“Time Technoplast Limited

Q1 FY ’25 Results Conference Call”

August 13, 2024

MANAGEMENT: **MR. BHARAT KUMAR VAGERIA – MANAGING DIRECTOR – TIME TECHNOPLAST LIMITED**
MR. RAGHUPATHY THYAGARAJAN – WHOLE-TIME DIRECTOR – TIME TECHNOPLAST LIMITED
MR. SANDIP MODI – SENIOR VICE PRESIDENT, ACCOUNTS AND CORPORATE PLANNING – TIME TECHNOPLAST LIMITED
MR. HEMANT SONI – VICE PRESIDENT, LEGAL AND CORPORATE AFFAIRS – TIME TECHNOPLAST LIMITED

MODERATOR: **MR. ABHIJIT MUKESH PUROHIT – KAVIRAJ SECURITIES PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Time Technoplast Q1 FY '25 Earnings Conference Call hosted by Kaviraj Securities Private Limited. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involves risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on a touch-tone phone. Please note that this conference call is recorded.

I now hand the conference over to Mr. Abhijit Mukesh Purohit from Kaviraj Securities Private Limited. Thank you, and over to you, sir.

Abhijeet Purohit: Thank you, Manav. Good evening, ladies and gentlemen, Kaviraj Securities Private Limited, welcomes you all for Q1 FY '25 Earnings Conference Call of Time Technoplast Limited.

Today, from the management team, we have with us Mr. Bharat Kumar Vageria, Managing Director; Mr. Raghupathy Thyagarajan, Whole-Time Director; Mr. Sandip Modi, Senior VP, Accounts and Corporate Planning; and Mr. Hemant Soni, VP, Legal and Corporate Affairs.

Now without any further delays, I hand the call over to Mr. Bharat Kumar Vageria for his opening remarks, post which we will open the floor for Q&A session. Thank you, and over to you, sir.

Bharat Vageria: Yes. Thank you for introducing us, Mr. Abhijeet. A very good afternoon to everybody. We are here today to discuss our results for Q1 of FY '25 and to give you our outlook for the remaining of the year. We are excited to start the year on a positive note with a year-on-year volume growth of 16% and revenue increase of 14%. This growth is primarily driven by the strong demand in the Industrial packaging and a notable 32% rise in our CNG Composite Cylinder business.

Additionally, our profit after tax for Q1 has been a remarkable surge of 41% year-on-year, thanks to improved capacity utilization and reduce the finance and depreciation costs. The demand for Type IV Composite Cylinder for CNG cascade remains strong with an order book of approximately INR175 crores.

With a significant growth in sales of the value added product, including Composite Cylinder for LPG and CNG and a stable core industrial packaging business, which is 76%. We are optimistic about our performance for the rest of the year.

Now turning to the financial results that have already been announced, let's review some of the key financials and operational highlights together. During the Q1 FY '25, on a consolidated basis, company got the net sales is to date INR1,231 crores as against the previous year, same period was INR1,080 crores. EBITDA of INR175 crores as against INR148 crores previous year same quarter. Profit after tax INR79 crores as against INR56 crores.

In terms of the percentage, net sales increased by 14%, and you know that we have manufacturing presence in the other 10 countries, overseas countries. So where we got India revenue 14%, overseas revenue 13% growth is there in revenue. Volume growth, 16% overall, which includes India 16%, almost same in overseas also -- overseas around 15%.

We have seen the 2% gap between the volume growth and revenue growth that is because of the price variance and exchange rates variance that is there. And you know that almost 93% business came by B2B there is slight increase or decrease we have a system of passing to the customer.

The EBITDA increase, you have seen 18% and the PAT increase 41%, which is reflecting in the INR79 crores and INR56 crores. EBITDA margin stood at 14.2% as against last year same period 13.7%, improvement of 50 basis points due to the higher share value of the value added products and improvement of the capex utilization. And this also, you remember, I have also said last time that with the improvement of 20 to 30 basis points every year-on-year because there is value added products there is going to be increase and EBITDA margin will be relaxed and will give the increase.

Our share of the business established products versus value-added products. In Q1 FY '25, the value added products grew by 19% as compared to Q1 FY '24, while the established product grew by 12%. The share of the value added product has been 25% of the total sales in FY '25 as against 24% in Q1 FY '24.

Share of the India and overseas business is the same as corresponding quarter previous year, 63%, 37%. EBITDA margin in India is 14.4% and overseas 13.9%. I want to give one clarification in India we manufacture all value added products and the established products, but overseas, we do only the packaging products. Therefore, we have seen the EBITDA percentage margin is higher in India.

Net cash from operating activity in the quarter more than INR67 crores. Yes, as company's focus in reduction of the debt will continue, in Q1 also debt is reduced by INR38 crores compared to end of the March '24.

Capex over the year, estimation I have given in the beginning itself, which is around INR175 crores, but capex incurred in the quarter 1 was INR39 crores which includes INR18 crores regular maintenance capex, which is towards the capacity brownfield expansion, the engineering and automation for established products and balance INR21 crores towards the value added products, mainly IBC and the Composite products.

Now considering from restructuring, I know that everybody would like to listen about what is the status of that Middle East business, which we have agreed to disinvest which is 50% of the Middle East business. I'm pleased to tell you that -- the due diligence part has been completed and as the balance, we are estimating a transaction, including the realization of money should come in the next 45 to 60 days time because both the parties have appointed the legal counsel to complete the transactions. Now I would like to open the floor to answer the specific questions. Thank you.

Moderator: Thank you very much. The first question is from the line of Ganesh, a shareholder. Please go ahead.

Ganesh: Congratulations for the excellent performance. A couple of questions, sir. Going by last year's growth, what would be the possible revenue for CNG cascade this year? And at full capacity utilization, what is the CNG cascade revenue possibly?

Bharat Vageria: What we can do is you can give me all the questions, I will answer to you all the questions at a time instead of one by one. So your first question is about the CNG business, right?

