"Time Technoplast Limited

Q2 FY '24 Results Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to Time Technoplast Limited Q2 FY '24 Results Conference Call, hosted by PhillipCapital India Private Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on the date of this call. These statements are not guarantees of the 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 brief highlights on the financials from the management. Should you need any assistance during the conference call, please signal an operator by pressing star and then zero 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, Rohit. Good afternoon, and very warm welcome to everyone. Thank you for being on the call of Time Technoplast Limited. We are happy to have 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 and Corporate Planning; Mr. Hemant Soni, Vice President, Legal and Corporate Affairs. Before we start with question-and-answer session, we'll have opening comments from the management.

Now I hand over call to Mr. Bharat Vageria for opening comments. Over to you, sir.

Bharat Vageria: Thank you, Vikram, for the introduction. I'll just take one more person who is also available in the conference call, that is Mr. Vishal Jain, who is now taken in the Board of the Time Technoplast last year itself, and he now become the active member in Time Technoplast, so he is also would like to participate in this.

Now good afternoon to all of you. And on behalf of management, I would like to tell you belated Happy Diwali and New Year, and our best wishes for to do such type of earnings calls in the period ahead together with a lot of happiness and cheerness.

Now we are here essentially to talk about results for the Q2 and half yearly 1 for FY 2024 and outlook for the rest of the year. We are pleased to report healthy growth in top line and margin in HY FY '24, driven by good demand in the first half of the fiscal 2024. On a year-on-year basis, volume grew by 18%, which is again above our estimates. And further, revenue grew by 16%. This has been driven by good demand from the intermediate of bulk containers. Robust growth in CNG composite business is 111% compared to same period the previous year.

EBITDA and PAT also witnessed a significant growth of 22% and 34%, respectively, driven by increased the share of value-add products. And this is going to be continue because the value-added product share business is going to be faster as the growth is also attributing over 40%. We continue to focus on increasing revenue shares of value-added products, which is now 25% of the total revenue, as compared to 23% in the corresponding period last year.

While strong growth in our value-added products, we are highly optimistic of a strong performance for the full year. Please note whatever current revenue is value-added 25%, we are estimating to reach it 35% in the next 3 years' time because the growth will be faster and the good growth will be the value-added product. Other products, which will go around 10% to 12%.

Now coming to the financial numbers. The results have already announced, but I will just walk you through some of the key financial and operational highlights. During Q2 FY '24 on a consolidation basis, you will find INR1,195 crores as against INR1,024 crores last year. EBITDA INR167 crores as against INR134 crores last year. PAT INR70 crores as against INR50 crores.

In terms of the percentage, you will find the 17% increase in sales revenue, which is the 18% over the 13%. India, some percentage is higher because of the value-added product sale, composite is higher growth is there. EBITDA increased by 25%, PAT increased by 41%, which has seen from INR50 crores to INR70 crores. EBITDA margin was 14% as against 13.1%. That is up 13.1% it is improvement of 90 basis points compared to previous year. And again, it is further improvement in the even last quarter also June quarter.

During the HY '24 on a consolidation basis, half yearly basis, sales is INR2,275 crores as against INR1,969 crores. EBITDA, INR315 crores as against INR258 crores last year, profit after tax is INR127 crores as against INR94 crores.

Key highlights for the first half compared with the corresponding period previous year. Net sales increased by 16%, India 17%, overseas 13%, volume increased 18%, India, 19%, overseas 15%. EBITDA increased by 22% and PAT increased by 34%. In the HY 2024, EBITDA margin was 13.9%, revenue 13.1%, increased 80 basis points. Again, I would like to share one thing with my all investor. In the first Q1 always we do business of 22%. Q2, we do 24%. In first half, normally, we do witness in the range of 45% to 46%. In the balance up always, we do business of 55%, so that will give the EBITDA margin expansion every quarter and quarter-on-quarter also.

Then share of business, established products versus value-added products. Value-added products grew by 28% in HY FY '24 as compared to HY FY '23. While established product grew by 12%, the share of the value-added product is 25% in total sale of HY FY '24 as against 23%. And this percent is going to be continued, as I mentioned to you.

India and overseas business in the same range, I think, 65% to 35% and the previous year, it was 64% to 36% because India value-added products are more and in overseas, we do value-added products. EBITDA margin in India and overseas, yes, India margin, EBITDA margin continues at 14.1% and overseas is around 13.4%. Debt stood INR766 crores as against INR811 crores, a reduction of INR34 crores, and that is also going to continue as the company's earnings, operating profits are there, which is going to be packed back in the company. So repayment quarter-on-quarter is going to be continuing. Yes, one additional thing I would like to update about the improvement in the ROCE. Overall ROCE, even though the half yearly ROCE is not comparable, but even though we have worked out. ROCE in the first half is 14.1% as against the last year same period was 11.8%. Full year ROCE at the end of the year, we are targeting 15.5% and at all as we have also estimated our revenue for the next 3 years overall objective in the company to reach the ROCE around 20%.

So every year, we are estimating to increase by 1.5%. And that is, by the way, of a combination of the various things, which we have discussed in the various calls also, improvement in working capital, improvement in margins, improvement in the sale of value-added products. So these all combination of all will give the increase in the ROCE.

Yes, capex in the first half, we have seen INR99 crores we have incurred, which includes expansion for value-added products, CNG, IBC put together is around INR59 crores. And for normal capex, automation, reengineering and to maintain the capacity is around INR40 crores. Total capex full year estimated looking to the current ongoing process in the range of INR175 crores to INR190 crores.

