"Time Technoplast Limited Q4 FY22 Earnings Conference Call"

May 31, 2022

MANAGEMENT:	**MR. SANJAYA KULKARNI -- CHAIRMAN AND INDEPENDENT DIRECTOR, TIME TECHNOPLAST LIMITED** **MR. BHARAT VAGERIA – MANAGING DIRECTOR, TIME TECHNOPLAST LIMITED** **MR. RAGHUPATHY THYAGARAJAN – WHOLE-TIME DIRECTOR, TIME TECHNOPLAST LIMITED** **MR. VISHAL JAIN – NON-EXECUTIVE DIRECTOR, TIME TECHNOPLAST LIMITED** **MR. SANDIP MODI – SENIOR VICE PRESIDENT ACCOUNTS AND CORPORATE PLANNING, TIME TECHNOPLAST LIMITED** **MR. HEMANT SONI – HEAD (LEGAL), TIME TECHNOPLAST LIMITED**
MODERATOR:	**MR. VIKRAM SURYAVANSHI – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Time Technoplast Q4 FY22 Conference Call hosted by PhillipCapital (India) Private Limited. As a reminder, all participants line 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 pressure "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vikram Suryavanshi from PhillipCapital (India) Private Limited. Thank you. And over to you.

Vikram Suryavanshi: Thank you, Mike. 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 the investment community. Management is represented by Mr. Sanjaya Kulkarni – Chairman and Independent Director; Mr. Bharat Vageria – Managing Director; Raghupathy Thyagarajan – Whole-Time Director; Mr. Vishal Jain, Non-Executive Director; Mr. Sandip Modi – Senior Vice President (Accounts & Corporate Planning); and Mr. Hemant Soni – Head (Legal).

Before we start with the question-and-answer session, we'll have some opening comments from the management. Now I hand over the call to Mr. Sanjaya Kulkarni for opening comment. Over to you, sir.

Sanjaya Kulkarni: Thank you very much, Vikram. Good afternoon, and warm welcome to all the participants on this call. As Vikram has already said, I have with me Bharat Vageria, who is now the Managing Director of the company; Raghupathy Thyagarajan, who is a Whole-Time Director and Promoter of the company; Vishal Jain, who is the Non-Executive Director. He joined the Board recently. He is the son of Mr. Anil Jain. Mr. Sandip Modi, who is the Senior Vice President and Corporate Planning; and Hemant Soni, who is the Head of Legal.

Now we have a very difficult call today.

While the financials are pretty good, this year has been a very unforgettable year for us as we lost our beloved, Mr. Anil Jain, who was Co-Founder and the Managing Director of the company, in a freak accident on 6th of February 2022. Mr. Jain played a pioneering role in the growth of the company right from the beginning. He along with his 3 other co-promoters, had started the company and have been spearheading the growth of the company since then. After his demise, the other co-promoters took additional responsibility and have taken the pledge to continue his dream of growing the company. His leadership and vision will continue to remain strong, and his values will continue to motivate and guide us through this path over the next many, many years.

Although the year started with a lot of business uncertainties with COVID-19 second wave and later the third wave, things are back to normal. We are pleased to have surpassed our pre-

COVID-19 performance of FY20 and are confident of continuing this growth momentum in the future.

I will now ask Bharat Vageria – the Managing Director, to go through all the financials and give his remarks. Thank you.

Bharat Vageria: Thank you, Chairman, sir. And good afternoon to all of my investor. FY22 remain very challenging due to global supply chain disrupting, triggering volatility in the raw material prices. Despite this, company has witnessed an overall encouraging performance and closed the year on a strong note to deliver a robust revenue growth of 21% as promised. This growth was largely driven by increasing demand of composite products. During the quarter, that is Q4 FY22, we received the single largest order of over 0.75 million type-IV LPG composite cylinders from oil distribution company, Indian Oil Corporation Limited, a first by an Indian public sector OMC. Furthermore, our order book for the supply of cascade with Type-IV CNG composite cylinder has crossed Rs. 2.5 billion. We remain highly optimistic to continue this growth trajectory given a healthy order book for CNG cascade and encouraging demand outlook from the end user industry in the industrial packaging. We are here essentially to talk about our results for Q4 and full year ended March 31, 2022, and outlook for the next year. The results are already announced, but I will just walk through some of the key financial and operational highlights.

