



“Time Technoplast Limited's Q3 FY'2022 Earnings  
Conference Call”

**February 14, 2022**



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LIMITED**  
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**MR. HEMANT SONI – HEAD, LEGAL, TIME  
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**MODERATOR:** **MR. VIKRAM SURYAVANSHI – PHILLIP CAPITAL  
(INDIA) PRIVATE LIMITED**



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**Moderator:** Ladies and gentlemen, good day and welcome to the Time Technoplast Limited's Q3 FY22 Earnings Conference Call hosted by Phillip Capital (India) Private Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vikram Suryavanshi from Phillip Capital (India) Private Limited. Thank you. And over to you, sir.

**Vikram Suryavanshi:** Thank you, Vivian. Good afternoon and very warm welcome to everyone. Thank you for being on the call of Time Technoplast Limited. We are happy to have the management with us here today for question-and-answer session with investor community. Management is represented by Mr. Sanjaya Kulkarni -- Chairman and Independent Director; Mr. Bharat Vageria -- Managing Director; Mr. Raghupathy Thyagarajan -- Wholetime Director; Mr. Sandip Modi -- Senior Vice President, Accounts and Corporate Planning;. Mr. Hemant Soni -- Head, legal.

Before we start the question and answer session, we'll have some opening comments from the management. Over to you, Mr. Sanjaya Kulkarni sir.

**Sanjaya Kulkarni:** Thank you, Vikram. Good afternoon to all of you. I have with me Bharat Vageria who is the Managing Director of the Company, Raghupathy Thyagarajan, Whole Time Director, Sandip Modi, who is Senior VP, Accounts and Corporate Planning and Hemant Soni, Head of Legal.

It is with deep sadness and a heavy heart, we inform you about the sudden demise of Mr. Anil Jain, who was the Co-Founder and Managing Director of the company, on the 6th of February 2022 while he was on his way to the US for a business trip. Mr. Jain played a big role in the growth trajectory of Time Technoplast Limited. He was a promoter-director and the company has immensely benefited from his vision and leadership.

The board met on Sunday, 6th February, immediately after the news of his death and appointed Mr. Bharat Vageria as the Managing Director.

Mr. Jain and his other three co-promoters started the company 35-years back and today the company has footprints in 11 countries and employees over 3,000 people. The promoters have worked together for 35 years. At the same time, we also had meeting with the senior team of the company both in India as well as abroad.

At the board meeting on Saturday, February 12, Mr. Vishal Jain, son of Mr. Anil Jain has been appointed as an Additional Director. His responsibilities will be decided shortly. He is 37, an



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engineer and has done an Executive Finance course from IIM Bangalore. He has been running the business for the past 12 years.

I would also like to inform you that the shares held by Mr. Anil Jain are being transferred to his wife and no shares are going to be sold. Thus, the promoter shareholding will remain unchanged.

Some shareholders have written to us and raised questions about my involvement, that I was a friend of Mr. Anil Jain and whether I will continue on the board or not. I have been on the board since 1994 and I am a friend of not only Mr. Anil Jain but also all the other three promoters and Time Technoplast. So, there is no doubt that I will continue to be involved with Time Technoplast.

Mr. Jain's vision and leadership will continue to guide us and the values that he wanted to inculcate, will continue to motivate us through the path and growth of the company. We are all overwhelmed with the love and affection that we have been receiving from our well-wishers. On behalf of the board and the management, I'd like to thank all our valued investors, bankers, suppliers, customers and associates for their strong support.

I now ask Bharat Vageria for his remarks, and then he will take you through the financial numbers. Thank you.

**Bharat Vageria:**

Dear Friends. Thank you, Chairman sir. And good afternoon to all of you. The sudden unexpected passing away of Mr. Anil Kumar Jain will be a great loss to us and the company. But his vision, memories of strong leadership and hard work will continue to motivate us. We all convey our deep sympathy, grief and condolences to his family.

