"Time Technoplast Limited Q1 FY23 Earnings Conference Call"

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MODERATOR: **MR. VIKRAM SURYAVANSHI – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Good afternoon, ladies and gentlemen, and welcome to the Time Technoplast Q1 FY23 Earnings Conference Call, hosted by PhillipCapital (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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vikram Suryavanshi Vice President, PhillipCapital. Thank you and over to you, sir.

Vikram Suryavanshi: Thank you, Michelle. Good evening 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-session session with the investment community. Management is represented by Mr. Sanjaya Kulkarni – Chairman and independent Director; Mr. Bharat Vageria – Managing Director; Mr. Raghupathy Thyagarajan – Whole time Director; Mr. Sandip Modi – Senior Vice President (Accounts and Corporate Planning); and Mr. Hemant Soni – Head, Legal & Corporate Affairs.

Before we start with the question-and-answer session, we will have opening comments from the management. Now I hand over the call to Mr. Bharat Vageria for their opening comments. Over to you, sir.

Bharat Vageria: Thank you, Vikram, and good afternoon to all of you. I have with me Mr. Raghupathy Thyagarajan – Whole time Director; Mr. Sandip Modi – Senior Vice President (Accounts and Corporate Planning); Mr. Hemant Soni – Vice President, Legal & Corporate Affairs. Due to heavy rains, our Chairman and Independent Director Mr. Sanjaya Kulkarni could not come physically but he is connected through phone in the call.

We are here to essentially talk about our results for Q1 FY 2023 and outlook for the rest of the years. We are pleased to inform that company has started Fiscal 2023 on an encouraging note with the healthy performance driven by good demand in industrial packaging, robust growth in composite cylinder business.

Q1 Revenue and PAT are up by 25% and 56% year-on-year led by higher utilization of capacities. This is despite global uncertainties and continued inflationary pressure in key raw materials. The company continues to receive overwhelming response for its Type-IV Composite cylinders for CNG Cascades.

In addition, during the quarter, NED Energy Limited, a subsidiary of Time Technoplast Limited has signed a Memorandum of Understanding with Tesla Power USA Inc., for orders of value of 100 crores to supply VRLA Batteries of different sizes for applications across power, solar, and UPS etc. With the strong outlook on Indian pharmaceutical and chemical business driven by migration of chemical companies out of China coupled with a good demand for CNG cascades, we expect to continue our growth momentum for the rest of the year.

The results are already announced but I would just walk through some of the key financials and operation highlights. During the Q1 FY23 compared to Q1 FY22, on a consolidated basis, net sale stood 945 crores as against 755 crores. EBITDA 124 crores as against 101 crores, but PAT is increasing as a percentage more. That is 44 crores as against 29 crores. Cash profit 86 crores as against 68 crores.

In terms of the percentage compared to previous year, sales increased by 25%, which is in India 27%, overseas 23%. Volume increased 13%, India 14%, overseas 12%. EBITDA is increased by 23%, and PAT is increased by 56%. EBITDA margin, yes, compared to whole year estimate is down means we can say EBITDA margin is at 13.1% as against 13.4%, but as we all are aware, in the first Q1 of this FY23, little inflationary in the raw material prices were there, which we have also passed on to the customer, but there is a gap of around 25 to 30 days effected a little margin.

The share of the business established products versus value added products, value added products grew by 36% in Q1 FY23 as compared to Q1 FY22 while established products grew by 23%. The share of the value-added product has been 22% on the total sales in Q1 FY23 as against 20% means it is clearly visible sale of the value-added products are increasing in terms of the percentage. And share of the India and overseas business is 63% and 37% almost is same as per the previous year, not much change.

EBITDA margin in India and overseas also in the range of around 13.3% and 12.9% respectively. Debt, small reduction is there compared to March ending may be around 26 crores. CAPEX plan as we said the last time also, the annual CAPEX expenditure was normal and this automation, re-engineering and value-added products expansion in normal rate is 170 to 180 crores and especially we are watching and as looking to the demand of CNG, we will have a more CAPEX for time to time we are doing to capture the business in hand. And in the first quarter, CAPEX incurred is 49 crores, which includes mainly for value-added products 34 crores and maintenance CAPEX is 15 crores.

Now consolidation restructuring in overseas business is already we have updated provided in our results also. The consolidation overseas business by way of restructuring through the consolidation through the JV by disinvestment of majority stake is still under process as of 30th June and we will come to know outcome of this in the period ahead. But we are sure as company has projected in the current financial year, the things will be under consolidation.

In addition to that one also I would like to tell you, subsequent to consolidation of overseas businesses in India is also some consolidation of the business to optimize the unit productivity will be also in the agenda. That also will begin immediately.

So, now I would like to open the floor to answer specific questions. Thank you for hearing questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Pritesh Chheda from Lucky Investment Managers Private Limited. Please go ahead.

Pritesh Chheda: Sir, just a simple calculation between June '19 and June '22. June '19 being the normal quarter and June '22 being a normal quarter, there is hardly any growth in the revenue of the company despite the fact that you have written in your presentation somewhere that chemical and pharmaceutical sectors are doing well. So, just, you know, why is it so? And this assessment let's say for the last five, six years, we have been in a static revenue zone. So, you know, what is the challenger or what is your assessment of this?

