"Time Technoplast Limited's Q3 FY14 Results Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Time Technoplast Limited Q3 FY14 Results Conference Call. As a reminder, all participants' 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, please signal an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anil Jain – Managing Director and CEO, Time Technoplast Ltd. Thank you. And over to you, sir.

Anil Jain: Thank you very much. A very good afternoon to all my friends and we welcome you to this conference call. I have today with me my colleague, Mr. Bharat Vageria; he is our Director of Finance, though this is not mentioned in the invite, but I have been able to get Mr. Raghupathy Thyagarajan – our Director, Marketing; he is also with us here and then Mr. Sandip Modi who is the Senior Vice President of the Company Finance; and Mr. Niklank Jain who is the Company Secretary and the Compliance Officer. Friends, we are together to brief you about our Financial Results for Q3 and Nine Months of FY14 and the future outlook. The financial results for Q3 and Nine Months FY14 are already with you as you have already been intimated together with a covering note.

Let me quickly walk you through to the key financial highlights. During Q3FY14 our gross sale stood at Rs.594 crores as compared to Q3 of FY13 at Rs.482 crores; the net sales at Rs.548 crores as against Rs.441 crores. EBITDA at Rs.78 crores as against Rs.77 crores; and PAT at Rs.23 crores as against Rs.29 crores in the corresponding Q3 of FY13. Compared to the corresponding previous year quarter the gross sale has grown at 23%, the net sales has grown at 24%, and just to give you at the same time the breakup both in India and Overseas; in India we have grown at about 15% as compared to Overseas which is remarkably good 51% but this growth actually comprises of both the volume and the value growth because of the raw material fluctuations. The volume growth as against 24% of the total growth is only 13% and the breakup is that India is at 7% and Overseas the volume growth is 25%. EBITDA has grown at 1% and the PAT of course compared to last quarter is 22% below. If you combine this together with half yearly results that we presented to you last time during the nine months of FY14 the gross sales stood at Rs.1700 crores as against Rs.1386 crores of the nine months of FY13; net sales at Rs.1570 crores as against Rs.1277 crores, EBITDA at Rs.223 crores as against Rs.218 crores; and PAT at Rs.64 crores as against Rs.79 crores. Compared to the corresponding previous nine months ended, gross sales grew by 23%, the net sales grew at 23%. In India it was 14% and Overseas it is 52%. The volume growth is 13% which comprises of India at 7% and the Overseas 35%. EBITDA grew at 3% and PAT of course declined at 20%. Otherwise, if you look at cash profit that is up by 2%; the reason of PAT declining is essentially due to a very high depreciation, but at the cash level this is 2% up as compared to nine months of last year. EBITDA percentage to the net sales during the nine months FY14 stood at 14.23% as against 17.07% and I will explain which is the net effect of moderation due to the value increase which brings the EBITDA percentage down, because toll margins remain constant, and on the other hand our business Overseas have grown faster than historically, our

EBITDA margins are lower than the Indian EBITDA margins. Of course, now they are getting leveled up. The decrease in EBITDA is due to increase in raw material prices. The percentage cost of raw material consumed in nine months of FY14 stood at 67.28% as compared to 64.63% in the corresponding nine months FY13 which supports what I said that the raw material prices have gone up.

Total borrowing as on 31st December 2013 is at Rs.826 crores as against Rs.814 crores in the same period last year. Long term loans are at Rs.429 crores and working capital is about Rs.397 crores. Working capital cycle has remained more or less the same – 81 days as compared to 80 days. You can imagine how difficult it is in today's time to maintain working capital cycle. The total CAPEX in the nine months period is at Rs.83 crores. We had projected in last conference Rs.100 crores for the whole year. In nine months it Rs.83 crores as against Rs.167 crores in the whole of 2013. That is basically because as I had mentioned in the last conference we have put brakes on further CAPEX. This CAPEX in this year had been because of the project that we already had taken up in hand last year which continued into the current year, which includes a certain amount of automation that we had done at some locations and capacity improvement, debottlenecking, some investments that we had to do in Poland because of increased demand from one of our key customers there. Though our capacity utilization Overseas is still lower but from time-to-time we have to balance out the capacities which would mean that may be in certain areas, we may have to add some more Blow Molding Machine – that was done in Indonesia and in Sharjah.

In India we have expanded our IBC business. If you recall it was only in the Western region, then we went to South, and in this quarter we actually have now put up an IBC project up in North at Pantnagar. Our ROCE has been at 12.11%; in India it is 13.44% and Overseas it is 9.05%. As I said it is because we are still growing and the capacity utilization is much lower Overseas, but if you look at the ROCE has started improving already because this was about 11.83% in the first half of the current financial year. With these numbers I think we can take some questions and provide with all the clarifications that you might possibly need. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Nehal Shah from Antique. Please go ahead.

Nehal Shah: Can you just provide me the break up in revenues for the quarter?

Anil Jain: Third quarter?

Nehal Shah: You can give me for nine months also.

Management: India and Overseas?

Nehal Shah: Yes, India and Overseas. And then for the separate segments as well.

Management: In the nine months, the net sales of the India turnover is Rs.1127 crores and Overseas is Rs.444 crores, total is Rs.1,571 crores.

