



“Time Technoplast Limited Q1 FY'24 Earnings  
Conference Call”

**August 11, 2023**



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



*Time Technoplast Limited.  
August 11, 2023*

**Moderator:** Ladies and gentlemen, good day and welcome to the Q1 FY'24 Earnings Conference Call of Time Technoplast Limited hosted by PhillipCapital (India) Private Limited.

This conference call may contain forward-looking statements about the Company which are based on the belief, opinions and expectations of the Company as on the date of this call. These statements are not the 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, Mr. Suryavanshi.

**Vikram Suryavanshi:** Thank you Michelle. 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 question-and-answer session with Investment Community.

Management is represented by Mr. Bharat Kumar 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 over the call to Mr. Bharat Sir for opening comments. Over to you, sir.

**Bharat Kumar Vageria:** Thank you. Good afternoon to all of you. We are here essentially to talk about our results for the Q1 FY2024 and our outlook for the rest of the year.

We are pleased to begin the year on an encouraging note with good year-on-year volume growth of 18% and revenue growth of 14% driven by demand in the industrial packaging and the robust growth in CNG composite cylinder business which is 83%.

Profit After Tax for Q1 also increased by 26% year-on-year lead by higher utilization of capacities, demand for Type-IV composite cylinder for CNG cascades continue to be robust with an order book positions of around Rs. 245 crore.

With the strong growth in sales of value-added products, composite cylinder LPG and CNG along with the stable core industrial packaging business, we are highly optimistic of a strong performance for the full year.



Coming to the “Financial Number”:

The results are already announced, but I will just walk you through some of the key financial and operational highlights that start during the Q1 FY'24, previous year figure also I will read for comparison on a consolidated basis.

Net sales stood at Rs. 1,080 crore. I am glad to tell you in the first Q1 in our history of the Company the highest business is Rs. 1,080 crore and last year it was Rs. 945 crore. , EBITDA Rs. 148 crore as against Rs. 124 crore. Profit After Tax PAT is Rs. 56 crore as against Rs. 44 crore. Cash profit Rs. 103 crore as against Rs. 86 crore. Compared with the previous corresponding quarter, in terms of the percentage, Net sales increased by 14%, volume increased by 18%, EBITDA increased by 19%, PAT increased by 26%.

India and overseas business is 15%, overseas 13% as far as revenue part is concerned. Volume increase is concerned India is 19%, overseas is 17%. The EBITDA margin stood at 13.7% as against 13.1% an improvement of 60 basis points, due to the higher share of the value-added products and increase in the capacity utilization.

Now share of the business, established product versus value-added products. Value-added product grew by 24% in Q1 FY'24 as compared to Q1 FY'23. While established products grew by 12%, the share of value-added products has been 24% of total sales in Q1 FY'24 as against 22% in Q1 FY'23. Share of India and overseas revenue share is 63% and 37%. EBITDA margin in India and overseas are 13.9% and 13.4% respectively.

Net cash from the operating activity generated in Q1, Rs. 74 crore and I am glad to inform you that gap is reduce by Rs. 32 crore in Q1. The total CAPEX is also within the budget in the Q1 incurred Rs. 43 crore which includes towards the capacity expansion, reengineering, automation, considering the cost of the labor cost is increasing. And Rs. 26 crore for the value-added products that is IBC and composite products.

Furthermore, as informed during last call, Company has undertaken Phase-II expansion plan for increasing the manufacturing capacity of CNG cascade 600 in numbers cascade per annum. Moreover, under the Phase-II expansion the Company can utilize the capacity to manufacture cylinder both CNG and green hydrogen.

Now I know that all my valued participant in this call would like to know about consolidation cum restructuring of the overseas business. I am happy to inform you that discussion with the prospective buyers are at an advance stage in two different geographies that is, as we know that overseas we have a presence in 10 countries, two geographies we are talking that is in Southeast Asia and the U.S. region. We are confident of bringing a positive closure shortly.

The Company's strategy of shifting the valuation based on the year 2022 calendar year results and splitting the geography to facilitate discussion with the different perspective buyers has worked well.