Further, I know that my valued investors, existing and the prospective would like to know what is the status of this sale of the overseas business, which last time also we had mentioned 2 continents, 2 are under 2 geographies are in the advanced discussion, advanced stage, majority stake, this investment will take place.

And the entire transaction also, we are definitely making our best papers to complete in this FY '24 only. And we are also internally targeting to handover process for overseas with the new partner also can be started from the January 2024 beginning of the new year also. So that we are discussing with the joint venture partner, the details of the JV agreements are under discussion and going to be finalized soon.

In respect of these proceeds, we have already discussed many times, and we have not changed any objective. It includes repayment of debt, capex for the LPG, CNG, hydrogen and mid-to -- to meet the market demand and also use to the benefit to the existing and the prospective shareholders.

Now one another thing that I would like to bring a bit because in the last, I can say, quarter or I think in the 6 months, management identified certain additional non-core or non-performing assets which last year, it was in the INR40 crores, out of that, some assets have been disposed off. But some additional assets have been identified, and which is in the range of around INR100 crores, and that management is keeping target to sell off and use these proceeds and internal policy is letting it by March 31, 2025, non-performing assets should be zero. That's the internal target we are keeping it. So the money can be used for the best -- put for the use and the return can be increased.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Aditya Jhawar from AJ Capital.

Aditya Jhawar: Great quarter, I would say. Sir, my question is just now, we have said that for the second half, we are going to hit 15% margin, right, 15% ROCE, right?

Bharat Vageria: Yes.

Aditya Jhawar: So then the margins currently should go up, right? So currently, we are at 13% margin, 13% to 14% margin, and it will inch up to 15% to 16%?

Bharat Vageria: Okay, you complete your question, I will answer any other question or this is the question only.

Aditya Jhawar: Yes. This is the first question. Can you clarify a bit on this? And the second part is, you said that you are in the advanced stages of the subsidiary or some of the -- we want to generate overseas business. In that, what would be the value addition that also will be going into basically, that also will be reduced, right in the value addition. So could you clarify that detail at how much revenue will be lost or what is the value addition that will be going into that? So these are the two for now.

Bharat Vageria: Yes. Mr. Jhawar, I think one thing is that in the Q1, you have seen my EBITDA margin was 13 -- last year, it was 13.1%. And this year was 13.9%, which is now Q2, you have seen 14%. And overall year, also, we are estimating more than 14% in the EBITDA margin. So you will see the expansion of 20 to 30 basis points every quarter because of value, as I mentioned to you, in first quarter, we do business of 23%, second quarter, 24%, third quarter, 26% and the fourth quarter 28%.

So margin, if I can say, range between 13.5% to 15% range is there as far as this year is concerned. As the management, we are keeping target of around 14% is maybe plus maybe 10 or 20 basis points upper side when we do the end of the year.

Now you're asking me about the valuation part, yes. JV partner is under discussion. So exactly, if you recall in the last time also we had mentioned we have an overseas business, 100% out of that percentagewise, I can say, U.S.A., we do 20%, 50% business in Southeast Asia, Taiwan, we do and 30% business in MENA region. Southeast Asia business, which is existing manufacturing operations in five countries. And those five countries, we are talking in U.S. countries, which we are talking, the two continents we are talking, which we are under discussion with the JV partner terms and conditions.

Value part is concerned, I think it was already last time when we were talking if the valuation worked out approximately valuation exactly we will come out and we will dispose that thing because it is still under discussion. But yes, when we will reach on the definite agreement, JV agreement, all terms will be finalized together. Roughly, I can say we were estimating for 100% addition is around INR1,000 crores. But as we have mentioned that we are diluting around 80%.

So maybe all put together maybe around INR800 crores, then you see the regional-wise continuing geographic wise I have given to you. So we've been 20% will continue for the balance period, and we can exit as per the terms which are under discussion maybe 2 years or 3 years, we can exit 100%. But definitely, that outcome will, as I mentioned to you, is going to be materialized and needs to be completed in the current financial year itself.

Aditya Jhawar: Okay. But how much the contribution is from the value-added in these subsidiaries or these areas?

Bharat Vageria: I tell you, in value-added products, we do in India only.

Aditya Jhawar: Okay. So it's not in any -- but the IBC capacity, what is our total IBC capacity?

Bharat Vageria: IBC capacity, in fact, every country was the different capacity, in India, we are manufacturing at four locations. And IBC capacity percentwise also, I can tell you. In overseas, we manufactured IBC in seven countries out of the 10 countries. In India, we have a manufacturing plant at -- four manufacturing plant in IBC, capacity wise every plant has a different capacity. But my capacity utilization also if I tell you in the western region, it is around 80% to 90%, in South region, it is around 50%. In other part also, it is around 80%. So IBC is in fact minimum size capacity, we need to put it, right?

Aditya Jhawar: Okay. But when we are selling the joint venture, then this capacity, we will also go to them, right? That is what I'm trying to understand.

Bharat Vageria: Which one?

Aditya Jhawar: So when we are selling our subsidiary or the venture...

Bharat Vageria: No, no, no. You -- as I mentioned to you, we are -- you are talking, for example, IBC business is 10% of my total revenue. Out of that 50%, we do India and 50% there. So if you take the overall size of the revenue, IBC revenue which will go from the value-added product, it is only 5% of the total business. No, not a major, because major maintenance, we have seen on the composite product, which is LPG, CNG, that cycle.

Aditya Jhawar: Sir, last question I have is on the revenue part. If you see that we are in the range of INR1,000 crores to INR1,100 crores, INR1,200 crores, then in order to achieve that ROCE of 15% since the margin also will be stable, that means that in the H2, we'll be doing much better sales that -- so what is the revenue internal target you have for this year?

