“Time Technoplast Limited

Q4 FY ’24 Results Conference Call”

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

Moderator: Ladies and gentlemen, good day, and welcome to Time Technoplast Q4 and FY '24 Earnings Conference Call hosted by PhillipCapital (India) Private Limited.

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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, Liza. Good afternoon, and very warm welcome to everyone. Thank you for being on the call of Time Technoplast Limited. We are happy to have the management with us here today for question-and-answer session with the investment community. The management is represented by Mr. Bharat Kumar Vageria, Managing Director; Mr. Raghupathy Thyagarajan, Whole-Time Director; Mr. Sanjeev Sharma, Whole-Time Director; and Mr. Vishal Jain, Non-Executive Director.

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

Bharat Vageria: Thank you, Vikram, to you for introduction of the entire management team, including the Board members. And good afternoon to all of you, my existing and valued and prospective investor. We are here to talk about our results of Q4 and full financial year ended 31st March 2024 and our outlook for the next year.

In fiscal 2024, our revenue grew by 17%, driven by increased volume and strong demand for our value-added products. Our established product lines such as drums, jerry cans, PE pipe, et cetera, experienced a stable 12% growth. Meanwhile, our value-added products, including IBC, composite cylinder, LPG, CNG and the MOX film saw an impressive 32% growth, now constituting 26% of our product mix. Our operating margin remained stable at around 14%, thanks to our ability to pass on raw material cost fluctuation and the actual fluctuation to our customers.

Looking ahead, we anticipate that continue this growth momentum at least for 2 years and targeting around 15%, fueled by steady growth in our core packaging business, expansion of our composite cylinder segment, which includes LPG, CNG, oxygen, I'm not, again, clarifying hydrogen cylinder, it is under process of development and approval. That is not projected because commercialization will take place after March 2025.

So our core market in FMCG, specialty chemicals, construction chemicals, paints, pharmaceutical, continue to exhibit the strong demand prospect, positioning us well in future growth. At last call also, I have said that India and other Asian countries where we have existence, we are getting the advantage of China plus -- shifting the business from China to other Asian countries.

At the onset, I would like to inform you that the Board of Directors recommend a dividend of 200%, INR2 per share. Previous year, it was INR125%, INR1.25 per equity shares, and face value of INR1 for the March '24 subject to approval of the shareholders, resulting in a significant increase by 60% in the dividend outflow. You recall my call last time, as the company's earnings are increasing, company would like to improve the payout ratio and on that direction, management is working. Therefore, we've increased the dividend from 125% to 200%.

Coming to the financial numbers, the results are already announced. I will just walk you through some of the key financial numbers and I will shed light. You recall my last conversation call where I said full year profit, which was for March 2023, company has achieved in 9 months. So this quarter 4 is a bonus for this year compared to last year.

You will see that net sales stood in this quarter 4 is INR1,405 crores, which is the highest in the quarter in the life of the company as against INR1,193 crores last year. EBITDA of INR197 crores as against INR170 crores last year. PAT, INR92 crores as against INR64 crores. In terms of the percentage, you see the net sales increased 18% with contribution from India 19%; overseas also 16%. Volume increased 19%; India, 20%; overseas 18%. So India and overseas is running in the same pace around with a gap of 1% or 2% here and there.

EBITDA increased 16%. But you will find because of the utilization of the asset efficiency, because of the use of the funds very effectively, the PAT has increased by 45%. EBITDA, impact excluded margin, 14%; and PAT margin 6.6%, where you will find a substantial increase as against 14.2% and 5.3%. A straight 1.3% gain in the PAT is on account of the depreciation and the interest rate.

Increase in the freight cost due to the geopolitical issue in the Middle East region and due to high business in the PV pipe division having -- especially wide, that is also 10 or 20 basis points in the last quarter. It's not material because in the particular PV pipe order, we take on the fixed price basis, but there maybe a fluctuation in taking the time gap between the passing of this to the customer.

But you see the half yearly results or something, you will have a doubt. There's no any major difference in the profitability part is concerned because company is having B2B business directly where the price increase is also passed on to the customer and price decrease also we pass on to the customer.

During the year ended 31st March 2024 on the consolidation basis, revenue first time we crossed INR5,000 crores -- INR5,007 crores as against INR4,293 crores last year. EBITDA, as promised, crossed INR700 crores, INR705 crores it was this thing and guidelines was for INR700 crores around, as against last year was INR581 crores. PAT, INR311 crores. Guideline was there for around INR300 crores. So everything is surpassed from the guidelines. As against last year, INR219 crores.

In terms of the percentage, net sales increased by 17%, volume 19%, EBITDA 21%, but PAT increased by 42%. Share of the business, as we have seen in the above results, the value-added products grew by 32% in FY '24 as compared to FY '23, while established products grew 12%. The share of the value-added product is 26% of the total sales in FY '24 as against 23% in FY '23.

In the last conference call, I stated that in the next few years time, we will see in spite of growth in each of the products, value-added products share will 35% of our total revenue because the value-added products and composite products will grow 30%. Other legacy products, established products, in line of the other industrial base, it will grow 10% to 12%.

Now share of the India and overseas business, which earlier, it was 70% India, 30% overseas but now, I'm glad to tell you is 67% India and 33% overseas business as against 66% -- previously 66% and 34%. EBITDA margin and India and overseas is 14.4% in India, 13.4% in overseas. But because of the average taxation rate is low in overseas, the net PAT margins is more in overseas market compared to Indian market in terms of the percentage.