As informed earlier the profit will be used for the repayment of the debt; CAPEX for the composite cylinder, LPG, CNG and hydrogen in core businesses in India to made huge market demand and will also be used to benefit to the shareholders.

Now I would like to open the floor to answer a specific questions --. Thank you.

**Moderator:** Thank you very much, sir. We will now begin the Question-and-Answer session.

**Participant:** Last year with 180 cascade capacity in CNG we made around Rs. 150 crore now we have capacity around two and half times of that, so shouldn't our revenue capability be around Rs. 350 crore or something like that?

You also mentioned in the slide that's about the composite cylinder for oxygen and breathing gas just want to understand what will be the addressable market size for that in terms of revenue?

Third thing is with the demand in India among the LPG distribution companies also capped with our order with IOCL, it looks the international demand is also capped because we are not thinking of our expansion in capacity on LPG side at all these days. So, is that the case or we see any international demand also.

**Bharat Kumar Vageria:** I will answer your first question, that we had a capacity available up to the March 2022 was 180 number cascade and for which have been expanded to 480 number cascades. So, you want to understand 480 number cascade what is the maximum revenue can be generated, that's I think Rs. 325 crore at 85% to 90% capacity utilization is possible. And this we are targeting and taken under our consideration of the current year.

#2 Composite market size you are telling, if you have gone through a presentation there we have mentioned what are the composite product overall market size. Yes, there may be the combination of using that composite cylinder, metal cylinders, other cylinders, the market size looking into government new policy which was announced in 2022 and the gas station allotting to the various participant, you will find total market size is around for entire type of the cylinder is Rs. 22,000 crore business potentially there.

But if we have taken the application for each of the cylinder may be the CNG cascade, then compressed biogas and maybe the automotive sector industry, we can estimate business of around Rs. 2,500 crore in the three to four years' time for these composite products out of the total market requirement, because total market as I mentioned for CNG cascade, mobile repairing unit, compressed biogas, gas generator for telecom, CNG for intracity bus, business size is around Rs. 29,000 crore.

It is different years for the policy, for example CNG cascade policy for eight years, MOX policy for four years all are there. So, estimated per annum business is Rs. 6,200 crore. Out of that the composite product based on the advantage of the composite products which we are manufacturing business can be of Rs. 2,500 crore in the next three to four years' time.



#3 The third question was regarding the LPG. You are right, LPG we have a capacity for 1.4 million cylinder when we produce one size, but we manufacture different sizes. So, we consider around one million cylinder as a utilization capacity. Yes, our utilization is almost around 85% to 90% because IOCL order is there, is one of the gas distribution companies. Other two gas distribution companies are also under pipeline they have also started using this composite cylinder. And our export is also more than 48 countries it is continue.

In the last call also we have said very clearly expansion we will think next year when the other gas distribution Company will also come out. Then we will also have results from the IOCL which the distribution is ongoing since last 18 months and further it is going to be continued. So, we are not talking LPG expansion as far as this is concerned because they are already in our hand for the CNG and hydrogen cylinder expansion work is in very well it is progressing and all.

**Moderator:** Thank you. We will take the next question from the line of Jatin Damania from Kotak. Please go ahead.

**Jatin Damania:** First on the CNG composite where you have said that our current order book is 225 and looking at the government prospect next three to four years looks good. But have we seen any tender getting opened or what will be our bidding pipelines for the next year or two year and when that tender is likely to get awarded?

Second question on the overseas I mean definitely I mean now if you look at the overseas business its 50 bps less margin as compared to what India is. But since you have already mentioned that you are in the discussion stage with the prospective buyers and shifting the valuation base from Financial Year '21 to '22 or '23 so I mean on broad basis what is the valuation one should work on, I mean when you are letting of the asset, I mean broad based numbers if you can highlight and the effect on the overall performance of the business?

**Bharat Kumar Vageria:** Now I think question #1, you are asking about the order book is a continuous process. Already orders is continuous, whoever customers are giving order for the CNG cascade they give us their schedule, because they are also ordering parallely they need the vehicles to carrying that cascades so it's a continuous process. But we have mentioned as far as the order book is concerned, Rs. 245 crore is order seen in hand already as on date, further tenders already some submitted, some discussions is on, so time to time, quarter-on-quarter we will update about the order in hand, right.