Bharat Vageria: Now you're talking about the company from June '19 to June '20, right?

Pritesh Chheda: June '19 to June '22. June '19 was 870 crores revenue. June '22 is 950 crores revenue. And if you take from '17, '18, '19, '20, our business has been 3,000, 3,500 crore only.

Bharat Vageria: Yes, but I think we will have to make a comparison of EBITDA part also. You see that there is a revenue is depending on the prices of the inputs. Now as we have mentioned last time also, there now pre-COVID there was business have started already. Apart from the two years, our business is coming to pre-COVID level and has achieved 945 crores compared to previous year also, there is a virgin growth of 13%. And as we all know, chemicals business has started picking up in India, and definitely this year as we are also sure and as the business is coming up in each of the sector, so this year we are also expecting as last year pre-COVID level business was around 3,600 crores. But definitely now we are back to the pre-COVID level, but definitely this year we will achieve the revenue along the 15% more than the previous year. So, definitely, good demand is there. Each of the segment is picking up now and we are sure this year we will cross more than 4,000 crores.

Pritesh Chheda: My second question is the LPG composite cylinder and the CNG composite, the CNG cylinder cascade, so this business, what was the size of this business in the year gone by, which is FY22? And what will be the size of the business this year based on whatever orders that you have got and execution within line?

Bharat Vageria: Now as far as LPG is concerned, in the beginning itself we have told that we have a good order book, has received the order from this IOCL and the supply, it is going in the first year and second year also will be continue and almost 60%, 70% of our capacity is booked by IOCL. In Q1, yes, little supply was less considering the flood in many of the regions and it is affecting the delivery part also, but as we are also committed to supply almost around 7,50,000 cylinders of this LPG to the IOCL plus we are supplying to the other many countries. So, LPG business I can say the percent utilization will also be more than 90% as far as LPG is concerned.

CNG concern is also as last year was very small and Q1 last year was hardly we did the revenue of 6 crores, but current year this Q1 also we did revenue of around Rs. 30 crores. But as a composite and the whole if you will see, the last year around 230 crores, but this year we are sure it will cross more than 350 crores. So, definitely the growth in this composite cylinder will be more than 50% and even more than 50% in CNG and LPG together.

Pritesh Chheda: So, 230 was CNG plus LPG put together with very less number for CNG last year, and 350 is this year of CNG and LPG together, right?

Bharat Vageria: Yes. More than that. 350 is the conservative.

Pritesh Chheda: And sir, volume if you could share in the 230 crore, what was the volume of cylinders?

Bharat Vageria: In 230 crores, volume of the cylinders, if you ask me the 2022 whole of the year, it is around 9 lakh cylinder was there.

Pritesh Chheda: And this year?

Bharat Vageria: And this year? This year we are projecting because you know the cylinder capacity we have manufactured 10 lakh cylinders in the present capacity. So, definitely we will have more than 90% utilization. LPG, we are only considering 90% capacity where we can do the revenue of maximum revenue we can do 230 crores from our existing investment. But then last time also I told that whenever the new tenders will come because this business is committed for two years.

Now, whenever the new tender will come out from the other gas distribution company like HPCL and the BPCL, then definitely we will talk about detail expansion plan, but currently, yes, we are utilizing existing capacity so where we can generate the maximum revenue of 230 to 240 crores and out of that, 90% we are utilizing here.

But especially, I would like to tell you about the CNG part where we had done the initially, slowly, slowly we are investing. And further in the last call I mentioned that my technical directors was out of India, and we wanted to do the CAPEX one for the CNG cylinder which already talk is on. We have already expansion plan is finalized, but in any case taking the delivery time is more considering 8 to 10 months. So, definitely part expansion will go this year, but full utilization and I will receive the capital equipment by beginning of the next year. So, we will get some benefit in Q4 of this year, but full benefit will be captured in 2023-24 when the entire CAPEX money will come.

Order booking is concerned, we have a good order booking. Even I am telling you, pleased to tell you today also we have order booking of around 250 crores value of the CNG orders in hand and LPG order is also around 300 crores we have for two years supply. If I put both together, then 550 crores order book is there. Even CNG part, Pritesh, we have slowed down order booking because when I don't have a supply capacity, I don't want to increase unnecessary order book at the present because too much volatility in the prices. So, we thought it's the right time. When we will have a visibility of receiving of the plant, then we will do the booking of the CNG.

Pritesh Chheda: Sir, what is the total volume LPG plus CNG this year?

Bharat Vageria: This means you mean to say 2023?

Pritesh Chheda: 2023. Yes.

Bharat Vageria: 2022-23, we are estimating both together as I mentioned to you 350 crores value terms.

Pritesh Chheda: Sir, volume?

Bharat Vageria: Volume? Volume wise I am considering 950,000 LPG cylinder and this cascade, I am considering around 225 cascades.

Pritesh Chheda: Okay, 225 cascades. So, basically 1 million LPG cylinder capacity will run at 90% capacity.