Anil Jain: 72% India and 28% Overseas.

Management: For the Q3 the net sales of India is at Rs.398 crores and Overseas is Rs.150 crores. Segment wise Packaging business is at 65%, Life Style Products is 10%, Auto Component is 8%, Infrastructure is 17%, and others is 1%

Anil Jain: That is the new products that we have started.

Nehal Shah: Can you give me the status on the LPG Composite Cylinders – what are we doing, how are we progressing, what about the Reliance order which was expected to get executed, what is finally happening there?

Anil Jain: Though we are still very upbeat about this business but the progress in this quarter has been rather slow actually. You know that we had received order from Reliance for 50,000 numbers of Cylinders that we were to supply in the current financial year, we supplied 10,000 Cylinders already to them, so that they launched in Gujarat, and I think the response has been very good, so these Cylinders are in circulation and it has been liked by the customers as well. Balance quantity they were to launch in Maharashtra, in Madhya Pradesh and Rajasthan. They have sought permission from PESO. As you know their filling stations and their distribution systems had to be approved by the approving authority in the government and it was called CCOE, now it is called PESO in Nagpur. They were to get the clearance from PESO for these three states. Unfortunately, PESO has been very-very slow in giving clearances, they have started now, it is expected any time now in Maharashtra and Rajasthan, I think Madhya Pradesh will take some more time. We have kept some quantities ready and some more have to be prepared because we do not want to carry too much of inventory. We are waiting for Reliance to give us green signal. From their side also they are quite ready to take the deliveries, but they cannot do that until they are able to get PESO approval. From our side, all the approvals are in place but they also need to take the approval. That is the reason why in India it is a little slow. At the same time if you recall we had talked about BPCL who had launched the 5 Kgs cylinder in the open market from their gas station, it received good response and then they decided that in 5 Kgs they would like to launch Composite Cylinders together with Steel Cylinders, and that tender was to come in 2013, but that has also got delayed because of the clearance they have to get from Ministry of Petroleum, and it seems nothing is moving there at all, though they are promising the tender will be out by the end of this month, but we will really have to wait. But quite honestly, I do not expect much to happen in India so far as BPCL is concerned because of oncoming elections, at the same time they may also like to revisit their strategy for launching or offering LPG on non-subsidized rate from the open market because they had expected a huge demand in the open market, and in fact, they had reduced the cylinders quota from 12 to 6 and then increased it to 9 and now they are back to 12, they have been now told to reassess their requirement and whether they would still like to go very aggressively. I am a little pessimistic about what BPCL would end up doing. In the meantime, of course, we are seeing a very-very interesting development from African market and also nearby. So we are in the process of getting some order from Nepal and Maldives in our neighborhood; Maldives will be a very small order, but they want to start with Composite Cylinders and we are trying to differentiate that even the small companies are far more excited about Composite Cylinders than our oil marketing companies. Nepal is one. We have got orders from Tanzania and they would be launching very large number of Composite Cylinders. We have got orders from South Africa where it will take off though slowly but there are very good indications coming in from Nigeria and also Kenya. As we have PESO in our country, they also have their own approving authorities in those countries. We have been able to get permission from the local authority in South Africa and also in Tanzania, but we are yet to get approval from Nigeria which is around the corner. Zimbabwe normally follows South Africa. Since South Africa approval has come in, we expect Zimbabwe also to come in quickly. I have reasons to believe that Kenya will be a bit slow and they have the approving authority Bureau of Kenyan Standards, but our partners there are trying very hard to get the permission. Once we have these permissions in place, we should be able to offer these Cylinders to them. Order booking though is like I said in excess of Rs.10 crores, but we are still waiting for some of these clearances and sale has already started taking place in some of these places.

Nehal Shah: What is the current exports order book for Cylinders?

Anil Jain: The current will be about Rs.4.5 crores.

Nehal Shah: That would be how many cylinders?

Anil Jain: I do not have the numbers exactly, but I can give you just a ballpark about 30,000 Cylinders.

Nehal Shah: 30,000 Cylinders in total?

Anil Jain: That is for export, yes. Orders from Reliance 40,000. Out of 50,000 we have supplied 10,000, 40,000 more has to go.

Nehal Shah: Export realization is around Rs.1400. While Domestic realization would be around?

Anil Jain: This is not a realization actually. I have just given a ballpark. The realization overseas will be better than what we have in India.

Nehal Shah: What do you have in India as far as realization is concerned?

Anil Jain: We have offered our Cylinders I **(Inaudible) 19.25** these information because the third party is involved in commercial confidentiality but I think it will be fair to assume it is about Rs.1700 to 1800 a Cylinder.

Nehal Shah: In India?

Anil Jain: Yes, in India.

Moderator: Thank you. The next question is from the line of Chetan Wadia from JHP Securities. Please go ahead.

Chetan Wadia: Book-keeping first. What is the cash on book right now?

Management: Total cash and bank balance is near about Rs.55 crores.

Chetan Wadia: What is the cost of debt?

Management: Total cost of debt is in the region of 12.5%.

Anil Jain: In India.

Chetan Wadia: What is the determined schedule and what is the outlook for the debt level at the end of FY14 and FY15 because will there be any kind of pressure due to the working capital warrant?