**Raghupathy Thyagarajan:** I must clarify to you as well the companies are realizing the advantages of the high-pressure cylinders of composites that have been manufactured by our Company Time Technoplast. So, the tenders are also getting modified accordingly. I am very pleased to inform you that being the only manufacturer of such large size cascades, high pressure cylinders in India we almost have a track record of almost about 100% on most of the tenders that are coming through. So, I think that should really bode well for the future as well.

**Bharat Kumar Vageria:** Then your question regarding the overseas business I mentioned to you, yes it in the advanced stage of talking, valuation part is concerned yes our valuer, our advisors are in contact with them. So, at present I can't give you any exact figure or valuation part, but definitely we will update you as and when we will finalize that. We have mentioned already you know that as the objective also we have mentioned very clearly, repayment of the debt, CAPEX for LPG, CNG and hydrogen and core businesses in India and definitely it will cover all of that in this our valuation part.

**Jatin Damania:** One more question I would like to understand on the industrial packaging. Now globally we are seeing a downturn in terms of the chemicals industry. And definitely our export market as far as the industrial packaging is concerned is looking good. So, have we seen any pressures from in terms of the demand in the industrial packaging or in terms of the margin compression or on the industrial packaging? And lastly if you can update on the operation business on the MOX films?

**Bharat Kumar Vageria:** You want to understand about the packaging business overseas. We have seen that except the U.S. part other two geographies we have not seen any kind of the pressure. Yes, we have seen the U.S. market is a little down by 20%. But our overall geographical distribution of the revenue in U.S. for overseas revenue out of that entire 100% overseas revenue, out of that 20% we get from USA, 50% from Southeast Asia plus Taiwan, and 30% from Middle East.

So, U.S. is down, we have seen around 15% to 20% but that will not affect in overall growth estimation of the Company because we have a good seeing demand of China Plus advantage in the other Asian countries which is Indonesia, Thailand, Malaysia like that. And Middle East is also doing very well. So, overall growth in overseas market which we are estimating in packaging will be about 12% to 13% that is online, we have not seen any kind of pressure from the margin of the businesses, even margins is going to be expand by 10, 20 basis point, it is going to improve.

MOX film is a very small in percentage the overall revenue, but you want to understand the season is ongoing, it's a good business. You know that in MOX film maximum business we can do around Rs. 150 crore to Rs. 160 crore based on our current capacity. We are not expanding in that particular product, because we had seen this business in the COVID period it was affected, this business. But yes it is going to be continued, there is not any much margin pressures also because we sell our product based on the quality of the product. So, not affecting any much about that, in fact you take the revenue of Rs. 120 to Rs. 140 crore revenue out of approximately around Rs. 5,000 crore revenue is hardly 2.5% of my total business.

**Moderator:** Thank you. We will take the next question from the line of Madhur Rathi from Counter Cyclical Investments. Please go ahead.

**Madhur Rathi:** I just wanted to understand our EBITDA margins like two, three years back we had highlighted that our value-added products EBITDA margin would be around 20% and 14% for the composite



products. So, I just wanted to understand this decline in margin, is it purely from raw material price increases or is there any different factor behind that.

And the second thing was, I wanted to understand about the industry, about how much market like as you mentioned Rs. 2,500 crore market in three to four years' time. So, how much can we get out of that?

And what kind of shift are you seeing from steel to composite materials in the CNG and LPG and how exponential that can be?

**Bharat Kumar Vageria:** I got Madhur your point, I think you want to understand the EBITDA margin is not affected. You see except the corona period where the EBITDA margin was in the range of 11% to 13% that is because certain products were not allowed to manufacture during the COVID period. If you keep apart the COVID period then after our all this history is there, EBITDA margin was in the range of 13% to 15%. And we are in that line afterwards because after the first COVID full year, last year we achieved an EBITDA margin of 14% in all of the year.

And further I have already mentioned in my call also, value-added product EBITDA margin is continuing in the range of around 18% to 22% so average maybe around 20% in the value-added products margins are there, and that is going to be continue, because whatever we have a 92% business is B2B business where we pass on our increase or decrease to our customer. So, we are not affected by what kind of volatility prices in the commodity product or polymer products they have, but we have a system of passing to the customer.