Ganesh: Correct, sir. And next question is we have achieved a really good 13.1% EBITDA with established products this quarter. How repeatable is it? That is one. Third is any plan for next cascade expansion? Because last time, I think we had a lead time of maybe 1 year between planning and completion. And my last question is, what is our power cost as a percentage of our revenue?

Bharat Vageria: Power cost?

Ganesh: Yes, sir.

Bharat Vageria: Okay. So first question, you asked about the CNG business, particular about this quarter only. If you've gone through earnings presentation, we have given separately figure. But again, I will give to you. This quarter as far as CNG. You know that in Fy '24, we did the business around INR310 crores or INR308 crores exactly from the CNG businesses, right? And this year is concerned, CNG, this quarter is concerned, we got the value of around INR73 crores. Last year, same period was INR55 crores.

But then your CNG business as INR308 crores we did last year. Then there is LPG Composite products also business is there around INR200 crores, both put together around INR510 crores was there. So, we are estimating as far as this current year is concerned, is full year Composite, (CNG and LPG together). CNG, we are estimating around INR450 crores business this year.

Ganesh: Is that at full utilization or part utilization, sir?

Bharat Vageria: Pardon please. Utilization I can tell you because of sometimes some disturbance come in that area because full utilization. I have a full utilization. I can say the optimum utilization, which is we considered as 90% to 95%.

But when we are talking to the thing, you know that we have expansion line in progress, which we are expecting to be completed. The project has been identified as the expansion in the Western zone only, and which you will see the completion will be there in -- I can say, by end of the Q3, something I'm getting the building ready.

So in Q1, my expansion plan also will be ready, which I have told there's some delay happened this year because of the election delay and continuation of some Russia, Ukraine war which is delaying for delivery of my equipment. And in addition to that, we're all aware that Hamas

Israel problem has also been created. So because resulting there is a delay of 4 to 5 months in this project.

But anyway, we have in the line, my team are regularly contacting the supplier. And initially, we wanted to take -- add all the items together, but one by one items my team is going and taking the trial of the items, certain items which are locally to be purchased that, already order has been placed. I think we will be ready in Q4 of this FY '25, we'll be ready with the expansion. So next year, we will get full potential of the CNG expansion completely.

Ganesh: So I asked about EBITDA. How sustainable it is for the FY '25?

Bharat Vageria: In fact, I tell you, as far as especially EBITDA about CNG, LPG, but I talk always EBITDA on the composite basis because we have a very composite products are there, and that's all depends on the cost of the equipment. But normally, we worked out the pricing in such a way the overall contribution, including all the things in the range of around 18%.

Ganesh: Got it, sir. Sir, my last question was regarding the power cost.

Bharat Vageria: Power cost, right? Power cost in terms of the percentage to revenue is around the 3% of the revenue. But you know that in India, all the states have a different unit rate something, if each of the state is getting down, like Daman Silvassa rate different, now other states rate are different. But now we are also working out very closely how the power cost can be -- reduction can be made because government good policy has worked out now for the -- in this budget itself and government is also focusing to use of the solar power.

Our company focus is also there how we can reduce the power cost because in our processing industry, you will find the power cost, unit consumption is in the range of around 0.8, 0.9 per kg unit is there. So definitely, we are trying ourselves to reduce, currently 10% power by using the green energy we have already done in the solar.

But overall, we are targeting to achieve the rate of 30% by the year-end, and that's we are working on that. So definitely power cost -- because in our kind of a business, power costs -- main power costs and the raw material. These are the 3 main components.

Moderator: The next question is from the line of Rishi Kothari from Pi Square Investments.

Rishi Kothari: Congratulations on good set of numbers. Ok sir, I have a couple of questions. First thing on the top line side, any projected growth that we expect for, let's say, 2-3 years down the line for the company, any targets that we have for them?

Bharat Vageria: I got it. You told me a couple of questions. You can give me all the questions. I'll answer. You want to know top line for at least next 3 years visibility, right?

Rishi Kothari: Yes. And my second question is, you have on the slide 9, you have given some highlights of the E-Rickshaw battery containers. So can you just throw some light on it? And my third question would be on the margin front. We are expecting the same or more or less increase in margin or eventually 2, 3 years down the line at the same time.

Bharat Vageria: Margins, yes.

Rishi Kothari: So these are the 3 questions.

Bharat Vageria: I think I will give first answer. Do you know that whenever I talk, we would like to have a CAGR of 15% in our revenue. And because you know that we are in the various kinds of the packaging product, established product. We have packaging, which is almost 76% of our revenue.

Then we have other products like composite product, where we have seen the growth in the last 2 years also over 30%. Packaging business, we are estimating growth of around 10% to 12%. So I can say the combined growth we are estimating around 15% or above that. That's only we can satisfy by getting this growth. And this growth, we are going to get in India and overseas business both put together.

We have seen that our business between India and overseas is almost -- overseas, we do 37%, India, 63%. So combined both put together a 15% in terms of the revenue you're asking me. Last year revenue we did around INR5,000 crores. So definitely, three years we would like to have. I can say the revenue around INR7,500 crores. Will try our best to do that.

Another thing, you asked about the margins, yes. You have seen the EBITDA margin, when the value added product sales is increasing. Currently, which is contributing value added sales is around 25% in 3 years down the lines. We are projecting it will be 35% because the packaging products, we are estimating growth of 12%, composite product we are estimating growth of over 30%. So combined when the value added products sales is increasing, then the margins are reasonably good.

So EBITDA margin, definitely, you will see the expanded between the range. I can say the current has achieved 40.2%. We can definitely achieve the 3 years down the line, maybe 50.5% from there or even above that.

Hence along with the margin, I think another point you asked about the E-Rickshaw batteries. In last, this is batteries impact directly Time Techno company not doing, but we have one subsidiary called NED Energy Limited, who has a plant in Hyderabad. So our team has taken R&D to develop this battery of the advanced TBS, Transparent Container Batteries, which is, again, requirement of the railway department. And another E-Rickshaw batteries, which is not -- we are in the battery impact.