We are here to talk about our results for Q3 and nine months of financial year 2022 and outlook for the rest of the year. Results are already announced, but I will just walk you through some of the key financial and operational highlights. Though COVID-19 re-emerged this quarter with new Omicron variant, the company continues to strengthen its market position and has achieved sustained momentum and good growth across the businesses.

During the nine months FY22, we have already achieved our pre-COVID performance and we are confident of surpassing our target set for the full year. Many times I receive call from investors and they ask me if we are going to achieve our pre-COVID level revenue which was there in 2019-20. We have always said yes, we are going to achieve the target this year and from next year onwards the growth path of the company will be there. Because during this intervening period of the last two years, company has developed so many other products, which have a very, very high revenue potential and some of the value added product which company did in the past, but looking to some recent developments, it is going to have a large potential business.



On a consolidated basis in Q3 FY22, revenue grew by 13% as compared to corresponding quarter last year that is Q3 FY21 and 3% as compared to previous quarter that is Q2 FY22. Net sales stood 943 crores as against 835 crores. EBITDA was Rs.137 crores as against Rs.113 crores and Profit after tax was Rs.54 crores as against Rs.38 crores.

Key highlights in terms of the percentage are as here: Net sales increased by 13% which is a combination of India 13%, overseas also similar 13%. Volume increased by 9%, India 8%, overseas 10%. EBITDA increased by 21%. PAT increased by 40%. EBITDA margin was 14.5% as against 13.5%, increased by 100 basis points compared to previous year. As we all are aware that the previous year EBITDA percentage was down because the COVID-19 effect. Net profit margin also increased by 110 basis points, i.e. 5.7% as compared to 4.6%.

During the nine months FY22, the numbers on a consolidated basis are net sales was Rs.2,612 crores as against Rs.2,055 crores, EBITDA was Rs.369 crores as against 260 crores. Profit after tax was Rs.133 crores as against Rs.51 crores.

Key highlights for the nine months compared with the corresponding period in terms of the percentage. Sales increased by 27%, volume increased by 22%, EBITDA increased by 42%, PAT increased by 159%. Now in nine months FY22 EBITDA margin was 14.1% as against 12.6%, increased by 150 basis points. Net profit margin also increased by 260 basis points, 5.1% as compared to 2.5%.

Share of the business between established products and value added products. Value added products share grew by 31% in nine months as compared to previous year same period, while established products grew by 26%. The share of the value added product is 22% of the total sales as against 21% in nine months of FY'21.

Share of the India and overseas business is in the ratio of 67% and 33% as against in previous year FY21 it was 70% and 30%. EBITDA margin are in the same range of 14% for India and overseas. Debt stood at same level and there is no any major increase. And the total CAPEX incurred during the nine months FY22 towards the brownfield expansion, re-engineering and automation was around Rs. 127 crores which included capex for established products and the value added products. Value added products include Intermediate Bulk Containers, MOX Films and Composite Cylinders, LPG and the CNG cylinders, which have a large potential.

Now, I would like to open the floor for question-and-answer session.

**Moderator:**

The first question is from the line of Sandeep Khanna from Emerge Capital. Kindly proceed.

**Sandeep Khanna:**

I have two questions. One is regarding working capital and second is about the CAPEX plan. So, regarding the working capital, if we see 10-years back our number of days of inventory used to be 90 or around 90, but for FY'20 and FY'21 it is more than 120, right. So, are there any steps that are taken to reduce the number of inventory days because I see that we have a lot



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of growth opportunities, but in terms of shareholder value, this working capital management is the key impediment in that journey.