So, we will definitely as our value-added product is going to be expand, and expanding already, so EBITDA margin 20, 30 basis points is going to improve year-on-year. And you want to understand the growth plan, definitely Company management looking at the product in hand, estimating over 15% growth around the whole of the year across the products.

**Madhur Rathi:** So, 20 to 30 bps EBITDA margin increase for every percent increase in value-added products, so is that correct?

**Bharat Kumar Vageria:** Yes, of course as the capacity is increasing, expansion and utilization is increasing, yes all of the year EBITDA margin definitely we will see the improvement which currently in terms of the percentage we have seen the EBITDA margin currently EBITDA margin was 13.7%. So, you were asking 13.7% EBITDA margin as against last year 13.1%. And we have seen the whole of the year FY'23, EBITDA margin was 13.5%. So, certainly you will see improvement in the margin maybe 30, 50 basis point as the utilization and quarter-to-quarter the revenue will increase.

**Moderator:** Thank you. We will take the next question from the line of Karan Premchand Gupta from CAVI Capital. Please go ahead.



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**Karan Premchand Gupta:** Just wanted to check in again on the sale of the overseas business now. In your opening comments you mentioned that you are in talks with two of the 10 geographies. So, is that all that it's limited to or are we looking to divest all 10 geographies or if you could just tell us a little bit more about that?

**Bharat Kumar Vageria:** In any fact, I will tell you that's two geographies we have taken in hand, third is also in talks but we will take after completion of these --

**Raghupathy Thyagarajan:** Two out of ten geographies.

**Bharat Kumar Vageria:** No, I tell you just I am clarifying you, we have plant in the 10 overseas countries. Now I mentioned to you, 10 countries business in three geographies. For example, a few geographies we are in discussion.

**Karan Premchand Gupta:** I mean you would appreciate that we have been very patient shareholders.

**Bharat Kumar Vageria:** I know very well and as we are also having a patience and we are also talking since last I can say after results last six months also we are talking based on 2022 results. So, three geographies as I mentioned to you Middle East is the one part, four countries we have presence; Southeast Asia, five countries we have presence and USA is a one part. So, this we consider the three geographies, out of that two geographies we are talking and as I mentioned to you in my beginning statement that we are on the advanced stage.

**Karan Premchand Gupta:** And on the domestic business, we have a number of plants that are spread throughout the country. Are there any plans for any kind of consolidation or do you think this is the most efficient structure for our activities, currently?

**Bharat Kumar Vageria:** Karan you are right, consolidation you are talking in India it's a routine process always we will do based on the logistic advantage. So, India we have a presence in 16 locations. So, definitely process is on and wherever we need minimum size of the business that management has decided to continue in that location, if that location is not getting the required revenue than that will be consolidated to the nearby locations. So, that's a routine and continuous process.

**Raghupathy Thyagarajan:** At the same time there are newer geographies also.

**Bharat Kumar Vageria:** New geographies will be added if and when the requirement is coming more.

**Karan Premchand Gupta:** So, what I am trying to get was actually you know also on our return on capital, so we had some target that we discussed about a year, year and a half ago, so I just wanted to understand your trajectory towards achieving those --

**Bharat Kumar Vageria:** You are right, your point of view I have mentioned in my last call also and in many meetings also, we are consolidating not only in the overseas business by disinvestments but yes in India product consolidation also we are doing, as I mentioned last time also, certain products which



has the revenue of less than Rs. 40 crore say a year, we have closed down that business like molded furniture we have close down, healthcare products, small products were there, we have also closed down. So, certainly management has decided now to continue and do the product where the revenue is more.

And yes, this process is going to be continued. So, you are right, I mentioned and you know that target of the ROCE which is currently 13.5% around is going to be 19% in the next year that is the target and we are on that achievement of that target for that work is already on and there quarter-on-quarter you will see the progress because the only repayment of the debt is not the target of the increasing the ROCE, but yes product, value additions that will increase, EBITDA margin will expand, reduction in the working capital also is on radar. So, all combination of various efforts will enable us to increase this ROCE to 19% in three years' time.