So if the low cost batteries and low maintenance battery. So this development, we have asked to -- it will be developed in a 6 months' time process. I think prototype is already completed, submitted for sample. And in the next 3 to 4 months' time, this product will be ready.

In fact, this business, I just give you the brief because -- in the battery business, Time Technoplast Limited had invested INR55 crores and having this product in a separate company, is called NED Energy Power Build and that company -- both the companies are revenue in the range of INR125 crores.

Okay. And they may be supplying batteries or the inverter batteries, railway signal batteries, solar batteries and that kind of the products they have. So these additional development we are doing with the investment-wise also with the small investment is estimated, which I can tell you, in the range of INR5 crores to INR7 crores we are investing, but the potential of the business maybe around INR100 crores for both the batteries which is taken under the development in the near 2 years' time.

Rishi Kothari: Right. Okay. Okay. So right now, we are projecting that this is a contribution of near around INR100 in 3 years.

Bharat Vageria: Yes, yes. Definitely, it is workable looking in the market demand and this kind of the batteries, which we are developing.

Rishi Kothari: Sir, right now it is contributing how much?

Bharat Vageria: No, no, right now it's in a development phase. This company, existing other batteries are already there, with the solar batteries are there, inverter batteries are there. Industrial batters are there. Telecom sector batteries are there. They are contributing INR125 crores, but potential development -- after development of this battery in the 2 years' time, this batteries -- these 2 batteries can give the business of -- additional business of around INR50 crores to INR75 crores. And company estimating business in the next 3 years' time, which is currently INR125 crores, maybe INR250 crores in the 3 years' time.

Rishi Kothari: Okay. Okay. Got it. And also one more additional question. On capex front, what are we targeting for FY '25 as a whole and where will be doing the investment for capex?

Bharat Vageria: As I mentioned and always I've been clarifying you. As far as whole year capex when I talk is consolidated basis capex I talk. And it's around INR175 crores, which we have projected for this FY '24-25, which is inclusive of some kind of the automation and re-engineering to maintain the capacity, brownfield expansion where we do around INR75 crores to INR80 crores and INR100 crores on account of the value added product expansion, which includes product for the packaging food of IBC, especially and composite product, the CNG.

These are the 2 major products, which is under the Composite products. And some other development is always ongoing development of the LPG, some kind of the new model, some kind of the development in the existing mode that is going to be continued.

So total INR175 crores projecting. One another, I would like to give addition from my side. If you were on the last conference call, were our company management has identified disposable of the non-core assets of INR90 crores repeat, which is targeting to keep -- to get the realization value.

And the INR90 crores, I'm pleased to tell you that already one transaction has been completed, something is in process, which is going to be completed this quarter where I'm estimating we will get around INR30 crores and balance INR60 crores also will be targeting to the next 9 months' time because is INR90-crores non-core assets, which is identified on account of land and building and some kind of a small, small projects, which company has took the R&D and the products are ready, which the size -- looking the size of our company, we don't want to go into that project.

Therefore, we will give to other parties who would like to go in that business. So all discussions are on. So I'm targeting at least out of INR90 crores at least INR50 crores, INR60 crores should be recovered in the current year. If you see the net of the capex after non-core assets disposable will be around INR125 crores.

Rishi Kothari: We are trying to diversify around -- consolidate the non-core assets out of the business and focusing on the core assets to increase the ROE and ROCE for the company.

Bharat Vageria: You got it Rishi. Because ROCE you know that I have kept our target to achieve 18% by March '25, and 20% by March '26. That is possible. All factors are there, increased EBITDA margins, reduce working capital cycle time, which is around 100 days and other things, improve the margin value added product sale will increase and the use of the assets for these, so turnover can be more.

Rishi Kothari: Okay. Got it, sir. And just the last question. What are the competitive landscape you are looking in the industry right now compared to our company? So what do you think would be the competitors that are more or less can hinder this as a crude product or is there something different we are looking at?

Bharat Vageria: No, Rishi. I could not get your question. I'll let my colleague, Raghupathy will answer this.

Raghupathy Thyagarajan: Admittedly, competitive landscape would get segregated business-wise, Rishi, because we are as you would know, that we are in different segments of business that are there. When we look at the industrial packaging, we are, of course, the leading player in this country and with our presence in about 11 countries globally. We are there in the top 3 even on a global front as well.

So when we look at competitive landscape globally, we are there doing very well. There are -- the industry leaders are there along with us, and we are shoulder to shoulder carrying out these businesses as well. Respectively, in the other business also, we are better related to infrastructure pipes or composites, we are definitely in the podium position itself.

Composites, of course, we are #1 with very broad presence in terms of Composite Cylinders in LPG, CNG and even entering hydrogen business. So we are there leading the challenge in terms of development and being able to capitalize on the new opportunities that are coming by. So we are able to see that we are having podium positions in most of the businesses that we are there and leading the growth through development in the emerging business areas.

Moderator: We have our next question from the line of Jatin Damania from Swan Investments.

Jatin Damania: Sir, just wanted to understand now if you look at our balance sheet, which we reported last -- on March '24, we were having a net debt of INR676 crores. Just wanted to know the -- how shall we look at the payout of this debt or the reduction over the next 2 to 3 years?

Bharat Vageria: I think you've given me too much time. I'll tell you, as you remember, I told you in the next 2.5 years, I would like to have a debt free, looking to do my plan -- business plan of the company, and definitely, we are working on that direction.

Jatin Damania: And sir, the deal that we have the Middle East that you closed. I mean when are we likely to get the money from that deal?

Bharat Vageria: I've clearly mentioned here. I've clearly mentioned on this, you see the Page Number -- I've. I just explained that 45 to 60 days, we are going to realize that money of the sales process.

Jatin Damania: So by end of September, you will see our debt coming back that approximately...

Bharat Vageria: We are keeping the fingers crossed.

Jatin Damania: And looking at the current profitability and the current revenue growth that we are doing it. So for FY '25, definitely, you guided for INR175 crores of capex. But if I want to look for another 4 years, 5 years down the line, how shall we look at the capex cycle or the future growth prospects for the company?