Now I'm glad to tell you that company is focused on the debt reduction. So you will see that net debt, net of the cash, as on 31st March stood at INR591 crores, total debt at INR745 crores as against INR709 crores previous year and total debt INR810 crores as on 31st March '23, a reduction of INR118 crores.

I would also like to bring your attention, we all are aware that in the current financial year ended 31st March '24, there was a three continuous holiday at the end of the year. That is 29, 30 and 31st. In spite of that, company able to manage their resources very certainly but it would have much better if company would have got three working days continuously. The management continue to focus on the further reduction in the debt and aim to become debt-free in the next 2, 3 years' time.

The capex incurred during the FY '20 is well within the budget, INR181 crores only, which includes INR77 crores towards the brownfield capacity expansion, reengineering, automation, establishing the product, etcetera, and INR104 crores towards the value-added products, mainly for CNG cylinders and IBC.

The total capex in the future is estimated in the range of -- as I mentioned in the last call also, it will be less than INR150 crores, which includes automation, reengineering because cost of the -- to maintain the cost, the company need to replace the machines mold, etcetera.

Return on capital, I'm pleased to inform that it has improved to 16.4%. In fact, I recall my confidence, I said we would achieve 16%, but it is now 16.4% and as company promised in the 2 years' time to reach 20%. So we are on that guidelines only. And to achieve this, company is implementing strategies such as increase in productivity through automation, reengineering, cost reduction, implementing power saving plans, enhancing capacity, brownfield expansion, increasing the revenue shares of high-margin value-added products, etcetera.

During the year, management has identified certain noncore assets, I have given that information in the month of December. And on that onwards, efforts are continue. At the time, the assets were INR125 crores, which is now reduced to INR90 crores. And as company is estimating to liquidate the entire noncore assets or utilize that prior to 31st March 2025, that also fund will be utilized part of the capex, part of the debt reduction and part of the increase the business of the company.

I would also like to inform you everyone that one of our subsidiary company, NED Energy Limited, they are working towards the development of technology advanced TBS or Transparent Container Batteries and E-Rickshaw batteries in lead acid and lithium at the existing manufacturing facility.

This development will happen in the current financial year so that benefit can be occurred in the period ahead when the e-vehicle rickshaw volume will increase, is a good potential, very big market is there. So development is undertaken. Transparent Container Batteries is a type of the lead acid batteries commonly used in power segment for backup power system and in other applications requiring reliable and long-lasting energy storage.

Coming to the consolidation from restructuring overseas business in the Middle East, which we have announced and already agreed to sell 50% of that business in USD 25 million. The process is on. We're aware this call is for the audited financial results. We can now hand over our audited accounts to the overseas businesses to their nominated agency for due diligence. So we are expecting this transaction is to be completed in June.

And that process already we announced, it will be used for the debt reduction and benefit to the shareholders as per the Board decision. In the quarter, the company received approval from Petroleum and Explosives Safety Organisation (PESO) for manufacturing high pressure Type 4 composite cylinder prototype for hydrogen. We are first here in India to have received this manufacturing approval.

I think I'm going to give -- we are going to give this good news, instead of 6 months, we will going to hear this in the next 2 months' time, because most of the process is -- time process is on, and we should get approval for manufacturing also in the next 2 months' time.

Now I would like to open the floor to answer specific questions, if any, which is not covered in my speech.

Moderator: Thank you. Ladies and gentlemen we will now begin the question-and-answer session. The first question is from the line of Amit Sarin from K16 Advisors. Please go ahead.

Amit Sarin: Good evening, management team, Vageria sir, congratulations on a very good performance once again. In the last couple of years, you have completely transformed the company. So many congratulations for that.

Bharat Vageria: Thank you.

Amit Sarin: Yes. I just wanted to know, normally in your presentation, you give the breakup between -- during the -- between the composite, you give the sub breakup that how much is CNG revenue, how much is LPG revenue. This time, it has not been given. So maybe it is oversight or something if you can share? That was my first question. Second question, if you want, or you can answer and I'll ask the second question.

Bharat Vageria: Yes. No, you can get into the next question, so I can give you answer of both. Meantime, I will ask my people to give me that information.

Amit Sarin: Sure, sure. I'll ask. Now also, the -- when one looks at the segment number, segment capital employed, the capital employed in composites has gone up quite sharply. It is now INR853 crores. And even the previous year figure, which used to be INR477 crores is now restated to INR802 crores. This is a significant change. So if you can throw some light on what is the correct picture and how we should look at it? That was the second question.

And the third was that there is a sharp increase in other income during the fourth quarter results. So if you can also elaborate on that? So these were the 3 questions.

Bharat Vageria: Yes. Okay, fine. I think, first, you asked about CNG and LPG separate figure, due to oversight because yesterday, long meeting was there because new directors also inducted from the banking sector. So I think in -- so every result was out, so we thought timely, we should give the accompanying presentation. In case of especially CNG and LPG, which was projected and we did achieve in case of LPG, INR210 crores and CNG, INR308 crores. So total is INR518 crores.

Amit Sarin: So INR210 crores, I'm sorry, what...

Bharat Vageria: INR210 crores for LPG, and INR308 crores for CNG cascade.

Amit Sarin: Okay. This is for the full year, this is for the full year?

Bharat Vageria: Yes, for the full year. You are asking the composite cylinder will be investment up because you know that our expansion plan announced last year, which is in process for which the company needs to do the investment of INR125 crores, okay? So order advance already given and that expansion is going to come this year, almost around, I think, INR70 crores to INR80 crores in capex already done on account of composite cylinder, which mainly for LPG and some of the equipments for development of the hydrogen cylinder. Revenue of this will come in the period ahead, half of the period can come this year also. So mainly increase on that.