**Karan Premchand Gupta:** Do you have any shorter-term targets so instead of saying three years out maybe by the end of fiscal '24, do you have any shorter-term target that you are internally working with for returns and capital?

**Bharat Kumar Vageria:** Yes, you can take as I mentioned to you currently 13.5% and I want to achieve 19%, 19 minus 13.5 the difference is 5.25%. Around 1.5% to 1.75% annualized increase you will able to see that.

**Moderator:** Thank you. We will take the next question from the line of Deepa Agarwal from Niveshaay. Please go ahead.

**Deepa Agarwal:** What is the capacity utilization of the Dahej plant which recently commenced?

**Bharat Kumar Vageria:** Well, it's one of my subsidiary Company like TPL Plastech who has just completed Greenfield manufacturing fully automatic plant in Dahej for manufacturing of the packaged products. And that is for plastic drums, jerry cans and IBC, it's just began because you know that in the first quarter always whenever new plants, all vendors need to approvals, supporting, testing, internal standard, approvals testing required. So, already plant has started. But at the end of the year, we are estimating utilization in the first year itself to reach around 50% to 60% in all of the year.

**Deepa Agarwal:** My next question is, could you please explain the segment of urea tanks like how is it panning out? What are the revenues, what are the customers and order booking in urea tank?

**Raghupathy Thyagarajan:** On the urea tank we have already developed two models in consultation with the OEM companies and we have also started the business for urea tanks. It involves very recognized OEMs as well. So, these are one of the two fast moving models that are there. There are another three, four models which are also there in the pipeline, as we are in a position to see the Euro 6 which is being enforced. The development of the urea tanks have taken larger momentum and especially with commercial vehicles I think we have been more or less we should be in a position to complete this requirement in the next one or two years or so.



- Deepa Agarwal:** Any expected revenue guideline from the same segment?
- Bharat Kumar Vageria:** No Madam, in fact I will tell you it is one of the no molded product, urea tank is developed, it's a product depending on their models also. We don't give any kind of product-wise revenue specific to Euro, but I can tell you automotive segment revenue, where we get around 3% to 4% of our total revenue there we are also estimating growth of around 10% to 15% in our overall projections.
- Deepa Agarwal:** My last question is regarding the oxygen cylinder. Are we manufacturing and have some order booking positions with respect to oxygen cylinder?
- Raghupathy Thyagarajan:** We have developed these oxygen cylinders in two sizes very specifically to begin with, these are mostly used for people who are in the higher altitude or diving or even firefighting incidents and etc. order bookings are already there, already been booked the product has been also got the PESO approvals. We should be launching this product probably anytime soon, probably in the next one month or so we should be in a position to launch that product.
- Bharat Kumar Vageria:** It is part of the composite products only.
- Deepa Agarwal:** I want to know like the CNG cascade in what vehicles are we currently supplying the CNG cascade like we have huge order book as well. So, I would like to have knowledge of that.
- Raghupathy Thyagarajan:** You would appreciate, the CNG cascade is nothing but a bank of cylinders which are kind of connected together to enable the carrying of the CNG gas from one mother station to the retail outlets. So, basically these are kind of mobile storage tank which are used by the CGD companies or the gas distribution companies to transport the CNG from their mother station to the distribution. So, that's the places where the cascades are used. Whatever capacity, little capacity that we have, we have to more or less utilized for that kind of application.
- The next set of expansion that we have planned for CNG is also taking into account the cylinder designs and these respective sizes for use in the automotive sector and that is when you will find these cylinders also being used among the trucks and the passenger vehicles also. So, some of those applications with the high pressure, light weight cylinders will come into being as we roll out the expansion projects. So, right now our cylinder business is focused on CNG cascade where we have fully utilizing the capacity.
- Moderator:** Thank you. We will take the next question from the line of Dolly Choudhary from Niveshaay Investment Advisors. Please go ahead.
- Dolly Choudhary:** So, it has been mentioned previously that few players are into the manufacturing of these CNG composite cylinders, they are more into the assembly of them. So, I wanted to understand the price differential between the products and what is the competitive scenario currently?