Anil Jain: If you remember, at the beginning of the year, we have said that we would like to keep our total debt more than the same through the year, and up till now we have been able to maintain that largely. You are right that there is a pressure on the working capital as payments sometimes get delayed, but we are trying our very best, we have not allowed our working capital cycle to increase which is more or less remain the same number of days. So I think our debt would be more or less the same as we had at the end of last year.

Chetan Wadia: In the initial remarks you said about the revenue contribution is 72% Domestic and 28% international? What is the capacity utilization in Domestic and international combined?

Anil Jain: We will rather separate it; actually, we are close to 80% in so far as India is concerned, but Overseas the capacity utilization is more like 50% actually.

Management: Combined, we see in the range of 60-65%.

Chetan Wadia: Any initiatives that the company would be taking to launch any product in FY15; is there any new product which is in the making, talk about could be a new thing from the company?

Anil Jain: Currently, we have some very interesting products already lined up and they are in the pipeline, but you would appreciate that we are holding it back right now, our focus clearly is to have better capacity utilization and the growth probably will come from IBCs and also from Cylinders. We are trying to improve our capacity utilization in new geographies that we have gone in. I think we will wait for the new financial year, and how the political situation changes, and what kind of growth can be expected in the country. So right now new expansions or new products have been actually kept on hold, and I guess it will be for major part of next year as well. Our focus is going to be more on capacity utilization especially overseas and use our resources more effectively rather than going in for a new project and making more CAPEX.

Chetan Wadia: You said about the CAPEX plans for FY14 is Rs.100 crores. Are you in a position to say for FY15 what will be the CAPEX?

Management: It will be less than that in fact. As we have said in the last conference call also, the total CAPEX for the next three years will be Rs.250 crores as against last four years we did around Rs.600-700 crores, normal CAPEX whatever is required for the product development especially by customers, if any customer demand is there then only we will do that.

Chetan Wadia: In the last concall you gave the outlook of 20% revenue growth and 15% EBITDA. I guess the revenue growth might get achieved, but what about the operating level margins, are you hopeful of achieving that in Q4?

Anil Jain: They will improve a little bit actually but may be we will miss 15% by a whisker. Probably our last quarter is always the better one. You would appreciate that while we are tying to maintain our growth in India, but overall market situation are not very favorable, and to be able to maintain our market share would actually mean that you see a little bit of a pressure on our operating margin. We are finding that there is a tremendous loss of confidence our customers are experiencing and lot of the expansions or new projects that our customers wanted to undertake have also been shelved for some time. I guess as things change in the coming months everybody is expecting not only we will be able to have a better growth, but we will then be able to improve our EBITDA margins as well. I think in the current year we still are hopeful, but I guess we might miss it by a very small margin.

Chetan Wadia: You just said that there are a lot of projects of the customers are being held back or they have been postponed kind of, so how has that impacted the sales for Auto Components and Telecom Battery business?

Anil Jain: You know the order situation is not the best right now, but since we have taken up new projects also in Auto Components, we are able to maintain our levels and some growth because of the new products that are coming in, but you are right for these established products we have seen that the offtake is smaller. The Battery business, let me tell you, contrary to the general belief, there is a little bit of demand for Batteries, because telecom companies in the last three years have not been spending money on Batteries, they did not change them because of the resource constraints but the Battery needs replacement after three years, otherwise your system uptime can get reduced, and these days the telecom infrastructure companies are being forced by their customers to accept penalties if there is a down time. So we are now finding that they are coming back and asking for more Batteries and this is an indication I am also getting from our subsidiary which did a turnover last year of Rs.160 crores, and this year we are expecting it to be about Rs.180 crores or slightly more than that. So that would mean that the Battery should start now going, and I guess we have a positive outlook even for the next year.

Moderator: The next question is from the line of Pankaj Bobade from Axis Securities. Please go ahead.

Pankaj Bobade: Just wanted to understand more about your capacity utilization both Domestic and Overseas, and also especially the South Indian plant and you also touched upon your North Indian plant of IBCs?

Anil Jain: Up till now we had IBC manufacturing mostly in the Western region that is in Daman. I think Raghu can give you an idea that we had to incur a lot of debt.

Raghupathy Thyagarajan: We have this capacity in Daman from where we have been catering to not only the companies in the Western region but overall the entire geographies which involved traveling with IBCs up to North, almost about 1200-1500 Kms, likewise similarly in South as well. The pockets of demand in both these regions started coming up. At the same time we also experienced a certain amount of reluctance for the customers to incur additional freight charges all the way from Western region to those regions, and that was probably affecting some volumes of demand as well. So it was more a strategic initiative for us to set up additional plants both in the South as well as in the North for the manufacture of IBC so that the customers in every region are able to get the IBCs at more or less the same cost. So their competitivity does not really get affected because they are situated in different regions.

Anil Jain: We also have customers who are actually located in different regions, so we can make one single contract with them and make a supply from our nearest plant so that helps improve our margins also slightly. We have also experienced in the past the demand of packaging actually grows with the availability close by. People do not really want to wait for 4-5 days and then sometimes days of fog and the deliveries are delayed. Normally, we would like to have just-in-time. So it is for the strategic reasons that we actually decided to go both South and also North. We are the only manufacturers of IBCs who have got the North, West and South fully covered up and East there is a very small demand. We are effectively blocking a potential competitor who might like to look at India as the demand is growing here because then he would realize that he will have to go at different locations rather than being only at one single one. I think it is more for the business standpoint and also for the strategic reasons that we decided to move North and South as well.