On a consolidated basis, in Q4 FY22, revenue grew by 9% as compared to corresponding quarter last year, that is Q4 FY21, and 10% as compared to previous quarter, that is Q3 FY22. During Q4 FY22, corresponding Q4 FY22 number, on a consolidated basis, net sales Rs. 1,040 crore as against Rs. 953 crore. EBITDA grew Rs. 140 crore as against Rs. 131 crore. Profit after tax, Rs. 56 crore as against Rs. 52 crore. Cash profit, Rs. 97 crore as against Rs. 90 crore. Key highlights compared to quarter compared with the corresponding previous year, net sales increased by 9%; India 7%; overseas 15%. Volume increased 7%, India 3%, overseas, 11%. EBITDA increased 7%. PAT increased by 6%. The EBITDA and PAT margins were flat at 13.5% and 5.3% as against 13.8% and 5.5%, respectively. Especially in Q4, we have seen the polymer prices have increased substantially, which, even though we are able to pass on, but with the little time gap. Therefore, this is affecting the margin by around 0.5%.

Now if you will see the whole year, the company in FY22 has surpassed its pre-COVID-19 performance of FY20. During the year ended 31st March 2022, company has achieved a net sale of Rs. 3,653 crore, which is high in terms of the revenue, I can say it's the highest till the period of company’s existence as against Rs. 3,009 crore last year. EBITDA of Rs. 509 crore as against Rs. 391 crore. Profit after tax, Rs. 188 crore, as against Rs. 103 crore. Cash profit is Rs. 350 crore as against Rs. 257 crore. As we all are aware that FY2021, national wide lockdown was there for initially 40 to 45 days. Therefore, the difference is very high compared to '21 to '22.

Now compared to previous year, net sales increased by 21%, volume increased by 17%, EBITDA increased by 30%, but PAT had has increased by 82%. For the full year FY22, EBITDA margin increased by 90 basis points and stood at 13.9% as against 13% in FY21. Net profit margin also increased by 170 basis points, 5.1% as compared to 3.4%. Now share of the business, the value-added product share has increased and grew by 27% in FY22 as compared to FY21. Established product grew by 20%. The share of value-added product is 21% of the total sale in FY22 as against 20% in FY21.

Now I will share with you India and overseas business, which in '21 was 69% and 31%, which is now 68% and 32%, 68% Indian operation, 32% overseas operations. As far as the EBITDA part is concerned, Indian operation 14%, overseas operation 13.7%. The total debt as of 31st March 2022 stood at Rs. 825 crore, net debt Rs. 731 crore as against Rs. 810 crore. Net debt of Rs. 723 crore. The CAPEX incurred during the FY22, Rs. 186 crore, which is well within the budgeted target, between Rs. 175 crore to Rs. 200 crore. But this includes also towards the Rs. 79 crore includes towards the capacity expansion, reengineering and automation for the existing established product and Rs. 107 crore towards the value-added products, which includes mainly composite products, IBC and the CNG product, and small expansion in the LPG product.

I am pleased to inform you that Board of Directors have recommended a dividend of 100%. Previous year, it was 70%. So, there is an increase of almost 43% increase is there, which is Rs. 1 per share on equity share of Rs. 1, subject to the approval of the shareholders. Now we have given the notice and informed to the exchanges about the consolidation from restructuring of the overseas businesses. Again, in this respect, resolution was placed to the shareholders. And I'm very pleased to tell you, the 3 resolution were put up for the approval of the shareholders.

#1. For approval of this consolidation cum restructuring of overseas business.

#2. Appointment of myself, Bharat Vageria from Director to the Managing Director confirmation.

#3. Vishal Jain, who was appointed as an additional Director,

All 3 resolution have been confirmed by shareholders, and the approvals are on place by more than 99% voting in favor of that.

