



“Time Technoplast Q4 & FY23 Earnings Conference Call”

May 30, 2023



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



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Moderator: Ladies and gentlemen, good day, and welcome to the Time Technoplast Limited 4Q and FY '23 results call hosted by PhillipCapital (India) Private Limited. This call may contain forward-looking statements about the Company, which are based on 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 from PhillipCapital (India) Private Limited. Thank you, and over to you, sir.

Vikram Suryavanshi: Thank you, Yusuf. Good afternoon and a 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 a question-and-answer session with the investment community.

Management is represented by Mr. Bharat Vageria – Managing Director; Mr. Raghupathy Thyagarajan – Whole-Time Director; Mr. Sandip Modi, Senior Vice President (Accounts & Corporate Planning); Mr. Hemant Soni – Vice President (Legal & Corporate Affairs).

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

Bharat Vageria: Thank you, Vikram, for introducing the Management Team. And welcome to all the participants to hear about the Q4 and Earning Presentation for Financial Year 2022-23. We are here especially talk about the Q4 and full year ended March '23 and outlook for the next year. We generally don't give any guidance, but just ballpark we can say what is the growth expectation there considering the present product or segment of business where our Company exists.

So, the Company has closed the financial year on a strong note with a revenue growth of 18%. I'm also proud to announce that the Company has achieved its highest ever turnover, EBITDA and the PAT in FY '23. Means it has already surpassed the COVID level, pre-COVID period also.

Good demand for the industrial packaging products, overwhelming response for our composite products are the major factors behind the strong performance within a short span of time. Our Type-IV composite cylinders for CNG Cascades have established a good market position, which is visible in the strong order book position of Rs. 260 crores approximately. Strong demand from the industrial packaging products from chemical industry driven by migration of chemical companies out of China and increasing the chemical export coupled with a good demand for CNG Cascades, we expect to continue our growth trajectory.



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I'm also pleased to inform that one of our promoter companies has fully repaid the term loan outstanding to its lender, where the shares of the Time Technoplast were pledged as a collateral security. The placed shares are now released and subsequent 100% of the promoter's equities holding of the Time Technoplast are now free from the pledge. And it is available that promoters are holding around 51.4% equity of the Company.

Now the key numbers are during Q4 FY '23, I will provide you the previous year same quarter figure also. The net sales for this Q4 FY '23 is Rs. 1,193 crores as against Rs. 1,040 crores. EBITDA, Rs. 170 crores as against Ra. 140 crores, PAT Ra. 64 crores as against Rs. 56 crores. Cash profit Rs. 111 crores as against Rs. 97 crores.

In terms of the percentage, I can say the nets have increased by 15%, which includes I'm glad to tell you, India 10%; overseas, 26%. And the volume increased by 12%, India, 8%; overseas, 22%. EBITDA increased by 21%, PAT increased by 15%. EBITDA and PAT margin stood at around 14.2% and 5.3% as against 13.5% and 5.3%, respectively.

During the year ended 31st March 2023, corresponding previous year number also, I will provide you on a consolidation basis. Net sales crossed Rs. 4,000 crores, and we achieved Rs. 4,293 crores as against Rs. 3,653 crores of the previous year. EBITDA stood Rs. 581 crores as against Rs. 509 crores, PAT Rs. 219 crores as against Rs. 188 crores and cash profit of Rs. 395 crores as against Rs. 350 crores.

Compared with the previous year, net sales increased by 18%, India 13%; overseas 28%. Volume increased by 13%; India 10%; overseas 22%. EBITDA increased by 14%, PAT increased by 17%.

Now this improvement in the EBITDA margin and the net margin and the revenue, you will see that shares of the established product and value-added product has increased by 29% in FY '23 as compared to FY '22, while the established product grew 15%. The share of the value-added product is 23% of the total sales in FY '23 as against 21% in FY '23. And one thing when I'm talking about value added product, this is going to be continued. Sale of the value-added product is going to be increased because base is low and high growth areas where we exist.

Share of the India and overseas business is 66% India business, 34% overseas business, which earlier was 68% and 32%. Because we have seen that overseas business has grown more than 26% in the previous year, therefore the percentage revenue has changed. In spite of increase in the business and growth of the 17%, Company able to maintain the debt level below the previous year, even it is reduced by Rs. 15 crores, and after considering the expansion undertaken, which has a large potential.

The Company during the year has enhanced the annual CNG Cascades manufacturing capacity by 300 cascade, 18,000 number of the cylinders under Phase-1, which is already completed and is now available for the production. With this expansion, the total annual cascade manufacturing



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capacity increased to 480 cascades. In terms of the cylinder roughly, we can say 29,000 cylinders.

