"Time Technoplast Q3FY23 Earnings Conference Call"

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MODERATOR: **MR. ABHIJEET PUROHIT – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Time Technoplast Q3 FY'23 Earnings Conference Call, hosted by PhillipCapital (India) Private Limited.

This Conference Call may include "forward-looking statements", These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include but are not limited to our ability to successfully implement our strategy, our growth and expansion plans, obtain regulatory approvals, our provisioning policies, technological changes, investment and business income, cash flow projections, our exposure to market risks as well as other risks. The Company does not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date thereof.

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.

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I now hand the conference over to Mr. Abhijeet Purohit from PhillipCapital (India) Private Limited. Thank you and over to you sir.

Abhijeet Purohit: Thank you. Good evening, everyone. On behalf of PhillipCapital (India) Private Limited, I welcome you all to Q3 and Nine Months FY'23 Earnings Conference Call of Time Technoplast Limited.

From the Management we have with us, Mr. Bharat Kumar Vageria -- Managing Director; Mr. Raghupathy Thyagarajan – Whole-time Director; Mr. Sandip Modi – Senior VP (Accounts & Corporate Planning); Mr. Hemant Soni – VP (Legal & Corporate Affairs).

I now hand over the call to Mr. Bharat Kumar Vageria for his Opening Remarks. Over to you, sir.

Bharat K. Vageria: Thank you, Abhijeet for introducing all of our management. You all know that it has been a year since now as we lost Mr. Anil Jain – Co-Founder & Managing Director of the Company on 6th of February. But his vision will continue to remain strong, with his values, we will continue to work towards his dream of growing the Company.

The Company continue to strengthen its market position in the industrial packaging segment despite challenging global economic conditions. We are pleased to announce a strong performance during the nine months with the year revenue growth of 19%. The value-added product segment grew by 29% year-on-year driven by good demand of the IBC composite cylinder.

Good order book position for CNG cascades coupled with the stable core industrial packaging businesses, increasing popularity of type-IV LPG composite cylinders, which help us to achieve our targets set for the years.

The Results are already announced, but I just walk you through some of the key financial and operational highlights. The key numbers are on a consolidated basis in Q3 FY'23, revenue grew by 20% as compared to the corresponding quarter last year Q3 FY'22 and 10% as compared to previous quarter Q2 FY'23. During Q3 FY'23, on a consolidated basis, net sales stood at Rs.1,131 crores as against Rs.943 crores from the previous year. EBITDA was Rs.153 crores as against Rs.137 crores. Profit after tax was Rs.61 crores as against Rs.54 crores. It means, net sales increased by 20%.

I'm pleased to tell you where the India is 11%, overseas is 42%, quite good growth in the overseas market. Volume increased by 16%, India 8%, overseas 37% because the Company is getting good volumes in the new part of the geography like USA when the expansion was there, the result has come out in the previous year. EBITDA has increased by 14%. EBITDA margin was 13.5% as against 14.5% decreased by 100 basis points, margin was slightly impacted owing to challenges in macroeconomic environment that we all are aware, too much volatility in the last quarter in the exchanges and the polymer prices which took some time in passing to the customer.

Now, for the nine months FY'23, on a consolidated basis, sales stood at Rs.3,100 crores. And the previous year, the same nine months was Rs.2,612 crores. EBITDA achieved Rs.411 crores as against Rs.369 crores. PAT is Rs.155 crores as against Rs.155 crores as against a previous year of Rs.133 crores.

Now, key highlights for nine months. Net sales increased by 19%, India 14%, overseas 29%. Volume 13%, overall, India 9%, overseas 23%. EBITDA increased by 12%. PAT increased by 17%. As the volume has increased, PAT is affected in that way, PAT also got same percentage increase. In nine months, FY'23, EBITDA margin was 13.3% as against 14.1%, 80 basis points is lower.

To share the business, value-added products grew by 29% in nine months of FY'23 as compared to nine months of FY'22. While established products grew by 16%, the share of the value-added products is 24% of the total sales in FY'23 as against 22% in FY'22. Now, because of that, overseas has grown in terms of the percentage. Therefore, the share of the India and overseas business revenue in nine months in terms of the percentage is 64% and 36% as against 68% and 32% of the previous year.