Now the consolidation cum restructuring as informed and meeting was on 9th April 2022 for investment and consolidation by view of restructuring to the JV, where the company will disinvest majority of the holding, but minority will continue. And that process is on. That resolution is completely approved by shareholder on May 10. And as we have mentioned and once again clarify the company will be benefited by utilization with disinvestment of the overseas businesses with use for the repayment of debt. CAPEX for the composite cylinders, LPG, CNG and hydrogen, especially I'm telling you hydrogen, and core business in India to meet the whole market demand and benefit to the shareholders. Now as far as this process is concerned, I know there's somebody must be thinking about the timeline. But I'm glad to tell you, this entire process will be completed prior to end of 30th September 2022. In the next 3 months, this process will be completed. This is on. I now would like to open the floor to answer specific questions in reference to the Q4 results and the annual results.

Moderator: We will now begin the question and answer session. We have the first question from the line of Harsh Shah from Dimensional Securities.

Harsh Shah: Sir, regarding the overseas operation, what is the kind of demand that we are looking in Europe and U.S.? So, we have been hearing about high inflation globally. And we're hearing even about the stagflation or economy not growing well enough. So, what is your perception the area where you're seeing some slowdown or which --

Raghupathy Thyagarajan: Well, let me just clarify, the international unit that we are talking about are the ones which are existing in Far East, Middle East and the U.S.A. We do not have units in Europe. All the units that have been set up in their respective locations cater to the demand in those regions because they are all catering to industrial packaging requirements. And they are bulky in nature, so obviously, the manufacturing caters to the local demand. While there is definitely a certain impact of inflation that's happening, that has resulted due to the increase in the cost of the raw material and allied freight expenses, et cetera, the market continues to be buoyant. We are experienced both in Asia as well as the Middle East as well, the market continues to grow. We, in fact, have been experiencing a buoyancy in demand probably because of the fact that there has been a lot of companies to whom we have been catering to, large, robust solid companies who have been adopting China-Plus-One strategy. Options have been looked by some of these companies for sourcing from locations which are optional to China. And it has also aided to a certain extent probably by the fact that China was also under lockdown in the last couple of months as well. U.S.A. market is also very, very strong and buoyant. As far as we've heard and have been experiencing also, the demand is extremely buoyant there. Both the chemical segment and the agriculture chemical market are very strong. We have order bookings at least for the rest of the year very strongly placed there. The inflations are there. The Fed has taken steps to increase the interest rates. But admittedly, they have not had much of an impact as far as making any impact on the demand.

Harsh Shah: One question is on CNG cascades. Have we started recording revenue or not yet right now?

Raghupathy Thyagarajan: On the CNG cascade, we have started manufacturing them and have started supplies also. The order booking that you have been hearing about --

Bharat Vageria: Rs. 250 crore order booking is there. But as far as we have mentioned in this earning presentation also, as far as 2022 is concerned, we got the revenue of Rs. 56 crore from CNG composite cylinders.

Raghupathy Thyagarajan: And supplies have resumed to many of the CGD companies already. So, there customers have already been experiencing the use of these Type-IV composite cylinder cascades.

Moderator: We have the next question from the line of Radhika C. from Alpha Investor.

Radhika C.: So, I have 3 questions. First being the cascade between the Type-IV Cascade that we supply. The cost, the difference between the Type-IV cylinder and the steel cylinder is almost double, right? So, how do we justify the savings that we have on operating costs that are incurred? So, like, for example, what quantity of gas do we carry more compared to that in the steel cylinders? Like what are the operating efficiency that we have? And second question, the follow-up of the first one. What is the cost of Type-IV cylinders versus steel cylinders? Like what is the cost today? And what was it 1 year back, considering the steel prices are also on a spike? So, what is pretty much the difference? And the third question being, are we also planning to get in the onboard cylinder range? And if so, what is our future plan? And what kind of capacity? At what kind of CAPEX are we planning to introduce it?