**Raghupathy Thyagarajan:** It's admittedly we continued to be the only manufacturer for the latest technological innovation that is called the Type-IV composite cylinders. There are other players of CNG cylinders in manufacture in India that is the Type-I that is made of conventional steel cylinders. So, to a very large extent these types of composite cylinders go in the replacement of the steel cylinders. And there the weight reduction is almost to the extent of about 80% or so. Price difference notwithstanding, these advantages of huge weight reductions brings about a lot of convenience to the people who use these CNG cylinders because they are able to carry more gas and probably drive the vehicle lighter, give you a better mileages. So, these are the reasons as to why these composite cylinders are a runaway success in any geography that they have been put to use. So, I am in a position -- that also developing in this market as well.

**Dolly Choudhary:** So, I was talking about other place in Type-IV cylinder like you previously said that they are more into assembly of these cylinders, not into manufacturing? It has been like you mentioned previously.

**Bharat Kumar Vageria:** So, Madam, just I want to explain you, in fact I think CNG we talked about the CNG cylinder. Now the CNG cylinders cascade we talk, it's a complete system. CNG cascade mean that is the one complete system where the cylinder will be mounted and that cascade will be loaded on the truck and that would be used as a mother station to the filling station because new gas stations are coming.

Now the automotive sector is different, where the automotive OEM manufacturers may buy the cylinder, no need cascade from them. So, they will buy those CNG cylinders from us for different sizes, based on their capacity of each of the vehicles. As my partner has mentioned to you, we will see that use of the automobile chapter next year only when we are ready with our expansion plant. So, presently my order book is healthy for the CNG cascade itself. So, as a individual cylinder we are not selling it currently.

**Dolly Choudhary:** My other question is regarding Indoruss synergy this Company also into the same thing and they are manufacturing some modular mobile unit station, so I wanted to understand what is that. And is Company planning to cater into this segment?

**Raghupathy Thyagarajan:** No the mobile stations that you are talking about is the one which is basically used for carrying the CNG gas cascade from one end to the other #1 application. #2 Application is the gases that are being generated out of the CBG stations or the biogas stations that are there so they also require high pressure storages etc., so those are the applications level. So, wherever you have high pressure requirement for these gases to be stored these cylinders will go in as a bank to be stored either on a stationary basis or probably on a mobile basis.

**Dolly Choudhary:** And my last question is regarding the restructuring. So, I wanted to know that if this restructuring that we are planning happens this year soon so what will be the revenue loss from that? And till what the Company is planning to recover from the domestic business.



**Bharat Kumar Vageria:** Good question you asked, because one thing as overseas revenue it is in the range of around Rs. 1,400 crore business. And that business we are internally estimating to recap in the next three years' time or two years' time because considering the growth of, for example last year we did business of Rs. 4,293 crore if you reduce out of Rs. 1,300 crore the balance is Rs. 2900 crore. So, it will come back to the original level of this turnover maybe around Rs. 4,000 crores or over and above that in the next two years' time. But one thing again I mention, we are not diluting the 100% equity. We will continue with the minority investment, we will continue.

**Dolly Choudhary:** So, that Company currently focuses on value-added segment so I wanted on the outlook for industrial packaging and what share can we achieve with the current capacity in this year or two or three years in industrial packaging?

**Bharat Kumar Vageria:** And I mentioned to you our overall growth estimate we are making over 15% maybe around 17%, packaging business we are estimating as the chemical industry is growing, volume growth is there, we are looking to the export and China Plus advantage. Around I can say 12% to 13% growth we are estimating, for certain other products we are estimating growth more, composite products we are estimating more than 35% growth. In PE pipe business we are estimating growth of around 13%, because last year business was lack in the PE pipe business. So, overall, 17%, more than 13% we are estimating growth. The packaging business is specially asking, maybe in the range of around 12%.

**Moderator:** Thank you. We will take the next question from the line of Ganesh from GK Advisors. Please go ahead.

**Ganesh:** So, how much of our composite or value-added revenue is coming from the overseas bucket?

**Bharat Kumar Vageria:** So, I will just clarify you, overseas location we manufacture only the packaging product that is plastic drum, jerry cans, conical pails and IBC. We don't have any composite product overseas.