Bharat Vageria: Jatin, I'm very frank with you, 3-year visibility is there. I can't comment for the 5 years. But one thing I'm sure, as I have mentioned to you, 15% CAGR for the next 3 years' time. In 3 -- not 3 years, it will take 2 years now to become debt-free. Now as far as business plannings are concerned, currently products which we have, we have to do a lot of things in CNG product, especially CNG and hydrogen.

Hydrogen, we have business not yet projected, but we know very -- whose opportunity is there. But realistic level, we were able to work out in when we will around the '25 and we've been able to work out hydrogen cylinder requirement in market and then we will decide about the capex plan.

Currently, if you ask me for next 3 years capex plan, which improves 75 to 80 years on account of the maintenance capex, regular capex to maintain my existing capacity and maintaining my existing cost of the manufacturing on a per kg basis. And looking to the my present expansion plan of the Composite Cylinders and LPG brownfield development, whatever required. I'm not expecting any capex increase more than INR150 crores at least for next 3 years average.

Jatin Damania: Okay. So altogether, INR450 crores of capex.

Bharat Vageria: Yes, INR450 crores, you can definitely count it. Out of that, around INR50 crores, INR90 crores, we will get from the non-core assets also. And I have included in my expansion in the overseas locations, also brownfield expansion will continue because at certain location always my capacity utilization is in the range of 90%-95% in some of the countries. So there will be the brownfield expansion.

And that is quite -- we have internal accruals available. So we'll do the source of the financing with that only. I'm increasing whatever we are talking, debt free and everything, I'm considering the increase in the payout ratio also, which is currently at a 15% payout ratio is there at the Time Techno, which ourselves, we are targeting to increase time by time 2% to 3% every year, we are targeting to increase.

Moderator: Next participant is from the line of Tushar Vasuja from Yogya Capital.

Tushar Vasuja: So my first question is that what was the domestic volume growth for IBC and HDPE drums?

Bharat Vageria: Okay. It's a good question. As I think we are projecting is come under the packaging product. If you ask me the IBC and this packaging product, the growth in the range of around 12% to 14%. And the chemical industry is growing, we are also estimating sales growth, and we have also achieved a same level of growth in the Q1 also.

Tushar Vasuja: I'm asking what is the domestic volume growth for this quarter year-on-year?

Bharat Vageria: Year-on-year growth is there I think I mentioned to you, it is in packaging business -- volume growth, if you ask me in India, revenue growth 14%, India volume growth is 16%, and in overseas, same revenue growth 13%, overseas 15%.

Tushar Vasuja: Okay, sir. So my next question is that, how has the increase of freight costs affected exports in general and your company too because you are affected by the amount of exports from the country. So how is the freight cost and container unavailability affected you?

Bharat Vageria: One thing I'm telling you. We are in the business -- major businesses is in India where we got 63% in India and 37% overseas business. One thing I'm clarifying you, overseas business means, we don't export from India. That local manufacturing that all 10 countries, they are manufacturing their own or supplying their country.

So very, very negligible effect as far as freight container are concerned. It affects us only when we do the imports and import always we talked with the supplier on the CIF basis contract. So they look out whether the freight is increased or what because we have a certain pricing formula for the imports attending to the international prices, and we buy that material.

And we have also almost in the import side, I will tell you, as far as India is concerned, we have the raw material cost, which is almost around 67%-68% of our product cost. Out of that also, we do around 60% to import and 40% we are buying locally. And the import is also coming from nearby countries, that is Middle East. Therefore that was not affected in terms of the freight type or anything because Red Sea problem was not there in the Middle East countries.

Red Sea problem was coming when the consignment is coming from U.S.A., Europe and Southeast Asia. So we have a very, very in terms of the very minor imports from that regions.

And as far as export is concerned, as we do export of only or this Composite product LPG cylinders, which we are supplying to various 48 countries. But that always on the negotiation that is when freight increase, we ask to the customer and always we worked out in a pricing such a way that we should get our minimum earning margin what we have decided. And then we add certain customers buy on the delivery at this port Nhava Sheva port, then they take their own shipping normally. If they want to me, we will negotiate and give them.

But in terms of the value export is very, very negligible. When my -- our composite business it shall be, I can say 10% out of that 10%, 8%, which we are doing in India. If you ask in the overall value of the business, around 2% we are exporting, very negligible. So freight effect will not be much in that.

Tushar Vasuja: I'm sorry, sir, maybe I wasn't clear enough. I am asking this question because I think a few days back, one of our peers did a called and they said that the export -- the volume export from chemical and specialty chemicals from India have decreased. And that's why their packaging revision has not done that well. So I'm asking you, how have you been affected by the freight cost because your customers have been exporting less?

Bharat Vageria: You see directly, yes, I tell you, Raghupathy will explain to you. But I tell you, we provide the packaging product to the customer to take their chemical and they do the export.

Raghupathy Thyagarajan: Admittedly, we are dependent on our customers' potential to be able to export. You're right, some part of the businesses does get affected because of the increases in the freight because of the Hamas fallout that has happened. There is reschedule of shipments that have taken place. The shipments that are going, especially to the U.S. and Europe have got affected.

But there is a delay that is being experienced. People have negotiated better freight realization from the customer. But overall, we have not been able to really see any cancellations or reduction in terms of the volume. The consignments are getting rescheduled and we are in a position to make sure our fulfilment of the requirements are happening very regularly.

Tushar Vasuja: And sir, my next question is that you mentioned the potential market for Type IV CNG cylinders. I want to ask why was there no mention of commercial vehicles or passenger vehicles in that?

Raghupathy Thyagarajan: Yes. That's the product in development. The current approval that has been obtained is for mobility or transportation of gas on a bulk basis. The application for commercialization normally takes -- has a development period of anywhere between 2 to 3 years. We are in the stage of initial part of the development at the cylinders will get ready when the new projects come in, there are different multiple sizes that will be requirement because there are different trucks that will be using these cylinders. There are different sizes that will be applicable.