Bharat Vageria: If you tell me internally, I've given the whole year target across INR5,000 crores.

Aditya Jhawar: In Q2, what is the revenue target you have in the mind, but I would say that commendable job, sir on all the segments. I'm saying that there has been a fruitful improvement in financial statements and the strategy. I think thankful for the management.

Bharat Vageria: No, no, I'm clear with you. We are learning from such type of investors only because whenever we find some problem, they want every explanation, you will find next time we will include that in our presentation. And we try to include in our earnings call also.

Aditya Jhawar: Yes. So what is our -- this year target, we are internal, but what is achievable? This year, INR5,000 crores is achievable sir, do you think that?

Bharat Vageria: You see I mentioned to you in first half, we do 45% business, second half, 55%, you can calculate. It's very simple. First half I've given to you already.

Aditya Jhawar: And can you explain the 2 to 3 years, how much revenue we can get here, sir? How much is the TAM for -- where do you see the large growth coming from composite cylinders or how much growth can come year-on-year for 2 to 3 years' perspective? That is my last question.

Bharat Vageria: Of course, you are right, the composite product, which is currently we are estimating over around INR500 crores above. So if you ask, the only composite products next 3 years' time, it will grow over 30%. Other products will grow around 10% to 12%. The combined growth definitely will be more than 15%. That's the internal estimate we are keeping it.

Aditya Jhawar: Okay. So you are saying that composite cylinders this year, we are going to do INR500 crores and it will grow 30%?

Bharat Vageria: Yes, of course, going to be continued.

Aditya Jhawar: Great, sir. Great, sir. Sir, in this composite segment, are we thinking of auto segment also in this year because that is also a bigger market, right? Are we having any strategy there?

Bharat Vageria: Of course, strategy is there. Therefore, the new expansion is coming. Currently, we don't have a capacity. We are not offering to them, and we are not there. But yes, it's a process -- approval process, internal testing process is 8 to 12 months' time. So looking to my expansion next year, which is already committed, we have definitely started approaching to them. Auto sector is a big sector, very huge market, which is currently is catered, in CNG line is the metal cylinder only.

Aditya Jhawar: So next year, we can expect from the auto segment also should contribute?

Bharat Vageria: Yes. In the second half year.

Moderator: The next question is from the line of Priyank Parekh from Abakkus PMS.

Priyank Parekh: Sir, I wanted to understand how much capacity we are adding in Dahej for IBC?

Bharat Vageria: Dahej, it is already there already. The capacity is already there. It's -- I can say new life pieces, if you ask me 1.8 million -- 180,000 pieces.

Priyank Parekh: 180,000 pieces. Okay. So we would be having some 600,000 IBC capacity overall, right?

Bharat Vageria: You are talking all put together in India?

Priyank Parekh: Yes, yes.

Bharat Vageria: Yes, yes, you are right.

Priyank Parekh: Okay. Got it. And sir, I wanted to understand like what is our competitive edge in IBC business, specifically in India because there is another listed player who is also expanding aggressively in IBC. So what is the sort of competitive advantage we are having?

Raghupathy T: Well, admittedly, IBC is an internationally recognized product. The very fact that GNX as a brand of the IBC is being manufactured in about 11 countries gives you an idea as to what is the kind of global reach that we have. Most of the IBCs that we sell are used to pack the chemicals and export it, get exported. So the recognition of the brand is very good among the importing parties wherever they are. The moment they know that the chemicals are coming in GNX band of IBC, then they are having a huge comfort factor.

The -- any other brand coming in the market will take their own time to grow. So we are taking necessary steps also to counter any such threats also from competition. We are now having presence in about four locations already. We will continue to scan the market and see as to how we need to grow so that a localized presence would also help us gain competitive edge.

Priyank Parekh: Okay. Got it. So I just don't want to get into specific details, but can you give me the broad idea on what are the sort of things we are doing to keep us ahead of the competition?

Raghupathy T: On the IBC front, I have covered the gist of what we are looking at. The detail in the strategy is not something that I can discuss on the phone, right?

Priyank Parekh: Okay. Okay. Fair enough. Sir, on the LPG cylinder side that we are currently fulfilling the 7.5 lakh cylinder order. So when we are expecting that to complete?

Bharat Vageria: It is -- still we have time, 1 year more time we have, time is extended.

Priyank Parekh: Okay. So I wanted to understand, like apart from that order, are we fulfilling any other order as well for LPG?

Bharat Vageria: Yes. In fact, yes, we are under discussion, and we are expecting some, because you know that present utilization, and we are supplying to IOCL. Another gas distribution companies like BPCL, HPCL, some private gas distribution, people are also there. So we are also talking with other gas distribution companies. And now is very well accepted in the market and good response is getting. So definitely, other government companies are also discussing and they should come out with their requirement. We've already submitted our sample and trial and tested is already finalized with them.

Priyank Parekh: So I wanted to understand the revenue we are seeing in LPG segment. Is it that from the single order that we are talking or it is from multiple orders?

Bharat Vageria: No, no, I tell you. The IOCL has given the order to two parties to us and the Supreme together. Now that order, we are in the executing already. They have the right to increase the quantity. That's right, they have capped with them. Further BPCL, HPCL will also come out. But in addition to that, I will tell you that we are supplying to more than 48 countries, this LPG cylinders. Already, we have approvals from those countries and my export is continuing. And we have added certain -- some of the, I think, six, seven countries newly added in this -- recently in the last year and this year together.

Priyank Parekh: Okay. Got it.

Bharat Vageria: Not only the India market, we are looking at export market also.