**Bharat Vageria:**

Sandeep, working capital plan, I have mentioned in my presentation also. This working capital cycle increased during this corona period in FY21 and FY22. But as demand is coming up, especially pipe business, the business is now increasing, whatever material we have made, we have started to supply. Some of the government orders which were held up because the EPC contractors were not getting their payments, are now streamlining as central government is releasing the payments. And I mentioned that in the next 12 months' time, I'm also keeping target to bring back to the working capital cycle time of 85 to 90 days, that's the internal target we are keeping in FY23 and day-by-day, quarter-on-quarter you will find the movement. In reference to the CAPEX which you have mentioned, you're right. As we have mentioned that normal maintenance CAPEX, as the depreciation amount is almost around 130 crores and we are 25-years old company, normally we take the maintenance CAPEX to maintain my existing capacity level in automation and engineering, that is in the range of 70 to 80 crores. Balance CAPEX, yes, we are doing investment where there is very large potential. In our last conference call also we had mentioned, we have started CNG Cascades and CNG Cylinder business with a small investment of Rs. 25 crores where we can generate the revenue of hardly Rs. 55 to Rs. 60 crores. We are surpassing that revenue in this current year. But we have to now start investing because project completion time for any expansion I do takes four to five months' time. So, we started in the last quarter itself to meet the market demand. As we have mentioned in our earnings presentation also, we have order booking of the CNG cascades business and cylinder business of more than 250 crores. So, to complete that order, we need to do expansion and take the decision right now. We are quite sure looking to the present response which is coming from the pending tenders also, that we will have carried forward orders of more than Rs. 300 crores which is to be executed in the next 12 to 18 months' time. To meet the market demand and to execute the orders, that come into the value added products, we are planning in such a way our existing CAPEX including for value added product will be in the range of around 175 crores to 200 crores. And further, we have already mentioned in LPG composite cylinder where currently we can manufacture 1 million cylinders, even though capacity is 1.4 million but when we manufacture different sizes of cylinders then we can take a 1 million cylinder capacity. In terms of the revenue part, we can generate the revenue of around Rs. 220-240 crores from my existing business. But, we all are aware that there is one tender, which has been finalized and we are just awaiting LOI. As we mentioned, the tender is for 1.5 million cylinders which is to be supplied in the next 24 months' time. This is from one of the largest gas distribution company, but there are two other gas distribution companies also which will also come up with their orders. So, for India, I would like to tell you that the present markets for LPG cylinders are more than Rs. 36 crores. Every year 2 crores cylinders are required as a replacement and new demand further will add. So, we can say around 2.5 crore cylinders required every year which is currently mostly filled by the metal cylinders. Composite cylinders, first time this size of the big tender has come out, because they did various trials and finally it is a very-very advantageous, it's explosion-proof, light, safe and easy and handling and considering these advantage and after a lot of trial and testing, the



government is coming out with this requirement. So, next year definitely looking at the order book positions for composite product itself will have a business of over Rs. 500 crores. I think we can get 100% jump as against current estimates of around Rs. 250 crores business of composite products this year.

**Sandeep Khanna:** One more question is with regards to the CNG products and LPG cylinders. You had earlier mentioned that the value added products would be moving to cash and carry model. So, this order that you have received for this 1.5 million cylinders, is it also cash and carry basis?

**Bharat Vageria:** Yes, you are right, cash and carry basis right, but again, the minimum time which is required in procurement of the material, because most of the components and inputs which is required for this composite products are imported one. We will have to carry the raw material inventory. Another thing, finished products also we have to keep a minimum lot size because these composite products we can dispatch after getting the approval from outside agency which is approved by the government authority and there is a minimum lot size we need to carry it and it's a continuous process. When the working capital cycle time required for the normal business is 100 days, for value added product it can go down to 60 days. But I can't say zero working capital. Yes, the cycle time will reduce, but as the value added percentage of the revenue will go up, the working capital cycle time will improve much faster. For example, currently value added product is 22% which is you see in the next two years' time it is going to be 30%, then definitely working capital cycle time will come down.

**Sandeep Khanna:** With regards to the CAPEX plan, the cost of debt would be?

**Bharat Vageria:** As far as debt is concerned, we have a very clear policy. Our debt should not increase more than two times of the then EBITDA. So, we've worked out CAPEX plans within that range only. Number two, working capital cycle time also should come back to the 85 to 90 days. And third, ROCE should improve. If you had attended my June 2021 analyst meet, where we said very clearly, we would like to have a 20% ROCE by 2025.