Debt almost remained the same, stood in around Rs.800 crores, and as of 31st March also, it was on the same range in spite of business increased by 20% maintained by the Company

The CAPEX incurred by the Company is Rs.169 crores which includes Rs.53 crores towards the capacity expansion, reengineering and automatization. But mainly CAPEX incurred this current year is on account of the value-added products, which is CNG cylinders and IBC. And in this reference, I think you will see the Company has sent intimation to the NSE, BSE reference to the CNG, one largest order received by the Company and intimated to the exchanges minutes before the market closing because we just got the orders in the night, it is a large order Company has received. In terms of the value, I can say now, it's Rs.134 crores value of the order received by the Company and is the single largest order.

Now, the consolidation of restructuring, yes, I would like to update, because we all are aware that the board and shareholders agreed the approval, but you know that in this process Company has a presence in 10 overseas countries and it took some time in the due diligence process, so that have been completed. But again, it was earlier based on the 2021 financial results. But now as we have completed 2022 calendar year, because in overseas we follow the calendar year. So, matter is under discussion with the prospective buyers and with our advisors, and the results which will come out in the period ahead shortly. So, the Company still continues and focusing on doing some kind of disinvestment to overseas business. And further, as you heard my messages recently that overseas business has grown more than 23%, definitely we reserve our right to enhance that value of the sales investment, which we have lost the period of the last three, four months. So, very soon, management will update you time-to-time in each of the meetings.

Now, I would like to open the floor to the specific questions in this call.

Moderator: Ladies and gentlemen, we will now begin with a question-and-answer session. The first question is from the line of Hitesh Taunk from ICICI Direct. Please go ahead.

Hitesh Taunk: Though the number was impressive on a YoY basis, but my question on EBITDA on a three-year CAGR basis. On a three-year basis, revenue CAGR is still in a single digit. So, I just wanted to understand which business segment according to you is underperforming or below our expectations, segment wise, if you can throw some light on the performance front, please?

Bharat K. Vageria: You know very well, overall, the Company has grown by 20%, especially composite products is giving more in terms of the percentage and the packaging business overseas has done very well. But, India packaging business has grown in the range of around 7% to 8% in terms of the percentage. But if you tell me the overall sale of the product wise, as far as nine months of this FY'23 is concerned, the regular product, the packaging, excluding the IBC, because that comes under the value-added product, lifestyle, auto batteries, all segment is in the range of around Rs.2,200 crores of revenue we got it as against nine months of the same Rs.1,895 crores, so, it's all grew by 16.5%. But, yes, I agree that the PE pipe business grew only 6%, because in the first half, very, very less orders was there, too much of price volatility was there, and thereafter, government has also initiated, releases some money to the EPC contractor, and the second half these businesses started picking up. So, in Q3 and Q4, the Company has a good booking as far as pipe models are concerned. Especially you are asking me, which business. It's the pipe business which grew hardly in the single digit 6%. All other businesses are more. In value-added products you will find the sale for the nine months is Rs.740 crores as against Rs.573 crores which grew by 29%. We got good growth in the IBC, composite cylinder, has more than 50% growth, because the base was very small in composite product which includes LPG and CNG put together. And at least in the next two to three years, you will see more than 100% growth in the composite cylinder business, because base is very small and market demand is more and Company is also doing substantial expansion in the composite cylinder for CNG application. Another is MOX film also which grew hardly 8%. So, these two products where the business growth is in single digit, therefore the average growth is 19% which we have seen in the first nine months.

Hitesh Taunk: Sir, so going forward, for the Q4, how the demand recovery you're seeing on the ground level for those products which are not performing? And if you can give some kind of future guidance on the other segments also as far as revenue growth is concerned, that will be very helpful?

Bharat K. Vageria: Yes, I noted your point. Normally, we don't provide guidance, this current quarter already two months is passed. But as far as the Q3, business we did Rs.1,131 crores, definitely Q4 will be higher. And you see the past track record always, in the first half, we do 45%, Q3 we do 27% to 28%, but Q4 always we used to do around 30% business. So, definitely year closing, we are expecting for more than Rs.4,200 crores business. So, definitely this quarter we will have more than Rs.1,200 crores business and especially Q4 we have a good order book of the composite products, good order for the pipe, all will be executed. And in the packaging business, we are sure, we are taking a growth in the range of 10% to 12% only. But definitely overall in the year we can say 20% to 23% we should grow, in terms of the volume 15% and value terms also will be around 16% to 17% is our projections currently. But, certainly, if you ask me the next year, definitely, looking at the growth, looking at the product in hand, looking at the expansion plan of the composite products in the Company, because another two, three products we have developed in composites, which has a good demand we are expecting. So, overall, I can say at least for '23-24 also whatever market condition may be, but we are definitely going to grow around 15%.