Bharat Vageria: More than 90%. Yes.

Pritesh Chheda: And how much cascade capacity do we have?

Bharat Vageria: In that cascades casualty, I have increased already in this quarter, I have increased.

Pritesh Chheda: So, what number, sir?

Bharat Vageria: I have increased whatever, it's different lines are there. Last time we had four lines. We have now installed five lines. Six line is working, but one line I can do around 5 to 6 cascade in a month. So, four lines I am doing around 20 cascades. So, all utilization, full capacity running. Now the fifth line will start at the end of this month. So, next I can say six months, I'll have a capacity and we will be able to do around 25 cascades in a month.

Moderator: Thank you. The next question is from the line of Shashi Ranjan, an individual investor. Please go ahead. As the participant has left the queue, we move on to the next question which is from the line of Karan Gupta from CAVI Capital. Please go ahead.

Karan Gupta: Sir, you mentioned that our year-to-year growth in revenues in EBITDA, but if I just look at the quarter-over-quarter number, so comparing Quarter 4 of FY22 to Quarter 1 of FY23, it looks like there's a slight degrowth. I understand there might be a little seasonality, but can you just talk about the numbers on a quarter-over-quarter basis, please?

Bharat Vageria: Now what you want to understand about Quarter 1 of the previous year or Quarter 1 of this year, right?

Karan Gupta: No, comparing Quarter 4 of the previous year's compared to Quarter 1 of this year?

Bharat Vageria: No, Quarter 4 of the previous year and Quarter 1 of this, yes, current year, you are right. If you see because you know that always I just would like to explain our business trend in the last 15 or 20 years. In each of the years you will find first quarter we do normal business of 22 or 22% of the overall revenue. Then in the second quarter it is around 25% of the overall revenue. Third quarter we get around 27% of the total revenue and mostly 30% we get always in the Q4 because India, all companies follow the financial year, and everybody has a target. Every corporate has a target. Every Epc contractor will have a target. Government has a target. So, always it is same.

So, you see never means Q4 is the highest where we do 30% business. So, Q4 to if you will see the Q1, definitely there is a down by 20% business quarterly because in the Q4, we had achieved 1,040 crore business as against we achieved 945 crores. The EBITDA level is down compared to last same means Q4 to Q1 of this year is 11%. Profit is down by 21% and net profit after everything this minority interest down by 20%. But then this data is Q4 to Q1 not comparable always if you see that Q1 to Q1 of the previous year, then we will go to the Q4, definitely you will have a growth over this Q4 of FY22 to FY23 because there is a lot of potential and good opportunity for the CNG business where the capacity already expanded now. And further, company has a plan to do expansion more CNG. LPG also full order book is there as far as currently this concerned. So, I've given you the comparison of last year Q4 to this Q1.

Karan Gupta: I appreciate that sir and understand the seasonality in the business. Sir, next question I actually wanted you to discuss a little bit, I know you've made disclosures regarding the organization of the international businesses. But I just wanted to get an understanding of why the company is doing this at this point? Why this changing strategy that historically you've expanded significantly overseas and put up a lot of CAPEX? So, why this decision to consolidate those holdings and you know, focus more on India at the present time?

Bharat Vageria: Karan, it's a good question you have asked. It is the same question we also thought and discussed deliberately in our Board meeting also. You know that my overseas business which is almost giving me the 30 to 33% revenue from overseas, but whereby EBITDA margins are in the range of around 13%. But the business we are talking now it's a right time for completion. Why?

Because in India, there is a too much opportunity available from the composite products which we have seen in the last two years time. And in fact, these two years' time we thought why not to increase the return of the investor, return the good benefit to all valued investor including promoters also? So, thought it is to be because in value added products, these composite products comes under the value added products where the EBITDA margin is ranging from 18% to 22%, average we can take 20%.

So, what we are doing is to increase the ROC, to have a good opportunity available in India, and to capture the demand which is already there, and where the big investment is also required, investment I am talking in LPG and CNG put together, that works out more than 200 crores. So, company is replacing the business from 13% EBITDA level to 18% EBITDA level. In addition to that, there will be the substantial benefit in reducing the working capital cycle time also. The value added products where the working capital cycle time is in the range of I can say 65 to 70 days, but in the other products the cycle time is more than 100 days.

These are the main objective means we are very clear, we would, current ROC, which is in the range of 13%, in the next three years' time, it should reach to around 19, above 19% or maybe around 20%.

Karan Gupta: Do you had any projections of what your CAPEX is going to be?

Bharat Vageria: That normally you have seen. I can say the trend is here. CAPEX, normal CAPEX is in the range of 150 to 180 crores, which includes the normal maintenance, automation, re-engineering for my existing product to maintain the capacity, changing in the mold, changing the machine. That's all are there, but for the value added product where we would like, for example, just I am giving you the composite product which currently we are doing in the range of around 250 crores to 260 crore business, we are targeting in the next three years' time this business should reach to the 1,000 crore business, and that is possible very quickly because order booking is there. Good demand is there. So, we will have required to do investment of around 250 crores in composite product, but that will be done on completion of this decision.