Priyank Parekh: Yes. So that I wanted to call that. Sir, for the CNG side, can you give me a specific timeline by which the 600 cascades capacity will be available for use?

Bharat Vageria: I think, I can say it should be made available from Q2 of FY '25.

Priyank Parekh: Okay. Q2 of FY '25. Okay.

Bharat Vageria: For that place is identified, activity started, all approvals, consent, construction activity because these are going to be consolidated in one place. It is in Gujarat nearby Vapi area only.

Priyank Parekh: Okay. Sir, so the current order book of INR225 crores for the CNG. So what is the sort of volume we are delivering for that order?

Bharat Vageria: It's an ongoing process, every month, we are supplying them because the -- every company give us the time for supplying of the six months to eight months delivery schedule they give us. So my current order book is adequate to supply in the current financial year.

Priyank Parekh: No. So my back of the annual calculation says, it is around 320 caskets, we are going to supply from that order. Is it a right way to understand that thing?

Bharat Vageria: I think you have seen in the first half; we did HY '24, almost around 170, we have done it. And balance also, we are expecting to close all of the year where it -- yes, so around more than 300 will be there. Yes.

Priyank Parekh: Yes. Just a small request, if from next quarter...

Moderator: Sorry to interrupt sir, may we request you to come to the queue for a follow-up question.

Priyank Parekh: Yes. Just last one thing. Just a small request, sir, if from next quarter onwards, can you separate the LPG and CNG volumes, can you give them separately because the realization for both the parts are quite different.

Bharat Vageria: I'll tell you it is very difficult because casket also different, size of the caskets are small and big casket, cylinders also, you will find LPG cylinder 2 kg, 6 kg, 10 kg, 20 kg. So from the numbers to make and to divide and get the per kg casket or per kg -- per cylinder rate is very difficult.

What we are giving you LPG, yes, we can provide at least LPG, this value and CNG value can be given. Then in any case, that we are providing. Because there is a difference from next year onwards, when I will sell the auto sector only cylinder, then the definite will be different. Today it is a single product we are selling as a casket. Therefore, we are able to provide you this number. But yes, revenue-wise, as we have mentioned to you and in last call also, we said my existing investment in CNG, existing capacity, we can do business around INR325 crores. And as far as LPG is concerned, we can do business in the range of INR220 crores, INR240 crores in terms of the value revenue-wise.

Priyank Parekh: Okay. Got it. Yes. Thank you.

Bharat Vageria: Thank you.

Moderator: Thank you. The next question is from the line of Jignesh Kamani from GMO. Please go ahead.

Jignesh Kamani: Just to update on the CNG segment. Our order book has declined from around INR245 crores to INR235 crores quarter-on-quarter. Sir, are you seeing the flow of inquiry in the CNG cascade has reduced?

Bharat Vageria: No, it did not reduce. In fact, it still is INR10 crores here and there doesn't make difference because every month, execution is on. And we are also looking to the current capacity, if somebody wants, we don't have a capacity. So it is not -- I mean we should not take now. We should tell them very clearly we'll be able to give you supply in the 2024, '25 itself. But yes, there is INR5 crores and 10 crores here and there. It doesn't make order book because we have a healthy order book.

And if you have seen in the first half as we did business of INR130 crores already, and estimating INR200 crores, INR225 crores order is in hand. So we have covered the entire financial year already. And further, every month also, we used to receive the order. So that is going to be continuing.

Jignesh Kamani: Understood. And second thing on the 600-cascades addition, Earlier, we were expecting by fourth quarter of '24. Is there any delay -- now it's delayed by close to around 6 months. So any reason why there is a delay?

Bharat Vageria: No, no, there is no delay. But what we mentioned, when it comes from the commercialization because you know, I'm telling you a commercializing point of view, it will come in the Q2 of FY '25, process has already started because identification of the premises, identification of the machine to time already funded, but we are keeping two months or three months in hand as a conservative way. But in any case, the project has been finalized, the location has been finalized. So there may be -- this big type of the project where the investment of more than INR125 crores are there.

I think we will really be terms -- we'll be able to tell you about the exact timing in the Q4 of this year. But if you ask me the rough estimate, I told you we should do the commercialization.

Jignesh Kamani: Understood. And...

Bharat Vageria: Because, you know, uncertainly everywhere, everywhere uncertainty globally is there. So we are keeping some contingency in hand.

Jignesh Kamani: Understood. Sure. And last question, if you talk about overseas venture, we should be doing close to INR100 crores of profit this year. So as you said, around INR1,000 crores kind of valuation. So why there is aggression to sell it slightly lower valuation because annually, we will generate at least INR100 crores-plus cash flow from overseas venture.

Bharat Vageria: Let me check-up. I think you are right. From your point of view, you know very well when the family becomes big. We have to take the new house. We have to take the new partner. We have to take the new premises. I know very well, my overseas business is growing at 10% to 12%, good EBITDA margin, 13%, not bad compared to other businesses. But as I mentioned in my last call also, we are replacing business from 13% to 18% or 20% EBITDA level business.

Another thing, we'll have to see our management bandwidth also, and we have also experience to take a local partner in each of the continent, then we can grow faster and our management bandwidth will also be substantial. So every country has a good opportunity wherever we have a presence. You know that we have a presence in Asian countries, present Malaysia, Indonesia, Vietnam, and Taiwan. Every country is growing because the China Plus advantage is coming in that country.

So we have only compulsion. But at the same time, I tell you, as your investors, you are telling why you are selling it? Some investor comes and says why you are not reducing the debt. I have to...

Jignesh Kamani: Sir, I'm not discussing on this why you are selling, I am saying, valuation which we are getting is very low. So rather than selling at low valuation, better we hold on and whenever we get a right value so we can exit at that time, I am saying.

