade and onboard application. Q1 it was very, very negligible because only the cylinder we have supplied but as far as Q2, Q3, Q4 are

concerned, order booking is concerned we have already updated press release that we have order book of around Rs. 84 Crores in terms of the value. Further discussions are on with some of the tender for two hundred around cascades, in terms of value I can say Rs.150 Crores , so many parties are there where our discussion is on. But one thing I am grateful to tell you wherever we have supplied in this Q2, some cascades we have supplied in June, some cascades we have supplied in July and still it is ongoing, the response is coming very good, overwhelming response we are getting and people are quite satisfied with the quality and the product which we have supplied to them. I have mentioned in the beginning itself that my existing investment in CNG cylinder from capex point of view is Rs. 25 Crores to Rs.30 Crores where estimated business was Rs. 55 Crores to Rs. 60 Crores can be done in this year but we are sure at the end of the year definitely this number is going to be increased based on the response which we are getting.

Hitesh Taunk: Great, and what about the LPG cylinder which we have received for trial purpose this is a kind of 30,000 and how much for the year are you expecting?

Bharat Vageria: The cylinder are to be supplied on a ASAP basis, so these 30,000 cylinders are to be supplied in this quarter only and we are expecting further orders after use of these cylinders because this is initial and as we have mentioned you it is the breakthrough of the old pending matters or old pending decision which was pending with the government OMCs. Definitely, we can estimate further good quantity and good volume from the OMCs.

Hitesh Taunk: Okay, Sir I have more questions to ask, I will come in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Sanjay Jain, individual Investor. Please go ahead.

Sanjay Jain: Just a quite technical question, you said in that composite cylinder does not explode whereas the steel cylinder explodes. Tried to search the reason, but I could not, so could you help me understand what is the technical reason this cylinder cannot explode?

Raghupathy T: The steel cylinder, the LPG has an operating pressure of about 20 bars whether it is used in composite cylinder or for that matter steel cylinder and as per the PESO rules they have a burst pressure of about 70 bars or so. Steel when it is used you normally use a thick gauge of steel to make a steel cylinder with the weight limitations etc., there is a certain limitation in terms of what is thickness of the steel that you can use it for a 70 bar but whenever there is a heat that gets generated in the event of a fire, the pressure inside the cylinder starts developing very, very rapidly, as LPG we would say it is a liquefied petroleum gas because it is in liquid stage it stays in that state but the moment there is heat the liquid starts evaporating and there is a huge pressure that gets developed inside and in that case what

happens is that these steel cylinder is unable to hold back the pressure so it kind of bursts up and so whenever there is an bursting of the steel cylinder it explodes and you have the sharpeners and everything flying away and there is literally a bomb kind of effect that takes place. When it comes to composite cylinder in terms of the structure you have a PE liner inside which is gas tight and then it is bound by glass fibre. In the event of any such eventuality where there is an increase in the temperature of the gas inside and it becomes viscous because of the heat and the fire outside the P-liner is the first one which will get melted over a period of time. So, in that case what happens is LPG gas kinds of permeates through the fibre, the fibres are so strong even in the event of the full thrust of the heat, the fibre does not get burnt. It remains intact and it has the necessary strength to hold back. So, fibre it does not get burst and the inner liner kinds of melts away, so you have a gas which permeates, and it oozes out like you have a small bonfire at the corner of the house that does not take any explosion so there are not any collateral damages that takes place. So, this is in short how the technical comparison takes place in the event whenever there is pressure builds up of LPG in a cylinder.

Sanjay Jain:

Thank you so much. Wonderful.

Moderator:

Thank you. The next question is from the line of Hemal S, who is an individual investor. Please go ahead.

Hemal S:

Thank you for the opportunity, Sir. I have few questions, one is in your EBITDA margins for the remaining part of the year, we used to clock around close to 15% several years, couple of years back. Do, you expect now given the view that you have towards COVID the reality of vaccination and everything that we see do we believe your margins will improve going forward in the next couple of quarters or do you have any guidance for this year in terms of EBITDA margin?

Bharat Vageria:

Did you attended last time conference call?

Hemal S:

No, I may have missed out.