Hitesh Taunk: My next question is on the gross margin front. Though you have given some input saying that there was volatility in the raw material prices, but sir, I just want to understand when our value-added product categories have grown so sharply on a YoY basis for the quarter also and for nine months also, there was a pressure on the gross margin, the gross margin is still much below than our pre-COVID level. I understand there have been a delay on passing of the prices and all. But, just wanted to understand, is there any kind of structural issue or say, this is the margin you're happy with or the gross margin you see, will improve going forward? I just want to understand which kind of gross margin should be looked going forward from the current level, especially when your raw material prices again moving up.

Bharat K. Vageria: It's a good question asked by you, but one thing I'm just clarifying in the two way. You have asked me the COVID period and the later on. In COVID period, many restrictions were there, initially in 2021 all production was not allowed, only the essential products were there, packaging products. And at the time, because of the COVID restriction and limited supply of the raw material products availability, we have increased the prices also. So, if you see the overall product margin as we have always suggested will be in the range of 14% to 15% Yes, in COVID period, there were certain COVID additional expenses was there, therefore, we had asked for increase in the prices. But, now as far as '22-23 is concerned, everything is stabilized, revenue percentage of the business was also stabilized. And I agree that business of the composite product is increasing; 22% to 24%. Therefore, we have seen that there is a substantial improvement if you see the last quarter of September where the EBITDA percentage was 13.1% which has now increased to 13.5%. Further, for the whole of the year I'm looking that it should be near to 14%. But yes, if you ask me the next year '23-24 is concerned, definitely, we will surpass 14%, because value-added products are going to increase. In other words, I tell you, the polymer price increase or decrease, we have a system of passing on, because 92% business we do B2B directly. All educated customers, when price increase is there, we pass on to them. If price decreases, we pass it on to them. Only the two businesses are there, like composite products, where we have order booking, we always keep the reasonable and good margin, looking to the contingency and then the price picks for the yearly contracts, we always keep that much in hand on account of the contingency. Further PE pipe business is there, where we also take the order very cautiously looking to the market trends. But we know that EBITDA margin in that product is in the range of 11% to 12%. So, we have to work within that for existing capacity utilization in that business. As I mentioned in my last call also, that we are not going to expand in pipe business, because it's the low EBITDA margin business. We will do our focus on the value-added products and the composite products. But yes, if you ask me the future, Company is focusing and management is focused on increasing the operating margin, and it will be in the range of between 14% to 15.5%, 1.5% I am keeping the range on account of the pass on of the price increase or decrease, certainly, 14% is our target. Because everything is linked with the improvement of the ROC part because when the margin will improve, we have not changed any focus on the ROC, definitely by '25-26, we are targeting to achieve ROC over 19% by changing the combination of established products and the value-added products.

Hitesh Taunk: My last question is about the LPG cylinder what we are delivering to one of the oil & gas pumps in the IOC. So, how much volume and value we have generated in Q3 by supplying that?

Bharat K. Vageria: You know that for LPG cylinders, we got the approval for more than 48 countries and I'm glad to tell you, every quarter, we add one or two countries and my supply is increasing in that region. Before the IOCL order, even Company was adding a good order book and supplying to various countries. Now, I'm glad to tell you, your Company cylinder is now approved in Korea, approved in Taiwan, approved in Sudan, all government representatives have visited our clients. So, regular orders are coming from those things also. So, now, as far as you're asking me, as for the quarter is concerned, around 288,000 cylinders in this quarter, but you asked me the nine months, we crossed 7 lakhs LPG cylinders are concerned.

Hitesh Taunk: Sir, I'm asking particularly for the domestic LPG player, I mean IOCL Company, on volume terms and value terms how much have you delivered?

Bharat K. Vageria: Data is not available, but that supply is on, and services is on to the IOCL customer.

Hitesh Taunk: Have you received any kind of further indication of repeated order or anything else?

Bharat K. Vageria: I had mentioned in my previous call also, one year already extension is there in the order itself without changing the price terms, they can extend the same and they have extended also that next year also the same quantity, same price will continue.