Bharat Vageria: I tell you; we have appointed the best merchant banker; you'll know the JPMorgan name is there. We are not doing that thing. We will take their advice and we are doing it.

Jignesh Kamani: Understood.

Bharat Vageria: An international player.

Moderator: Thank you. The next question is from the line of Siddhant from Omkara Capital. Please go ahead.

Siddhant: Congratulations on a good set of numbers. I just have a few questions. So firstly, on the LPG cylinder side, sir, are we looking to expand this capacity considering we are already running at 85% to 90% utilization in it? And considering the extension of the IOCL orders of 7,50,000 cylinders, so in the next -- like by FY '25 or '26, are we looking to expand the capacity after having multiple talks with gas distribution companies?

Bharat Vageria: You can tell me any other questions or this is your questions only?

Siddhant: Yes. Secondly, I wanted to understand from...

Bharat Vageria: I will give you the answer together.

Siddhant: Yes. So secondly, I wanted to understand on the CNG cylinder bit, like considering they're running at around 85% to 90% capacity again with a healthy order book. So are we having any more orders in queue for the utilization of the 600-casket expansion or the orders will start coming in now? These are the two questions.

Bharat Vageria: Okay, fine. I think we have good questions. But if you have gone through the policy which have been given on our site, that is the government has made out policy, 2020 policy. That is very clear CNG business, and in gas sector, automobile sector is a huge opportunity, total size of the business is around in cylinder itself, INR28,000 crores, which includes metal cylinders, composite cylinders, where we are estimating, this eight-year policy is there, where we are estimating this business can be LTV on the CNG business can be more than INR2,500 crores business in the next five years' time. So we are trying to catch up that business.

In looking to expansion, yes, expansion, if you have heard in my last call, we have said expansion is on process already signed up, but it takes time to process because machinery and delivering supplying is a time-taking process. Already we have ordered in the beginning of this year itself. So CNG expansion in ongoing.

Now you asked about LPG, I accept that I think we are running currently 80% to 85% capacity. But I tell you Siddhant, on the basis of the one customer, we cannot take the decision for expansion, let other two other gas distribution company, HPCL or BPCL should come out, then we will talk because we don't want to depend on the one customer itself.

Even though currently, we are supplying export to the other countries. So let us -- we are keeping our eyes open. We are watching regularly. LPG expansion definitely in case two other comes, we can think of the H2 of FY '25, not now. My first priority to do the CNG business expansion, which is order book is healthy. And every month, new inquiries coming because of this allotment has been given for the CNG gas station to various parties.

Siddhant: All right, sir. Thank you. And sir, one more question. Sir, we recently got the approval for type 3 cylinders used for oxygen. So are the manufacturing of that? Is it included in the 600 casket, which we'll be putting up or in the 480 existing casket capacity?

Raghupathy T: It will be happening from the existing capacity.

Siddhant: All right. And the last question regarding the EBITDA margin for composite cylinders. So could you just give a view on segmental EBITDA margins?

Bharat Vageria: I'll tell you that's the point we are criss-crossing because we have some common infrastructure facility where we do blow moulding, injection moulding, composite all put together. So it is very difficult. But internally, as I mentioned, if you are aware, in composite total EBITDA margin is ranging from 18% to 22%. Exactly EBITDA margin is not possible because at one location, various product mix together then to making the final product, I have to use the different processes, injection moulding, blow moulding execution, all processes are all there.

Siddhant: Right, sir. Sir, and lastly, just on the IBC segment. At what level of growth are we estimating in the -- for FY '25 and '26, could that be somewhere in the range of 17% to 18%?

Bharat Vageria: Over 15%, I can say, roughly, yes. Over 15%.

Siddhant: 15%?

Bharat Vageria: Yes.

Siddhant: So that includes all our manufacturing plants and even overseas?

Bharat Vageria: No, no. Overseas, I mentioned you separately 10% to 12% growth in packaging because overseas, we do only packaging products which is including the IBC, but I'm talking about the India part is concerned, there the normal packaging product, which we call as the plastic drum, Jerry cans, we can estimate a growth chemical company growing 10% to 12%. We can estimate that only and the chemical volume growth is there.

But definitely, as exports from India is increasing to the other countries. Therefore, we are estimating IBC growth. And as my partner has mentioned, Raghupathy has already, that GNX has created brand is in the 11 countries. Many customers in overseas returning their correspondence us, they want material packed in the GNX brand itself because we have an international -- we are a member of the international collection centres also, that we are estimating over 15% growth.

Siddhant: All right, sir. Sir, thank you for answering all the questions. I wish you all the best for the next half of the year.

Bharat Vageria: Thank you, Siddhant.

Moderator: Thank you. The next question is from the line of Aman from Aman Investments. Please go ahead.

Aman: Sir, my first question was, I just wanted to understand -- first question. On the Tesla order per VLPD, have we supplied in the orders can you just, unable to track that supply as well, if your comment? And second question, I wanted to get your -- sir, am I audible? Hello?

Bharat Vageria: Yes.

Aman: Perfect. On first one, on the supplies of Tesla order VLPD and also your outlook would like any further orders or any other further agreements have we had because telecom sector has also applied these batteries in their new towers, which are coming in various places.

And second thing, I wanted to get your outlook on commercial vehicles because due to energy generation, transportation requirements, commercial vehicle is being seen as a good sector, a growth sector, how do we see it because we are supplying fuel tanks, oil tanks and other plastic related products, hard plastic-related products to them. How is this sector turning out to be?