**Ganesh:** So, just one clarifying question from my previous --. So, we have this specific section of oxygen and breathing air applications for composite cylinders. I am keen to know what is the revenue potential just for those applications.

**Raghupathy Thyagarajan:** I think we have already given you guidance on the overall composite cylinder business. So, it's difficult for us to give you a breakup on each individual type of cylinders. I think overall my colleague Bharat Vageria has already given you indications also on the projected revenue for the composite cylinders.

**Bharat Kumar Vageria:** It will be overall composite revenue we are estimating around more than Rs. 500 crore this year as against Rs. 350 crore we did last year, LPG and CNG together.

**Moderator:** Thank you. We will take the next question from the line of Deepak Poddar from Sapphire Capital. Please go ahead.



**Deepak Poddar:** So, first of all I just wanted to understand more on the opportunity on the hydrogen sector basically. So, what sort of opportunity we are seeing. And I think we were working on developing the hydrogen cylinder technology right, so where we are in that particular segment?

**Raghupathy Thyagarajan:** Well this is one of the most promising development segment that we are into post the CNG potential that is already getting captured. The development on the hydrogen cylinder has been very positive because we have been able to develop very successfully the hydrogen cylinder in-house and meet the test requirements as has been prescribed by the international standards that are there. We will be moving the application to PESO for their approval next year.

The development of the hydrogen cylinders has also been encapsulated in our expansion plans. So, the new capacity plan that is being setup next year should also in the position to be able to successfully commercially exploit the hydrogen cylinder potential to begin with. Some part of the capacity is year marked for that application as well.

As far as the potential for hydrogen cylinders are concerned you know it is a huge global opportunity that is really coming up, every geography, every country that you hear about they are looking at hydrogen as an opportunity to decarbonize it. India is also has set very ambitious targets for it. So, based upon our successful models on the composite cylinder for LPG, CNG, we are very positively poised towards exploiting that potential as well.

**Deepak Poddar:** So, what I understand is that the development of hydrogen cylinder, I mean it's on the positive side right. And we will be moving for approval to PESO maybe next year for our product.

**Raghupathy Thyagarajan:** That's right.

**Deepak Poddar:** Next year means, I mean 2024, right.

**Raghupathy Thyagarajan:** That's right.

**Bharat Kumar Vageria:** By this time as currently we are in the month of August, so next year by this time we will come to know good news about the hydrogen cylinder development.

**Deepak Poddar:** August 24.

**Bharat Kumar Vageria:** Yes.

**Deepak Poddar:** And what sort of the capacity would be, we would be looking to create in this particular segment, hydrogen cylinder?

**Bharat Kumar Vageria:** I mentioned to you, you see my last conversation where I mentioned that currently expansion is coming only for the CNG cylinder, is the 600 cascade. But we are buying certain equipments so that certain we can do the seed marketing for hydrogen cylinders, but major capacity expansion we will see in 2025/2026 when the hydrogen gas will be make available. So, we will keep

ourselves ready to do that. And expansion we know any expansion first we are already experienced so we will take around six to eight months times only.

**Deepak Poddar:** So, currently we are focusing more on the oxygen cylinders and the CNG cascade?

**Bharat Kumar Vageria:** Essentially CNG, oxygen and development of hydrogen that's the --

**Deepak Poddar:** And just I wanted to understand I mean our capacity utilization is almost I think optimum level at 85%, 90% right. And we are still talking about maybe about 15% growth for this year. So, what will drive that growth will it be a value-added product?

**Bharat Kumar Vageria:** Listen Deepak, I am talking across the product growth is around 15% to 17% which you will see, I have mentioned in just recently one gentleman has asked me the question, packaging business we are estimating growth of 12%, but composite product growth is estimating over 30% and that is going to be continue because next year the composite product expansion will also be completed. So, overall growth we are talking around 15% to 17%. But yes, composite products which have the value-added product, which has a margins are also reasonable and good so that will continue and that will give the improvement in the ROCE, working cycle time, across the benefit we will get to reach our target of the ROCE.