We are shortlisting those variables with the OEM manufacturers as well. And as we start developing these products, et cetera, there is a development cycle of anywhere between 2 to 3 years minimum with this OEM for new product development. So in the next 2 to 3 years, we are not really able to see that happening, but it will definitely be there on the anvil.

Tushar Vasuja: And would it be fair to assume that you will focus more on commercial vehicles more than passenger vehicles?

Raghupathy Thyagarajan: Of course, that is how the composite cylinder growth happens globally. It is the commercial vehicles, which are the first one to pounce on the benefit because high-pressure cylinders, composite being lightweight as they are. They will give you the benefits of longer range and being able to save on the fuel and being able to go nonstop.

So all these benefits will be the first to be pounced by the commercial vehicle manufacturers. And that would -- we would be able to see even when it comes to the passenger vehicles, we will see the commercial part of the passenger vehicles who are the first ones to take it. The next range would be the ones which will come on the passenger vehicle will be the domestic users or so-called the individual customers there. That is the call that will be taken by the OEMs.

Tushar Vasuja: That's helpful, sir. And I have one last question. But you mentioned in a previous call about selling of the NED division. So, what are your thoughts on it? Would you sell it off or do you see potential over there and you want to keep the business?

Bharat Vageria: Yes. I have mentioned to you that as the business -- some of the development is ongoing, if you heard my last conversation with somebody has asked me about the development of E-Rickshaw batteries and that's ongoing, but yes you are right because we have a lot of things to do on the Composite products in Time Technoplast Limited. Yes, in fact, what I mentioned last time also that currently, we have appointed a new CEO last year and he is looking up the business. He has given his estimations for the next 3 years' time he will give the revenue of around INR250 crores to INR300 crores which we are targeting as a company. We have invested around INR65 crores, it will get 3x of our investment definitively we did.

But to get that revenue, we'll have to do certain developments looking at the market requirement. And we are open for discussion of that. So definitely, if you ask me 3 years down the line. So either we can go all along in this business of the batteries or because we are not as it looking to the size of our revenue of when 3 years down the line, we are talking INR7,500 crores and to continue a business of INR250 crores in a separate company is not justifiable. Definitely, we will look for the disinvestment in the next 3 years' time as far as battery business is concerned. And for that, we are keeping our eyes open.

Moderator: The next question is from the line of Suvas Naik from Kridha Capital.

Suvas Naik: First, my first question is about your value-added product portfolio. Now you're targeting a higher value-added component going forward. And you must be evaluating your business based on per kg margin if I'm not wrong. In that case, how you see this per kg margin behaving over the next 3 years from current levels? Any guidance on that?

Bharat Vageria: I tell you value-added product is a combination of IBC, Composite products, LPG, CNG, hydrogen, most of the products are included. We don't sell on the kg basis I tell, it is not workable. When it is the product costing, we know we should have a reasonable margin considering the involvement of the capital, considering the R&D cost which we incurred every year on the development of product.

So only -- it is not a composite product. It's not a polymer product, which easily you can convert into kg in terms of something items. For example if you will ask me today battery products. How you will sell the battery in kg because batteries goes into different cable. Even IBC, we don't sell on the kg basis. It is performance basis what is ultimately usable and every product has a different variant available, so easily cannot be converted directly everything in the kg.

Suvas Naik: So do you use return on capital as a benchmark for pricing the products?

Bharat Vageria: You got it right. You got it in fact. I do -- I am very clear in fact. If you ask me, ROCE, which is 2 years back, it was 14%, which I am keeping target of 20% in the next 2 years' time. Two years' time means March '24, we have the last year only I had given a target by '24, we should have 15% by '25, we should have 18% and we should have 20% by March '26. I am very clear 3 things we have kept in our mind. We would like to have 3 years' time until we should be debt-free, ROCE should be 20% next year time. And my value-added product sales, which is currently 25%, in 3 years' time, I'm targeting to increase to 35%.

And again I'm adding working capital cycle time, which one point of time was 115 days, which is reduced to around 100 days. But if you ask me the 3 years down the line, my working capital cycle time networking segment averages 85 to 90 days. So these all contribution with increased ROCE.

Suvas Naik: Correct. Great. One general question, sir, I wanted to know. Most of your products must be reusable -- so are they reusable, first of all?

Bharat Vageria: No, I think my colleague director will answer you this question.

Raghupathy Thyagarajan: Yes, when it comes to Industrial Packaging, they are reusable, and we thank they are reusable. I mean, basically because many components are plastics, and it is necessary from an environment point of view that these packages are reusable. So once the customer utilizes the material for filling in goods and sends it to the user, they are in a position to use the chemicals inside and then these containers go for a recycle wherein they get washed and then they go to the secondary market.

So it is -- this chemical industry will probably use it about 3 to 4 times at least before they get into a cycle where they will probably cut it, grind it and use a recycled product for making some other -- that the form and shape is changed. But overall Industrial Packaging normally go for a recycling requirement where their service lives are very good.

In some of the products like IBCs, et cetera, we ourselves have invested into models where we are able to enhance the service life of these IBCs wherein we change the offer to the customers who change the inner containers time and again so that their service life can increase. So the reusability is definitely a desirable aspect of the businesses that we are in.

Suvas Naik: Okay. So this 16% volume growth is over and above the recycled ones which are used by the industry.

Raghupathy Thyagarajan: That's right, exactly.

Moderator: We have our next question from the line of Vinit Thanvi from Deutsche Bank.

Vinit Thanvi: So I have a couple of questions over here. The first one is, with respect, like, as you said, we have a robust order book in PE pipes. Could you elaborate about the geographic distribution of these, like the orders which you have and the types of projects we have and also the time frame for this, if you can provide some light on this.

Bharat Vageria: We manufacture pipe from 100 mm to 1,200 mm dia. Pipe we manufacture in 3 regions, I can say. We do manufacturing in Silvassa, that is western region. We do manufacturing in South region. We have 2 plants, one in Hyderabad and second one is Gummidipoondi. And Eastern region, we are manufacturing in Kolkata. So these are the 4 plant manufacturing.