And also, is there any development in irrigation sector, substantial development for our infrastructure products in polymer products categories?

Bharat Vageria: Aman, I think you have mixed up so many things together. And one, one thing I will tell you, you are asking about the battery business, that is a separate subsidiary company business where we do. We are focusing on solar batteries, railway signal batteries, industrial batteries. And yes, we have a capacity to manufacture telecom sector batteries. But if you tell me the theory is that telecom sector business was 80% which is currently reduced. You know the reason; telecom companies were not doing -- they were not maintaining their tower properly. They were not demand. The battery was very down because of their, our revenue was affected.

So we are now focusing on the solar, railway signal and industrial batteries. And as far as this battery is concerned, it's a small part of our overall revenue, we have discussed last time, and we have mentioned at the right time, we will also have a plan to exit. But yes, as far as company is concerned, the revenue is in the range of INR120 crores to INR150 crores.

But yes, the existing potential with a certain modification revenue can reach to the INR300 crores. But as you heard in our last call also, we have a more focus on the value-added products, so definitely, you asked me two years down the line, we may not continue this as far as battery business is concerned. But yes, if the company self-survival, that matter is concerned.

Now, another thing you asked about the infrastructure development, yes, irrigation, we don't do. But in infrastructure business territory, we do PE pipe, which is a good demand is there. If you see my last earning call, where we had mentioned previous year, we did INR200 crores business. Currently, we are estimating more than INR250 crores business.

At our present capacity utilization, we can do business in the range of INR400 crores. So definitely, this business, we'll see -- we will do the expansion, when we reach the business of INR400 crores. Now the business, which we have talked infrastructure is developmental zone. Have I left anything from your question?

Aman; Yes, sir. Commercial vehicle, I just wanted to understand?

Bharat Vageria: You have taken the right. On the commercial vehicle, we have certain automotive industry relationships. You and we all know very well, this industry is growing more than 15%, but we don't do the -- as I can say, the commodity products for the automotive sector. We do some specialized products for the commodity. And that is continue to development with the close relationship with the OEM directly.

Aman: Okay. Sir, just a follow-up question on the CNG, on the composite cylinder, sir. Just wanted to understand, we do end-to-end production of cylinders and what is our market share in India because we are the first one to start?

Bharat Vageria: So, you are talking about the CNG?

Aman: No, composite cylinders, sir, LPG cylinders?

Bharat Vageria: LPG cylinders. Yes.

Raghupathy T: Yes. We make these cylinders and offer it to the gas marketing companies like Indian Oil, Bharat Petroleum, HPCL. So they are the ones who buy the cylinders. They fill the gas and they market their gas and diesel, so that's the application point.

Aman: Yes, sir, what is our market share? Because I assume it will be enormous.

Raghupathy T: Well, frankly speaking, when we look at the overall size of the market for LPG cylinder, they are in excess of 40 crores cylinders, right? So our share of business, when we talk about the entire market is minimal. But as you would appreciate the composite cylinders are an emerging option, which is being preferred by the users, and that is growing rapidly. So as on date, my market share on the composite side would be in excess of -- in India, it should be in the region of 75% to 80%. And globally, we are trying to reach out, so that's a difficult number to put it.

Aman: Perfect. Sir, just wanted to understand because -- do you think -- is it a transition pace for composite because certain challenges are there in accepting the cylinders, whether it be deposit money or any other local or retail challenges? How are -- how is government supporting to overcome? And is the force from the government side also very much pushing? Or are they in a stage of very complacent manner?

Raghupathy T: Well, the initial experience has been very good people who are handling these cylinders are also appreciating the fact that composite cylinder being light in weight, gives them a lot more convenience and advantage both the people who are involved in the trail and distribution, they are happy.

The customer is happy that he doesn't have to no longer handle the heavy cylinder inside the house. The woman feels very empowered because they don't need a man around when the cylinder is being changed, that's -- all of these are being very well appreciated. The light weightiness of the cylinder is good, the attraction of the cylinder is good. And above all, it's a very safe cylinder. This cylinder does not explode unlike a metal cylinder. So that's the reason as to why the composite cylinders are vastly emerging as a very good option..

Aman: Sir, this is the last question. Usually, our mix of polymer products and composite polymer products, plastic products on composite has been in the range of 60% to 40%. Going forward, do we see the same mix going forward? Or will there be a change? Or do we presume that to be changed?

Bharat Vageria: As I mentioned to you, as the value-added product, which includes composite product, LPG, CNG and all other composite products, including IBC. Percentage of business, which is currently 25% is going to be increased. I mentioned to you, we are estimating it would be more than 35% in the next three years' time. Even though all other products, will also be growing 12%, this composite growth percentage will grow more than 30%.

Aman: Okay. Thank you, sir. All the best.

Moderator: Thank you. The next question is from the line of Mahindra Jain from Way 2 Wealth. Please go ahead.

Mahindra Jain: So heartily congratulations to all of you and your team. Yes. Sir, my question was, regarding this, we are having -- holding of 75% into TPL Plastech. So that today's market cap is around INR400 crores of TPL Plastech of INR100 crores company. So, are we -- any planning anything to get benefit for the shareholder of TPL or Time Technoplast in what way we are like in it, how we will resolve this partnership and all?

Bharat Vageria: Why to resolve, I'll tell you, son is earning or father is earning, money is coming to the home at last. He is our son, TPL Plastech is 75% subsidiary. So that company earlier was doing jerry can and drums. Now they have launched IBC also, and Time Technoplast, while created a brand in

IBC. So whatever business time is going -- manufacturing that benefit is going to technology, benefit, advantage, experience benefit will go to TPL also.