Pankaj Bobade: I wanted to understand what are the capacities which are coming up in South India, what is the per unit capacity and also their utilization?

Anil Jain: IBC, the capacity utilization in West is almost about 90% and South current year only and the North is just started last month. So it is really too early to say about the capacity utilization there.

Pankaj Bobade: You said South Indian capacity utilization is 35%?

Anil Jain: More like 30%.

Pankaj Bobade: How many units per plant – South Indian and North Indian?

Anil Jain: We can do up to 100,000 IBC units in a year actually at North and South each, and in West we can do more like 120,000 to 130,000 units.

Pankaj Bobade: So accordingly, our total capacity would be around 320,000 units

Anil Jain: Absolutely.

Pankaj Bobade: Do we have any more plans to diversify geographically?

Anil Jain: Let us see how the industry grows actually. If the industry were to grow at 9% or 10% as we were expecting at some point in time then it might be required but for the time being I guess we are pretty happy with what we have created.

Pankaj Bobade: I just wanted to know what was the capacity utilization of Overseas plant?

Anil Jain: It is slightly more than 50% capacity utilization.

Pankaj Bobade: India as a whole?

Anil Jain: India as a whole closer to 80%.

Moderator: Thank you. The next question is from the line of Sameer Dalal from Natverlal and Sons Stockbrokers. Please go ahead.

Sameer Dalal: Your EBITDA margins have been lower. I wanted to understand how the blended margins have moved, in the sense that if you look your sales have grown at 24% but your EBITDA has not grown. So have your margins Domestically got impacted also recently or why exactly and the EBITDA level is moving up?

Anil Jain: It is a combined effect, let us look at it this way, toll margins are more or less fixed, but then your raw material prices go up, and you pass it on to your customer. Even then your toll margins are the same but as a percentage of the sale value it goes down.

Sameer Dalal: That I understand, but if you look at it not the full 24% of the growth of last year is price growth, it is also volume growth driven by international operations. Now, either your international operations are working at almost no EBITDA or your Indian operations have seemed some EBITDA shrinkage, so...

Anil Jain: I was coming to that one. As we are now seeing that the contribution of our Overseas operations in our total turnover is increasing, we will see moderation in our EBITDA margins for the reason that the EBITDA margins Overseas are relatively less as compared to what we used to have within India.

Sameer Dalal: But that would still mean that your EBITDA should rise because if in India you were doing say Rs.100 EBITDA and internationally on the same amount of sales you are doing Rs.5 EBITDA it should still 10+5 should be 15, out here what is happening is 7.72 last year has just gone to 7.80. So it is not justifying what exactly is going on because your EBITDA is not really moving at all?

Anil Jain: Our EBITDA margins actually if you look at it compared to last year for the nine-month period Rs.223 crores as against Rs.218 crores. You are right actually that they have only grown by about 3%. Like I said, when I was talking about the moderation I was mostly on percentages.

Sameer Dalal: I understand the moderation and percentage because international operations have lower margins, but the simple thing is EBITDA is not showing any growth which is what I am a little concerned about that with the Overseas operations adding, so either your Overseas operations are not adding anything to EBITDA which means they are working at almost zero EBITDA or your Indian operations have seen a margin hit. In that case how much more of a margin squeeze do you see given that the slowdown in the Domestic market is probably going to continue for another six months to nine months?

Anil Jain: It will not be true to say that our Overseas projects are at zero EBITDA margin, in fact, the EBITDA margins are now improving there, but if you look at our expenditure that has actually gone up, and that is because some of the companies who have started operations, their expenditure actually has also been added on.

Management: Total expenditure in the current nine months is Rs.290 crores, last nine months is Rs.233 crores.

Anil Jain: So the expenditure has gone up because some of our new units actually have been now in commercial operation and therefore we have to provide for their expenses.

Sameer Dalal: If you were to say your new operations all of them which have commenced in the last say 12 to 18 months what are the margins these operations are working at because it seems to be either they seem to be a drag on the company at the moment?

Anil Jain: Not really a drag, but at the start they will start probably at 2%, 3%, or 4% EBITDA margins actually when they come in here. But the immediate impact of that is that their expenditure actually gets fully accounted for because they start the commercial operation and the EBITDA margins may be delayed by 6-8 months.

Sameer Dalal: Would it be possible to give a full breakup of which of your new plants which have been commissioned in the last 12 to 18 months which country and what operation levels they are working right now?

Anil Jain: If you allow me can we send this information to you post conference.

Sameer Dalal: Yes, we can do that. I thought of get in touch with you anyway after the call as I have some other things.

Anil Jain: We will most certainly do that.

Moderator: Thank you. The next question is from the line of Kamna Motwani from CRISIL. Please go ahead.

Kamna Motwani: I just wanted to understand how are the things picking up in China because initially we were talking about a slow down. So just wanted to get an update?