Now each of the plant is serving in that regions only. So as far as overall certain times when the one client is over cap is rolled out, then we take the manufacturing in other locations and serve to that customers. Forward-looking, which we are taking and in fact, we do business if you know about some part of this business, this business is always being with the EPC contractor. We don't do directly business with the government authorities.

We have our 10, 15 EPC contractors, large contractor like L&T, Indian Home Pipe Voltas, JSW, there are like many companies out there who is EPC contractors. So they are my customer, they take the contract with the government, and we supply from them. This is -- I have 3 products where we have order booking, you will see. Otherwise, most of the products is a recurring order every month to month. We have an order book system in the LPG cylinders, everywhere system in the CNG, then be the pipe business. Because in this business, people place the order and give the delivery schedule as per their progress on their site.

Vinit Thanvi: Okay. The next one is like for the CNG cylinder. Is it possible for you to provide some light on the strategic initiatives and operational measures, like what you intend to implement in order to achieve the projected conversion rates?

Bharat Vageria: No, no. I'll tell you. I think as far as CNG cylinder is concerned, it's a different kind of the various products combining put together, it's a Composite product CNG, which is mainly maybe as polymers where you have glass fibers, carbon fibers, various other chemicals all put together, we make it.

But as I mentioned to you, we have -- we do manufacturing cylinder, we prepare the complete -- we manufacture complete cascade and supply to the gas distribution company. And gas distribution companies are the government gas distribution companies and private gas distribution. If you have gone through the policy of the government which was in October 2020, you will find who will be my customer or government companies, private gas distribution companies who have allocated the gas station, they are opening the new gas stations, like Mahanagar Gas Limited opening, Maharasthra Natrual Gas, Adani Gas, they are opening the new gas stations and there they use this cascade -- CNG Cylinder Type IV cascade for bringing from other station to filling stations, they use that.

Moderator: We have our next question from the line of Rupen Masalia from RN Associates.

Rupen Masalia: Yes. And congratulations for consistent performance. My question is currently, companies is in the process of developing composite heaters or geysers. So can you throw some more light on this particular product? And would company be venturing into a B2C segment because the product itself is a consumer product?

Bharat Vageria: I agree, Rupesh. I think you have done good. Thank you very much for your comments on this business. I'll tell you one thing. Our objective is very clear. We are in polymer and composite products. And this both of using this technology, we use induction, blue extrusion and the composite technology we have.

And we do development of the product to replace the maintenance to the polymer or composite to give it high shelf life, low shelf life and another thing we have seen the product to which we are talking as far as this composite fire extinguisher and the composite water heater, which we are talking.

This is a newer product, which company has taken R&D. You know that we have a R&D team, 30 people working on this R&D and they develop the products. Now why we've chosen these products because these are very huge potential is there, and we are getting good inquiry. So I'm not restricting composite product development to restrict to the cylinders. We do some kind of the composite product for automotive sector also, we are already doing it which means going to the automotive sector, like air-received tank, EV vehicles we are doing, many other products we are doing it. We are working with the automotive industry.

So our object is very clear, Composite means does not restrict to only cylinder, many other products, wherever the possible to become the product to lighter weight and long shelf life. So we found now the business is concerned, you know that we have a 92% business in B2B, 8% business in B2C, we are doing it already.

In this business also, we are not going to sell directly. We will appoint when the product, some kind of the export opportunities also we are aiming for the composite fire extinguisher. We are getting some inquiry. But yes, we know that any R&D product will take 6 to 12 months time for developing the products. So these are the products we thought market is very big and good usage.

You and we know very well. If anything happens today, the metal fire extinguisher is very -- not very easy to carry and people don't mind to pay the price for that when it become lighter, everybody can handle it and they can use wherever required when the fire incident, anything happened.

So looking to the products, looking to the market size -- and we thought it's a good product, which we can reduce the weight almost, I tell you the 30% to 35% will be the weight compared with the metal today, whatever product is there. So therefore, we took the product, we don't see whether it's a consumer product or industrial product. But again, you know that now Composite water heater, it's industrial product also. Many residential complexes and many offices which are coming, they're putting the water heater in their site. So it can be the commercial households also that we people use it. But we are not going to -- we are going to sell with the wholesale distributors when the product going to be finalized one.

Rupen Masalia: Right. So it could be sort of a custom manufacturing sort of arrangements with certain OEs. I mean that also cannot be ruled out at a later day?

Bharat Vageria: Of course, it cannot be ruled out. I mentioned because we know that our team took the items. I'm talking about CNG cylinder. Development was ongoing since last 5 years, but commercial has taken place in the last 2.5 years.

Moderator: We have our next question from the line of Rishi Kothari from PI Square Investments.

Rishi Kothari: Actually, I got a question in the middle of the conversation that you are just asking right now. I just want to understand our international business, how does it operate? As you said that we generally don't supply anything to that original general to realized revenue from the export market. So how exactly is the setup of the small foreign business that you are operating?

Bharat Vageria: I will tell you this. As you know, that our expansion our overseas revenue is around 37% of our total revenue, we are getting in on the consolidation basis. Now overseas do manufacture the packaging products, which is mainly IBC, plastic drums, Jerry cans and pails. These are the 4 products we count as the packaging product, which is 76% of our total revenue.

Now in overseas, I will tell you we have divided 3 continents. Number one is the Middle East or MENA region. We have a manufacturing plant in Sharjah, Bahrain, Saudi and Egypt. This we call as a MENA region, where we get around 30% of our total revenue we get from there out of the overseas revenue.

Then in Southeast Asia, we have a manufacturing location in Thailand, Malaysia, Indonesia, Vietnam and Taiwan. These are the 5 manufacturing locations we have in that country. And every country is manufacturing and supplying to the local customers only.

Third one is a U.S.A. part. Here, we had 3 -- 4 manufacturing locations, Chicago, Austin, Iowa, we are doing in the U.S. part where we get around 20% revenue. So if I count INR100 crores revenue, I'm getting from overseas, I'll get 30% from MENA region, 50% from Southeast Asia and 20% from U.S. part. These are the revenue contributions.