Raghupathy Thyagarajan: Type-IV cylinders, as we have already clarified, they are the latest range of Composite Cylinders that are available for CNG. And one of the biggest advantages that they offer over Type-I, they are extremely light in weight. So, as a result of which, when you load these cascades onto a truck, we are in a position to have a total water volume capacity which is far higher than the water volume capacity per typical steel cylinder cascade because the steel cylinder cascade cylinders, number of cylinders are limited because they are extremely heavy. In direct comparison, a standard truck, let us say, of Tata 1412, as they call it, if they are in a position to carry, let's say, 4,500 water volume capacity of type-I, as against that, we are in a position to give them a cascade which can carry a cascade in excess of 9,000 liter capacity. So, that would mean that they are in a position to carry double the quantity of gas. Yes, the price of Type-IV versus the Type-I, they are definitely different. And I would put it they are almost 3x probably more than the type-I. But then the very fact that you are able to carry more quantum of gas easily offsets the additional expenditure they have to make. In fact, on a service life of 20 years that these Cascades are supposed to be delivering, you have a payback in a short period of less than half a year or 7 months. Now coming to the third part of the question, when you said that onboard cylinders. That is a phenomenally large opportunity that is available. Very recently, government is also giving permission for the Euro 6 cars also to be changed from petrol to CNG as well. So, there are enough opportunities that are there. But with the limited capacity that is available with us, we are focusing on the mobile transportation of gas by way of cylinders. The next phase of expansion which we are planning would definitely include investments for manufacture of cylinders for automotive application, that both to the OEM as well as to some of these conversions, what we call as onboard cylinders. Plus, the use of these cylinders on buses, et cetera, which will also give them an opportunity to travel long distances without the need to refuel in between because they can carry more quantum of CNG gas in them, right? And the third, of course, the most important part of the CNG application is the fact that the mobile cascade, which we are already catering to, there is enough of demand, which is currently not being met, that will also continue. So, these are the 3 areas of CNG application for which the additional expansions are being planned. And the additional expansions, we will also take into account the demand for hydrogen cylinders that are also coming up. So, that's another area, additional area on which we are working.

Radhika C.: So, sir, in future you're planning that it will come in like by the end of FY23 or something like that? Any timeline?

Bharat Vageria: Yes. In fact, we are planning to, as I mentioned in my earlier comments that consolidation and restructuring business is ongoing there. So, definitely, surplus funds we will have. We don't want to increase the debt further as we ourselves are targeting to reduce the debt by almost 50%. And for the surplus money, we will use for expansion of these composite cylinders, which in CNG as well as in LPG also. Because LPG, we had mentioned at the last time also we have informed that we have order booking for next 2 years. 70% capacity is already sold out to the one company. And we are expanding the orders from the other gas distribution companies also. So, definitely this year, we are going to invest in the value-added products and especially CNG and LPG. CNG, yes, we are looking for the line for the composite as well as in composite hydrogen as well as CNG cylinder. So, investment, we are under the discussion and we are in the process for in the range of around Rs. 125 crore we are thinking so that we are targeting in the next 3 years' time, we can have a composite business itself maybe around Rs. 1,000 crore, including LPG and CNG. So, you can understand, the CNG business, we are targeting for the next 3 years around the Rs. 750 crore business. For that, we have initiated with the investment because it's a reasonable EBITDA margin. It's come under the value-added products. And it will help us to reduce the working over the cycle time also.

Moderator: We have the next question from the line of Anurag. Please go ahead.

Anurag Patil: So, Bharat, you just mentioned that by September, we are expecting to close the restructuring or divestment. So, are we already in discussion with some investors? And any idea what kind of a valuation we can expect?

Bharat Vageria: In fact, I tell you, we have appointed the 2 merchant bankers. I have informed them. There is one of the JPMorgan and another E&Y, they are valuing investors. They received this participant, and assessment is ongoing. As far as this valuation part is concerned, we have left on our well adviser. We will come back very shortly. I can say in the next 45 to 60 days, you will come to know the name because our merchant bankers are assessing as far as financial investor or a strategic investor, they are assessing the right people.

Anurag Patil: Okay, sir. And also, sir, you also emphasized on hydrogen cylinder in your initiating comments. So, what kind of visibility do you see over the next 2, 3 years? And where you are expecting major orders? If you can throw some light on that side?