Another thing, the composites, which includes the IBC also. We have seen the company -- one of the subsidiary company, that is TPL Plastech has completed the project in Dahej area for manufacturing the IBC, where they can generate annual revenue of almost around INR90 crores. That revenue has come only part of the previous 5 months of the financial year '23-'24. Therefore, the capital to revenue is not showing.

But if you exclude this investment of CNG expansion plus equipment of hydrogen plus Dahej investment of the subsidiary, including land, building, plant and machine, all put together, roughly, I can say around INR125 crores you have to exclude which revenue will come in the period ahead, then it will be comparable, right?

You asked me about the Q4 other income. Yes, you see my declaration and information provided earlier. The company has realizable value noncore assets, INR125 crores identified, okay? Out of that, 2 decisions were taken, one in southern region, one is the western region, that also I have updated to NSE, BSE.

Now one transaction, which was free land and buildings were available, that has been completed. And that location has given the profit of around INR10 crores on account of additional compared to book value. So this other income is including INR10 crores on account of the nonrecurring income, right?

Amit Sarin: Okay. So I had just one clarification. The last year, capital employed was INR477 crores in composite. So that restatement, I did not understand.

Bharat Vageria: Okay. I think what I can do is, Amit, I'll ask my people to work out the details. And if you can provide details to my IR Manager, Mr. Digvijay, they will provide you quite literally working and I'll give the details because exactly details I don't have available, the investment composite, what they have taken in composite.

Because composite product, which we cover IBC product, which covers the steel drums, then we cover the LPG, CNG and auto segment, okay? That's all covered under the composite products. So as far as capital investment is concerned, to which I remember very well, therefore, I'll explain to you. But remaining, they will find out, they will recheck and confirm to you.

Amit Sarin: All right. Just one thing, if I may. One more question, if I may.

Bharat Vageria: Yes, go ahead.

Amit Sarin: You are doing a great job on the gas station front, the composite. Every year, you increase quite sharply and that is visible for everybody to see. When are you going to get into vehicle gas cylinders because both Maruti as well as Tata Motors have big plans. So I was just wondering, does it -- I mean are you economical enough? Is there any cost analysis done which makes you suitable for those vehicles, passenger vehicles?

Raghupathy Thyagarajan: No, it is suitable. Amit, it is suitable, it is approved by PESO authority. Now I had mentioned last time also, when my expansion of the cylinder manufacturing capacity will complete, then we will go to the automotive industry where they can replace. And advantage, there's whole advantage of using the composite cylinder in the state of present metal cylinder because that becomes lighter, okay?

And then they can carry more gas, the bar pressure, which is our cylinder, composite cylinder bar pressure is very higher side. So that all will give the benefit. But that we will approach. In fact, approach already done, but some groundwork, detailed discussion, that all is ongoing because we know that automotive sectors approval itself takes 8 to 12 months' time. So we have initiated talk with them, design taking everything.

Approval is already there. My 56-meter cylinder is already approved by PESO authority. But one thing I'll just clarify you, in case of selling cylinder plus cascade, I'm doing some value addition. So I'm adding the margin on cylinder plus complete cascade there, so we are getting the margin on that. Therefore, with the value-added products we are selling currently, first target is to supply to the gas stations from mother stations to the filling stations.

And you know very well how big is the market, INR28,000 crores market is there as far as CNG cylinder itself. Now every day, we are also and you also most hearing that so many CBG plants are also coming and Reliance, Adani, many people are working on CBG plant, they will need our type of the cylinder, CNG cylinder. And another, CNG also a lot of things to be done in the increase in the capacity to storage of the more gas in one cylinder with the same type of the volume. That will come. You will see, I think by next year, you will be able to see that.

Moderator: Thank you. The next question is from the line of Ashish Khurana from Emkay Capital. Please go ahead.

Ashish Khurana: Again, from my side as well, big congrats to the management for walking your talk and not only meeting, but in at least the operating metrics, surpassing the guidance. Congratulations. So sir, I was going through some of the previous calls, and I think Bharat ji or Raghu ji also mentioned a few seconds back. I just wanted one clarification on this opportunity that we talk about in the CNG cascade business. So the opportunity size mentioned is around say INR20,000 crores. So the clarification I wanted was that is this INR20,000 crores specifically for type 4? Or is it combined Type 1, Type 2, Type 3, Type 4 that you're talking about?

Raghupathy Thyagarajan: Yes, it is the entire family of applications for CNG, which will include the cascade as well as the automotive applications, plus, of course, the type 1. When you talk about INR20,000 crores, it will be the current demand that is happening.

Ashish Khurana: So this is across all the types. And we are hoping that 50% of it would at least be Type 4, which would -- which probably we'll have a big chunk of it from that.

Raghupathy Thyagarajan: That's right.

Bharat Vageria: But Ashish, well, again, I'm clarifying you, it's for the new market. I'm not considering the replacement market. You know that CNG cascade of metal cylinders are available for more than 25 years in India, okay? So we are not considering. This is only based on the government guidelines and government policy of October 2020 where they have -- stations have been allotted 8,100 stations. And we are considering to cascade 1 station, which itself is a market of INR12,000 crores.

Then there is MRU, mobile refuelling unit is there, compressed biogas is there, then automotive industries are there. So INR28,000 crores to INR30,000 crores total market share, each of the segments we are considering, at least 30%, 40% conversion will take place because of the advantage of using the composite cylinder.

So as a company, as I have mentioned in my last call also, the composite cylinder business, which is currently in the '23-'24 around INR300 crores, which we are projecting in the next 5 years' time, it can be INR2,500 crores or INR3,000 crores our company's own business.