We are not doing any export from India to these countries because every country is manufacturing and supplying to the local customer. And we've gone there because if you go through my presentation, you have seen some of the multinational customers who have a presence in India, they have a manufacturing presence in our overseas countries also. Some customers are the common customers in India and overseas. But yes, pricing is different.

Like I can give you some of the names like Dow Chemical, Cradiant these are some common customers. We have some common customers. And another thing, if you've gone to my presentation, I tell you, we are the market leader in 9 countries out of the 10 countries overseas where we are present. We are not leader in U.S.A. because there are some other players are there, but other countries, most of the countries, we are leading and more than 55% to 60% market business we have.

Rishi Kothari: Okay. Okay. Got it.

Bharat Vageria: Another thing you see in my earnings presentation. The overseas business have also grown in the range of 15%, and the EBITDA margin is in the range of 13.9% somewhere.

Rishi Kothari: Yes. That helps. And also these are all 100% subsidiary of the company?

Bharat Vageria: Again, I'm clarifying you, if you heard that. These are the 100% subsidiary set down subsidiary of Time Technoplast only in India, around 100%. And you heard then somebody has asked me and I was lowering my -- this statement in the beginning remarks that company is early to sell 50%, 50% of the revenue of the Middle East part, which in terms of the revenue point, I can say, INR175 crores business.

Total business is INR350 crores in that region and 50% revenue around INR175 crores, which we have agreed to disinvest 50% with the local partner in that region. That transaction somebody has asked me Mr. Jatin I remember the Jatin Damania has asked me, so I told it, it is going to be completed in the next 45 to 60 days time because transaction is ongoing, due diligence is ongoing since last 4, 5 months. Now it is consummation will be over, and this September or somewhere.

Rishi Kothari: And apart from that Middle East investment, everything else is 100%?

Bharat Vageria: Of course, it will continue. It will continue. Majority we are doing because we thought some other opportunities for composite products will also be there in the Middle East region considering the cylinders business and local. So we thought okay, we will have local partners and will grow faster in that region and the other products also we will launch there. That is our main objective.

Rishi Kothari: Okay. And apart from this, any other strategic plan that we are planning for this investment or more investment in the foreign market? So let's say this batteries investment of 50% disinvestment was on some core information that we decided to take out. So any other thing that we're planning?

Bharat Vageria: No, not now. Nothing on the table, and we don't want because we ourselves decided to grow 15% CAGR in the next 2 to 3 years' time. And let us have debt-free with future we can't say that's the opportunity come, we will do the valuation assessment, and we'll -- at that time, we will see and we will update to all the investors. But as on today, or near future as 6 months, nothing is under development.

Moderator: We have our next question from the line of Tushar Vasuja from Yogya Capital.

Tushar Vasuja: I have a couple of questions. Can you provide your realization in EBITDA per unit for IBC?

Bharat Vageria: Especially separate IBC EBITDA is not workable in fact I tell you because each and every item of IBC product we manufacture in-house. We don't depend on the outsider. And usual

IBC is a mixture of the inner container, then the combined horizontal and vertical pipes and so many other plastic articles.

But as I mentioned to you, EBITDA working normally do in the packaging product in the range of 12% to 14% we do. So these items come on the building products, so little higher is there because most of the items we do manufacturing around. And again, IBC between India, IBC overseas also put together. If you ask me the combined EBITDA margin, may be in the range of -- in the range of 12% to 15%.

Tushar Vasuja: Okay, sir. And I know you don't give segmented margins, but again, can you -- what sort of margins do you get from your metal segment?

Bharat Vageria: In the business only, we have a very small business, why we have kept it you know that certain times, we have seen the grocery and general store. Everybody keeps the bread and butter. They hardly earn 2% to 3%, 4%, but they have to keep it because they want to sell the other products, then only the customers will buy.

So this metal product why we have kept in is a strategical investment we did and where the Time Techno is a 49% partner, 51% is the international company. Mauser owns that company, if you ask me very frankly, we have kept that product because -- we ourselves, you know that we do polymer products, replacement that take place in the last 30 years, 60% replacement has taken place from metal drum to polymer drum.

But we would like to continue the metal drum because any customer comes to a shop, he has a certain product which they cannot use the polymer drum 10%, 15% product chemical and certain products which they need the steel drums. So we used to supply them. We don't allow to our customers go to the other shops. There we are continuing the steel drum. But you asked me EBITDA margin in the range of 5% to 6%. But I tell you steel drum, the gearing is high. Gearing is high. If you invest INR1, the gearing is INR5.

Tushar Vasuja: Okay, sir. And sir, my next question is, you mentioned quite a bit that you're doing the capex for your CNG plant. But have you been doing any capex for your LPG?

Bharat Vageria: I can say if you -- today, some small capex which already included in our regular maintenance of brownfield expansion because I have a highest range. We are the only company in the world who have 2 kg cylinder to 2 liters to 26 liters cylinders we have. Even 47 liters, we do, right? Yes.

So various highest range we have. So based on our customer requirements, country requirement, we do certain development, but all costs is included in my maintenance capex of INR75 crores to INR80 crores a year. Specific if you ask me question for expansion in LPG, as far as FY '25 is concerned, answer is no. But if you ask me next year, definitely looking to the demand, looking to the response which we are getting in LPG cylinder, my answer is yes.

Because we have a good -- this year, we are keeping our sales target to create awareness -- that awareness. You know that we are supplying cylinders to Indian Oil Corporation, IOCL India, the huge supply is going in the various states of the India. So they are also getting good response. So we have joined together, create the initiative, create the awareness between the people that this type of the composite cylinders are available in the market, available with the distributors, is at a light weight and they can see the gas exposure proof. These are the major advantage. People don't mind to pay the higher value for the sake of the life. Therefore, you know the product's name is itself is a Lite Safe is the name of the product.

Tushar Vasuja: Okay. So sir, what's your operational capacity right now after all the brownfield and minor expansion?