Due to overwhelming response and good order book and existing enhanced capacity sold out completely looking with orders in hand, Company has undertaken Phase-2 expansion plan for increasing the manufacturing capacity of the cylinders and cascades by 600 numbers per annum. So, further under the Phase-2 expansion, the Company has utilized the facility to manufacture both CNG and green hydrogen. I think everybody is now talking about green hydrogen, which we are also working on the project Phase-2.

Now over one of the subsidiary companies has also performed very good. That is called Tpl Plastech, 75% subsidiary of Time Technoplast Limited, who are in the packaging product business has completed a greenfield unit in Dahej, Gujarat for manufacturing the Intermediate Bulk Containers (IBC) along with other industrial packaging products drums and jerricans with the capacity outflow of around Rs. 25 crores.

I'm also pleased to inform you that both of the directors have recommended a dividend of 125%, Rs. 1.25 per equity share as against the previous year, 100%, Rs. 1 dividend for Rs. 1 share, subject to approval of the shareholders.

The Company has received the PESO approvals, Petroleum and Explosives Safety Organization for manufacturing of the carbon fiber reinforced composite cylinder Type-III for medical oxygen breathing air that is called oxygen cylinder. The cylinders are used by firefighters, mountain climbers, portable homes, oxygen bottles and mobile ambulance and the hospitals, different sectors and for underwater activities, which has a vast potential in this sector.

Now I also would like to update you about the consolidation from restructuring of the overseas businesses, which is ongoing. In fact, we had in the last call also mentioned that the process is on. Initially, we were talking that on the 2021 financials, but as we have already closed 2022, so our advisers are in touch with the potential buyer. And we at our last conference call said something will come out definitely by September of this first half of this current financial year.

So, yes, there is not any change in the object of this consideration, which is going to receive from the consolidation from restructuring of the overseas businesses by divesting of the majority stake. That was the 3 areas was identified, repayment of the debt, CAPEX for the composite cylinder and the core business in India to make the meet market demand, and also be used to benefit to the shareholders. So, objectives are the same, there is no any change.

Yes, only one thing, CAPEX for cylinder is already finalized. Process is on. We are not waiting for disinvestment of this business because we would like to capture the huge market demand in the CNG and hydrogen businesses.

Now I would like to open the floor to answer any specific questions in reference to FY 2022, '23 in the quarter, which has been announced.



Moderator: We will now begin the question-and-answer session. The first question is from the line of Rahil Shah from Crown Capital. Please go ahead.

Rahil Shah: In the last con call, if I'm not wrong, you mentioned your ROCE target by FY25-26, 19% or over. Are we still on the same guidance? And if you can also give your outlook on the ROCE target for this year, FY '24? That's my first question.

Bharat Vageria: Based on these financials of 2023, because every year we revise based on the audited financials. So, still we are on the target only because as far as '22-23, we achieved ROCE of 13.5%. It's an improvement of 1.3% in the current financial year. As far as ROCE target is still there to achieve over 19% in 2024, '25. If you ask me next 3 years, it will be over 20%, that by 2025, '26. If you ask especially this year, definitely, the ROCE will be over 16%, improvement of 2.5% being the investment, which is done in the CNG, we'll give the revenue in the current financial year. And overall, some improvement in the margin will also be seen.

And as last time also I said, ROCE improvement is possible by way of increasing the margin, increasing the working capital, reducing the working of the cycle time and the sale of the more of the value-added products. These are the 3 things. So, as the management is working and focusing on the same to improve the ROCE. So, we are not changing any of our target, which we have set in the next years' time over 20%.

Rahil Shah: You mentioned you're also looking improvement in top line and EBITDA margins. But if you could guide, if possible, in what range are you seeing business growth and in which areas particularly?

Bharat Vageria: We don't give the guidance, but I just can give you the idea. You have seen in '22-23, we have achieved a growth of revenue from 17.5%. So, I can say the management is also targeting to grow in the more than 2% figure. So, we can say around 15% targeting. And the EBITDA margin, we have seen range, last current EBITDA is in the range of 13.5%, we are of the targeting improvement by 20 to 30 basis points every year. And the range, I can say, 13.5% to 15% range we are keeping for the previous time line.

Moderator: The next question is from the line of Keshav from RakSan Investors. Please go ahead.

Keshav Kumar: Sir, the cascade capacity expansion to 1,080, what year do we expect it to be fully utilized?

Bharat Vageria: I think this year we have a capacity of 480 numbers cascade. 600 expansion will come by end of this calendar year. So, we will be able to utilize from the next financial year. But I can just give you the guidance by around 480 cascade, we can achieve the revenue of around Rs. 300 crores or so somewhere.

Utilization, normally, we consider 90% of the CAPEX utilization because already the orders are in hand. But if you ask me that after the expansion, definitely, we can do the business of around Rs. 800 crores from the cascade of 1,080 numbers.



Keshav Kumar: And sir, the current CNG order book, we maintained it on higher execution. But could this order book have been more if we weren't capacity constrained?