Raghupathy Thyagarajan: Frankly speaking, while I must say that the conversion of the energy to hydrogen is still pretty fluid, but there are enough signs out there in the market to confirm that there are lots of companies are investing very heavily in hydrogen, right? And that is so because of the fact that it is a net carbon-zero fuel. The only residue on the use of hydrogen that you have is pure water. So, that's an area where a lot of companies are moving. Recently, we participated in an exhibition in Delhi. I think for composite cylinders, almost 99% of the people who have participated were all in the field of hydrogen fuel itself. So, that's a very clear area. I don't want to take the names of the company, but you would know that there are enough companies in India itself who have invested for manufacture of hydrogen and related machineries as well. So, this hydrogen would be used for fueling the fuel cells as well, which will be used in the automotive vehicles, et cetera. There's a lot of conventional energy like diesel and petrol, which will give way to hydrogen. So, there are enough opportunities that are really coming by. That's very clearly the sign not only here, but even in Europe and even in the U.S.A. as well. So, we are extremely buoyant about the opportunities that will arise due to this change of fuel.

Bharat Vageria: Anurag, in addition to that, I'd like to say that the equipments, which we are in the process of finalizing for CNG, we are, in fact, also doing in such a way that we can be kept ourselves ready for hydrogen cylinder. So, from the same line, we can do at least R&D part, and we can get the approvals. Things are ready, right?

Anurag Patil: And sir, I think earlier calls, you have mentioned in terms of hydrogen cylinder, the pressure required will be different, et cetera. So, in terms of product, are we ready? Or we are in a prototype mode as of now?

Raghupathy Thyagarajan: The development is on at the moment. We are ready with the LPG, which has an operating pressure of 20 bar. We are ready with the CNG, which has an operating pressure of 250 bar. The burst pressure required for CNG is almost about 375 bar. So, we have all surpassed all those requirements. Hydrogen is another next step in the same direction of composite cylinders. It has an operating pressure of somewhere between 350 to 700 bar depending upon how the regulator will finally fix it and would have a burst pressure over 1,000 bar. We would need some Capex to be made for the testing equipment, et cetera, the technology, the science, everything is in place. Trials are going on in very full swing. There are people on the job. So, we are very, very confident. We are almost there, I would put it this way.

Anurag Patil: And one final question, sir. On this Tesla power order of Rs. 100 crore, when we will start supplying? Over what period?

Bharat Vageria: In fact, this order is for financial year 2022, '23. That will be supplied in the balance period, because recently, in the last 15 days, we received the order. They are in the process of providing order along with the advance. But this order is especially for this year only.

Moderator: We have the next question from the line of Vikram.

Vikram Suryavanshi: Sir, can you give, I think your outlook on pipe business and how the raw material volatility is impacting? So, in terms of growth as well as the margin outlook on pipe business.

Bharat Vageria: I think you have seen that pipe business in 2021, we had done business of Rs. 170 crore. This '22, we did Rs. 190 crore. As against our capacity, yes, from the capacity wise, we can do business of Rs. 450 crore. Recently in the last 4, 5 months, prices have increased substantially. And this business is a fixed price system for EPC contractor. We have asked them to increase the prices. They have submitted their proposal to the respective authorities, which were in process. But as far as this year outlook is concerned, yes, demand is there, market is there, but the limitation is the price, and we should get our valuation. But definitely, this current year, of course, we are looking for increasing the utilization. And we are expecting as far as this current year is concerned, as against Rs. 190 crore, definitely, we are projecting a business in the range of around Rs. 230 crore.

Vikram Suryavanshi: In terms of IBC and all the way you're seeing?

Bharat Vageria: I can say this year, we are targeting growth, all overgrowth, revenue growth of around 20%, we are targeting this year as far as Indian business are concerned. Overseas business, as we had mentioned, the consolidation is going place. So, India business is currently in the range of around Rs. 2,500 crore. That's going to be continued, and we'll achieve a growth of around 20%. And probably there will be increase in the margin also as the percentage of value-added products are increasing. So, there will be some expansion in the EBITDA margins also.