Yes, we are committed. We have already ordered the plant and equipment. Project is already finalized, but we thought because this equipment is also good delivery time, they take around eight to ten months time in delivery.

Karan Gupta: Sir, I understand where you're coming from. What I was trying to understand was or get a better sense of was if you're saying you're going to be spending 150 to 180 crores over the next three years in CAPEX, that's about 450 to 500 crores. Now is that going to be funded through internal accruals? How much of that is going to come from this reorganization where I'm assuming you'll be raising some capital by, you know, offloading states in your overseas subsidiaries and plants? So, can you just tell us what the source of all this funding is going to be?

Bharat Vageria: So, in fact, you have gone through our resolution, which is approved by the Board of the Directors and shareholders. Disinvestment process, for example, received by X, okay, because it's still yet to what realization we are going to get, that's all will be decided by our advisors. We have already given the name JPMorgan and E&Y is our advisor for this disinvestment process, and there we will also be continue as a management, the majority stake will go to the strategic or financial investor, but some minority we will continue.

Management will also be we'll continue with the same management will continue, but our objective was I mentioned to you that whatever consideration we will receive that will be used for the almost around 50 to 60% will be used for the reduction of the debt. Then the expansion which I mentioned to you around 250 crores we are planning for expansion of the composite products, and balance definitely something, balance definitely for the valued our investor including the promoters all will get some kind of the benefit by the way whatever this Board is approved. Maybe that is special dividend. Maybe buyback of the shares by company. That will be then decided on finalization of this complete deal. And once we have also clarified, this entire process will be completed in the current financial year only.

Karan Gupta: No, I understand that those are disclosures that you've already made. The sense I was trying to get was like, you know, just around numbers, I understand you've given the mandate to JPMorgan.

Bharat Vageria: But you know the numbers. We don't know even numbers. Some kind of the rumors people maybe telling those numbers.

Karan Gupta: No, you must have some internal going into such a large reorganization, I'm sure you must have a sense of some expectation as to the kind of capital that you might be able to raise. For example, you know, your debt was just unsecured loans, I'm looking at was about 250 crores as of March. So, if you're assuming you'll pay those back, you'll be able to fund 50 to 60% of this 500 crores of CAPEX. So, along those lines, you must have had some kind of internal working that, you know, you might be able to share with us?

Bharat Vageria: No, but one thing I'm telling you as we have signed some kind of the confidential agreement with the potential this thing, so we can't give them. But you know very well in indirect way means you know the current valuation of the company, what company's value together. If you will get some time over and over premium and whether objective to see in the previous year, we are targeting to increase the ROC by 20%, and that is possible by expansion in the value added product.

And I am also one another coming on your point only. If I will wait for three years and I can very well justify for debt and everything, if we do not do that disinvestment, but then my expansion product will take some time, and that time I can say, we can missed out that bus. But we would like to capture the growth of the CNG where the very, very huge potential in India, but not only CNG.

One thing again I am clarifying you further, we are equipments which we are talking for applications for CNG as well as we will do the test up to the testing process for the hydrogen cylinder also which have a very large potential. You can say after three years, India will have a very good market for hydrogen cylinder. So, equipment which we are collecting is a combination of mainly for CNG but some kind of the testing system approving size, we are considering equipment for hydrogen equipment also. So, for that we are, in fact, therefore, we are doing the disinvestment, consolidations of operations.

Further you see my remarks. In India also we are consolidating some of the product line. You have seen in the last two years' time, we have consolidated like we have put the item for held on the sell almost 50 crores value of what we have mentioned the assets which are under sell which have been identified in addition to that consolidation by operation because nowadays, wherever to optimize margins, capacity utilization will have the consolidation process is continues on. So, we have first initiative as we have taken for consolidation of the overseas business. Yes, in the period two years ahead, India also we will do some consolidation of the product mix.

Karan Gupta: Sir, it is very encouraging because from an analyst perspective, what we have seen in the past, you know, obviously, the company is very innovative. You have an excellent R&D team. You come up with very innovative products. It's just manufacturing and sales these products entails a lot of CAPEX and that, you know, the capital kind of gets blocked. So, there has been no, that's why over the years, you know, at least my understanding is that's why the return on that capital has been relatively weak. So, it is very encouraging what you are saying and we hope, you know, you are able to achieve everything that you set out for. So, thank you. I really appreciate the opportunity, again.

But one quick this data taking point on page eight of your presentation where you have given the volume growth. For value added products, you know, the sub-total says 22.9% year-over-year volume growth. I couldn't follow that calculation. So, you know, either now or offline if somebody could just help me out with how that number was arrived at?

Bharat Vageria: Yes. We will provide. I think what we can do is the details are available with our team.

Moderator: Thank you. The next question is from the line of Bhagyesh from HDFC Mutual Fund. Please go ahead.

Bhagyesh: I have couple of queries over here. See, understand the potential for the CNG business is quite large and the CNG capital business should do well because India again is going back to the decentralized approach that you have this complex biogas program wherein instead of the pipeline, more of cascade the usage will come in. Have you calculated the potential? What is the potential for the CNG cascade business for you over three, four years when they roll out this 5,000 odd pumps and the centers also to make CBG? And who are the competitors over here?