Hitesh Taunk: So, sir, in the previous call, you have also mentioned that on overall composite cylinder category, you have given revenue guidance of Rs.300 crores for FY'23 or about Rs.500 crores by '24. So, obviously, with the new order in the hand in the cascades category, you want to revise that guidance upward or -?

Bharat K. Vageria: I have one restriction you know very well. If you go through my recent just one hour back, I've given my intimation to the BSE and NSE exchanges, that is my capacity 100% booked as far as CNG cascades category is concerned, because I'm completing the expansion of phase-I. Now, phase-II expansion is going to be completed in January '24. As far as the guidance part is concerned, for the composite product, LPG and CNG put together in the range of around Rs.500 crores, maybe plus or minus 5% maximum I'm taking for '23-24, not much, because I don't have an available capacity.

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

Mahendra Jain: Sir, my question was regarding only this divestment process or a strategic partnership and all these things. We are like discussing last so many quarters. So, if there is any hurdle or any progress which you can share with us on the direction like, because of this being a packaging business and not having more value-added business, that's why we are suffering some issues or something like that or can you just put some highlight what is right now the process is going on, in which direction?

Bharat K. Vageria: Mahendra ji, I know your concern and you are right, our talk is ongoing for last three quarters, because initially, you know that we're talking last year '22-23 and it is delayed by three months because of the demise of our Hon'ble Managing Director, subsequently, the remaining promoters took back this process on. You know that overseas business has presence in the 10 countries and all are in different geographies; one is the USA, in Southeast Asia plus East Asia, Taiwan and Middle East. So, it took time. In fact, we were estimating that we will able to complete in the six to eight months' time, but considering the due diligence process, it took more time. So, now, as we complete the due diligence process, it will be the year of the 2022-end. So, as I mentioned in my first remark also, we have not hold up this any process, it is on, but at the same time, we have seen growth also, more than 30% business has grown overseas. So, as far as this business is concerned, good business is there, but again, as a promoter, as an investor, we also would like to have good value for overseas part is concerned. So, we are talking with them, and now, we are talking overseas as a whole also and the part that open is for discussion. Another thing, based on the '22, that decision will come out, and I'm not asking you much time, but yes, in the next 90-days some results will come out. In overseas, we do packaging business and nothing to worry, packaging business has grown and further we are expecting growth in '23 also for more than 12%.

Mahendra Jain: Sir, on this domestic packaging business, are you planning any restructuring or can you put some highlight on that segment?

Bharat K. Vageria: Not now, you know very well, because it's a very cumbersome process. At many locations, I do packaging product, I do composite product. For a packaging product I use the blow molding and injection molding process. For my composite product also, I use blow molding and I use the injection molding, then we use some kind of other composite product. So, these are crisscrossing of the process. Because then in India, we have 16 manufacturing locations, and composite products we are manufacturing at four plus two, six locations. So, it is a time-taking process. And I can't comment right now, but yes, my first objective is disinvestment of the majority stake for the overseas business in whole or in part, then second stage, we will take the India restructuring also, not now. When the business is growing, and the good growth is there… and again, I repeat that, we are not compromising our business of the value-added product, because we have a leverage of the good balance sheet, we have a capacity of the borrowing capacity. So, CNG expansion, as the demand is increasing, yes, we are doing the expansion and we are not compromising any value-added product business based on my disinvestment, we have not planned that way. That was one of the objectives. By disinvesting, it will benefit, I will do the expansion in CND, it will benefit the shareholders and repayment of the debt. These are the three objectives of the disinvestment. Still there. As that will materialize, we will do but not at the cost of the expansion of the composite products. That will carry on whether disinvestment happens or not happens.

Mahendra Jain: That is the biggest advantage that if it happens then we can take care of working capital, long-term loan and all these things?

Bharat K. Vageria: Yes, I agree, Mahendra ji, you are right. We are worried because cost of the fund has also increased, and second thing, working capital cycle time-to-time it is improving, and you know that in COVID period when reached back to the 130-days, now reduced. We are targeting to less than 100-days in the next six months' time because value-added product sales is increasing, which is currently 24%, and I'm targeting by '25-26 our value-added products shall be 40% and others shall be 60%, by the time definitely working capital cycle time will be in the near to 80-to-85 days.

Mahendra Jain: Anything you would like to share regarding the hydrogen cylinder progress, very long term?