Ashish Khurana: Got it. Sir, this makes it very clear. Secondly, sir, so I think we have previously mentioned that the competition here is either players who don't have that technology in terms of, say, the bar pressure levels that a Type 4 cylinder can sustain or they import. And I know in the previous call, you have said that you have been trying to get a sense on the market size of, say, the previous FY.

So what I wanted to understand was that even if we do not have the exact market size, given the competition and what we have spoken about it, is it fair to say that, say, in the previous financial year, we had, say, over 50% share of the Type 4 CNG cascades that were sold, especially Type 4 that was sold in India?

Raghupathy Thyagarajan: In fact, when it comes to Type 4, we are the only manufacturer here in India. So I would say we are definitely doing -- we are leading the pack, first thing. There are very few people who have managed to import the Type 4 cylinder from Korea or Russia, but those are petered out, given the fact that we are now making it here and have a considerable advantage. Same is the case with Type 3 also, we are in the position to get that advantage and we will soon also be in a position to overtake them in terms of our presence.

Ashish Khurana: Got it. Now sir, coming to the LPG cylinder side. So we have an effective capacity of, say, around 1 million, if I'm not wrong.

Raghupathy Thyagarajan: We have 1.4 million.

Bharat Vageria: 1.4 million, but he's right because 1 million is for manufacturing capacity...

Ashish Khurana: Manufacturing, because of various sizes that you have to like...

Bharat Vageria: I agree fully with you. Yes, where we can generate revenue of around INR230 crores to INR240 crores.

Ashish Khurana: Yes. And in the last call, it was mentioned that 90% of it is utilized, but we are not actively looking to add to it because the opportunity might not be that lucrative, is it?

Bharat Vageria: No, no. As you know that I had clarified last time, as far as these LPG cylinders, government, main companies are IOCL, BPCL, HPCL. You know that last 2 years only the business has taken place, right? So in the last 2 years, government, other companies, I tell them, there are better companies also like BPCL, HPCL, there also small quantity we have supplied. And in the last 2 years, we and other producers in India, both have supplied around 1.5 million cylinders in the market.

And in addition to that, I mentioned that we have a capacity of 1 million sellable capacity. Almost 48 countries, our cylinders are approved. And we are exporting 30% to 40% of our capacity export market also. Last year also, we have added 5, 6 countries more, and this year also, we are projecting to add more countries because we don't want to dependent only on the India. The business was set up because we know this product and we are in this product since more than 10 years in India. But Indian government did not took 2 years back and this has just happened 2 years back only.

But we are sure once -- and that also you see as the India geographical presence, and these 1.5 million cylinders in 29 states, so very small quantity reach now. You won't see any cylinder in Mumbai region, because out of the total Maharashtra only 15,000 cylinder allocation last 2 years, how I'm able to see that.

But yes, the people, those who have started the using, they are getting good response because of the advantage, lightweight, easy handling, gas visibility, no explosion in the cylinder. So that advantage and a lot of now the education to the people is to be carried out, education to the distributor is done. So we are closed working with these government companies, how this message can go to the each user of the LPG cylinders.

So I think you will see in next period that therefore, we have not taken the expansion. We have seen that let us -- even though we are 90% utilization, but we have seen that and we have also -- unless the BPCL, HPCL start the buying quantity in the large, you know that how many cylinder population today, it's 500 million, 50 crores cylinders are in population.

And every year, government need how much? They need almost 5 crores cylinders. And against that, what is the capacity of us and Supreme, less than 5% even I can say. What is this capacity? Nothing. So it is going to happen. I remember very well. You go back. We are in the polymer drums, right? You go back to 25 years back, the entire market -- 30 years back, the entire market was controlled by the steel drums and leader was the Balmer Lawrie, when we had this government company.

You see now 30 years, 60% conversion has taken place now, 60%. So it is going to be happen slowly, slowly. And we are going to see at least sustainability when the BPCL, HPCL, IOCL and some of the private gas distribution company also take the interest and use these LPG cylinder. And then we will talk about the expansion. We are not considering in our revenue growth of 15% this LPG cylinder any expansion. Yes, we are happy with 90% utilization.

Let us first people started using and recurring customers should come back because it's a onetime and use one again. Two years back, the price difference between the metal cylinder and composite cylinder was more than 30%. Today, it is reduced to almost around 15%. As the volume will increase, we can also offer you very, very competitive prices of this. Yes.

Ashish Khurana: Got it, sir. One final bookkeeping question. So in the last call, you had given a guidance of FY '25 interest cost to be around INR70 crores, and that is how we see it right now, right?

Bharat Vageria: I think you are right because we revised also after audited results yesterday night, we were all -- we were here only. And after the audited results, we revisit our revenue of 2025 and interest working. You are on that line only. I think the right figure you asked.

Moderator: The next question is from the line of Abhijeet Purohit from Kaviraj Securities Pvt Ltd.

Abhijeet Purohit: Firstly, congratulations on really strong set of numbers. I just have one major question. The approval that we received from PESO for manufacturing, high-pressure Type-IV composite cylinders and this is for the prototype hydrogen side. So I just wanted to understand and just wanted to know how much revenue potential -- incremental revenue potential we have from this approval? And can you just throw some light and explain?

Raghupathy Thyagarajan: Abhijeet, it is too early to say about that. I mentioned to you, hydrogen cylinder requirement is depending on the hydrogen gas plant, which is again as you know that currently, CNG using in the vehicle, future you will see hydrogen using because the capacity will be more. But yes, we are the first company who got the approval. And as you mentioned, the approval, this is a prototype approval. We made some samples which is in the approval. Now, we will do the lot -- lot of the production capacity. There are many -- as I understand from my technical team, almost 30, 40 tests are required. So almost 75% test has been completed, balance is in process. It's a time taking process. So we'll come to know final approval in the next 2 months' time.