Company Representative: Well, we have made a very detailed assessment of the potential that exists for the CNG pipeline by itself. Going by the fact that, you know, when the CNG rollout was carried out by the government, the number of pumps which were available across retail units were barely about 1,500 only, and when the government have started, you know, engaging themselves in the expansion, the prime minister on a couple of occasions have made a confirmation and a commitment that they would want the number of retail outlets on CNG to extend, expand from 1,500 to 10,000 retail outlets in another four to eight years. That was the kind of time that they were talked about.

If you look at the fact that, you know, when we talk about these kind of expansions, now basically the number of units that are linked with this CNG ecosystem is fairly large. And one of the best ways to move the CNG gas is through the cylinder etcetera. Traditionally, they have been using type 1 or steel cylinders that has been in use, but with the new technological advancements that have come up, the type 4 cylinders have proven time and again that they are much more economical and safer as well to use them in the place of steel cascades etc. And the last one-year operation we have been able to prove this point many times over.

If we look at the projection that we are making in terms of the CNG cascade by itself, in a span of about eight years or so, even if I take barely a conversion rate about 50% or so, we are estimating that the yearly business would be somewhere in the region of 700 to 800 crores.

Bhagyesh: In CNG cascade 700 to 800 crores for the entire industry, cascade making industry, CNG cas.

Company Representative: See, in addition to this, there are lots of other applications for which these cylinders also goes for. For example, these can be used for MR use, as they call it as mobile refilling unit. Not everybody can have an access to go to the retail outlets because some of the rural areas etc., wherever you would want the CNG to be dispensed, what the government is planning to do is they will fill the CNG in a casket and then it will be serving as a mobile retail unit so that you can drive up to the cascade unit and then fill it up, and then after it gets emptied, the vehicle will move away and come back with an refill etc. So, that kind of additional business would also be there, which has also been projected to anywhere in the region of 150 to 200 crores.

Government is also investing into biogas. That is also a form of CNG, in fact, compressed biogas, wherein some of the leading companies have also made commitments for investing into this system. And there again, looking at the potential that they put in expected businesses in the region of about 400 crores also. So, there are a couple of more. I have not even touched upon the fact that the use of the cylinders for automotive requirements because at the end of the day, each vehicle, whether it is a bus, car or, you know, a lorry, they would need a lot of these cylinders fitted to the vehicles which I have not even touched upon to address this requirement that by itself is going to be fairly large. But then as I was mentioning it, we are extremely buoyant looking at the potential and the support that we have received from the industry. With the current order booking, it's a very clear confirmation as to which way the industry is supporting.

In addition to this, the next question that you asked me was with regard to the competition. Going by the government policy to make India Atmanirbhar Bharat, we have been able to successfully develop the technology here and roll out the manufacturing process. There are about three or four people companies who are engaged in the casket business of type 3 and 4, which are the lighter weight options. But currently, they are all imported from different countries and assembled here in India. Fulfilling the requirement of local AatmaNirbhar Bharat, we are in enviable position, I would say, as being the only supplier for sure.

Bhagyesh: One more question. If you see your influencer part, you are doing something in the energy storage devices business, and assuming these are the storage facilities for the Lithium-ion batteries for the ESS applications, right?

Bharat Vageria: Yes.

Bhagyesh: Then why not extend this business to the automotive part also? Because there will be requirement for battery covers or holding these things because we are already dealing with several auto companies essentially. So, is there a thought process to get into the actual EV business also? Because it is the same. Essentially, this is a static way of storing these things essentially.

Bharat Vageria: We are working on the Lithium battery side of the potential as well. As you know that we have a fully-owned subsidiary under the name of NED Energy who have been in their business for batteries for Lead acid batteries etc. There we have rolled out the development of Lithium-ion batteries, which will be used for EV, electric vehicles, and we have been focusing on the latest technology that is available in terms of the cell technology, and with the programming that is possible to have a thermal control also on these batteries that will be assembled there. We are in discussion with a couple of three-wheeler companies etc., to carry out the initial trials where they are already in progress. So, we are also addressing that opportunity for sure.

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

Ganesh: So, we have been talking about the EBITDA range for our value added products, you know, in the range of 18 to 22%. So, what is stopping us from realizing that? What is stopping us from realizing such an EBITDA range? Because I see the EBITDA for value added products in the last year, forget COVID for now, so it's been in the range of 17 to 18%. Fine, but our aspirational range seems to be 18 to 22%, right? So, I just want to understand what is stopping us from releasing that aspirational range?

Bharat Vageria: Yes. In fact, you know, that value added product, what are the items covered in the value added products. That is all composite products, Mox Films, then these IBC. These three products are covered under this. My meant to say the value-added products where the EBITDA margin in the range of 18 to 22%, the average is 20%. But certain times, there may be the temporary price inflationary was there. So, maybe 1 or 2% here or there, but certainly when we do the price booking and order booking, we consider that the EBITDA margin should be in the range of 18 to 20%. So, average, average margin we have seen 14% EBITDA level, which we are also targeting considering established existing products will have a margin in the range of 11.5 to 14%, which includes all established product where the packaging and some automotive related products that all covered under the established products. We are sure definitely in the period is going to be improved further as the value added percentage business is going to be increased.