Vikram Suryavanshi: And how is the situation on working capital with the -- and are we seeing some impact of the supply chain disturbance because of that? So, if you can comment on that, I think that will be great

Bharat Vageria: That's right. That's a good question. You have seen in the last quarter, prices of polymer have increased by almost 15%. But as we've seen now slowly, slowly, it is coming and stabilizing prices. So, I think by September, some working capital improvement must be there as far as price and realization part is concerned. And as we are targeting, as I mentioned in this earning presentation also, we'll come back to the working capital cycle time of 90 days in the next 12 months' time. Because the value-added business product will increase, where the working capital cycle time is less and the business of the pipe is less, so they will give the substantial leverage as far as working capital parts are concerned. And you were asking about the

EBITDA margin as far as peak by business, always within the range of 10% to 11.5%. But value-added products, EBITDA margin in the range of around 18%.

Vikram Suryavanshi: So, I think with the kind of growth and the control on working capital, probably our ROCE target will…..

Bharat Vageria: I think you are right because ROCE, we have seen in the current year will be increased to 12.3% as against 9.1% previous year because of the COVID infection was there. But we are targeting in the next 3 years, ROCE should reach to the 19% and the value-added percentage business will go up. In fact, we ourselves are targeting in the next 3 years' time, the value-added product will have, which currently is 21%, and which is going to be increased to 35%, and 65% from the established products. So, definitely, whenever the percentage of value-added product will increase, the working capital cycle time will improve, ROCE will also improve. So, we are targeting our internal target to achieve ROCE of around 19% by 2025.

Moderator: We have the next question from the line of Suresh Varun, an individual investor.

Suresh Varun: Still, what about the HDPE pipe division. Actually, when we are expecting to recover actually? Every quarter there is a drag on this division.

Bharat Vageria: Yes, I agree with you because business is there. I don't say the business is not there. But we're always worried about to keep ourselves margin what we needed. In fact, I can say last 4, 5 months affected pipe business, because initially, first 6 months, there was a problem of getting the realization from the customer because EPC contractor was not getting the money from the government authorities. But now in the month of October, November, they have released the money. But again, then after the prices have increased substantially. So, to maintain our at least EBITDA margin in the range of 10% to 11%, their EPC contract has gone back to the government authorities. And they are considering because in government also would like to have their infrastructure development on the fast scale. So, I am very clear this business because in the rainy season, in fact, in any case, pipe business is not much because the ground, they cannot do the ground level work. But I'm sure, as we are projecting as Rs. 190 crore business we did this year, but definitely, more than 25% to 30% growth we can expect this year with our expected pipe realization.

Suresh Varun: And the next, still, we are in divestment of plastic division. And now we have got out of our battery division. So, are we still looking for divestment of these 2 divisions, sir?

Bharat Vageria: We have not closed at any time. In fact, we are open. But at the same time, we are getting good order value business in battery segment. We are still open because we in fact, we can do the potential for business of the battery segment as with existing investment, we can do revenue of around Rs. 300 crore against which this year, we are estimating around 60% level. But again, yes, if all the parties interested, we have done recently good development in battery segment also. My people are working out lithium-ion batteries for 2-wheelers. Development is already on. They have achieved first sample. They are submitting to government authority, they have the approval. And I think that we will have maybe in the next 60 to 90 days' time, good development as far as electrical vehicle battery is ongoing.

Suresh Varun: And the plastic division, sir.

Bharat Vageria: Plastic?

Suresh Varun: Plastic, this chair, this division, sir.

Bharat Vageria: So, that in fact, in any case, we have exited already. And you have seen that assets held for sale, which was around Rs. 60 crore value we had churn. And out of that, we have already disposed off assets, some of the machineries of around Rs. 7 crore. And balance, our discussion is on already. So, we have already exited from them because the machinery we can use for our value-added products. And mold, yes, we are in the process of talking and we are giving the furniture molds to the interested party. We have already exited from that businesses.

Suresh Varun: And sir, any update on oxygen now? Now you have discussed about hydrogen. Any update on oxygen cylinder now, any order book or any approval?