Bharat Vageria: Not so, because you see that as the CNG Cascade launch measure in the 2021-'22 where we did the business, first year was Rs. 55 crores. Last year, we did Rs. 155 crores. And this year, we are projecting around Rs. 300 crores. But this is the first time in India Type-IV cylinders, but as the people are utilizing and getting the benefit of recurring benefit in cost savings, now the new demands are coming up. But we are sure the present capacity, which we have already order book in hand. So, definitely, whenever we take orders from the supplier, they give us the execution time for 6 to 8 months. And based on that, we also plan accordingly.

Now with respect to specifically CNG, I request my colleague, Director, Mr. Raghupathy will give you more details about this.

Raghupathy Thyagarajan: Particularly answering your question, Keshav, with regard to whether the constraint in capacity is actually causing some loss of business, et cetera. Whatever capacity that we have had, we've been focusing on the cascade business, that is basically large-scale mobile transportation of gas, et cetera. There's a good potential for the CNG cylinders, which will ultimately unfold as we have the expansion of capacity that is particularly limiting to automotive usage. So, that's an area which we will open up as soon as we have the additional expansion that's coming up because that's the one where we will start then working with OEMs and also the retrofit market. So, that's an area which we have not tapped yet.

Keshav Kumar: Sir, lastly, so the 16%, 19% and 20% plus ROCE target sequentially, is it contingent on the disinvestment following through or even our current base business can reach that level without this?

Bharat Vageria: So, can you repeat your question, actually?

Keshav Kumar: So, we are targeting 16%, 19% and (+20%) ROCE sequentially. So, is that contingent on the overseas disinvestment that we are planning?

Bharat Vageria: No. It's an ongoing business basis. I've not considered and factored that thing. To give further improvement, that can be later on. If it goes through, then we will let you know. Then the 20% achievement can be earlier also possible.

Moderator: Next question is from the line of Nilesh Shah from Arrow Investments. Please go ahead.

Nilesh Shah: Just 1 query, 1 question. We have already enhanced our capacity to 18,000 cylinders 300 cascades. So, with the new capacity that is 1,080 cascades, if you can just guide on what is the total CAPEX that will be incurred in the year? Because you said it will be live by the end of the year. So, within the next 6 months or 9 months, the total CAPEX only towards this expansion, if you can just say. Are we going to increase our debt levels?



Bharat Vageria: No, I'm just answering your last question first. There is not going to be an increase in any debt level. It will be from internal resources only and all the repayments will be continued. And as you are asking me, especially, I have given NSE and BSE information that my expansion cost for the CNG first year, 600 cascade is working out around Rs. 125 crores. And out of that, Rs. 5 crores have already been incurred. So, if you ask me the total expenses of 1,000 liters because already some was incurred in 2021-22, then again, we have incurred in '22-23. So, all my composite investment will be in the range of around Rs. 200 crores, which is already for CNG cascade and cylinder manufacturing capacity. You asked me on other CAPEX. So, CAPEX will be overall CAPEX also, we are putting ourselves in the range of around Rs. 200 crores, that is not going to increase that, including these expansions on the CNG. And the Company is expecting growth of over 15%.

Moderator: The next question is from the line of Parag Khare from Investor. Please go ahead.

Parag Khare: The first 2 quarters were a little difficult because of raw material inflation. But I think overall year you closed on the high note, so well done. Thumbs up to you and your team. Just a quick question on the divestment which we are making for our overseas subsidiary. Any progress, any update do you want to share on that?

Bharat Vageria: In fact, in the last conference call, we had shared that process is on because as in my starting comments also I mentioned, initially, we were talking for disinvestments based on the 2021 calendar year basis. Now we are talking about because we have found the substantial improvement in 2022. You heard my communication or conversation that we achieved a growth of 24% in my overseas businesses. So, we are trying our best to get the better valuation. So, we are now renegotiating and talking, my advisers are talking to get the valuation based on 2022.

One another addition, what we are doing, earlier we were talking to the prospective buyers about the overseas business as a whole. But now you know that we have our overseas business in 3 continents, like MENA region, we have a presence in I can say Middle East, Dubai, we have a presence in Bahrain, then we have in Saudi and Egypt. And another MENA region we have in Thailand, Malaysia, Indonesia, Vietnam and Taiwan. Then our large presence again in U.S.A. So, we have divided now in 3 continents, and we are trying to enhance the value of our consideration based on the 3 continents separately and talking to the separate parties who are strong in each of the regions separately, right?

Parag Khare: So, is it fair to say, sir, that even after announcing this transaction or this divestment, it will be subject to regulatory approvals from respective countries and then the proceeds of the divestment will happen probably later in the year or sometime early next year because we are already halfway in this year. So, the proceeds will be immediate or it will take time?