Ganesh: Just one more question. So, in an earlier call, we understood that our LPG cylinder line capacity is 1.4 million cylinders per year, but because we manufacture cylinders of various sizes, the actual capacity is 1 million cylinders. Fine. With our current order book, the cylinder sizes must be uniform, right, with IOCL and other vendors. So, with the same or similar line, will we be able to get the 1.4 million cylinders per year capacity because the sizes are uniform?

Company Representative: Yes. In fact, the current capacity that we have been invested almost about five to six years ago, and then actually, that was the equipment that was running in Europe which we acquired. Now when we are looking at expansion, obviously, lots of technologies have also changed. In the meantime, the productivity has also gone up. There are faster machines that are available. Obviously, the kind of investments even if we maintain, we will have definitely a better capacity for sure.

Ganesh: So, will it be even more efficient when we consider multiple cylinder sizes or it is less efficient?

Company Representative: Yes, of course. There will be a certain amount of consolidation that have taken place in the last four or five years. We have been able to understand as to which sizes are running and which sizes have a lower volumes etc. So, we adapt the next line of expansion based upon the fact that we need to run more of this size and such and such a size and such a type of capacity. So, obviously, we will be in a position to have a better output for sure.

Moderator: Thank you. The next question is from the line of Mahendra Jain from Way2Wealth. Please go ahead.

Mahendra Jain: Can you elaborate little bit like on disinvestment path, how we are going to achieve that like by doing demerger of packaging business, international packaging business or something like that? Or what kind of disinvestment like inviting some investor into that? Is there is any clarity about it?

Bharat Vageria: We have been able to give you more clarity, I can say, in the next Concall, definitely, more clarity will be there, because it still matter is with the strategic or financial investor discussion need with the advisor part. And I will in the period we will definitely market, we will update about the disinvestment process. Till I can say only one thing. Matter is under discussion and will update you as the data will be available with me.

Mahendra Jain: What about this pledge share like you were planning to sell?

Bharat Vageria: Yes. I had mentioned that pledge will be released shortly. That matter is already due diligence process by the potential buyer which I have sent my communication. It is on, but I think regarding that, you will hear in the next short time maybe 30 to 45 days, you will hear very slowly. My internal target is also keeping the debt free means pledge free by 30th September. That's the internal target I am keeping it.

Mahendra Jain: So, sir, second question is on raw material prices fluctuation. So, how we are like looking for future like volatility and all these things? So, how much we are comfortable right now in that situation?

Bharat Vageria: You are right. You know that because you are also aware in the market and you are also in the market that how the polymer prices or oil prices have treated in the last six months including the foreign exchange also. But as we have seen in the last I can say 20 to 25 days, prices are coming on the reasonable level, I can say, which was in October, November, December 2021. So, prices is coming normalizing because demand supply is also increasing. Initially in the month of, I can say, November to March, there are so many plants were under measures shut down in India and overseas. So, now I think polymer prices as you have, many people have, many means research team are projecting oil prices in the range of maybe around \$90 to \$100, not maybe 120. Similarly in polymer prices, we are also expecting a range, I can say, around \$1150 to \$1300, but not \$1600 or \$1500. Reasonable price, price, whatever previous year average was there, that price should come back in the next three months' time.

Moderator: Thank you. The next question is from the line of Hiten Boricha from Joindre Capital. Please go ahead.

Hiten Boricha: Sir, I have only one question related to the CAPEX. So, you mentioned a current composite cylinder capacity is running at 90 plus capacity utilization, right. So, just wanted to understand what will be a capacitive post the expansion of this composite cylinder? It's currently 1 million cylinder, right?

Bharat Vageria: Yes. I recall my communication earlier which was sent to BSE and NSE where I had mentioned that if we do the expansion certainly for half a million cylinder where we will need around 80 to 85 crores, but certainly, that visibility, currently it is not there. We will see after three months' time when the new business or new tender will come out by the government gas distribution company. But currently, as you heard in the previous person who has asked about the capacity, as we have a 1-million-cylinder capacity, but currently utilization scalable we get 1 million cylinder for the different sizes. So, I think that clear visibility about the LPG expansion we will have after the three to four months' time only. Otherwise, small modification, automation, maintaining the CAPEX will be done as which already covered under expansion CAPEX plan of 170 crores.

Hiten Boricha: So, sir, I am referring to this PPT slide number 10 where you have mentioned the company plans to add 1 million cylinder in next 12 months. So, this is additional from current 1 million, right?

Bharat Vageria: Yes. That's 18 months prior to 3 months we have given that. In next 12 to 18 months' time, we will have a CAPEX program for LPG cylinder for addition of up to 1 million cylinder, but that is not yet taken in. Yes, expansion plan is there subject to how the capillaries and how the demand is coming.

Hiten Boricha: So, this is not yet confirmed, right?