Anil Jain: The progress in China is good. China, the growth has been not as strong as we had expected, because we found that the Chinese economy itself is not really growing that's what we read in the newspapers. All the numbers are dished out by the government, but we have reasons to believe the actual quote on the ground in China is much lower than the numbers that are presented. Right now, we do not really have to worry about China too much, because we are a very small player there and a new one at that. So this slow growth still leaves a margin for us to enter to the new customers but probably we have to take away the market share from these established people who have relationship with the customer, we preferably will have to compromise a little bit on our margins to start with. That could be a little bit of a concern in the initial period, but Chinese business is also growing of course. If we are growing 50% overall Overseas, China will be more like 20%.

Kamna Motwani: Could you also give us an update on the other newer capacities like Korea, Vietnam and the others?

Anil Jain: Vietnam is again absolutely a new plant and we have now reached a capacity utilization of 25-26%, and in Korea will be more like 23%.

Kamna Motwani: Of all the expansions that we have done over the last 2-3 years, any of them you believe are currently probably not working out for you and may be you need to relook sometime down the line?

Anil Jain: To tell you the truth if I have to make one bet I am not very happy with is Korea, because not only talking about the growth but frankly that is a market which is where the customer is happy to have only a single source of supply. It is not the case in other countries where they start entertaining a new customer. Since you wanted me to name one I have only did that but I think everywhere else we are doing very well; Indonesia we have already gone in for expansion, Malaysia is growing, we are very happy with our Sharjah plant, we are extremely happy with Bahrain, Egypt no matter what you read in the newspapers, they are showing a very good growth; of course once in a while they complain that some people come asking for money there, but I think that is a part of the game. We are pretty happy with Overseas venture that we have put in. And if we are talking about non-packaging that is Romania and Poland we are extremely happy with what we have done there. That not only have shown enough growth but they are also providing nice EBITDA margins and we have to in fact grow our capacity **(Inaudible) 43:08** we have now got a big order from IKEA, and now go to the IKEA store and find our product anywhere in the world.

Kamna Motwani: Also wanted an update on the Prefab structures order that we had won sometime back, how are things there?

Anil Jain: Prefab Shelter is a story where we have got lot of orders from MP government, and we executed some. In fact if you remember this is the only time we had actually gone for a project where we are dealing directly with the government, and we did not want to make mistakes like some of our fraternity has made by doing similar jobs for state governments and not getting paid, the payments were slow and they still are very slow. We have taken those orders on hand and let us get our payments intake and not take undue exposures. If you ask me we have orders in the hand that are we going to execute it and at what pace will depend entirely as to how quickly we start getting the payment from there. In between nothing was happening because there were elections in MP and this order is from MP. We are now assured by our marketing people that the payments will get cleared up and then we will start executing the orders.

Kamna Motwani: What is the status of our second Composite Cylinder capacity in the Middle East?

Anil Jain: The second Composite Cylinder capacity is ready in Bahrain. We have initiated approval process there but as you know we are dedicating that capacity mostly for Middle East, and the three customers that we have identified for the capacities are ADNOC, WOQOD and GASCO in Saudi Arabia and the changeover or accepting the new products is taking longer because especially WOQOD are grappling with their own what you call is a civil defense department to get clearance for Composite Cylinders. In UAE, we already have an approval from ESMA and we have supplied a very small quantity of cylinders to ADNOC, They have put it in circulation but for strange reasons they say that the major orders will come only after they have minimum of three months of experience on those Cylinders. We already have completed one and a half months, so we will have to wait until they have gone through the complete cycle. So once these guys are in we will start from Bahrain. In so far as India capacity is concerned we do not see a problem in taking orders from any of the customers. For ADNOC and all we made initial supplies from India with a clear understanding that as they come back with large quantity we can supply from Bahrain and they like things to be coming from GCC. So they are pretty excited about it as well.

Kamna Motwani: Domestic competitor in the Composite Cylinder business would probably start their capacity in 3-4 months' time. So just wanted to get your comments on that, how do you believe that will impact our prospects considering order book is not that very strong currently?

Anil Jain: I heard about the competitor is that they not have changed their statement in the last two years that they are starting in the next three months. But, we do know that they have not even committed sample to PESO for approval, that process has not started. So you can safely assume that will take them anywhere between 18 months to 2 years before they can have the business necessary credentials to go up in the market and offer it to the customer.

Raghupathy Thiagarajan: Any Composite Cylinders is a process of change involved. So we actually welcome competition because then their efforts will also add to enhance the market.

Anil Jain: If you look at India 250 million is the population of Cylinders, I am talking about **(Inaudible) 48.15** Cylinders included and there are almost about 20 million Cylinders are bought every year. Their and our combined capacity closer to about 600,000-700,000, and we will be very happy if they come out in the market quickly and start chasing customers. I have seen in many cases it helps when the customer knows that there is more than one supplier.

Kamna Motwani: Minority interest has actually declined compared to previous quarter. So just wanted to understand if some of the subsidiaries probably under some pressure for profitability?

Management: Minority interest for both the quarters are maintained, not too much decline.

Kamna Motwani: It is down from about Rs.9.2 crores to Rs.7.8 crores.

Management: Because of the TPL Plastech there is a little margin less so there is.