Bharat Vageria: No, Parag, I tell you what happened, that was not difficult in overseas businesses because in each of the countries we are not required to take on the approvals, one thing, because we are holding these businesses through our holding companies. So, this will be transfer of the



ownership, which is workable as in India, normally, people use to. Not much regulatory. Approval already is in place right? So, only this is a portion of our in-principle or agreement and closure of the deal, which we are estimating as we have mentioned in the last call also, in the first half of the current financial year should happen. We are focusing on that.

Parag Khare: And sir, where do you see our traditional business, the packaging business going forward? I mean I know it's a proxy to the manufacturing and chemical businesses as manufacturing and chemical grows, packaging also follows this. What's your growth estimation for the traditional business for the packaging for this FY '24?

Bharat Vageria: Our traditional business, as we have also seen, as you also must be watching the data of the polymer industry, which is growing in the range of 10% to 12%. And the chemical industry is also growing in the same range. So, as far as the packaging business is concerned, we are estimating growth in the range of around 12%.

Parag Khare: Both India and overseas?

Bharat Vageria: Yes. Overseas maybe a little higher, the China Plus advantage are deterring the nearby countries.

Parag Khare: But sir, considering this, especially the growing nature of the businesses, manufacturing and chemical companies, especially in Asia, do you think it makes sense for us to continue with those businesses instead of divesting and then divest maybe the U.S. business and the Middle East business? Just thought on the table.

Bharat Vageria: No, it's right. You are right from your point of view. At the same time, as growing business is there, but there are so many other things, opportunity available in India. We are thinking for a better, means Make in India products where green hydrogen, especially we are working out whose market in India will be there, okay? So, we are not divesting 100% business overseas. We will continue with our minimum marginal holding with existing prospective buyer.

Parag Khare: Minority stake.

Bharat Vageria: Yes, we will continue. And we will grow together because we cannot be specialized for each of the areas in each of the countries. So, we thought we should have a focus, because every overseas companies are coming to India and making the investments. So, we thought why we ourselves should not do. That is the objective.

Parag Khare: And sir, considering the growing demand for the cascade or for LC, I mean especially CNG Cascades, because Tata Motors said 1 of the 3 cars would be sold either it would be electric or CNG. When do you think we would be able to have the ample capacity to meet the growing demand by FY '24 or by FY '25, when do you see that replenishes the demand?

Bharat Vageria: In fact, Parag, I have worked out in fact, this industry is very big as far as CNG industries and composite product uses are concerned. We have data available, total market size is Rs. 22,000



crores for the CNG composite product used for the entire product. Now that product will be divided Type-I, Type-II and Type-III and Type-IV. Type-I is how old these metal parts. And Type-IV is the latest technology. We are estimating a business of around Rs. 2,000 crores in the next 5 years' time for this composite product itself, where we are considering 30% to 40% business conversion from the metal to the composite products. So, if you ask me today business, which is we are currently we are estimating Rs. 300 crores, if you ask me 5 years down, this business can be more than Rs. 2,500 crores business. And the better fusion because as the people become familiar, as their recurring costs visibility is there, they are making and they are demanding Type-IV cylinders only. And as my colleague Raghupathy has told you, the automotive sector, we have not yet picked up. That will come from next year after our expansion capacity. And you know that CNG, which is available, but CNG is available, but the distribution channel was so very big. Now the government has taken itself initiative after 15 years based on 2020 policy, you know that how many filling station is coming, 8,000 new filling stations are coming. Every day, you must be seeing on the road new gas stations are coming because they want this, infrastructure should be increased.

And as far as this EV vehicles are concerned, everybody is talking 2030, 2040, by that time only the infrastructure will be made available because today, there is challenges for the availability of the quality batteries. At least I can say 10, 15 years, there is not any fear about that CNG Cascades business and use in the automotive sectors.

Parag Khare:

Okay. And one last question, sir. I was going through the government's data. I think around 100 new CNG stations were added in probably the last 6 to 9 months across the country. I was just wondering, I mean, our capacity is full, we have supply side constraints. So, just wondering who else is there in the market who's supplying the Cascades to these various gas stations. I know for LPG, we have a competitor with Supreme Industries for LPG Cascades. But CNG Cascades, I think we have a fairly good monopoly, we have fairly good market share. Just wondering from where these guys are getting CNG Cascades. Are they importing from outside India?

Raghupathy Thyagarajan:

Yes. This is an established business overseas, and there are people who are importing these cylinders from Europe and other countries, and they are getting it assembled here. So, that is the immediate competition that we are facing right now. But then obviously, getting an empty cylinder imported and paying the duty also has its own challenges. But yes, we are the first and the only Company to make these type of cylinders in India and contributing towards the Make in India policy as well.

Parag Khare:

So, any thoughts on the table or any discussion at the senior management level, maybe when the funds are available, if we try to acquire one of these foreign companies or maybe try to see if you can expand the business through inorganic ways? Any thoughts on the table?