**Moderator:** The next question is from the line of Deepak Poddar from Sapphire Capital. Kindly proceed.

**Deepak Poddar:** I'm deeply saddened by Mr. Jain's demise. So, my query is on your growth. Now, over the next two to three years, how do you see growth given the kind of traction we are seeing even on the cylinder side, so any kind of flavor on those front would be helpful?

**Bharat Vageria:** Deepak, in fact in the last two years we could not achieve the growth, and we have just reached to the pre-COVID level. Now, by 2025, we had made our internal plan to go from 3,600 crores to 5,000 crores business. So, that is possible by including the composite products and when we will achieve a growth of more than 15% every year. We have two types of the products, one is the established products and other are value added products. Established products margins are in the range of 11% to 14% while value added product margins range I can say 18% to 22%, but sustainable will be in the range of around 19% or 20%. The EBITDA margin pre-COVID



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last year it was in the range of 13%. So, this year we are estimating average of 14.3%. But we are seeing as the value added product business increase, there is an improvement by 20 basis to 30 basis points. So, we are expecting the reasonable EBITDA margin in the range can be 14.5% to 15.5%.

**Deepak Poddar:** 14.5% to 15.5% at 5,000 crores?

**Bharat Vageria:** That's our internal estimate, yes.

**Deepak Poddar:** And what the share of value added we're targeting for maybe next three years?

**Bharat Vageria:** Good question. By 2025 we are targeting our value added products business will reach around 32%, currently it is 22%, will go up to 32%. Our existing business will also grow.

**Moderator:** The next question is from the line of Hemal, an individual investor. Kindly proceed.

**Hemal:** Sorry for your loss. My condolences. I just have very one quick question. What's your gross debt at the end of the quarter?

**Bharat Vageria:** Gross debt is Rs. 837 crores and net debt is Rs. 740 crores. So, therefore, as I mentioned, it is the same in the last quarter, there's no any major changes taken place.

**Hemal:** Sir, just want to clarify, so when I'm seeing the consolidated balance sheet in your presentation, when you're doing your gross debt, it is including the lease liabilities also, just long term borrowings and short term borrowings?

**Bharat Vageria:** Lease liability is separate because some accounting standard have been changed. So, those properties of land and building which are the long term rentals, which have to be shown under the lease liability.

**Hemal:** So, it's basically just long and short term borrowings, correct, in your gross debt number?

**Bharat Vageria:** Yes.

**Hemal:** So, when I am seeing your consolidated balance sheet in your presentation right now, it seems to add up to like close to Rs. 716-odd crores. So, has it gone up in this quarter to Rs. 837 crores, has it gone up by 100-plus crores?

**Bharat Vageria:** The repayments within one year have been shown under the current liability.

**Moderator:** The next question is from the line of Suresh Varan, an individual investor. Kindly proceed.

**Suresh Varan:** Sir, really sad for the demise of Mr. Anil Jain. When I spoke with him last time, he was very upbeat on the company, explained very well. Really, we miss him a lot.