Then we will find out, we will meet to the company's requirement. But yes, everywhere, green energy, you are hearing every company is working on green energy, every company is working on the hydrogen. So we have an advantage definitely, but commercialization, estimated revenue which you mentioned to Mr. Rashid just I have told him, is revenue guidance of '25 we have not factored anything. Just we are keeping ourselves ready to take -- to capture the market and the first mover advantage. That is our objective.

Abhijeet Purohit: All right, sir. Just wanted to understand, in Q4, we saw a slight dip in our EBITDA margins of established products. So is there any specific reason or it's just a momentary thing?

Bharat Vageria: I think I have also worked out because some other person has also asked me yesterday night. But you know that last quarter, always, you will find some kind of the annual provision and certain kind of, I can say, the voluntary retirement settlements, we have done from the labour at the units. So there is hardly -- the employee cost is incremental of INR3 crores to INR4 crores. Otherwise, there is no normal. There is a 10, 20 basis points is there. Other things we have seen that INR11 crores nonrecurring profit is also there.

But as I mentioned always in my call, the variance in the EBITDA margin will be up to 50 basis points because whenever price increase, actual fluctuation, it takes time to pass on with the gap of 25 to 30 days. You will not find any much variance into the period end. Yes, we, however, try to keeping target EBITDA margin in the range of 13.5% to 15.5%, we are keeping the range depending on the established product mix and the value-added product mix.

Especially in the last quarter, you were asking me, with PE, pipe business, which is, again, we supplied to the PC contract or certain government guidelines, completions of projects, etcetera where the EBITDA margin is in the range of 10% to 11%, above 5%. So volume is more there. Therefore, it may affect 10 to 20 basis points. Otherwise, there is no any other reason or downside in the EBITDA. Utilization is okay, supply is okay and all product our segment is okay.

Moderator: The next question is from the line of Rahul Dhruv from Pegasus Growth.

Rahul Dhruv: Congratulations on great numbers. Just wanted to check on a couple of things. One is on the LPG cylinder contract that we have currently. When does it end? And how much of that revenue is -- let's assume if you don't have any further contracts from HPCL and BPCL? What would be the impact on revenue?

Bharat Vageria: I tell you, you know that elections are ongoing there. The previous contract is over now. We and other partners have supplied that. New contract is already in process. Everything is finalized but we will -- I will be able to -- being a listed company -- and quantity, I will be able to let you know in the next 15 or 20 days' time because already finalized and I will announce when I will get order in hand. But yes, process is on, because of government election process and these are government companies, so it may take 10, 15 days more. But yes my effort will continue. Supply is...

Raghupathy Thyagarajan: In order to maintain continuity, the oil company have also extended the last tender so that the supply does not get disrupted.

Rahul Dhruv: In ballpark, how much was the number in FY '24, it's around INR200 crores, right?

Raghupathy Thyagarajan: Both put together, I think the last tender was about 1.5 million cylinders, right?

Rahul Dhruv: Right. But I am talking about revenue for last year.

Bharat Vageria: Yes, revenue last year, I mentioned that in the LPG cylinder, revenue was INR210 crores.

Rahul Dhruv: Right. Okay. If there is no continuation, that is an impact that we can potentially have?

Bharat Vageria: No, there will not be any impact because what happens certain times, we are -- because the government, you know their supply. Always, there is a -- if you don't supply them on time, they charge a delay charges in anything. So what we do is we do the timely supply and wherever the available capacity is there, we take the export order also and taking care of the other countries. We balance both ways, depending on the time lease, depending on the schedule of each of the customer. We know that nowadays, because of the Red Sea problem, transit period is increased for export to the other countries. So we are keeping that in mind. And accordingly, we are exporting to the overseas customers.

Rahul Dhruv: Okay. Great. And sir, my next question was on the development of TBS Transparent Container Batteries and E-Rickshaw batteries. Can you tell me exactly what NED Energy is doing? I mean, are they just making the containers? What are they really trying to -- what is their product that is finally going to coming out?

Bharat Vageria: I'll just give you the history. If you know -- I don't know because how many calls you've attended on that, NED Energy is a subsidiary, 97% subsidiary of Time Technoplast Limited, where company has invested INR65 crores and both the companies put together revenue in the range of INR125 crores potential to go up to INR250 crores.

One point of time, this company was manufacturing only telecom sector batteries, but COVID period along and we also developed so many other batteries, which include solar batteries, railway signal batteries, industrial batteries and the telecom sector batteries now hardly 25% to 30% of business. But yes, we have the technology available. So we thought we are not going to the electrical battery completely.

But yes, we think, knowhow available, we are in process of E-Rickshaw battery especially because market is very big and this battery is very well accepted. It's a low-cost battery compared to full size of the batteries, which is lithium-ion based batteries, electrical batteries that is very high cost because I know that recently, I bought one electrical vehicle where the battery cost itself is INR1,20,000.

We know there is a very high cost. So we want to develop E-Rickshaw batteries with the low cost and low maintenance batteries. So our scientist are very clear they are developing, and within 6 months, they will be ready. Now -- not withstanding that, you know very well that we have said in various calls, companies net investment is INR65 crores and we are more focusing on the composite products. And -- as we get the good returns on electricals business, this vehicle battery business, we will definitely, in the 3 years explore the possibility of the existing home based business because our focus is very clear on the composite product where the EBITDA margins are higher and a good potential in the period ahead.