Kamna Motwani: TPL Plastech actually showed an improvement this quarter.

Management: And that is NED Energy there is decline in the total margin.

Moderator: Thank you. The next question is from the line of Ashi Anand from Kotak. Please go ahead.

Ashi Anand: My first question relates to the working capital. We have spoken in the past about shorter working capital cycle in the international business. Now as the international businesses are ramping up, we are not seeing the overall impact of that on the overall working capital cycle of the company. To understand, is this because of increase in the Domestic working capital cycle or is the international working capital cycle still not at the levels you were expecting?

Anil Jain: You are absolutely right that the Domestic working capital cycle has gone up little bit actually, and overseas working capital cycle is more or less on the lines that we had actually anticipated. So what is happening is as the business Overseas is growing that is more than compensating for a little increase in working capital cycle in India, therefore you see on a blended level our working capital cycle is more or less the same.

Ashi Anand: Just taking a followup on this, if you say that the current increase in working capital cycle assuming in India is because of the weak demand conditions, going into FY15, if demand conditions improve, how do you see this 81 days overall working capital cycle, what level could it come down to going into FY15?

Anil Jain: If you remember, we had actually targeted to bring it down to 75 days, which we have not been able to do. But it is certainly a function of overall liquidity in the system, I cannot name customers on the phone, but some customers are supposed to be really blue chip companies and were felt insulted if we were to remind them for the payment, today issues sometimes on PDCs actually, that would mean that they must experience some disturbance in their own working capital cycle, which is part of the burden they are trying to pass it on to their suppliers. So I guess it is a function of what actually is happening overall, but if the economy starts growing and total liquidity comes back into the system this should improve.

Ashi Anand: The second question is actually a followup of one of the previous participants, would it be possible to give the absolute EBITDA breakup between Domestic and Overseas for the nine months and how this compares to nine months of the previous year, would that data be available?

Anil Jain: I can give you in the current year, EBITDA of Rs.224 crores for nine months, comprises of Rs.161 crores in India and Rs.63 crores actually Overseas.

Ashi Anand: And how would this compare to say last year?

Anil Jain: India is Rs.174 crores and Overseas Rs.44 crores.

Ashi Anand: Just as a followup, Rs.174 crores to Rs.161 crores decline in India, has that happened in any particular segment or is it kind of broad based across?

Anil Jain: No, it is not really broad-based, I think it could be sum total of our subsidiaries net, which is experiencing low EBITDA margins.

Management: TPL Plastech is around 9%.

Anil Jain: TPL Plastech has been lower than last year, and TPL standalone also we have felt a little pressure on our EBITDA margins.

Ashi Anand: So at some level we have seen some margin pressure across most of the Domestic business but the bulk of it actually being in NED Energy?

Anil Jain: Right, yes, and in India it is mostly in the Auto Components, where the demand is low, and we still are trying to push a little bit more, I think that is there and…

Management: In addition to that actually what happens actually when your value is increased by almost 15% to 20%, the consumer product also is not able to pass on the increase every month, as we used to do with a few customers.

Anil Jain: In B2C business passing on the price increase in the raw material is sometimes a little bit more difficult and especially when the economic conditions are a little weak.

Ashi Anand: Are you in a position to give an EBITDA margin guidance for next year as in what would we be targeting?

Management: I think we had said as the pipe level maintain at the same level, because in the current scenario also we have seen the growth of around 10%, the percentage of EBITDA should improve as the capacity utilization increase plus reasonable as we have said the EBITDA consolidated level actually 15.5% to 16%.

Anil Jain: That is our wish list actually, we would like to reach, but that is also a function of better capacity utilization Overseas which seems to be happening. We will then also like to see that raw material prices stabilize in India because sometimes the bigger margins get impacted because passing on the price increase to our customers sometimes is delayed and that impact to EBITDA margin, we have been constantly seeing raw material prices going up and you would recall we had a value growth last year, the volume growth was comparatively less, we are reporting the same thing this year as well. So I think it is almost 6 quarters, not more than we have seen raw material prices going on, and there is a delayed effect that impacts our EBITDA margins. So, this is a wish list that we have, if raw material prices stay and I would like it to stay, because in my opinion they are already now peaked, would be very difficult, that the raw material prices will go up and more so, because China is a net importer of raw material, and if the Chinese economy does not do very well, then we should really see the prices of polymer should decline. Therefore, we should really be striving for EBITDA margins upward of 15%.

Moderator: Thank you. The next question is from the line of Sanjeev Zarbade from Kotak Securities, please go ahead.

Sanjeev Zarbade: Sir, can you share the product wise or the business wise margins in the 9 months, for example, in Packaging, Lifestyle and Auto?

Anil Jain: Sanjeev, I tell you, because we were getting 23% EBITDA margin on Auto Components, last time, and there was a call from Tata Motors saying, "How the hell are you making so much of a margin, because you must really cut down your prices by 10%?" If you look at the EBITDA margins that we have, on the lower spectrum it will be infrastructure, and on the higher one it will be Lifestyle products or technical products.

Sanjeev Zarbade: This NED batteries would be included in…?

Management: It is in the infrastructure.