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- Bharat Vageria:** Yes, we all are missing him and we all are with you. We know that when we were sitting here in the same boardroom, and we were talking, I know very well, we share the same feeling.
- Suresh Varan:** I see the IOCL website. Already, we are the lowest bid for 7.4 lakh cylinders. So, did we get this order?
- Bharat Vageria:** There is a procedure of every government tender because it's a government company. In December month tender had come, we submitted, other bidders were also there. Like last time also, two manufacturers are only there. Out of those, we have a largest capacity in India. Tender process is completed. We are L1, that's right. But we are expecting the LOI soon because it is under the committee process for signing after awarding. We are expecting the order soon and to supply in this month itself. We are keeping ourselves ready.
- Suresh Varan:** If we get this order, actually Mr. Anil Jain told last time maybe we need to make some plant outside India means to cater the capacity from external orders. What is our plan sir?
- Bharat Vageria:** We are currently exporting cylinders with the current capacity. I know he mentioned this, I was also there. We will do the expansion of LPG cylinder in the period ahead after execution of this order because this order itself we have to supply for at least next two years and this order is only from one company. As I mentioned in my previous presentation also, there are two other government companies who are also in the gas distribution line. In the month of September and October we have also supplied to HPCL a trial quantity and parallelly we have supplied to Indian Oil Corporation also. So, once this order is finalized, others will also come. I can say we have order book of entire capacity booked today. So, after supply of these cylinders, we will do definitely expansion next year because our cylinders are accepted in more than 48 countries and we are doing the export to these countries.
- Suresh Varan:** Actually last time you talked about hydrogen cylinder that already we reached 1000 bar pressure. So, any update on this sir?
- Bharat Vageria:** In composite cylinder, LPG and CNG we have already developed and oxygen cylinder is under development. Hydrogen cylinder is a long process and the development is ongoing. I can tell you the development process itself is six to eight months' time. I will not be able to give immediate comments on the hydrogen cylinder.
- Suresh Varan:** I see in Mahanagar Gas website actually still they are tendering for type-III CNG cylinder and type-IV CNG cylinder. So, what is the price difference between type-III and type-IV? Why still they are tendering for type-III cylinders?
- Bharat Vageria:** There are four types of cylinders.
- Suresh Varan:** Already type-IV is an advanced one. So, why still they are going for type-III?





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**Raghupathy Thyagarajan:** Conventionally, type-I cylinder have been in use for CNG, subsequently we got an option to try the type-III cylinders, which is being imported and then it was used by many CGD companies. We were still in a development stage at that time, I'm talking about three to four years ago. Some population of type-III cylinders have been used by the CGD companies. There was a good advantage of using type-III over type-I. But after we have been able to launch the type-IV cylinders, which you rightly identified as technologically advanced model, touchwood all the tenders have been backed by your company, Time Technoplast and we have been able to convince the CGD company of the good performance as well. So, all the tenders are coming by our way. Type-III, whatever residual markets are there, they're basically historical nature. And as I say, insha allah going forward, they should be history.

**Suresh Varan:** What is the update on the US business? Especially in last two concalls actually, there was no update on US business

**Bharat Vageria:** As far as US business is concerned, as we had informed earlier, we have a plant in three cities in US that is Chicago, Houston and Iowa. And there we are doing only the part of the packaging products, that is intermediate bulk containers and large size containers. US economy is growing very fast and we are also expecting the good growth there. Last year, we did the business of around 18 million, but yes, we can definitely expect 100% growth from overseas business this year because the old plants are operations with the good capacity and good demand is there.

**Suresh Varan:** Mr. Vishal Jain is actually on the board. So, is he already part of our company now or no sir?

**Bharat Vageria:** As far as Vishal Jain is concerned, our board members have appointed him as additional director. Till now he was doing his own business, he was in e-Commerce business and was supplying some industrial components. So he has business expertise of over 12 years. But we were not expecting sudden demise of Mr. Jain. But we have inducted him and definitely we will help him grow and help him take over the future of this business. And based on his responsibilities, he will be inducted as per his wish and he will be appointed as whole time director and assume executive director position also. We will take him once he has settled his position.

**Moderator:** The next question from the line of Nishith Shah from Aequitas Investments. Kindly proceed.

**Bharat Vageria:** You had gone to visit the plant one month back if I remember right. So, share your experience with the people what you have seen there because many people are hearing?

**Nishith Shah:** The visit was very insightful. So, I saw our plant location, the main plant and everything is very huge and how all the CNG cylinders, this cascades and everything are made with the help of robots and everything. So, that was also very, very good to know. And I understood about the process and everything. So, I understand it took a lot of years for us to develop these processes, to understand the customers' requirement and our products need to be safe, so there



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are no leakages of chemicals and everything. So, these are very critical. Most of my questions are answered. One question, I wanted to understand more is about the US business. So, what is the kind of opportunity we have over there? What are our current revenue and margins? And what kind of CAPEX are you planning for this market?