Mahindra Jain: Okay. But as we are restructuring, like in a way...

Bharat Vageria: No, there's nothing to do. Currently, in current status, I can tell you, it is going to be continued business as this is ongoing separately, because TPL Plastech contribute 8% to 10% to my entire consolidated revenue. That is to be continued. We can decide after two years or three years, we will decide to consolidate packaging business, but currently, it is not on the paper or nothing is there.

Nothing is discussed at all. It's going to be continuing. We are going to get the benefit of the experience of the Time Technoplast team for the product expansion. And you have seen TPL presence wherever Time is not there, TPL also put up their plants all over India.

Mahindra Jain: Okay.

Bharat Vageria: The benefits company is getting to continue. So, the business is continued separately.

Mahindra Jain: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Dhiral Shah from PhillipCapital India Private Limited. Please go ahead.

Dhiral Shah: So, this year -- so we were targeting to reduce the debt by INR150 crores. So, in first half, it reduced by INR34 crores. So, are we on track to reduce the overall debt by INR150 crores in respective, let's say, international business sale or not sale?

Bharat Vageria: You're right. When we will learn what we do. We have to repayment debt first only. Yes. It's going to be a continuous process.

Dhiral Shah: So, this year, sir, almost try to reduce by INR150 crores?

Bharat Vageria: At the end of the year, my answer is, yes.

Dhiral Shah: Okay. And sir, in your opening remark, you talked about the value-added product contribution will go from 25% to 35% over the next three years. So, presuming after three years, let's say, value-added contribution grow up to 35% and that at that point of time, what the EBITDA margin look like?

Bharat Vageria: I might -- ask me even though it is not visible but something we can worked out on the paper, maybe over 15%, maybe in the range of 15% to 16%.

Dhiral Shah: Okay. And sir, what is the value of the overseas assets on the balance sheet right now?

Bharat Vageria: So, it is going to be expansion by 30 to 40 basis point, the expansion will be there.

Dhiral Shah: Okay. In the EBITDA margin?

Raghupathy T: Yes.

Bharat Vageria: So similar effect will come on the price also.

Dhiral Shah: Okay. And sir, lastly, what is the value of the overseas assets on the balance sheet right now?

Bharat Vageria: Exact figure I don't have currently, but I think what you're asking me?

Dhiral Shah: Overall, the value of the overseas assets?

Bharat Vageria: The value of the overseas assets may be in the range of INR700 crores-INR800 crores around.

Dhiral Shah: Okay. Thank you so much, sir.

Moderator: Thank you. The next question is from the line of Mehul from Nuvama Wealth. Please go ahead.

Mehul: Good evening team. Thanks for opportunity and congratulations on great set of numbers. My question is, sir, you have guided for working capital like reducing targets you have given for like the next three years, like you should be reducing. So is it that we have exited target or like we should be in the similar fashion like in going forward? Because there have been like...

Bharat Vageria: I mentioned, I think -- you met me also, and I've told you the last time also, every year, you will find the improvement in the working capital cycle time. Internally, I can say next three years' time, I'm keeping a target of net working capital cycle time 90 days, which is currently in the range of around 105 to 107 days is there. And we have seen quarterly also, we have quarter-on-quarter is improving as the sale of the valuable appropriate time are increasing, this benefit is going to be continued.

Mehul: Yes. So my question, sir, I got it. Like what I am asking is in first half, there has been significant reduction in terms of like a working capital cycle, so is it that we should be exceeding that reducing even further to 90 days over three years? Or again, it should be like a meeting that, like?

Bharat Vageria: No, it is going -- I think you will find an improvement of -- you will find the improvement of three to four days every quarter or every year here at least because you have seen when you are growing more than 16%, then also some working capital management will be there, but in a number of the days, it is, I think, only in the first half working capital days, 107. Yes. So my -- at the end of the year, you will see, I'm keeping target of 100 days. So you will find the further improvement in the next half.

Mehul: Okay. So 90 days like we should be meeting like in the not exiting, but like...

Bharat Vageria: Yes. I'm quite hopeful. I'm quite hopeful. If you see this year maybe 100- or 102-days next year, you will find 95 days then after we will see that. Every year, we will find improvement as the value gets added is increasing, and we are ourselves some discipline we are maintaining. We are arranging some kind of the products; we are talking to our customers also to giving certain benefits and give us our money on time. At the same time, we are talking to creditors to give the more credit, because now that every year globally also now market is open for that. So many,

many opportunities are available. You can negotiate good companies are coming, new many manufacturers are coming. So you will negotiate the better terms.

Mehul: Sure. And sir, in terms of this value-added products wherein IBC is part of it. So I believe like 1/3 business is in domestic and like 2/3 business comes from overseas, if I'm not wrong of IBC?

Bharat Vageria: In IBC not exactly that, but you will find the 45% which we are in India and 55% overseas from IBC part is concerned.

Mehul: Okay. And how are EBITDA margin over there? Is it similar or like somewhat...

Bharat Vageria: I tell you; EBITDA margin may be different countries different. So overall, we are considering EBITDA margin in the range of 13% for overseas. But India, yes, maybe, as I mentioned, the value-added product, 3 products are there at different margins. So maybe in the range of, I guess, say, 14% to 16% EBITDA range.

Moderator: The next question is from the line of Ganesh from GK Advisors.

Ganesh: A couple of questions. First thing is, I mean, we are doing well on the CNG expansion and taking matured steps but looks like most of our revenue and profitability growth, at least on the value-added side is coming through CNG. Is there a risk of kind of putting all our eggs in one basket? That is my first question.

Bharat Vageria: No, I think your question is not clear. We are not putting any one basket at the business what we are talking about, the CNG?