Bharat Vageria:

Manufacturing, Make in India and we have to be manufacturing in India only because there's expansion needs to do, which in any case, we are doing it. And another challenge for the cylinder,



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not only the capacity, we have to make and tie up and contract for the carbon fiber, which is also the challenging as an input. Quality carbon fiber supplies are very few. And we have already tied up a contract for requirements at least the next 2 years' time.

Moderator: Next question is from the line of Pranav Goel from Investor. Please go ahead.

Pranav Goel: First of all, congratulations on a very good set of numbers. I'm an individual investor. And one of the things that I worry more about is the stock price of the Company, right? Now when I see the stock price, nifty small cap is doing really, really well. But in spite of so many good news in Time Technoplast, shareholders are not having a lot of confidence. So, I don't understand what is the reason why shareholders is not having a lot of confidence in spite of so many good news? That is one.

Second question is on restructuring. We were talking about the end of this year, let's say, end of financial year 2023. And now we are talking about the end of H1 2024, which means a delay of 6 months. Have you already received some kind of indication of what your business or, let's say, overseas business is being valued at because I'm sure your advisers must have had a lot of discussions with strategic partners and investors. So, what kind of bids or, let's say, what kind of valuation have you received when you discuss with the strategic partners? And is it because you're not happy with these decisions that you have decided to wait for some more time, use the 2022 financials and then rediscuss all these things. So, what is happening over there?

Bharat Vageria: I agree, Pranav. In fact, when we were talking last year, by the time when we were talking, September was there, then we told already 9 months is over of the calendar year. So, it's better to wait for the next 3 months, and we should talk for 2022 data only, best than that. Now as far as till now is concerned, no figure is finalized, nothing because you know that 10 countries involvement, due diligence process also takes a long time. And so, nothing as far as you have asked us the figure. But certainly, I can say we should get good value, considering the growth of 24% achieved in the calendar year 2022. And further good prospects are there. So, we will come and we will give the exact what is happening because initially, we had received an expression of interest, I can say the nonbinding people, 15, 16 people signed, and some were stocks, some had started due diligence. But considering the due diligence process itself, and you know that there was too much disturbance was ongoing in some of the countries, nearby countries like because of Ukraine and Russia war is affecting everywhere, some of the people were not able to travel here and there. But finally, I can say, yes, we have asked you to that something will come out and in the first half of the calendar year, considering the process involved, initially as I mentioned in my last call to Mr. Parag also, that initially we were talking for the entire business as a whole of the overseas business. Now we are talking separately, our merchant bank or both, E&Y and JPMorgan, 2 the 3 continents separately, and trying our best.

And another thing we heard just previous person has told me, is there any compulsion to sell the business of this? We have said very clearly, no compulsion, but at the same time to have a business opportunity available in India. And continuing our minority stake, we will continue in



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the overseas, and we also would like to take much of the bigger and value-added product in India. So, therefore, I think we'll have to wait for another 3 to 4 months' time. Then we'll be able to tell you the confident decision about this consolidation of the overseas businesses.

Pranav Goel: Sir, 2 follow-up questions on this. One, now you're saying September, so let's say, I hope that it happens that your numbers are really good for '23 versus '22 for the overall business. And certainly, we don't want to hear as a shareholder now that only 3 months are remaining, we are thinking to use the 2023 numbers to value our business even more, right? This is the fear that any shareholders will have in their mind.

Bharat Vageria: I agree. That's a never ending process that a 13% EBITDA Company which is growing more than 15%, definitely. Whenever we get the valuation, it will be upside. But again, it's a good opportunity if any strategic or financial partner take part in that, so we will not come for them and again, and we will not wait. If it is going to happen this year, it is going to happen. Otherwise, we will continue with our existing listing.

Pranav Goel: And second follow-up thing on this is that some of the countries like Germany has already gone into recession on papers. There is a big fear that U.S. or other countries might follow the similar way. So, do you think or are we really being too aggressive in our approach that we will receive a good valuation or it can actually come completely opposite on us that because now there is a recession, a lot of companies are not putting money into new structuring. They are not ready to give the valuation that is supposed to be there. So, this is a second relevant concern. So, do you really think it is really wise to wait that long and get what we are looking for?

Raghupathy Thyagarajan: Good part of our overseas business is that we are not present in Europe, and I agree with you that that's probably one of the areas which has been badly hit. So, the area that we are present, whether it is in Asia, whether it's in the Middle East, whether it's in the U.S., the markets are holding strong, I must say that, you must have also corroborated. And simultaneously, when there are investors who have multinational interest, they will also be watching the fact that in Europe, they must have lost some ground. To make up, they are aggressively looking at investments in some of those emerging and growing areas. And by far, some of these areas that we are present is definitely identified a very strong area of growth. So, I'm actually expecting these tables to turn the other way and not really go down.