**Bharat Vageria:**

I think you had gone to our plant later, but I recall our discussion. Initially the company made a plan of investment of around USD15 million which was done successfully for all three locations. But yes, some of the automation work is ongoing, because we have started like manufacturing IBC bottles, now we make the complete IBC. As the demand is growing, in other sectors we are growing in the range of 13% to 14%, then we can definitely expect higher growth in US. But let us first stabilize the US business, which I mentioned to you the last time we achieved \$18 million, this year, we are expecting around \$36 million, 100% growth. In the next three years' time we can definitely expect the revenue of maybe around 80 to 90 million. Good prospects are there as far as the packaging business is concerned and our products are getting overwhelming response. IBC and large containers are international products which we are manufacturing in US. In the overseas markets, we are only in the packaging business which constitutes plastic drums, jerry cans and IBC. These are the main products we are doing overseas. Definitely, our focus is there and in the three year time US should contribute good revenue. As far as EBITDA margins are concerned, because utilisation is in the range of 60%, EBITDA margin is also in the range of around 13% to 14% we are getting now.

**Nishith Shah:**

What is the CAPEX we are planning?

**Bharat Vageria:**

In fact, it is included in my overall CAPEX plan; 180 to 200 crores CAPEX plan, which includes India and overseas.

**Moderator:**

The next question is from the line of Nilesh Shah from Arrow Investments. Kindly proceed.

**Nilesh Shah:**

At the outset, my deepest condolences and heartfelt sympathies to the family and everyone. So, I've been attending quite a few of the analyst calls and in touch with a few people. My first question to you is that there was a vision to divest this non-core business for batteries and furniture part. Any progress has happened? There was 60 crores monetization that was going to happen. I think it's been more than a year. Is there any development on that?

**Bharat Vageria:**

As far as 60 crores non-core assets plan is concerned, it does not include the battery business, because in battery business my investment itself is Rs. 65 crores which have been done by Time Technoplast Limited. And apart from battery business, this 60 crores is inclusive of land, building which is not currently in use, and the fixtures and furniture molds, then some other medical equipment molds, so yes discussion is on. You know very well, in the last six months, the corona third wave has affected some kind of the decision. But we are sure, in the next six months' time something you will hear about disinvestment of these non-core businesses as these materialize. Talk is ongoing with many people and we don't want to sell partly assets.



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For example, I'm telling you, furniture and fixtures mold, I will sell as a whole because then one person can have an entire range. I don't want to sell in the part. My talk is ongoing with some of the people and decision will come in the next six months' time. And as far as land and buildings are concerned, we are already under discussion with the big people, those who are in the real estate line, they have a good network available all over India basis. So, we have provided details to them and we are working out and trying to get a good buyer at a good value.

**Nilesh Shah:** So, hopefully by coming financial year that is '22-23?

**Bharat Vageria:** Of course, you can be sure that next year by March '23 these all things will come and the money will be utilized for my value added product business and expansion of the company.

**Nilesh Shah:** Second part was on the status of the merger with Powerbuild. I think all the procedure was done. So, is the merger already approved?

**Bharat Vageria:** Process is on. Merger approval from the board is there, other creditors are there, but approval from the banker is needed, that is under process. And as you are aware, whenever the orders will come, the merger will be effective from 1<sup>st</sup> April 2021. There was some delay from the banker side, because they were not attending the office and some internal process were there, but I am sure that before March, we should be able to get this merger order.

**Nilesh Shah:** Any other further continuing orders from Tesla for battery sir?

**Bharat Vageria:** I think when we were talking in the last call, at that time we had received the order for Rs. 5 crores value. We have mentioned at that time that they will give some quantity of the order again, so yes, Rs. 2 crore value orders they have released. That earlier quantity we have supplied and further we are developing with them as we have mentioned lithium ion batteries for the solar sector. Whatever batteries we have supplied to them, no complaints, touchwood and the business is going to be enhanced from April 2022 onwards.