Sanjeev Zarbade: Although you shared the outlook for margins for next year, is it possible to give us a broad outlook on the revenue growth that we could achieve for the next fiscal?

Anil Jain: Sanjeev, I can do that, but you will have to answer one question from my side. "How do you see the economic growth in India actually for the next year?" Quite honestly, this one quarter as we sat down not only with the conference but even before the board meeting and we allowed ourselves an exception, this quarter that we will not be able to make even an internal guidance because of so many ponderables that we find in the market. We have clear visibility for the growth of our Overseas business, it may be 25 to 30%, let me put it this way, but Indian market, and I would dare not predict anything.

Sanjeev Zarbade: Just in terms of EBITDA in the previous fiscal 9 months you indicated how much at the group level versus Rs.224 crores? I missed out on that.

Anil Jain: Last year Rs.218 crores.

Moderator: The next question is from the line of Ravi Shennoy from Motilal Oswal, please go ahead.

Ravi Shennoy: Sir on the debt front… if you have given out the number, I missed that, if you could give the number at the end of the 9 months?

Management: Rs.826 crores

Ravi Shennoy: Margin increase over the first half?

Anil Jain: It is just a marginal, maybe quarter end effect also comes in sometimes actually.

Ravi Shennoy: On the debtor days, if we get some idea sir?

Management: Debtor days, in India it is in the range of 70 days, and Overseas it is 60 days.

Ravi Shennoy: On the geographic front, could we get a breakup of your revenue Sir, for the 9 months or so?

Anil Jain: For the 9 months, the revenue on the net sales, Rs.1127 crores in India and Overseas it is Rs.444 crores.

Ravi Shennoy:: Could we break that Overseas into broad subsidiaries?

Anil Jain: We could provide this information offline because there are 15 subsidiaries and we can then provide these numbers.

Ravi Shennoy:: On the tons front, two volume numbers that I needed – capacity and volumes, if it is possible for the quarter.

Anil Jain: Everything does not get converted into tons because the batteries are the milliampere-hours, these are in numbers.

Ravi Shennoy:: I will take those numbers offline then.

Anil Jain: We can give you these breakups separately. It is a complex process to work out the capacity utilization because we have to really combine them segment wise.

Ravi Shennoy: The Solutia acquisition that we had done some time back, sir. What would be the impact on our numbers right now?

Anil Jain: Solutia, that is the Graftech, of course the name has been changed, because Solutia were the original owners, is a star performer for us, they have finished their financial year, state had a budget, and in terms of EBITDA margins also they have given no reasons to complain, of course their EBITDA margins were higher than our blended EBITDA margins, so they were real contributors. They have also seen a good growth both in Poland and Romania, the acquisitions that we have done. So we see a growth in sales and also improvement in EBITDA margins there. I think if you really ask me that was a very wise acquisition that we did.

Ravi Shennoy:: In terms of advantage to us in bringing that product to India or entry into some of their customer base, any such things that we have seen?

Anil Jain: No, we we have the capacities here in India also, but we do not use the same brand, let us say for example, they use AstroTurf, and we offered this similar product under the brand DuroTurf here. So we have these capacities in India, there is no point in bringing it all the way from there. If the need be, we can make similar product in India, and since the brand belongs to us we can actually launch it under that brand, which is what we are doing. In addition to DuroTurf, we will be launching AstroTurf also in India, but that will be made in India and not coming from Romania.

Ravi Shennoy: One last question from my side, the gross margins overall, you have explained the tolling concept there, but the gross margins have been down significantly for the nine months, I can understand that is due to the rupee depreciation. But how much of that rupee depreciation have we been able to pass on to our customers?

Anil Jain: Let me answer your question in two parts. One is of course the rupee depreciation, which actually impacts the raw material cost, which we are able to pass on to our customers with of course a slight time delay. So that is not so much of really a bother to us, though we might be concerned from one quarter to another quarter. Insofar as the reduction in the margins are concerned, like I said, our expenditure has also gone up which compensates for our margins and that is because some of our new subsidiaries, they have gone in commercial operations so therefore their expenses have to be taken into account. But, if you make apple-to-apple comparison, then things would still look better than what you can see here.

Ravi Shennoy: No, I am just looking at gross margins, I am not looking at operating expenses at all; gross margins are down by about 310 basis points. Have we had any price increases during this nine-month period?

Anil Jain: There is a price increase because the raw material price is going up.

Management: Almost as you have seen the value growth is 22% and volume growth is 10%, 12% is the price increase is there. We do not get the EBITDA margins on 12%, which is the only value increase. That is affecting us as far as the percentage of the raw materials is concerned.

Ravi Shennoy: Any further price increases that we have planned that could raise our margins.

Management: I think that Mr. Jain has said, that explains the raw material prices, which is current level that is the peak level as we presume. I think that should maintain, because it is again the price movement of the polymer is a demand/supply, but as per the availability, the supply is there in the new plants are coming up in India also in the next six to eight months time.

Anil Jain: Not in all products actually we have to pass on the decrease in the cost of raw material, therefore if your question is, whether it will improve the margins, yes it will, because in B2C products we do not necessarily have to pass on the reduction in the cost of raw material, whereas in industrial products actually where a change with the raw material prices, if the prices go up of the raw material, then we have to pass it on to the customers, likewise if it goes down. So, we have experienced that if the raw material prices come down, we see a positive impact on the EBITDA margins.