Pranav Goel: One final question on this. Do you have a target in your mind about the proceeds that you're going to receive? Because I'm sure you will have a target that, okay, we need to be at least this much in order to make sure this is valued at a right number?

Raghupathy Thyagarajan: We have got 2 big advisers to the subject, and they will guide us on this. They are constantly evaluating the different offers that are coming back. Based upon that, we will take an appropriate decision.



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Pranav Goel: And do you have a bifurcation in your mind on how much you're going to actually use, like in percentage terms on repayment of debt, on CAPEX or on our shareholders?

Raghupathy Thyagarajan: Yes, of course, there are multiple options that are being worked out. We are not at liberty to share it at the moment. But for surely, there will be good news coming.

Pranav Goel: Sir, just one last thing. If you can please update on this from time to time because as an individual investor, we really get worried that nothing is being mentioned apart from, obviously, the quarterly calls, if you can please make sure like every 2 months or every 1.5 months, you can at least circulate some update on this, that will be really helpful.

Moderator: Next question is from the line of Mehul Savla from RW Equities. Please go ahead.

Mehul Savla: Sir, my question is actually relating to the subsidiary Tpl Plastech, where again, the performance has been good, and there was a statement in the press release that the new Dahej facility has also got commissioned in April. So, I just wanted to know how much is the capacity expansion based on this new facility? What was the existing capacity and what is the new capacity addition?

Bharat Vageria: Mehul, this Tpl has plant for the packaging product which include IBC, which was not earlier there. And the Company Time Technoplast is already manufacturing the IBC and supplying in all the 4 regions of India, East, West, North, South, and overseas also manufacturing, these tried and tested products. But Tpl has some surrounding customers available, and Tpl also should add the product line for their expansion growth of their Company plan. So, this product will have a manufacturing capacity. I can say that they can manufacture IBC around, I can say 1.20 lakh IBC they can manufacture at the Dahej plant. In addition to that, they will have a capacity for manufacturing with the large-size containers also. In terms of the value, I can say, the potential new unit, which is coming out at 90% capacity, that unit should give the revenue of around Rs. 75 crores.

Mehul Savla: Sir, what is the existing capacity utilization of the Tpl?

Bharat Vageria: Tpl, you know that Tpl has a presence in the pipe location, they have a presence in Silvassa, they have a presence in Vizag, they have a presence in this Bhuj, and then Ratlam. And this is Dahej they are putting up. So, capacity utilization currently, I can say, we have seen the business which they did around Rs. 270 crores FY '23. But they are also expecting the similar around more than looking to the expansion program, maybe a growth of 25% to 30% this year. They have declared a dividend also 30%, Rs. 0.60 because the share was split from Rs. 10 to last year. They've increased the dividend percentage also.

Bharat Vageria: Yes. No, I think it is great. I think both companies are doing really well. And I think it's a matter of time before markets start recognizing and valuing it. So, all the best to you, sir.

Moderator: Next question is from the line of A N Boda from Sanmati Consultancy Private Limited. Please go ahead.



A N Boda: The Company has made a cash profit of Rs. 400 crores this year. Depreciation, net plus depreciation approximately Rs. 400 crores profit. But sir, you inventory and debts, so they never come down. They all go on increasing, increasing, increasing. Today, there is already Rs. 940 crores, then inventory is Rs. 995 crores. And another day it will be Rs. 1,200 crores. Why is Company not taking initiative to reduce the debtors and the inventory?

Bharat Vageria: I think you have rightly pointed out. You see that corona effect is now going back now. During the corona period, the working capital cycle time was increased 120 days above, which is now reduced and reduced to 110 days and Company internally in the 2 years further down the line, keeping target of 100 days. So, you have seen the business growth of 17% is already there as far as the current financial year is concerned. So, again, in the next 2 years' time, we will have a reduction. Therefore, we are keeping a target of increasing the ROCE from 14% to 19% in the next 3 years' time. And that is possible by increasing the margin, reducing the working capital cycle days, right? So, as I mentioned, I tell you the Company has done the expansion, good potential for the business in the period ahead. And I tell you on the same debt level, Company will be able to achieve and surpass the business with the 15% to 20% growth, means we can do the current investment, we can do the business of Rs. 5,000 crores.

We are working on that. Otherwise, ROCE will not be improved. I know that last year because of the certain important items are there. And inventory, we are targeting ourselves to come back. The inventory has reduced. Inventory has reduced from 112 to 70 days, 83 days. So, now what happened, we have a certain component. I'll tell you how it is improved. Because currently, our products which we manufacture certainly, we need to do the import item, okay, which is not available in India. But as many companies, local producer, ONGC, OPaL, HEM, are coming out with the local production of the raw material which we need. Because currently, almost 60% product inputs we are importing, which is not locally available. So, when that will be made available in India, which certain local manufacturers are promising us to have a manufacturing here in India in the next 2, 3 years' time, then definitely our inventory level will go down.