Bharat Vageria: In fact, orders are there. But we are not currently executing because we have a long order book for the CNG cylinders. And yes, but oxygen cylinders, yes, we are still in process because we are developing the oxygen cylinder in such a way which can be used at the home. It has nothing to link with the corona, this COVID period. It can always be used, hospital sectors can be used. But development is on. We have not yet submitted our samples to the authorities for the approval because internal task is ongoing still.

Suresh Varun: And sir, how much CNG cylinder cascade or cylinder order tender in pipeline for the next 2022, '23, sir?

Bharat Vageria: I tell you, as you have seen, we have given that we have an order book of Rs. 250 crore already. And last year, we executed around Rs. 56 crore. So, this year already many things to eat on the plate, okay? So, we'll definitely bring some expansion this year. So, next year, definitely, as I mentioned to you, in the next 3 years, we are keeping the target of Rs. 750 crore business. So, this year investment will be around Rs. 100 crore to Rs. 125 crore, that will give us the fruit next year.

Suresh Varun: Did we quote for any tender, sir, recently? Can you disclose some value? How much we quoted?

Bharat Vageria: In fact, small tender come by, we don't intimate because big orders when we have received Rs. 100 crore order, we have informed them. And as you have seen earlier, when we have reported the Rs. 280 crore order book was there. Out of that, we have executed around Rs. 60 crore worth of the value. So, Rs. 220 crore, then another Rs. 30 crore of Rs. 250 crore carry forward order itself is there. But we ourselves are keeping and restricting to take the order because prices have increased substantially. And we also would like to take CNG orders at a higher price because then we get the orders, then we have to execute at the old price. So, we are also watching the prices. And another thing is when restrictions come in the inputs, which is required to use for the CNG cylinder. So, that also already we have finalized and we are on. And this year, we are projecting business of around Rs. 250 crore for the CNG cylinder. So, we may carry forward good order booking as far as net year is concerned.

Suresh Varun: Sir, before actually, you discussed that in the USA, we had this potential to achieve 50 million revenue. How much revenue you achieved, sir, this year so far in the U.S.?

Bharat Vageria: You are only specific. U.S., we can achieve with the existing investment when the plant runs in the 90% capacity, we can achieve the 15 million revenue. But yes, that is achievable with 90% utilization. But as U.S. we have seen, it is in 3 locations, this year, we are going to get around 45 million to 50 million revenue. This year, we will get it.

Moderator: We have the next question from the line of Harsh Beria, an individual investor.

Harsh Beria: When you talk about overseas divestments, are you also referring to your Sharjah operations?

Bharat Vageria: Overseas investment, I tell you as we have presence in 10 countries, including India, 11 countries. So, yes, it's overseas operations we talk when we talk. The entire overseas operation, and Sharjah will also be included in the overseas operations.

Harsh Beria: My question was because Sharjah operation seems to be already quite efficient, like you don't need to infuse a lot of capital. And it produces quite a bit of profits. So, why are you considering divesting a part stake in that?

Bharat Vageria: No, in fact, what happened this is the total block, I can say, the overseas businesses when the investor is looking after the global business because we have some items where I can say, we have a market.

Harsh Beria: That makes sense. So, as a portfolio, it would make more sense for a strategic investment.

Bharat Vageria: Of course, but I cannot give them a choice to them. I have no choice, means I cannot choose the plant which is running full and I will not sell it. It will be included in all the things.

Harsh Beria: My next question is on your onboard CNG cylinder marketing. You think like what is the current focus of the company? Is it more towards OEMs or towards aftermarket?

Raghupathy Thyagarajan: As I mentioned earlier, the focus on the CNG business is for mobile cascade options. There basically would be supply to all the CGD companies. The automotive and the rest of the market will have to wait for the expansions to take place.

Harsh Beria: So, then my question was because there seems to be a big opportunity now, especially in the CNG onboard for vehicles, for 4 wheelers. So, why has the marketing focus not been also on that segment? Is it too much to bite?