And transparent battery, where it is used, I'm just telling you, it is used in power transmission, power distribution, telecom sites, offshore platforms and captive power users. Market size is about INR200 crores. Very big. And you and we know very well, power sector is going to be main in the next 5 years when India government is forecasting the growth of 8% to 10% and further. And this, especially this segment, the power sector is growing 20%. So we thought why we should not develop these batteries. So whenever an opportunity arises, company can get that advantage and that value can be captured, when we decide to exit from this business.

Rahul Dhruv: Okay. Sir, I had one last question, if I'm okay?

Bharat Vageria: Yes.

Rahul Dhruv: Okay. So on the -- I looked at your EBIT margins, which basically are almost at whatever, 20 quarters high, whatever 11% plus, except for the last quarter. So that if you compare with your gross margins, gross margins are actually around 250 basis points, lower from the previous peak, while your EBITDA is, of course, a function of scaling up as a business in the economy of scale. So I'm just wondering what happens to gross margin. Can we go back to the 30%-plus level eventually?

Bharat Vageria: You are talking specifically Q4?

Rahul Dhruv: No, I'm talking about overall -- quarterly, if you look at the quarterly gross margins, they used to be in the 30% to 31% range at one point in time, now they are at between 28% and -- 27% and 28%. So I am just saying, is that something which can potentially change over a period of time?

Bharat Vageria: Yes. Just a minute. In the quarter, you will see the material cost is 71.7%, as against 71.9%.

Material cost, I just give you some kind of information to you. The material which is locally available, some material, I have to import it, imports available. Material cost is composition of import duties and the import price, etcetera. So that all depends on the demand-supply gap. Material percentage, self-realizations, everything has gone down because we pass on to the customer when prices are down. So always we talk about the volume growth. We have seen volume growth is 19%, but the revenue growth is around 15% somewhere. So that differences on account of the prices ups and down.

We -- material costs, you know that if, for example, today, I'm selling a product at INR100 and I'm making a 15% EBITDA, that is INR15. Then in terms of the percentage, it comes 15%, but if tomorrow, INR10 down, raw material price is INR90, again, I will make INR15, then the percentage will go to the 16.5%. So, in absolute figures, you will have to see if EBITDA margin is maintained.

Rahul Dhruv: I fully agree with that. That's not really what I was talking about. What I was talking about...

Bharat Vageria: And another percentage wise, I tell you, as the percentage, we have a variety of the products includes, you have seen that battery products, steel drums, IBC, composite products. In composite products, you will say the raw material inputs are less, but other expenditures are very high. In polymer drums, maybe the raw material cost to 75%, maybe the other cost is less. So, the combined put together is the range is 71% to 72%.

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

Priyank Parekh: Sir, I have only one question on the IBC business. So, in this quarter...

Moderator: Mr. Parekh, sir, your audio is not clear. We request you to use the handset mode while speaking and not the speaker phone.

Priyank Parekh: Yes. So, I have only one question on our IBC business. So sir, in this quarter, the IBC volume has surged quite substantially. So, any reason for the same?

Bharat Vageria: Let me see that. What is your question, IBC? Yes, yes. It is okay. I think you were on that, I think before two person when somebody has asked me about the composites product business. I mentioned very frankly one of my subsidiaries has put up IBC plant, which has started in the part of the year in October only.

So, you will see in the second half, there is a substantial improvement in the IBC. And in each of the call, I have mentioned very clearly, packaging products where Jerry Cans and drums will grow in the range of 20%, but IBC definitely will grow between 15% to 20%. Because much of the exports are taking place in IBC because of the bulk handling, easy in handling, mechanical equipment’s are available. So that's the reason, yes, because of the new expansion has taken place, and that pace will continue.

Priyank Parekh: Okay. Got it. So...

Bharat Vageria: You go through my -- I think another subsidiary company result, TPL Plastic, you will come to know, because every clarification has been given back in subsidiary.

Priyank Parekh: Yes. Understood, sir. Yes. So, on the continuation of that, so if we see the fourth quarter of FY '22, fourth quarter of FY '23 and the fourth quarter of this year. So, we see a sudden drop in the realization of the IBC. So, any specific reason for the same?

Raghupathy Thyagarajan: No, it's again. The margin is maintained, of course it will be maintained with the cost of the price as well and product mix. But especially, you are talking of IBC, of course, prices has gone down. Polymer prices has gone down. So, we have to pass on, these are the industrial products.

Priyank Parekh: Sorry to interrupt, sir. So, in -- so in last -- if I say, in this year, except this quarter, the IBC realization is around 8,200 per unit. Now that has substantially come down to 6,800.

Bharat Vageria: No, Again, one thing I have not clarified. I tell you. You see in my presentation, we have mentioned very clearly IBC, if you go through my earnings presentation, I have mentioned clerically certain countries where I sell as a complete IBC, okay, number one, which price range from 7,500 to 9,000 country-wise different. But in certain countries, I sell only containers also because in the world over, in India, not yet taken in popularized, but the world over there is a -- we supply the inner container only, not a complete IBC.

Therefore, the per IBC rate, you can't find from this work on the re-bottlers, we provide them. And we have retained IBC, including inner containers because some customers -- IBC is the 3-part component. One is the inner container, then the cage and the lower side is the pallets, 3 variants are there differentially.

So, you can't get the price. This is a rough estimate have been given that these are the total IBC numbers bottles because blow-moulded items, then one is the complete IBC, then the inner container, that is very difficult to provide country-wise in separation. Yeah, so I think you cannot get that rate directly linked to the numbers and divided by revenue.