Ganesh: Yes.

Bharat Vageria: CNG, you see the size of the balance is CNG, what we are doing. CNG my total existing price expansion were put together maybe in the range of around INR200 crores investment and where we are estimating revenue by INR800 crores in the next 2 years side and INR800 crores revenue, if you ask you the 2 years turnaround, then my total revenue will be in the range of around INR5,000 crores, excluding the overseas business. And it is hardly 15% of my total revenue..

I don't think we are -- not have. You know that even we have delisted our business product wise. We have a packaging business 17%, we have a infrastructure business, which is always 7% to 8%. We have a battery business . So segmental wise, we are quite -- even country wise also, we have been. We have present in 11 countries among the business.

Ganesh: Among the value-added business, so LPG has kind of hit a feeling because of various reasons, okay, because not much offtake from the OMCs and all that. So most of our growth on the value-added side is coming to some extent in IBCs plus the largest extent in CNG. So I am just thinking -- asking that if -- there is a risk of CNG also becoming like the LPG situation or there is a bigger enough market that CNG can grow well for last more years.

Bharat Vageria: I tell you; I don't consider this. It's a good opportunity for the composite product impact. My partner Raghupathy will explain to you.

Raghupathy T: CNG business is here to stay for at least for the next 7 to 8 years, as you would read the government policy itself, they are very, very clearly advocating the use of natural gas in the -- as an option to petrol and diesel. So that drive is there. And accordingly, they have formed their policies, the allotments have been made for distributing the CNG business among the different CNG companies. And that they are firmly in place.

So if the opportunity comes our way, we would like to grab it with both hands. There is no doubt. The other end of the piece of the cake is also the fact that these businesses with growth to encompass the automotive application additionally, that will also come in when my expansion has been in place, and we are also getting ready for -- to partake in the hydrogen demand that will also come up in the -- another next 2 to 3 years, right?

So we are making sure that we are readying ourselves in terms of technology upgradation, whatever is required to capture these emerging opportunities that are there. So from a risk point of view, I think there is a minimal risk to participate the demand that is coming our way is a very natural way to grow the business.

Ganesh: Got it. Got it, sir. Just one more question, sir. Most of our raw materials for at least our value-added products, I am assuming they are all imported. So is there an opportunity available that they may be available at least, if not now, in the subsequent years available locally. And that's make our raw material costs lower.

Bharat Vageria: I think your question is right, genuine, but I tell you the development of the CNG cylinder took place almost 4 to 5 years. Now the inputs, we don't change frequently because trial and testing procedure involves crores of rupees for talent testing. If you see the world over also, we are also following the international company's practices who are talented products available.

If you ask me today, if you ask me the composite products availability of the raw material in India, I am not only visibility at least for the next 2 to 3 years. But yes, for my requirement, we have made an advanced contract. We have made our tie-up. So there should not be when my order book is there, I should not have a shortage in the raw material. And that is also like the reasonable price terms agreed with them, and therefore, we have made a contract with them. So we don't currently see availability in India in -- after 2 or 3 years, we can't say anything, because some of the specialized inputs are there.

Ganesh: Got it. Got it. And I'm assuming the capability is not there yet for the required quality also.

Bharat Vageria: Yes, yes.

Ganesh: Got it. That's all from my side.

Moderator: The next question is from the line of Rupen from RN Associates..

Rupen: Sir, I have one question. See, currently, we are at an advanced stage of monetizing the Southeast Asia region and U.S. So Middle East MENA region, so would it be fair to assume that in FY '24, '25, we would be monetizing the Middle East as well as certain noncore assets as you alluded in your opening remarks?

Bharat Vageria: I agree. All will run parallelly. You are right, as the 2 continents we are talking on this means that the terms are under discussion, agreements are under discussion. But as you are talking and I have given the conservative timeline of March '24, yes, I'm quite helpful at least I can say the 90%, I'm hopeful, even Middle East will also be complete because process has started already 2 months back. So talk is ongoing. We have already signed the NDA, but I'm waiting for the next process from the potential buyer.

Rupen: Okay. So by March '24, you mean to say that total international business, we will be able to offload down 80% stack by March '24 itself, including the Middle East?

Bharat Vageria: I'm keeping hope. If you ask me 2, yes, if you ask me [carbon] also, I'm keeping myself ready for that.

Rupen: Okay. Okay. Okay. And the other noncore assets, I think that you alluded in FY '25, you were hopeful of monetizing it. So...

Bharat Vageria: We have made a list, now the process has begun. I've already discussed in formally in my board meetings also. I've identified -- I'm keeping the responsibilities of the individual team. And definitely, we ourselves has kept the target by March 2025, we should have 0 nonperforming assets, whether it is in the form of the machine, foot in use, whether it's a form of the land or building or whatever may be.

Rupen: Okay. Okay. And this particular, I guess, these noncore assets would be other than battery business, right?

Bharat Vageria: Yes. Yes, you are right. I mentioned that business is definitely separate because where the Time has invested INR55 crores in that business, that I'm not yet taken into account.

Rupen: Okay. Yes. That's it from my side. And all the very best for future business as well as the monetization of international business, yes.

Moderator: Ladies and gentlemen, we take that as a last question for today. I now hand the conference over to the management for closing comments.

Bharat Vageria: Okay. Thank you very much to all for hearing the earning presentation. We'll come back. I think it will come back after this December result, no, it's one in the February. Yes, yes, yes. We'll come back in the February again in the good number and we need you your blessings of all my new valued investors to support as it is ongoing. And we do our best effort to fulfil the promises and guidance, which is providing. Thank you once again.

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