**Nilesh Shah:** So, we may not divest the battery business?

**Bharat Vageria:** I'm not saying no. Let us first improve the business because the utilization is lower at 40% which we are expecting we can get a good value when the business will be at the 60% or 70% level, which we are expecting in the next year time. But we are keeping our eyes open because the good development that is done by the company. In FY'22-23 we will have a sizable business, maybe in the range of around 180 crores business. So we are keeping our eyes open, and if we get any good value, we will sell it. We are not a distress seller at the same time because a lot of development has taken place in the last 18 months' time.

**Nilesh Shah:** Have Tesla officials visited the plant?



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**Bharat Vageria:** Of course, yes, yes, their CEO, their CFO, three, four people have visited our plant. They have a system for vendor approval which is a long process which they have passed already. I advise you, since you are in Bangalore, you can go at any time and see that plant.

**Nilesh Shah:** Definitely, I will.

**Bharat Vageria:** You can visit the Dabaspet plant and see how people are working there at least.

**Nilesh Shah:** I've spoken to the plant manager. Maybe I'll make a visit and keep you informed. Last question I have on CNG sir which are used for OEMs basically Maruti and all who have got CNG vehicles. Have we started receiving orders on the CNG type-IV cylinders from them for their sales? They are targeting 4 lakh vehicles per year on CNG side. Any development on that on the OEM side?

**Bharat Vageria:** Raghupathy will answer this question because you know order position we have for CNG cascades.

**Nilesh Shah:** On priority even how we tie up with CNG like retro fitters basically who convert the diesel tags to CNG, there's a lot of demand. So, I don't know whether we have started addressing and tying up with dealers across India for that.

**Raghupathy Thyagarajan:** Yes, thank you very much. We address the CNG market in two steps. First we have gone in for the requirement of CNG cylinders which are basically used for cascades and that is an area of high growth that is taking place. As you would follow the supply chain also, basically they have to ensure that the CNG gas is available across the different retail outlets, etc., as have been outlined by the Government of India. So, that is going on and that is where the CNG cascades will be put in place. So, we are booked as of now. We are expanding some capacity, etc., whatever as Mr. Bharat Vageria has told you. Parallely we are also working with OEMs and even the retro fitters for development of the onboard cylinder. We've got the cylinder approved by PESO for onboard applications. There is a very good demand and at an opportune time and period we will definitely launch these onboard cylinders also for use or conversion among these passenger cars or buses, etc. That's an area also which will come in the coming year itself.

**Nilesh Shah:** We did a channel check on a lot of dealers of CNG and I think most of them have got orders but they don't have inventory, they don't have stock of the CNG cylinders.

**Raghupathy Thyagarajan:** Correct. I have wetted the feet and found there is a good response. In fact, when we are ready, we will definitely launch it full-fledged. As of now we wanted to ensure that the initial part of the demand that we are catering to, we are able to fulfill their requirement. We'll come to the onboard application slightly later. We are working with the OEM companies whether it is Maruti, Tata Motors, Ashok Leyland and others, etc., to get the CNG approval for their own



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requirements. Once that also goes in, then the next priority probably would be the retrofitting. We have a certain steps of priority which we will address to launch these products.

**Nilesh Shah:** Discussions are going on with these OEM companies?

**Raghupathy Thyagarajan:** They are at an advanced stage.

**Nilesh Shah:** Any visibility of the order potential in that line in the next one year?

**Raghupathy Thyagarajan:** It will come through. It's a long cycle of development, it takes anywhere between two to three years of development timeframe. So, the samples have been submitted. There are trials going on. So, it is a little too early for us to talk about the orders, but the OEM orders for among the vehicle local manufacturers would also come in due course.