Priyank Parekh: Okay. Okay. Got it. Got it. Yes. And sir, if I may ask the last question on that front only. The IBC volume we are seeing, so how much is coming from the domestic sale and how much is from export sales?

Bharat Vageria: Almost, you will find 45% in India and 55% overseas.

Moderator: The next question is from the line of Akhil Gulecha from [Pekaday Family Office 51.10]

Akhil Gulecha: Mr. Bharat. First of all, congratulations on such a great turnaround that you've accomplished in the last few years. I'll quickly go through a couple of questions that I have. So first, I wanted to understand the pricing difference in CNG cascades between the cascades that you make versus the cascades that are imported? And you see -- because you've grown at 100% year-on-year for the past couple of years. So why is nobody else putting up a plant in India? Is it quite expensive to put up a plant? Are you seeing any challenges going ahead in the -- are you seeing any competition in CNG cascade at all in India?

Raghupathy Thyagarajan: Yes. Let me just answer you this query that you have. First, when it comes to the price difference, the price difference between the cascades that we offer in the market, and the one that is being offered by importing these cylinders and then assembling them here, they are in the region of somewhere between 15% to 18%. So, we are in a position to provide that advantage to the buyers, and being a domestic Class 1 supplier as they call it in the government terms, there is an automatic preference coming to us. That's number one.

Number two, while we are doing reasonably well in this business, as you would -- as an automotive consumer realize that the use of the fuel for any vehicle today is still getting rationalized quarter-on-quarter or year-over-year. People are still not very clear as to whether the diesel will get substituted by CNG or whether you will have electrical vehicles or whether there will be a compressed biogas or whether they'll be ethanol.

So that the distribution of the gases are getting fractured mandates. But then for sure, over a long period of time with the policies the governments have rolled out, we are in a position to see very clearly that the CNG will find its rightful place in the entire segment of business.

So, we are very confident. It might take others to realize it. But even when they realize it, access to this technology is very difficult. There are very few people who manufacture these products globally. We fortunately were have been in the composite business for the last 20 years. So, we had the good experience of manufacturing these cylinders and we are able to graduate much faster.

Akhil Gulecha: Okay, understood So, what you are saying is that as of now, you don't see any domestic competition in India and you are fairly confident of great growth in the next few years at least?

Raghupathy Thyagarajan: Very true. No doubt about it.

Akhil Gulecha: Okay. And the second question is, I know you talked about this earlier as well, but can you just explain your volume growth is 18%, but your revenue growth is quite lower than that. So how are your contracts structured to your customers? How does that work like, ideally, you would expect volume growth plus some inflation price increase?

Bharat Vageria: No, no. As I mentioned in my last call, 19% volume growth and revenue growth is 16%; 2%, 3% difference is on account of pricing difference, because the duty structure, exchange rate, it means, I'm very clear. Normally when we talk about the growth, we talk 15% growth in terms of the volume because price is again, depending on the demand supply. And when we talk about the EBITDA margin between the range from 13.5% to 15.5%, so we talk in terms of the absolute figure only.

So pricing is, again, as you know, that polymer prices are depending on the demand supply, not only the oil prices directly linked because some producer are making gas based oil or something and we have a different product mix also. But as far as fixed order price is concerned, we have only 2 products or 2 or 3 products where we have order book

That also like, for example, CNG cascade, LPG, that's all on the fixed price, but we take contingency part in our hand, contingency we keep always when we do the pricing based on our experience of the last 2 years. And then we do the projections also. Based on the last year's realization on the costing, we take the projections for the next year.

In HDPE pipe business, normally, we have seen -- we take the fixed price contract almost 50%, 60%, 30% price variation we allow them. And at the same time, we also book our materials accordingly either from imports or locally, so that we can manage that price level between the range.

There's no, you won't find much of the variance, especially when the -- because Indian provision are also parallelly changing, correcting their prices based on the import prices of each of the country is different. So you won't find any of the much difference. But always when I -- we tell you see the volume growth is there.

Price ups and downs, it is depending on the product. You have seen the 70% raw material cost. This may go up or down. But you know that 92% of our business is directly B2C end user business, where we have a practice to pass on the price increase or decreases to the customer. Therefore, we are able to maintain our EBITDA margin within the accepted range.

Akhil Gulecha: So what you're saying is that you target 15% volume growth or revenue maybe slightly up and down, but it will largely remain within the range. So is it also possible that with 15% volume growth, you end up with 18% revenue growth?

Bharat Vageria: Yes, of course, it is possible. We suppose tomorrow exchange rate become INR88 or INR86, price will go up. I will pass on to them.

Akhil Gulecha: Thank you so much. And all the best.

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

Ankur Saawariya: I really congratulate you for a very good set of numbers and you are walking the talk for the last 3 years, 4 years from the time I have been associated with the company. Sir, before the disinvestment talks were there. You had given a guidance of sales of about 4,200 thereabouts in 2 years to 3 years down the line. But now since we are not disinvesting the foreign business, what would be your target for FY'25 and FY’26 for the revenue?

Bharat Vageria: You have seen that in the last call also, one, I think disinvestment process is on part of the year, which is hardly 7.5% of our revenue, which is in terms of the -- if I consider a INR5,000 crores revenue, in terms of 5%, we have INR350 crores. And INR350 crores also, if you divide 50%, trading is INR175 crores, which is negligible in terms of the disinvestment part.