And another thing if I have to give the debtors an increase, so the same way we are working out, the creditor level also should be increased. And I'm getting more credit, I will give you the credit. So, that way balancing out net working capital days, we are focusing on improvement.

A N Boda: Sir, the second question is regarding restructuring. Restructuring is going on since 2 years. First restructuring was intimated in 2021. Now it is 2023, almost 2 years are over, sir, restructuring. Actually, there should be a time line, because you said based on the '21 balance sheet, then '22 balance sheet. Then you will say there is '23 balance sheet. So, there is no end to this. Growth will come, but we have to take the decision at any point of time.

Bharat Vageria: Decision will be there. I mentioned in the last call also that now it is a 1-year-old only because last 22 April only the AGM shareholders was there, and it was in the last shareholders it is approved because a special extraordinary general meeting was called. It was approved in the 9 April '22, which matter went there. So, now it is not 2 years old, it is 1 year old. We are in May



now, 12 months old only. And what we are asking in the next 4 months' time, the results will come out.

A N Boda: Initially, the stock exchanges were intimated in 2021, sir. The board decided to restructure the business in 2021 May, June something.

Bharat Vageria: Yes. But the process started based on 2021. After the 2021 calendar end only the process started, Nobody will start the process till you close the year and provide them a provisional figures like that. Nobody will start that. You know that 2021 was the COVID 2 wave was there. Finally, activity started from January 2022 only. You know that 10 countries involvement is there, different regions. So, it takes time. It's not the 1 country or 1 business.

Raghupathy Thyagarajan: Even for carrying the due diligence, traveling across different countries, there was a lot of limitations during the COVID.

Moderator: The next question is from the line of Naitik Mohata from Sequent Invest. Please go ahead.

Naitik Mohata: Just a couple of questions from my side regarding the overseas business. So, sir, we were planning to sell the entire overseas business together and now we are planning to sell it in parts depending on the geographical locations. So, sir, if you could guide any split between the 3 locations and what kind of revenue do we make, I understand 33% of revenues comes from the overseas business on a consolidated level. So, what percentage of those level comes from America, Middle East and South Asia separately?

Bharat Vageria: 50% is Asian countries plus Taiwan, 50%; 34% Middle East and U.S. is 16%.

Naitik Mohata: Okay, sir. And it would be fair to assume that all these locations are EBITDA positive?

Bharat Vageria: Of course. I'm glad to tell you, not a single Company, I mean all companies are profit-making and are EBITDA positive, even PAT is positive.

Naitik Mohata: That's great to hear, sir. And sir, regarding the debt levels of the Company, the consolidated debt of the Company is around Rs. 890 crores. So, out of that, is there some debt that can be associated to these overseas entities?

Bharat Vageria: So, can you repeat your question?

Naitik Mohata: So, my question is out of the consolidated debt of Rs. 890 crores, can some part of debt be associated with these overseas entities that we are planning to sell?

Bharat Vageria: No, what happened, we have some gaps in the Indian companies also because we have onward lent to overseas Company because we have not taken the borrowing needs of the holding companies. If you ask me the overseas holding Company part, around the 25% to 30% is the overseas businesses. I recall my conference call previously; we have asked many times. Once



we disinvest overseas businesses, even though the majority stake, maybe just 75%, 20%, we would like to have a debt free Company.

Naitik Mohata: Right. Also, as you're planning that by H1, you will sell off these overseas businesses. So, ex of these businesses, can you give a guidance for Time Technoplast for FY '24?

Bharat Vageria: You mean to say present guidelines, which I have said to you that over 15% growth we are estimating. And I mentioned that '23, we achieved business in the range of around Rs. 4,300 crores revenue with an EBITDA of 13.5%, okay? So, as I mentioned, means, I'm not considering present business as ongoing and continue with me only. Then definitely, we will have more than 15% growth and EBITDA level will reach to the 14% as far as current financials is concerned, that is with the present projections.

Moderator: The next question is from the line of Ganesh, Individual Investor. Please go ahead.

Ganesh: Sir, looking at the last 2, 3 years LPG cylinder revenue, it's around Rs. 180 crores, Rs. 190 crores. And they have not done any CAPEX in the last 2 years or so. So, I mean, is there any reason for it? Do we not foresee any additional revenue for LPG or we are prioritizing CNG Cascades better now?