Bharat Vageria: No, not confirmed. Only as I mentioned previous also, CNG expansion program, yes, because order booking itself is 250 crores as on date. So, definitely, CNG expansion plan is already finalized and that we are going ahead.

Hiten Boricha: Sir, what is the current capacity of CNG cylinders?

Bharat Vageria: Cylinder capacity as I mentioned to you where we can do business of around the current capacity means what we have the CNG cylinder manufacturing we have mentioned the 250 cascade in a year we can do that. In terms of the value as mentioned to you, around 150 crores we can do, but as the order booking itself is 250 crore as on date and to take the fresh order, we have already two executions of fresh order. We have identified CAPEX plan, but that in any case, equipment is going to be arrived in the next 8 to 10 months' time. So, full capacity utilization as we are projecting, I tell you current business, 2022, we did business of around 200 and almost 250 crores for this we did. But this year, definitely, we are projecting more than 350 crores for composite products including the CNG and LPG.

Hiten Boricha: So, we are expanding in CNG cascade business.

Bharat Vageria: Yes. CNG we are expanding because more order book is there and more demand is coming up.

Hiten Boricha: And what are we spending on this, sir?

Bharat Vageria: We had, in fact, identify equipments where we are going to do investment, but first that investment committed, but that's the investment we are doing. Around 125 crores we are doing it. When we are investing 125 crores for the CNG CAPEX, we are able to generate revenue of around more than 400 crores.

Hiten Boricha: And this capacity will be coming next year in FY24?

Bharat Vageria: Next year, yes, full utilization will come next year only.

Hiten Boricha: Second half, right?

Bharat Vageria: Next year it will come full. I think in Q1 we will be able to get it.

Moderator: Thank you. The next question is from the line of Shashi Ranjan, an individual investor. Please go ahead.

Shashi Ranjan: The question that I have is that what measures are we taking to control the rising raw material prices and passing it on to our customers?

Bharat Vageria: Yes, Shashi, what happened, really such kind of the product, our products are mostly 92% products are b2b and users we are giving, and everybody knows the polymer prices. And you can see the last I can say 10, 15 years' trend. Whenever price increase is there, we pass on to the customer. Price decrease also we pass on to. Both the ways the understanding is there.

And most of the customers, I can tell you, around 50% customer, we do the business on monthly pricing. Every month we will pass on to them with the time lag maybe because but every month when the supplier change prices four times, but we change one time only. So, we pass on with the gap of 15 to 20 days, but some customers we do business on quarterly business. Almost 40% business we are doing with the quarterly business with customers. There also we do the pricing transfer.

So, only 8% consumer product is there where we can play with the schemes. If prices are down, we increase the schemes, free schemes, and when the prices are up, we withdraw that scheme. So, therefore, you have seen our EBITDA level also, except in Corona period where the EBITDA was 11%. Otherwise, our EBITDA range is in the range of 13 to 15.5% is our margin range for the EBITDA. So, we are able to pass on. There is no doubt because price, and another thing we have seen the price increase in the last four months. So, every price increase has been given because almost 70% is the raw material cost. So, we can't sustain the rate if we don't pass increase to the customer.

Shashi Ranjan: Just a clarification on that. Can you just divide the revenue on which we divide, on which we hike the prices on quarterly basis versus monthly basis?

Bharat Vageria: As I mentioned to you, almost my 50% customer were do business on monthly basis, 50% of the customer, and 40% customer may be revenue-wise we will do the bifurcation, but normally, such a way, I can say that almost 70% business where we pass on benefit to immediately to the customer.

Shashi Ranjan: Now, can I squeeze one more that's on competition part? How we are going to address the competition from companies like the Supreme Industries who managed to grab order book of almost double of what they can produce than a company like Indoruss Synergy who has started supplying caskets to Adani Gas, Mahanagar Gas Limited, IRM Energy from Gujarat. And as far as developers, they have also managed to grab the market and sell their product. So, how we are going to handle the competition? Is there sufficient to have, you know, business for all the competitors we have right now?

Company Representative: Shashi, it's desirable that we have some competition. It allows us to get some benchmarks, number one. Number two, as you would understand the profile of the buyers in the composite segments are mostly the government-based organizations who rarely would be in a position to qualify any tender if there are not more than one bidder. So, though we are the companies who have manufacturing capabilities locally, but at the same time, it is necessary for other options who would be probably, you know, part of the bidding process by itself. So, if companies like you mentioned are able to import the cylinders and assemble them, they would also be in a position to help the process of tendering.

Of course, they will be at a gross disadvantages, and there are a couple of policies the government has rolled out which makes the local bidder to be much, much more favorable as well. There are companies in the LPG segments. We have, I will put it, it's more like a, you know, race where we are far, far ahead in terms of the competition. In terms of our reach, in terms of our segmentation, in terms of our product range, we are there probably. Globally, we have the largest product range that we have in terms of the sizes also.

So, any requirement that comes up even on the LPG segment we are in a position to do that. We are constantly innovating and improving our technologies and the product scales etc. So, if there are competition, they are always welcome. There was nothing to really get worried. In fact, we welcome them so that we are able to, you know, allow the customer to have the confidence that here is a business that where he doesn't have to really depend on one single source and that also sometimes can be a little hindrance as well. But then we continue to, you know, delight the customers as we normally would like to put it very humbly, and the customers are very taken care well of. No problems at all.