Bharat Vageria:

Okay, except this 2021 where the COVID affected very much, we will be back to our normal period of 2019–2020 where we had achieved our EBITDA in the range of 14% and the turnover was in the range of around Rs.3600 Crores. So, initially when we have taken our guidance or we have taken in this year we will be back to the revenue of our 2019–2020 and definitely as far as EBITDA part is concerned at least we are expecting in the range of around anything between 14% and 14.5%, that is what we internally are keeping our guidelines. Growth in business and increase in sales of value added products will contribute and EBITDA will be in the range of as I mentioned to you between 14% and 14.5%.



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Hemal S: Excellent Sir, one more question I had was I may have missed it I joined the call little later. What is our net debt as of this quarter and what is that expected to be at the end of the financial year?

Bharat Vageria: As far as in the beginning of the year it was around Rs.800 Crores, and definitely as we have projected. We have reduced the debt by Rs. 20 Crores we have set three to four guidelines I can say. First, we would like to have our ROCE more than 19% in the next three years' time. Second, our debt will not be more than two times of the EBITDA this is our internal guidelines we have kept intact. Another thing you have not attended last call, but we have kept another Rs.60 Crores assets which we have identified not for usable from existing businesses which we have identified and as and when opportunity arise and we get our value and that will also be utilized for the business purpose. So, definitely we are on that line if possible wherever to the extent possible we will reduce the debt, debt cost also we have mentioned many times it is in the range of around 9% to 9.25% of the debt and our focus is on improving the ROCE by proper use of the debt and increases the sale of value-added product that is our main objective.

Hemal S: Thank you, Sir. Just one final question from my side we have done some exceptional work on the CNG side from last year in terms of innovation and approvals you have got and the orders that you have been receiving in that area. My only question or submission is when you create, you are moving in the right way during the capex as you find more opportunities in that space and you are burning it that if I take it like a year or two years down the line and also assuming the payback period is very good in terms of these CNG, composites or CNG cylinders, what is your outlook, because the opportunity of given one side I have seen was close to like the whole market size being in Rs.8000 Crores, Rs.9000 Crores, Rs.10,000 Crores and then you split out the different opportunities in terms of CNG or different functional area where you can whether it is bus, whether it is cars, or the autos different areas that you have spaced up nicely. My only question how much capex would you envision and how much market share do you believe given that you are one of the only approved player in this space or in the worldwide maybe top-3 or top-2, how much size you believe in the next year given the marketing that you are doing you expect the turnover to be or capex spend to be to achieve that turnover in the next one year or two years, not this year maybe next one year or two years?

Bharat Vageria: I got your point; I think if you would have attended my analyst meet which was in June. There I have given the entire guidelines and that presentation is also available wherein we have given a target to become a Rs. 5000 crore company by 2025, there I have mentioned my road map also for the next three years' time and there I mentioned very clearly my profit after tax by 2025 cumulatively will be Rs. 1235 Crores, increase in debt negligible, nothing will be there, source of the funds, increase in net fixed assets by Rs. 105 crore then increase



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in net current assets Rs. 230 Crores, repayment of the debt Rs. 195 Crores, application of funds around Rs. 530 Crores. Surplus funds available for use as dividend payout, share buyback, development of the new products and reduction of the debt will be Rs. 705 Crores by end of 2025.

Hemal S: This projection you see the growth from 2022 – 2023 onwards or mainly more towards 2025 – 2026?

Bharat Vageria: It has already started because once we are out from this Corona period we are going back to 2019–2020 revenues from Rs. 3500 Crores in this FY2022 to Rs. 5000 Crores means Rs.1800 Crores revenue increased in the next three years' time 2023, 2024, 2025.

Hemal S: Fantastic and I appreciate this is very clear to me and I will look at that presentation you have published.

Bharat Vageria: If you have any queries at any time you can call to my relationship manager Mr. Digvijay, his number is provided and entire detailed presentation of analyst meet in June 2021 it is available where we have mentioned about CNG in detail, what is the CNG market and what is the CNG market all over in the next four years' time, what we can capture, how much business we can capture from the CNG and again that is not included in my revenue, capex is also not included in this revenue.

Hemal S: Excellent I will definite go through. Thank you. I appreciate it. Thank you.

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

Hitesh Taunk: Thank you for the follow up, Sir. Sir, my question, you talked about the margin I just wanted to know how the prices of raw material moving around for us like for HDPE Pipe if you can throw some light on the raw material price movement which has happened post Q1 FY2022 and are we able to pass on all hikes or say if it is increased?