Raghupathy Thyagarajan: Yes, the marketing focus is very much there. There are companies who have been conventionally using Type-I cylinders. OEMs take their own sweet time to get shipped from one technology to the other. These samples have been submitted. The trials are going on. It's a very long-drawn process for any OEM to kind of validate this part of it, even though it might be quite successful in other countries. So, we are very much on the job. There is a good amount of focus there. The expansions have also been taken into consideration, the requirement that will be coming from this OEM sector.

Moderator: We have the next question from the line of Anurag Patil from Roha Asset. Please go ahead.

Anurag Patil: Sir, you mentioned Rs. 125 crore CAPEX. So, does that include the earlier Rs. 90 crore announced?

Bharat Vageria: No, LPG in the separate capacity expansion, which we had mentioned, that we will look after in the second half of the year, because my current capacity is 1.4 million cylinders LPG where we can have different sizes of the cylinder. Therefore, 1 million cylinders we can produce it. Out of that, 70% is booked. Balance, 30%, we are utilizing for export to the other countries and taking care of the other customer. But yes, this order is for 2 years. So, definitely, expansion in LPG is in our line, but we are just watching. Another gas distribution company is also in discussion with us. When we will receive or when their tender will come up, then we will think about expansion in LPG cylinder. But if you have heard our previous conference call, expansion in LPG cylinder takes maximum 6 month, I can say because we have expertise of the 2 products installed and commissioned in India. So, it will take hardly 5 to 6 months' time to enhance the capacity. So, we have well experienced team. So, we are just watching how the demand is coming up, internationally and locally.

Anurag Patil: Okay. So, if there are further tenders and demand is there, then you will go for additional Rs. 125 crore CAPEX? Am I correct?

Bharat Vageria: No. You have asked me about the LPG. CNG is already there. We have to go for the expansion to meet the market demand because already order book is more than Rs. 250 crore, with my existing investment, maximum because certain investment during '21, '22. We had done investment in '20, '21. So, current business, I can do maximum of around Rs. 120 crore to Rs.

130 crore. But we'll have an order book of Rs. 250 crore. Therefore, for CNG and mix of some hydraulic testing equipment also, we are planning for Rs. 125 crore CAPEX this year.

Management: So, for LPG it is separate and….

Bharat Vageria: Yes.

Anurag Patil: And sir, now that we are divesting the overseas business and you have a very strong visibility in the domestic side, so earlier you used to guide some 15% CAGR for the next 3 years. So, can we say now 28% CAGR is possible?

Bharat Vageria: As far as volume, I can say more than 15%. As far as revenue part is concerned, you know it is linked with the prices of the polymer. But yes, conservative way, you can take the CAGR of 15%, 15% to 18%, you can take it.

Moderator: We have the next question from the line of Radhika C., Alpha Investor. Please go ahead.

Radhika C.: I just had one follow-up question. The Rs. 125 crore CAPEX that we are talking on, from the CNG point of view, what is the capacity in the sense of quantity that we are expecting? Like what are we expecting?

Bharat Vageria: Let me tell you if I invest Rs. 1, I can get the revenue of 2.5x. If I'm investing Rs. 125 crore, so in Cascade business and cylinder business, we can have a revenue of around more than Rs. 300 crore.

Radhika C.: Okay. Sir, in volume terms, if we talk?

Bharat Vageria: Volume terms, why I cannot say because different sizes of the cylinder are there, okay? Because 60 liters, 156 liters, there are the different sizes of the thing they are there. So, number of the cylinders, depending on the size, we will take. Revenue-wise, I can say, yes, more than 2.5x revenue can be generated. And with the reasonable value-added product margin, which we had mentioned, is in the range of around 18%.

Radhika C.: Okay. So, sir, this particular Rs. 125 crore that is getting into CAPEX is not pertaining to one particular capacity? That is the cascade, right? It is in general?

Bharat Vageria: It is in general, for expansion in CNG products, in which we had included some equipment for the development of the hydrogen cylinders also.

Moderator: As we have no further questions, I would now like to hand the conference over to the management for closing comments.

Bharat Vageria: So, thank you very much to all my valued investor for listening the management comments. We will see you again and comments about the next quarter. Thank you very much.

Moderator: Thank you. On behalf of PhillipCapital that concludes the conference. Thank you for joining us, and you may now disconnect your lines.