**Nilesh Shah:** I have just one last to Bharat ji actually and to the management as well. Sir, you're aware our business is definitely much more valued than what the market is valuing it for whatever reasons. Is there any steps that the company is going to take to enhance shareholder value? And if any, large investors like NT Asian or HDFC want to exit, is the company going to participate in that and kind of buy their shares? Basically, the idea is there is a lot of undervaluation in our business. And I'm sure you are also aware; our accumulated depreciation is actually more than the market capitalization as of now. So, we are going very, very cheap in the market. So, I am just trying to figure out what steps management is going to take to enhance shareholder value sir.

**Bharat Vageria:** As I mentioned to you, maximum debt as per internal guidelines, two times of EBITDA without compromising on the growth plan of the company. But I think you are aware that in 2025 we have projected 5,000 crores business and we have shown from the cash flow also, we will have a surplus fund of Rs. 700 crore by 2025 which will be available for apportion on account of the dividends, on account of the buyback and definitely we plan accordingly with the permission of the board how these money is to be used.

**Nilesh Shah:** One small buyback every year would also enhance, Rs. 50 crores buyback will make a very big impact to actually stabilize.

**Bharat Vageria:** Another thing also I recall, we have discussed, our promoter company has a loan of Rs. 37- 38 crores for a plot value where as collateral security shares have been given and we are also under discussion that first my target is to free the shares and disposal of that plot and then after any surplus available will be used in business. We are also very keen because we know that shares are undervalued. So, at the right time, we can also use that fund for buying back of the shares.

**Nilesh Shah:** No-no, next year maybe when we get that 60 crores extra for the non-core businesses you could utilize it to enhance shareholder value, just a suggestion.



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**Bharat Vageria:** Of course, shareholders value can be enhanced in two ways, if my ROCE improved to 20%, and if I will capture the business of around 1,000 crores in the next three years of my CNG business, this is the way of understanding.

**Nilesh Shah:** It's a good opportunity for us to buy cheap.

**Bharat Vageria:** Yes, definitely.

**Moderator:** The next question is from the line of Deepak Poddar from Sapphire Capital. Kindly proceed.

**Deepak Poddar:** I just wanted to understand the crude oil prices. So, any kind of impact that have on our business as such?

**Bharat Vageria:** It's a good question, but I tell you, there are two ways of making polymer, one from the cracking of the oil and another way is the natural gas. If you take the world over, the oil based plants are 50%, gas-based plants are 50%. In US market also, there is Shell gas and Shell oil. In Middle East, most of the plants are the gas-based plants. I can answer your question this way, for example, the oil price was \$70 a barrel and the polymer prices was in the range of \$100, today oil is near to \$100, increased by 30% but the polymer prices has not increased by 30%. Some extent there is an effect of 5% or 10% but not the similar ratio because polymer prices again depend on the demand/supply gap. And again, as far as India part is concerned, if you go back to five years, Reliance was only the manufacturer of the polymer in India. Now, you have seen, so many companies have expanded for example Indian Corporation, ONGC OPEL, Gas Authorities, Haldia Petrochemicals etc., so many alternate producers have come up, Mittal Group and another two three big manufacturing plants in India are coming up in the next two years' time. This year also, Mittal is coming out with 4 lakh tons capacity plant. Reliance is also expanding. Indian oil is also expanding further plant near Rajasthan. So, much expansion is coming and in India I can say the dependability of the overseas market is reducing day-by-day. And that is the vision of our prime minister also "Make in India," reduce the imports. So, this in other words, I can say, the oil prices and polymer prices, not direct linked. It's demand/supply.

**Moderator:** I would like to inform the management there are no further questions in the queue. I'll do like to hand the floor to the management for closing comments.

**Bharat Vageria:** Now, I once again would like to thank to my all valued investors and participants in this conference call. We will continue to provide insight about the company's cost and earnings. And we all miss Mr. Jain in this conference call. But I would like to tell you on behalf of the management, my colleagues, my entire staff of the company, that we all are committed. Most of the people are working in our organization for more than 20 years and this organization is built for the future. So, I'm thankful again to all my participants.



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**Moderator:**

Thank you, sir. Ladies and gentlemen, on behalf of PhillipCapital (India) Private Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.