**Deepak Poddar:** 19% over three years.

**Bharat Kumar Vageria:** Yes.

**Deepak Poddar:** And among this growth our value-added product can grow higher, right I mean --?

**Bharat Kumar Vageria:** Of course, no doubt.

**Deepak Poddar:** And my last question is on seasonality, do we have any kind of seasonality in our business?

**Bharat Kumar Vageria:** I don't think so except the PE pipe business which is normally one or two months. But that also now you know that India, the rainy season is also very different, now you will find in the current season also in Rajasthan, no rains are there, in south rains are there, in western part rains are there, so I think it is not affected. And finally, I can say most of the products are seasonal, nothing is seasonal business.

**Moderator:** We will move on to the next question which is from the line of Madhur Rathi from Counter Cyclical Investments. Please go ahead.

**Madhur Rathi:** What kind of IRR or ROCE do we expect before making any new investments, because when you say that 19% ROCE in the next three years I want to understand what will be our capacity utilization in value-added product. And all the new CAPEX that we are doing in value-added hydrogen, oxygen, so what kind of IRR do we expect from this?



**Bharat Kumar Vageria:** I will tell you the IRR which is 19% projected for next three years is based on the current product which are in hand and considering growth potential which is in the existence and which is visibility is there. We are not considering hydrogen part in this ROCE because we have not considered any kind of fresh investment also from that.

In the present three-year projections, we are considering business will grow over 15%, further the CAPEX plan in the next three years also will be around Rs. 200 crore which is inclusive of the maintenance CAPEX, automation, re-engineering and to maintain the capacity and capture the growth so that will be adequate for us. For next three years I can say the Rs. 600 crore CAPEX expansion is adequate to get that growth of over 15% and to achieve the ROCE of 19%, because certain ROCE improvement will come from the improvement in the working capital cycle time also.

**Madhur Rathi:** What is their capacity utilization in the composite product business?

**Bharat Kumar Vageria:** I mentioned I think last time also, capacity utilization in the composite products we have a two LPG and CNG, if you ask me almost around 85% to 90%. Therefore, I had mentioned to you we are not launching our CNG cylinder in the automotive sector currently, because we have a healthy order book for the CNG cascade supplier, CNG cascade application so we are continuously focusing on that.

**Madhur Rathi:** So, how fast can we produce our products from the time we receive orders?

**Bharat Kumar Vageria:** I will tell you, normally big kind of the orders like cascade orders normally person give us the schedule. They give us the orders. They give schedule as per their requirement on month, but we have a quiet, I can say the supplier base has been increased for CNG cascade applications as we have experienced this product is just, I can say in '22, '23 and half of the year was there, almost two years back the CNG cascade have been launched. So, the user base is increasing and every users are giving us the time for execution of six to eight months' time.

And second, spot orders also come that we execute because we have a capacity available. And our other customer accommodate in that rescheduling. So, as I mentioned to you, utilization 85% to 90%, yes order execution times, customers always give us some time, because as they give me the orders parallelly they give also orders for the new vehicles on which they would like to install their cascade on the trucks.

**Madhur Rathi:** And how fast can we ramp up our capacity, so like you said --?

**Bharat Kumar Vageria:** I will tell you as the person has experience, you know very well once first time always takes time. Any capacity expansion certainly whatever at our end we can do it, but normally it is six to eight months' time.

**Madhur Rathi:** So, what kind of improvement are we going to see on the working capital side that will help us increase our ROCE?



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**Bharat Kumar Vageria:** I will tell you working capital days we are expecting to improve around five to seven days on the yearly basis, but it will go in the range of 85 to 90 days, I am keeping myself target for the working capital cycle time which is currently in the range of around 105 days. I am keeping the target for improvement by six to seven days on a yearly basis.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Vikram Suryavanshi for closing comments over to you, Mr. Suryavanshi.

**Vikram Suryavanshi:** We thank the management of Time Technoplast Limited for giving us an opportunity to host the call and taking time out for interaction with the stakeholders. Thank you all for being on the call.

**Bharat Kumar Vageria:** Thank you very much to all my valued participants to hear patiently. And thank you once again.

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