Bharat Vageria: Of course, is a good question. One thing 92% business is B2B with OEM directly business and always you have seen my EBITDA level also except this Corona period in the range of 13% to 14.5% and that is possible when we have an understanding with OEMs if price decrease is there, we pass on to them, price increase we pass on to them. Now, especially you have asked me about PE-pipe business, pipe business is again is a tender based business but whenever we take the tenders we always keep the contingency in hand as far as polymer prices are concerned there was exceptional period in December to March 2021, afterwards price has streamlined and normalized and we are expecting as the new capacities are

coming because there was too much disturbance in the month of December till March. In US there was some freezing, some plant was shut down, but as I heard India is also increasing capacities, new plants are coming up of HEML, expansion of Reliance is also there, some expansion of GAIL is also there, nearby expansion is ongoing, supply from US is going to be normalized. Currently major problem in India for import and export and these prices of the polymer are increased because of shortage of containers but I have heard companies who are manufacturing containers are increasing their capacity, increasing their capacity of manufacturing containers, so availability of container will improve then definitely prices of shipping freight will go down and the prices will normalize. We have to see the overall 12-month average price, we do not expect any much price increase as far polymer price is concerned and one thing is very clear the steel prices are also not going down because the iron ore prices, other prices have increased, use of the steel also is definitely increased and we are very clear. The difference in steel prices and polymer prices is 2.2 times, if the steel prices are in the range of \$800, polymer prices up to \$1500 it is at par, but polymer prices currently I can say in the range of \$1150 to \$1200 which is quite competitive and that will give the more competitive advantage to convert metal products to the polymer products or composite products.

Hitesh Taunk:

Sir just wanted to know if suppose the prices of the polymers are in the peak and the same is with this metal cylinder so, do we see delay in ordering in a type-4 CNG boarding cylinders or customers are still waiting and seeing the prices going to decline going forward and we will put the order. I mean I just wanted to know whether such a steep price hikes make our customers to delay in placing some orders?

Bharat Vageria:

As you know it is first time in India type-4 composite cylinder approval we got it, okay. So, there is no question of any prices, I tell you just give me one simple example of using the Bisleri water versus the normal water, okay you know that how Bisleri water is used in spite of what the earlier price was, what is the priced today. People are using due to health advantages and everything, so the Bisleri water usage has increased. So, CNG cylinder has a revenue benefit of 50% cost saving in recurring cost, so the customer does not see the one time capital cost investment. They need to do the one-time capital cost because the recurring cost is more they will reduce the 50% recurring cost, if any new company want to buy the composite cylinder they will slowly, slowly increase if he needs 100 CNG caskets he will buy maybe 50 steel may buy 50 composite and he will wait for at least next six months then he will come back again. There is a question of usability. When you are talking about these 25 years back, India's uses of the plastic drum was negligible and everything was under steel, now in 25 years, we have seen 60% product converting from metal drum to plastic drums, in 25 years because of the advantage of using plastic drums, light weight, no rust, no paint peeling off, easy handling.



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Hitesh Taunk: Okay, Sir could you give some guidance on the capex front, what does the capex spend for FY2022 for the rest of the year?

Bharat Vageria: You have seen in the first quarter Rs. 29 Crores is there that is including value added products also. As I mentioned in the normal period capex required for the maintenance capex and some kind of the automation reengineering Rs.70 Crores to Rs.75 Crores for that and balance for the value added. But I think apart from CNG, CNG we have not yet quantified the amount of that space but looking into current position which is ongoing we can estimate anything between the Rs.125 Crores to Rs.140 Crores we can take under our estimation in the present circumstances.

Hitesh Taunk: Okay, and about the debt reduction plan Sir?

Bharat Vageria: It is there. Of course, as I told you definitely the business is growing, earning will be there, so definitely we will be going to reduce the debt also as the situation permits time to time.

Hitesh Taunk: That is all from my side. Thank you.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to Mr. Hitesh for his closing comments.

Hitesh Taunk: Thank you. Sir, I would like to ask Mr. Bharat for the closing comments. Sir, can you please.

Bharat Vageria: Thank you very much for taking out time from your busy schedule to understand the company's Q1 results. Definitely see you again with the report and good performance in the period ahead. Thank you to all. Stay safe.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of ICICI Securities this concludes this conference call. Thank you for joining with us. You may now disconnect your lines.