Bharat K. Vageria: I give it to Mr. Raghupathy, because last time he has clarified what is hydrogen cylinder and when we will be there, because my function line is also covering some kind of the development part, my colleague, Raghupathy will explain to you.

R. Thyagarajan: Good afternoon. We have been working on the composite cylinders as far as has been informing you, we've been progressing very well as far as the high-pressure cylinders with CNG application is concerned. Hydrogen theoretically comes in as the next step of this development process, wherein the working pressure for CNG is about 250 bar, so, hydrogen would be 350 bar and 500 bar and 700 bar. So, these are the steps at which the local PESO will also give their approvals. So, our expansion IS that we are also planning for the composite cylinders has been incorporated to ensure that we are in a position to use a part of our capacity for hydrogen cylinder manufacture as well. We are in discussions with quite a number of potential users also. We recently participated in this "India Energy Week," which was inaugurated by Hon'ble Prime Minister Modi as well, where there's a lot of emphasis on CNG natural gas as well as for hydrogen. There has been a fantastic response that has been received. There are people who are in the pipeline wanting us to really develop, because we are for a long time the only Company in the country who would be able to offer the hydrogen cylinders as well. So, we are working very vigorously as the new equipments are also intake. By the year-end, we should be in a position to announcement -

Moderator: Your audio is breaking up.

R. Thyagarajan: I do not know where it broke. I just would summarize once again; we are working definitely towards the development of hydrogen cylinders. Theoretically, it's one step over the development of the CNG cylinders. There are enough enquiries that are there in the pipeline for hydrogen cylinders also. We have recently participated in the "India Energy Week," where there has been a recognition or Time Technoplast has a good manufacture of high-pressure cylinders. So, there is very clearly a pipeline requirement. We are planned to manufacture, coinciding with the investment that we are doing for expansion of this composite cylinder project, and by this year-end we should be in a position to have this announcement also of indigenous manufacture of hydrogen cylinder as well.

Moderator: The next question is from the line of Umang Shah from Indiabridge Capital. Please go ahead.

Umang Shah: Sir, the first question was, can you tell me the difference between the working capital requirements for the value-added products and for the base business?

Bharat K. Vageria: If you ask me, two things are different. The value-added products, which includes IBC, then is the MOX film and especially composite products. Composite products, I tell you is the voluminous business, because when anybody gives us the order, they give us in certain volumes. I have to produce that, then the inspection will be carrying out, I have to carry out the inventory, because in composite products, most of the items are imported, inputs are there, which is a long delivery process times, so I have to get the inventory looking to the contingencies of the shipping line, condition delivery time. But in nutshell, I can say, the difference between the working capital cycle time of the established product and the value-added products, if established products need a working capital cycle time of around… in normal I'm telling you, 110 days, but in case of a value-added product, it will be 70-days

Umang Shah: Sir, the reason I'm asking this question is, if I look at long-term fundamentals of the Company on a ROC and ROE front, the Company has not been able to breach the 14%, 15% in last 10-to-15 years. So, on return front, how do you think about the business overall -- do we think that because of less utilization of the capacities or do you think it's because of higher investments in working capital?

Bharat K. Vageria: In fact, I tell you, apart from this COVID period, where the working capital cycle was increased substantially in last two years, '19-20, '20-21 and '22, two and a half years something during COVID period. Prior to that, my working capital cycle time was 85-to-90 days. So, we are coming back on that period, the target is there. In fact, by the end of this '23, we are keeping target of less than 100-days. But definitely, I'm keeping my internal target of 85 to 90-days in the period of '23-24. And as I mentioned to you, value-added products, when the sale will be 40% and this sale will be 60%, by '25-26 definitely, net working capital cycle time will be in the range of 75-days.

Umang Shah: What would be the impact –

Bharat K. Vageria: Again, I just add it further. Another thing, ROC part is concerned, currently, which is in the range of 13%, in the next three years' time by '25-26, we are targeting ROC over 19% and we achieve it by improving the working capital cycle time, by improving the EBITDA margins currently, PAT margins, all put together, there will be an improvement in the ROC.

Umang Shah: You had a massive CAPEX program from 2010 to 2014, where you almost doubled the gross block from Rs.800 crores to almost Rs.1,500 crores. After that in last five, six years, the CAPRX has been more or less to the extent of maintaining CAPEX, broadly near there. So, first question is, the machinery that you have installed in the first CAPEX cycle from 2010 to 2014, how long can it further go for, and do you have any major maintenance CAPEX coming up?