Bharat Vageria: Are you asking me LPG?

Tushar Vasuja: Yes. LPG.

Bharat Vageria: I'm full utilization. Almost I'm being 90%- 95% utilization is there. I don't have spare capacity available.

Tushar Vasuja: Sir, I'm asking about your operational capacity, how much total capacity do you guys have?

Bharat Vageria: We are the manufacturing. If I do the different size -- one size of cylinder, we can manufacture 1.4 million, 14 lakhs cylinder in a year. For the single size, but you know that every country has different requirements. Like in India, we are supplying 10 kg. Certain countries, they are supplying 47 kg. Certain countries 2 kg, 5 kg. So all put together maximum, we can do the 1.1 million or 1.2 million cylinder because we have to change the model and moulding capacity.

So in terms of the revenue, it is easy to understand. We can do the revenue of around INR230 crores to INR240 crores from this LPG cylinder business. Another thing I had mentioned last time also, same LPG line, we have developed -- we have products available for me this oxygen cylinder also, we have developed of 6.8 liters we have already developed in oxygen cylinder.

Tushar Vasuja: Sir, I have a follow-up on this, and please correct me if I'm wrong, but you have mentioned the same capacity quite a few times in previous calls also. So what is the brownfield expansion that you're talking about actually doing over here? Because operational and actual capacity is staying the same.

Bharat Vageria: I tell you. Brownfield expansion means, I explained you other way. For example, I have one plant in Daman where my utilization is almost existing machine capacity 90% and I have to increase one more machine there for the packaging product that is called the brownfield expansion, not a new location or something.

Another thing, as I mentioned, the automation and re-engineering you know that every time labor cost is increasing. So I have to maintain my labor cost. I have to maintain my EBITDA margin. So some kind of automation and re-engineering with the machine to increase the productivity, to reduce the labor cost and main power cost we need to do, therefore, and you know that almost now we are 30-years-old company.

So looking at that time, certain life of every product, machines we have the maximum part, we can do the packaging machines, grow moulding machines 15 year, 20 years then I have to replace or I have to replace some of the key components of the machine. Similarly, in the moulds also certain times, like every mold cycle times, you can take 1 million pieces, 2 million pieces. If we don't change the tool, then the cycle time will increase and cost of the manufacturer increase.

So that I mentioned to you looking at the size of the company, looking to the fixed assets we have, maintenance capex of INR75 crores to INR80 crores every year will be there. You know my depreciation amount, I explain in other ways. 50% of the depreciation amount will be required to maintain the capacity to maintain the cost of the per KG packaging for product packaging for that.

Tushar Vasuja: Okay. I'm sorry to take more of your time. I have one last question.

Bharat Vageria: Okay. If you want to understand, I'm very happy to explain you.

Tushar Vasuja: Sir, I have just one last question. What is the execution time line for the CNG order book?

Bharat Vageria: I'll tell you again. Every person who gives order because he has been alerted the site for the filling station new, then they come out with the tender. They give the order, they finalize L1, L2 whatever they finalize. Then after 6 to 8 months they give the time for the execution, depending on their vehicle delivery, depending on their completion size, et cetera. But normally 6 to 8 months people give.

Tushar Vasuja: Okay. So the order book that you have will be executed in 6 to 8 months.

Bharat Vageria: Of course. Yes.

Moderator: Ladies and gentlemen, we will have a last question from the line of Vinay Nadkarni from Hathway Investments.

Vinay Nadkarni: Congratulations on the good set of numbers. Yes. I'm saying sometime 2 years back, you had a Tesla power order for the LED battery energy systems. Any repeat order from them after that?

Bharat Vageria: No, no, no. You are right. I think you're asking 2 years back something. You know that Hathway has a good plant in India. Hathway in fact, sorry, Hathway is your company name. Tesla, there was some confusion. Elon Musk, Tesla, which is in automotive sector. This Tesla another one in battery segment, where there is a large plant in India to I think initially the lease out the batteries to the people.

But in the last 2 years, there are so many changes and the parent company from U.S.A., considering the situation in global situation that we grow their investment plan and we have already business whatever we did business we've done, we've got that money, and then after we have not received any order. But then also, we are also what focusing in the last, I can say, 2, 3 years, we are developing mainly in the solar batteries, which is a good demand, where the seasonal batteries good demand is there, then other industrial batteries.

And as you heard in the last question that E-Rickshaw batteries low-maintenance batteries, we are developing it. So as for investment, I think the parent company itself is a withdraw their investment plan. They have a large initial plan, but we give the lead on batteries. But looking the new companies are coming, new models are coming, they have also withdrawn their plan.

Vinay Nadkarni: Okay. Question is on this -- the oxygen filling that got approval for last March. Any development on that? Have you got some more...

Bharat Vageria: Yes, I think Raghu will explain to you because we have a limited capacity of LPG cylinders, so we are not supplying. I think we have now -- in principle, we have decided some of the orders are in hand, and we are going to execute this year. But again, whether I make LPG cylinder or make the oxygen cylinder the same, but as customer demand is there. So we are going to manufacture and we are going to supply some quantity in the next I can say 2 to 3 months' time to the customer. We have order. We have approval. That is not in problem at all.

Vinay Nadkarni: And is the LPG cylinder, CNG cylinder -- LPG cylinder and oxygen cylinder margins different or they are the same?

Bharat Vageria: No, no. As I mentioned, I can say we have mentioned composite products we work margin, we should get our reasonable margin, reasonable margin and sale I mentioned to you or other product margin in the range 14% composite products where the technology evolvement is there were so many capex are there. Therefore, we consider reasonable margin, which is around 18%.

Moderator: Thank you. Ladies and gentlemen, that would be the last question for today and I now hand the conference over to the management for closing comments.

Bharat Vageria: So Abhijeet, thank you very much and thank you to all my valued investors, existing and prospective to listening to management conversation. If anybody has left any query there, we have an investor line existing, IR agencies numbers we have provided back of our earning presentation. So they can contact and they can get their clarification. Once again, thank you very much. And thank you.

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