Shashi Ranjan: But just to understand that competition part a bit better, for instance, I'll quote of Supreme Industries who won bidding from IOCL and the price they quoted was Rs. 2,312 per LPG cylinder for more than 7.25 lakh cylinders of 10 Kg category. Although when they won this order, their production capacity was only 5 lakh units, and are we lagging somewhere because a company with a production capacity of 5 lakh is managed to grab a piece of order which is more than 7.25 lakh? And how did we fail against Supreme Industry over there as the price being quoted by Supreme Industry which I calculated roughly was 2,312? So, JB participated in that IOCL tender and was Supreme Industry well ahead of us when it comes to grabbing the order?

Company Representative: Well, it's the answer lies in the question that you have asked. When you don't have the capacity and you bid for a higher capacity, obviously, you know, as to what the result would be, right? And I don't want to say more than that. But with us, we are very realistic in terms of how we are able to treat our order booking. We already have a good percentage of my business is being catered to my customers who are placed overseas and giving preference to the local requirement that comes up with the IOCL requirement that has also come up. We are now fully booked in terms of the capacity or I will put in 90% share the business is there.

So, I would not say, if party B was not there, whether I would have got those additional orders? When I don't have the capacity, that's the situation. So, if more and more customers do get composite cylinders this year, then the next year we will probably have multiple number of customers, you know, adding doubling that. So, it always helps in the growth of the market. It is never desirable to have just one player operating in this segment or for that matter any segment.

Shashi Ranjan: How Abhi Investment Holdings PTE is going to help us? Can you shed some light on this the recently floated subsidiary?

Bharat Vageria: Yes, means you are talking about the recent one subsidiary company was formed in the Singapore. You're talking about that, no?

Shashi Ranjan: Yes, sir.

Bharat Vageria: Because, you know, that my holding company presently is Genex where who is holding the Taiwan, Malaysia, Indonesia, Taiwan, all companies are under that one group. So, when we are doing the restructuring business, some kind of the area wise restructuring ongoing. Therefore, this company have been formed so that my strategic investor whenever we will come, we will put the money in that company. Then we will transfer someone who's holding. Then we will also own some percentage of holding. So, there is one kind of a step towards the, I can say, consultation of this overseas operation which we are already talking, right?

Moderator: As the current participant has left the queue, we will move on to the next question, which is from the line of Harsh Peria, an individual investor. Please go ahead.

Harsh Peria: I have a question about your CNG cascade business. You had mentioned that you are putting up a new linem which will come on stream in six to eight months. What is the cost to put up a new line in this division?

Bharat Vageria: I think you missed out that. I had mentioned that we are going to invest around 130 crores for this line. This is the fully automatic line. And where we can expect revenue for 400 crores, right?

Harsh Peria: My another question was on your business development plan for CNG on board vehicles. Is there any update in terms of OEM authorization regarding this?

Company Representative: Yes, right now with the capacity being utilized for the specific type of demand that has already generated, we have been working with for the development of the auto OEMs as well, for the auto cylinders as well. That's also a very large segment of demand. The new expansion that is being planned takes care of some of those requirements where a little different manufacturing capabilities are also required. So, all of these things are being lined up. So, when we roll out the next phase of expansion in the coming year or so, we will be in a position to have that thrust as well.

Harsh Peria: And do we have a priority like will we target more towards commercial vehicle OEMs or passenger car OEMs or are we trying to do business development across the sector?

Company Representative: Yes, of course, not to forget the fact that the passenger vehicles would be the cream of the lot. There will be a large demand, and they will have the better paying capabilities as well. So, that is also the range of focus. Commercial vehicles will also be there to take care of the fact that they will take advantage of the lower cost of fuel expenses when it comes to CNG. The government is putting a lot of thrust in terms of being able to get use a cleaner fuel as well. There are many such applications where it will come in through, and we are very, very confident going by the fact that some of these applications have already found acceptance in overseas. We are also able to confidently foresee that we will have a similar and better experience as well.

Harsh Peria: That provides a lot of context. Thanks for clarifying that. My last question was is it possible for you guys to share like the cross margin breakup for CNG cascades and LPG cylinders? Like what are the gross margins which you are making on these products?

Company Representative: Well, I wouldn't want to give you a break up on that because they are pretty confidential in nature. As people in the earlier calls have also confirmed, you know, there are enough years available to take care of some of these additional information. But then when we meet one-on-one, we will be in a position to share this offline. That's not a problem.

Moderator: Thank you. And that was the last question for today. As that was the last question for today, I would now like to hand the conference over to the management for closing comments.

Bharat Vageria: Thank you very much to all my audience, and definitely good period is ahead. And whatever time we have taken and definitely the right time has come now as the pre-COVID level is over. And definitely as we have promised and we have given the guidance for more than 15% growth in the previous calls, and the same thing will be improving the performance and the net of the margins also. Thank you very much to all my valuable investors.

Moderator: Thank you. On behalf of PhillipCapital (India) Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.