Bharat K. Vageria: I explain into ways. You are right. As you know that Company did the CAPEX as you are talking about 2010-11 onwards, first five, six years Company has expanded in overseas and which as I mentioned, when you were on the call, that the fruits are coming, and that fruits will come when the Company management will take the decision of the disinvestment. And I tell you, definitely, the investment which we received the return in the period ahead and further, as the CAPEX which we are currently incurring is the value-added products measure and that is where the EBITDA margins are also higher compared to regular products, where the EBITDA margin is in the range of 11% to 14%, but value-added products in the range of around 16% to 20% is the margin. So, Company is making more investment, thus working of the cycle time So, these are the return we planned, and three years as I mentioned to you, the cycle time will also be reduced.

Umang Shah: What is the update on machinery? Machinery would have an age of 15 to 20 years, but the new machinery might make the current –?

Bharat K. Vageria: I have done in this way. Because in the processing industry, there is an investment with the molding machines, maybe injection extrusion low whatever maybe there. In addition to that, we have a blow molds, where depends on the cycle time, depends on how many products we have made from that. But normally, we consider the life of the machines is around the 15-years. Life of the mold we consider 10 years as per the policy. Because we are more than 25-years old Company, so from manufacturing side, normally, the automation, repairs and maintenance cost we consider 50% to 60% of our depreciation amount we consider required on account to maintain the capacity which we were having at the time to maintain those machines. Then, mold replacements take, based on the customer requirement, based on the customization of the product and based on how many products you have produced from that molds. You are right, in fact, I tell you, my capacity in the last three, four years is in the range of 150 to 200 crores, except in the COVID period it was less, but now, as we have seen the product which is CNG product, major focus is on the value-added product Company is incurring. And another things also I would like to tell you, yes, this year CAPEX will be in the range of around Rs.225 crores, considering the major expansion for CNG product, where the order booking is more, and the demand is more, and we have less capacity. But yes, next year onwards, definitely, CAPEX will be less than Rs.200 crores net of this thing, because Company has put some kind of the assets which are not in use, some kind of the assets which have been to be disposed off, so, that's considering the net of the CAPEX for next year will be less than Rs.150 crores, because the Company will dispose off the assets which have been held for the sale.

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

Ankur: My question is regarding the disinvestment of the foreign business. Sir, are we talking to a single buyer or we have different buyers for different countries for the foreign business?

R. Thyagarajan: We have talks ongoing with the strategic investors, two of them are financial investors, there are multiple people who are interested. Talks are in an advanced stage with one of the strategic investors where the diligence process is already almost completed. So, that's where the process is. There are other people also in standby wanting to be expressing their interest especially after the '22 results have also been announced. So, there are options that are being considered by the Company.

Ankur: As far as the revenue share is concerned, it is about 34% for the foreign business. And if in case I see the book value of the Company per share is about 95%. What would be the share of the book value of the foreign business as compared to the India business?

R. Thyagarajan: We have not worked out, but I will work it out and then we will answer your query… because I've not worked out in that way, that tickets are not available to me right now.

Ankur: Because I was interested, when you disinvest, what would be the balance book value of the Company after this disinvestment, that was my query?

Bharat K. Vageria: I think overseas turnover is in the range of around Rs.1,200 crores. As we are estimating Rs.4,200 crores of overall business, out of that Rs.1,200 crores business we are estimating from the overseas, balance Rs.3,000 crores business is in India. And as I have told last time also, whatever business we will lose from the overseas of disinvestment, that will be created by way of a value-added product in the next three years' time in India.

Ankur: Yes, sir, I'm very hopeful of that. But will the book value be affected after this disinvestment of the Company, that will not depend on the revenue share, but –

Bharat K. Vageria: You can share your number with my investor relationship manager and we'll provide you that working.

Ankur: One last question is regarding the oxygen cylinders that you talked about that you're working on. Is there any development on that regard?

R. Thyagarajan: Yes, I'm very pleased to inform you that the development of the oxygen cylinder has been completed, the in-house testing results have been positive, we've been able to surpass the requirements, we have applied to the PESO for approval for three different sizes, it's just a matter of time and we should get the formal approval. The capacities for the manufacture are also being put in place. We should be able to launch it probably by April of this year.