Bharat Vageria: So, Ganesh, you have done right question. But I tell you, as we have made a substantial investment in LPG, where we have a capacity of 1 million saleable cylinder we can do of the different sizes. 1.4 million is the installed capacity. Saleable, we can manufacture 1 million of the different sizes we do. But as you know, the first gas distribution Company, oil distribution companies have given us the order for 2 years' time, which is ongoing already. In fact, our existing capacity utilization in the range of around 85% to 90% is already there. We do exports also to various countries. But we are not talking about the expansion currently because we are just watching the response from the other oil distribution companies, government distribution and private distribution companies. And further, we will watch for the repeat orders for the quantity and for the further period ahead. So, based on the 1 or 2-year orders, we cannot plan for the expansion. Let us first see the business level and the interest of the other, which is already discussion is on with other gas distribution Company because the first order which we have received for 2 years supply from IOCL, which is ongoing, and they are getting the good response. And based on that response, other oil distribution companies also now started talking to us. So, when we get that business, then we can talk about the expansion. But certainly, not this year because this year, we have tied up and we have a plan for the CNG expansion, which is already good order book is in hand, looking to the demand of the CNG cylinders and further development of the green hydrogen. So, I think we can see next year as the demand will come, we'll do the expansion.

Ganesh: Just a couple of more questions. Post-divestment, how do we see our legacy value-add revenue split? So, today, as a whole Company, it's around 68% legacy and 32% value add. So, post divestment, do you have any rough percentages in mind?



- Bharat Vageria:** You mean to say after the disinvestments of the overseas business you are asking me?
- Ganesh:** Yes, sir.
- Bharat Vageria:** I will answer your 2 questions. On consolidated way, today, our value-added products sales is 23%, which I'm projecting will go up to 25% this current year. But if you ask me 3 years down the line, definitely, we will have a 30% value added product and 70% this other product sale. If you ask me the 5 years down the line, then we will have a 35% value added sale and 65% of the products sale. And value-added products very well includes IBC, MOX Film and CNG Cascades. These are involved in the value-added products. Composite products will come under the value-added product, LPG, CNG, all others.
- Ganesh:** Sir, so those are the only producers of CNG Cascades in India, our EBITDA is still around 14%, 15% per CNG Cascade. Is there a way we can raise the EBITDA there? Or is that the proper pricing premium that's possible in the market?
- Bharat Vageria:** So, definitely, some margin improvement will be there. We have seen that the current year EBITDA level is 13.5%. And I have replied in the previous some query was there. My range EBITDA is 13.5% to 15%. So, if you ask me when my value-added product sale will be 35%, and the other product will be 65%, then definitely the EBITDA margin will surpass the 15%, and it will be in the range of 15.5% to 16%, because when the volume of the work will increase and the base expenditure will be low.
- Ganesh:** Just 1 last question, sir. What is the interest cost on our debt today?
- Bharat Vageria:** I have that working also because you know that current year, 37%, 38% rate increased by all the banks. But they have increased the rate quarter-on-quarter differently. So, average, they have rated is increased is 1.5%, but my rate of interest combined overseas and here put together is around 9.25%.
- Ganesh:** It's so difficult running a Company that too an MNC. And kudos to you for running it for nearly 40 years.
- Bharat Vageria:** I could not hear your question what you mean to say.
- Ganesh:** It was not a question, sir. I was thanking you for the opportunity, and it is just saying that it is very difficult to run a Company in India, that too an MNC.
- Bharat Vageria:** Thank you for appreciating.
- Moderator:** Thank you. Next question is from the line of Manish Umer from Manish Investments. Please go ahead.
- Manish Umer:** I congratulate you on a good set of numbers and completing the pledging of shares.



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Bharat Vageria: I think this stage was there for the last 15 years. So, as you are happy, we are also glad to tell you as the promoters also as we are selling our cost because that.....

Manish Umer: My question is you did a buyback recently. So, do you have plans to do further buybacks ahead?

Bharat Vageria: This is not a buyback. I can't comment. Your point is right. I remember 3 years back, our MD told, when there will be sell consideration, share pledge will be done, if we have any surplus, then we will buy shares. This not buyback, this is promoters will buy, these are 2 things. One is the Company will buyback, and the other is promoters will buyback. Promoters, you know that we are holding 51.4%. So, definitely, as somebody mentioned the Company is undervalued. Yes, promoter will also think on that and that will be the right time to take the entry by the promoters because they have surplus funds available because of this the pledged shares have been paid. So, that's decided by the promoters together. But I think if it comes out, we will inform/update immediately to our valued investor. And again, I mentioned, again, repeat that we have mentioned in our agenda a consideration, how will be utilized as far as I'm talking to the Company. Time Technoplast consideration will come. That will be used for the repayment of the debt, investment, expansion in the value-added products; and number 3, benefit to the investors and the shareholders who will be there at that time.

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

Bharat Vageria: Thank you very much. But I, again, would like the person who left and have some any query, we have provided your number to the investor relationship manager. They can have a call to him and they can get their satisfaction, whatever clarification they need. Once again, I'm thankful to Vikram and his team and PhillipCapital, who are providing this platform to give our phone call on the presentation and earnings of the Company. Thank you. See you again and all the best for the future ahead for the Company and you all the people to grow with the Company. Thank you.

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