Ravi Shennoy: And just a followup to that sir, with the prices having gone up, and with the economy having slowed down, which of your customer segments are seeing the most impact of both of these factors?

Anil Jain: Auto is most certainly one, because they have not only seen a downturn but this is also becoming very erratic actually from one month to another. And I think to some extent Lifestyle products also have got impacted because there is lesser footfalls of the consumers in the marketplace therefore the products have not picked up as much. In the Industrial Packaging normally for domestic demand we are still be able to maintain but we find that our customers have been complaining that they are not quite able to export their products which should actually be happening because of the depreciation of the rupee, but I think it is because of infrastructure constraints, you know that our ports are in terrible state and they are not able to make shipments on time, which in turn impacts our sales because when it comes to the export packaging, being the largest industrial packaging producer in the country and maintaining quality, our market share for the export packaging is high. So if exports are not picking up we normally see a little bit of pressure on the margins.

Moderator: The next question is from the line of Bhavin Chedda from Enam Holdings, please go ahead.

Bhavin Chedda: There was an article that Safe Cylinders Inc. has introduced, your composite propane tanks in North America and Mexico markets. So do you have any tie ups with Safe Cylinders?

Anil Jain: Actually the Safe Cylinders are distributors for our competitor Gasco in USA. But for some reasons he was not happy about sometimes quality and also the deliveries. So, he had forced us to whether he could actually represent us in USA, Canada and Mexico, and since we do not want to go to those markets directly ourselves because of regulatory and other issues, we thought it appropriate that we would have someone who has expertise in this market to represent Lite Safe Cylinders. So we have entered into an arrangement with him whereby he will import those Cylinders from us to start with from India, and can sell them under his brand or our brand, that we have not yet decided. But all the approvals, etc. will be taken by him because the regulator in USA is the toughest actually anywhere.

Bhavin Chedda: So they are going through the approval process, they have not yet procured or ordered Cylinders with you?

Anil Jain: The DOT approval, they have already applied for, the DOT team will be coming to visit us in the month of March, so a big delegation from US and based on that we will give them approvals and they can then start importing Cylinders.

Bhavin Chedda: According to you, what was the Safe's volume in this market.

Anil Jain: We do know that when he was with Gasco, he was doing something like 105,000 cylinders or thereabouts.

Bhavin Chedda: Annually?

Anil Jain: Annually, but he says that he can do better than that if the supplies are regular, and we are more polite and friendly to him. So I think it is a good market for us to be in.

Bhavin Chedda: So, you expect DOT team to visit in March and then approval process. This business should kick start in 6 months time?

Anil Jain: Sure, 6 months, yes, this man is working very, very hard because right now he has stopped buying it from Gasco, his customers obviously are very angry with him that he is not able to supply, so he is working pretty hard on getting the necessary approvals.

Bhavin Chedda: Regarding this Reliance order, you said, out of 50,000 Cylinders order only 10,000 Cylinders has been supplied. So is the offtake slow or marketing taking time or scaling up taking time in

Domestic market, so what has been the reason that incremental Cylinders have not been shipped?

Anil Jain: Their plan actually was 50,000 Cylinders, it was divided between states actually; they have been able to implement in Gujarat, but they not got the permission from PESO for the State of Maharashtra, Madhya Pradesh and Rajasthan. Secondly….

Bhavin Chedda: Maharashtra, Madhya Pradesh, and Rajasthan, they have applied for PESO approval?

Anil Jain: They have applied for PESA approval for their filling stations. We have to get approvals for the cylinders, but we do, and the guy who is going to fill and distribute them, he has to get the permission for his filling station and his storage and distribution points, etc. That is the process, which they are undergoing right now. Once they get that approval, they will give us a clearance to supply in these other states.

Bhavin Chedda: And this Bahrain second unit, is the same as the first unit, Bahrain you are expanding your capacity, Bahrain, you have only one unit of 4 lakh right?

Anil Jain: That is right, this capacity is the one which we used to have it in Europe, and we have shifted it over to Bahrain. So this is only one plant with a total capacity of 400,000 cylinders.

Moderator: Thank you. As we have no further questions I would like to hand the floor back to the management for closing comments. Please go ahead sir.

Anil Jain: Thank you very much for your interest and very active participation. If there any questions, we, of course, will be very happy to answer them separately. Like I said in the beginning Q3 was rather uneventful quarter when we compare it with the Q2, but I am only happy that under the adverse market situations we are able to maintain our business with the growth. As situation improves we still have a chance to improve our margins. I think our idea of going overseas has paid good dividends because we could maintain growth momentum even when things were slowing down in India. Our focus clearly is to improve capacity utilization because we have made substantial investment overseas and we are in interesting markets where there is still a lot of headroom available, and also try and improve our market share and presence in Indian markets. We will closely watch as to how the economy rolls out in India, and only then at that time we will think about going for expansion. I can assure you we have a very interesting product in the pipeline, and when the situation is suitable we will be able to roll them out and maintain the growth momentum of the company. I thank you all my investors for their confidence in the company. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, on behalf of Time Technoplast Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.