Moderator: The next question is from the line of Sureshwaran, individual investor. Please go ahead.

Sureshwaran: Sir, we have been discussing about onboard CNG cylinder actually for more than one year. Have we got any order for this one?

R. Thyagarajan: Admittedly, as far as onboard cylinders are concerned, we would be launching it only coinciding with the new manufacturing program which is coming onboard by the end of this year, because whatever current capacities are available, they are all being utilized for the cascades part of the requirement. And, even as per the chain of requirement goes, the cylinders are normally put into the supply part of it wherein the cascades are put into use and subsequently as these gas moved down to the retail station, then they will further find the way to among the retail users. So, these cylinders for onboard applications will also be developed by this year and as we have some surplus capacity available.

Sureshwaran: And my next question is regarding the MOX film. I see many players are offering the two-year warranty for pond liner and tank covers. What is our advantage to crack this market?

R. Thyagarajan: Yes, as far as the MOX film is concerned, it is a process of manufacture which keeps us distinctly apart from the others, because here the process is technologically oriented, a little more advanced in terms of how we are in a position to manufacture a cross-laminated or MOX film. We are able to give better style strength as compared to any other film, and we are able to get the price to grammage advantage for sure. All the other people, I would put it, seven out of 10 in the market today, would claim to be a cross-laminated film, half of them are not even there as a cross-laminated film. They are deceptively similar; I would say that. It's a matter of time when these films also start performing differently and the consumer will be in a position to find the advantage. So, we are sticking very securely to the process that we have adopted and will continue to deliver the superior product that we offer.

Sureshwaran: My question is regarding our another hi-tech product, DEF urea tanks. So, what is the reception sir in the market now… any orders for this one?

R. Thyagarajan: As you're aware that urea tank is used for the urea applications which goes along with the diesel as per the BS-VI norms are concerned. These have been put into place. We have already developed three different sizes of urea tanks which we are supplying the OEMs. The tank is doing exceptionally well. There are additional sizes that have also been ordered, which should see further growth in the business. So, we are working with OEMs, this is a sticky OEM product, the product is manufactured using the technological advantage that we have, and we are able to successfully exploit it. I think there are very few successful players offering these urea tanks in the country today.

Sureshwaran: Are we working for foreign order also from other countries for this OEM tank?

R. Thyagarajan: Admittedly, potential would exist in terms of quality, but then obviously, when we're looking at the tank, it is a hollow product, you would end up exporting air. So, there would be preference by the OEMs develop local players. They don't normally want to develop a player or depend on a player who is abroad. In fact, they not only want it within the country, but they want it in their own district and region. So, OEM products normally are, you can develop the business if you're there in the neighborhood.

Sureshwaran: And my next question is, now a lot of big players are coming for green hydrogen. They have deep pockets, they can manufacture hydrogen cylinder also, because it's a small part of their business as a backward integration. What do you think sir… so, in that sense, how can we compete?

R. Thyagarajan: Well, admittedly, the process of manufacturing hydrogen cylinders is not very, very easy. If people who would want to do that, will require a lot of CAPEX to be done. When you are in the business of making hydrogen globally, we are yet to experience any single hydrogen manufacturer today in the world who has been able to develop a hydrogen cylinder successfully. We are very clear about it. We will develop the hydrogen cylinder, there will not be one, but there will be 20 manufacturers of hydrogen, because it is a heavily decentralized process of manufacture of hydrogen. So, over a period of time, you will find that hydrogen process of manufacture will start almost in every nook and corner, because at the end of the day, you electrolyze water and you get hydrogen. And if you're in a position to provide green power to it, then you get green hydrogen. So, wherever the hydrogen is manufactured, the biggest challenge will be how this lightweight gas would able to be captured in a cylinder and what pressure you can do so that the cost of carrying the cylinder will be as optimum as possible. So, we are able to foresee that whatever the business, the strategy that we have adopted, should able to see us very successful in the years ahead. We are not really bothered about such possibilities.

Sureshwaran: Still, are we looking for disinvestment of our battery division?

Bharat K. Vageria: I think yes, we are open, but not that is a distressed asset, because the battery division is a self-sustained Company, a self-product Company, and yes, I know that ROC from that business hardly is 7% to 8%. But yes, that Company is also developing electrical batteries, lithium ion batteries, developing its own. We have produced some kind of the samples, submitted to some authorities for the approvals especially for two wheelers and three wheelers. But yes, we are open. If good value we are getting along with our retailers, we can discuss with them and do it.