But yes, as I mentioned in last call also that disinvestment proceeds will be used for the evaluated expansion and the repayment of the debt. But yes, you are asking, is the growth parties concerned. I can -- as I mentioned to the last person also too, Ankur, you can consider revenue growth of 15% around as we have achieved INR5,000 crores this year, exactly, you can take the 15% volume than it works out around INR5,700 crores around.

And similarly, there will be some EBITDA expansion margin also, you will see 20 to 30 basis point improvement because of the product mix change, and we are considering composite product growth of at least 30% composite products growth, which includes all value-added products are there.

And other products, we are considering growth of 10% to 12%, with the packaging products mainly and other products. As the chemical industry data is also available, that everybody is estimating in the range of 10% to 12% chemical volume growth is accepting. So we are also continuing the same way.

Ankur Saawariya: And also, sir, since our capex will be almost over in this financial year. And given the size of our order book, the government policies regarding the natural gases in CNG. Doesn't it make sense that since our capex is already covered with the cash in hand and the money that we are going to get from the disinvestment?

Doesn't it make sense to take a leap of faith and really ramp up our capex for next phase for the Type-IV cylinders because you have some demand that you're not being able to fulfil. So why wait for someone else to enter the market -- would it not be better that we really gear for the next phase of capex and capture the entire market both for the car manufacturers and the CNG business?

Bharat Vageria: Mr. Ankur, I'll tell you, you are says right, but I think something which is not in my hand because you know that the equipment's, most of the equipment's are imported, these are time taking process and delivery itself is 8 months, 10 months' time. We have already placed the order, okay? So now if demand is there, that's right.

But again, that the new unit put up, approvals process in India, how timings are required. We have already taken this -- triggered last year only we took the expansion that we will complete this year. Now we knew very well in my capacity itself it is not repaid. That when the person wants to buy a cascade and install the new cascade, he should be ready with the new CNG station, he should be ready with the supply of the trailers, which he is placing the order in automotive industry.

That automotive industry is growing 10% to 12%. There's a delivery time in each of the vehicles, maybe trailers system. There is a vehicle timings, delivery schedule itself is the 6 to 10 months' time. So they place in the order, then month-to-month, they give the delivery schedule based on the completion of gas stations, based on the availabilities of the traders because these are new stations they are putting up.

So it is not linked to direct my expansion. We can do -- we have admitted -- as you see, my debt-to-equity is very low. I can go at 9%. I could that do that expansion. But as a management, we have decided to go slowly but take the market opportunity. We don't want to keep the assets idle as we have experienced in LPG cylinders.

We have invested 10 years back, but government took interest and started buying since last 2 years, 3 years only. So it is better to go slowly. But yes, always, we will be the first mover advantage. As we are keeping ourselves ready, I tell you hydrogen cylinder, we are developing it. We will be the first advantaged. We will have a first mover advantage. But we know that requirement of hydrogen cylinder is going to come after the -- at the end of the '25, '26 only, not now, but we're keeping ourselves ready. We are doing investment for that.

Ankur Saawariya: Got it, sir. And it makes sense too.

Bharat Vageria: We can roll, whenever we want because that LPG cylinder, if you want to expand it, we have experience. So we can do completely in the 6 months' time. But now CNG, it is the time-taking process.

Management: Absolutely. And this is the -- as Mr. Anand used to say that you have to paint your picture and find the best product. And as of now, I feel for our company, CNG cylinders are the best product that is given this future growth and we see a lot of demand also, so that is only reason...

Bharat Vageria: Last year, there was the shortage of the carbon fibres. Nobody approves. Vendor was there. But last 2 years, we work hard. Now we keep ourselves ready. We have signed a contract with overseas suppliers for at least next 2 years' time. So including my expansion requirement also, we have given them an advance. So if I have everything ready but if I don't have a carbon fibres or raw material, then what we can do it?

We have some kind of the local companies, government companies, we are working for polymer development also for the CNG cylinders. We have joined hands together. I cannot name that company without their approval, but we have joined hands. We are very focused. The product should be Make in India. And that government companies and the government always is focusing on the Indian manufacturers. Have we predicted any time that Apple 4 will be made in India? Now you see that 30% market India government is capturing and exporting from India. Have we heard any time which has happened in the last 1 year?

Ankur Saawariya: And sir, how is the demand through when we are saying that for the LPG cylinders, we are only -- in India, we are only dependent upon the gas companies but you're marketing it through this Go Gas, through a different company in Maharashtra. So is that not picking up?

Raghupathy Thyagarajan: I have a very miniscule share of business, you would appreciate it the good amount of LPG distribution today in India is controlled only through the OMCs.

Bharat Vageria: These are the private company. They are my one of the customers in the private gas transmission company. But the large -- if currently INR5 crores, INR50 crores cylinders are in population requirement is there, most of these comes from the government companies only, because they have a direct link to supply to the -- and the user to consumer.

Ankur Saawariya: Thanks a lot for answering my questions sir and all the best for your future endeavours.

Moderator: Thank you. Ladies and gentlemen, we take that as the last question. I now hand the conference over to Mr. Vikram Suryavanshi, for the closing comments.

Vikram Suryavanshi: We thank the management of Time Technoplast for giving us an opportunity to host the call, and taking time out for interaction with the stakeholders. Any closing comments you want to give, sir?

Bharat Vageria: Yes, thank you very much. To have a patience and listen to us. As I have again confirmed at least next 2 years, we know very well, we are going to grow on the CAGR of 15%, no doubt about this, considering the product of the companies. And we will deliver whatever guidance has been given and commitment we have given to reach the ROC 20% by March '26 and debt-free company by March '26. That's the 3 things to be remembered. Thank you.

Vikram Suryavanshi: Thank you all for being on the call.

Bharat Vageria: Thank you.

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