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

Hiten Boricha: I have only one or two questions. So, first is on the guidance, you have given 15% growth for FY'23 as well as FY'24. Would you like to give the breakup of value and volume?

Bharat K. Vageria: Different products are there. In each of the segments, that is a different volume I tell you. The guidance I am giving is over 20%. If you ask me, the established products and the value-added products, I can tell you. Value-added products, we are expecting growth of more than 25%. In established product, we are projecting growth of 12%. So, combined growth –

Hiten Boricha: Sorry sir, but your voice is breaking. Your total value-added product growth is 25% and established is, I missed that number.

Bharat K. Vageria: Established products is in the range of 10% to 12%, and for value-added products is around more than 25% you can take or 30% because the CNG products, cascades products which we have expanded, is going to get as against current year projections of business of around Rs.350 crores, the next year, we are looking around Rs.550 crores. So, the growth is more than 40% in CNG products. But if you take the entire value-added products growth, it will be over 25%. We will achieve the revenue of over 15% for volume and value both.

Hiten Boricha: 15% for this year and any number for FY'24 sir?

Bharat K. Vageria: Rs.3100 crores revenue is already achieved in the nine months. So, we are projecting this year considering this Q4 quarter in the range of around Rs.4,200 crores, it will take 15% on Rs.4,200 crores which works out to around Rs.4,800 crores, but we will do our best if possible, if prices also remain on the higher side, we can get Rs.5,000 crores also, but you know the revenue is dependent on the polymer prices. But yes, we are sure as far as the margin is concerned, we will be able to achieve the EBITDA margin in the range of 14%.

Hiten Boricha: Just a last question on the divestment side. Would you like to give any ballpark number, what kind of inflow we are expecting from this divestment assuming we are selling the whole business?

Bharat K. Vageria: The sale can happen in the part, can happen in the full. The disinvestment may be in the range of 70% to 80%, percentages are different. So, exactly figure of the inflow cannot be given, but I tell you, initially we have kept target, if for example, I get Rs.1,000 crores, then 50% will be used for the repayment of the debt, balance benefit to the shareholders, because I am also one of the shareholders and the balance will be used for an expansion of CNG project which already we have talked and you will see my communication which is sent one and a half hour back to the exchanges also. That expansion is already committed and we are going to get it done.

Hiten Boricha: Around Rs.1,000 crores, right?

Bharat K. Vageria: I give you the example of Rs.1,000 crores, 100% value, then what will be the percentage? 80% then I will get it and then depending on how percentage this investment depending on, because, we have seen in the overseas practicing, nobody says 100%, always continue, because wherever we have also got some businesses in the last 10-years, we bought initially 70%, then later on, we bought the balance equities also and become today 100%.

Hiten Boricha: But, this Rs.1,000 crores is pre-tax number, right, sir?

Bharat K. Vageria: Each of the country's tax rules are different, each of the regions, because we are holding this through our holding companies in overseas countries and different regions. So, you know the overseas taxation is in the range of 20%. Pre and post-tax, we will see depending on each of the country liabilities, because if I have a holding Company in Singapore, there is no tax on the capital gains tax, but now I just heard in Middle East, there are some taxation rules come out recently in 2023. So, we will work out when the absolute transactions will take place. Because most of the companies are overseas, but the Company which are holding through the India, India, you know the tax liability is in the range of 25%. The exact amount of the taxes will be worked out when we have the near future transactions. You can take it, there is a pre-tax working which I have given you an example.

Moderator: Ladies and gentlemen, that was the last question. I now hand the conference over to the management for the closing comments.

Bharat K. Vageria: Yes, I would like to convey thanks to all the participants who heard carefully about the Q3 and nine months results of the Company. And definitely as I promised, we will try our best in looking at the present scenario and to achieve the targeted revenue of the Company. And as I mentioned in the beginning remarks to fulfill and to complete the dreams of our Hon'ble Shri Anil Jain with our best. Thank you very much.

Moderator: Thank you, members of the management team. Ladies and gentlemen, on behalf of PhillipCapital (India) Private Limited, that concludes this conference call. We thank you for joining us and you may now disconnect your lines.