# "Time Technoplast Limited Q3FY15 Earnings Conference Call"

**February 02, 2015**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Time Technoplast Limited Q3FY15 earnings conference call. We have with us on the call today Mr. Anil Jain – Managing Director & CEO, Mr. Bharat Vageria – Director (Finance), Mr. Sandip Modi – Senior Vice President (Accounts and Corporate Planning) and Mr. Niklank Jain – Vice President (Legal) & Company Secretary. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing * and then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anil Jain. Thank you and over to you Mr. Jain.

**Anil Jain:** Thank you very much. Good afternoon to everybody. We have already been told about the presence of Mr. Bharat Vageria, Sandip and Niklank. They are with me to answer the questions that you might have possibly after opening statement.

Friends, we are together to brief you about financial results for Q3FY15 and the future outlook. The financial results for Q3FY15 is already with you. Let me quickly walk you through some of the highlights. During the Q3FY15, the net sale grew to Rs. 631 crores as compared to 548 crores in the corresponding period last year. EBITDA moving to Rs. 87 crores as against Rs. 78 crores in the previous year and the PAT is at 28 crores as against 23 crores in the previous year. Compared with the corresponding previous year quarter, net sale grew by 15%. In India, the growth was 9% whereas the overseas growth was 33%. The volume growth was 13%, India is about 8% and overseas 25%. EEBITDA grew by 11% and PAT grew by 21%.

During 9 months FY15, net sale grew to Rs. 1,806 crores as against Rs. 1,571 in the 9 months period in the previous year. EBITDA likewise grew to 263 crores as against Rs. 220 crores and PAT improved to Rs. 74 crores as against 64 crores in 9 months period in the previous year. Compared with the corresponding previous 9 months, the net sale grew by 15% and I think the ratio was same; India is 11%, overseas 26%. The volume growth was India 8%, overseas 17%. So it was about 10% aggregate. EBITDA grew by 13% and PAT grew by 16%. During 9 months of FY15, EBITDA percentage to net sale is 13.99, almost 14% as against 14.23% in the 9 months period in the previous year. Of course this 14% could have been easily about 15% because we have to support a little bit on inventory losses in the end of Q3 as the prices of raw material dropped sharply and we had to pass on reduction in price to the customers normally we do it at the end of the quarter, but the drop was substantial, therefore the pressure was there from the customers. So I would recognize something like 6 crores or thereabout would have been the inventory loss. Of course if we compare with other volume of product companies, we had been probably the best because we conserved our raw material to the minimum inventories so as to avoid huge losses. Of course, we expect that this will be made up in coming time.

The total borrowing as on 31st December 2014 is Rs. 816 crores as against 860 crores in 2014 end. Total borrowing net of cash as on 31st December 2014 is Rs. 750 crores as against 791 crores in the previous year. We have been able to improve a little bit on the working capital cycle which of course has come down to 80 days from about 82 days and in India, they have working capital cycle 83 days as against 71 days overseas. The total CAPEX in the current year in 9 months has been Rs. 71 crores. We have said that in this year we will not achieve 100 crores, so I think we are going to be well within that and in Q3, this was about 24 crores. I think what is really heartening is that after a gap of almost 5 years or so, these are now having a positive free cash flow. So that means we are truly through with the CAPEX cycle and we can foresee that we will have more free cash flow in coming years. So with this, I have given you the highlights. I will be very happy to answer the questions together with my colleagues.

**Moderator:** Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Arfat Sayed from Quant Capital. Please go ahead.

**Arfat Sayed:** My first question is pertaining to EBITDA margin sir. Sir since long time we are maintaining EBITDA margin close to 14% and crude also coming down very sharply. So when you think the EBITDA margin again go back to 16%-17% or at least 15%?

**Anil Jain**: Like I mentioned at the beginning, actually we were expecting EBITDA margins to go up in Q3 this year, but then we had suddenly huge drop in the raw material prices. Normally we do not change the prices in the middle of the quarter to our customers unless the price increase or decrease is more than 5% and in this case we saw a fall of almost 15%. So the customer started asking for price reduction which is yet to give. So we actually lost almost about 1% from our EBITDA, so it could have been easily about 15%. But I can foresee that in the year 2015-2016, our EBITDA margins will be about 15% or maybe slightly more than that and in 2016 and 2017, we will be about 16%. I think one of the reasons why you see EBITDA margins being low because our product mix has changed in the meantime. In the former time, we did not have some of the products which had low EBITDA margins. So we have to account for that also and secondly during this period, our overseas operations were going through the phase where we had to get them established and the EBITDA margins there were relatively low. So blended EBITDA was slightly lower, but I think we are now making good progress and our overseas projects also as you can see, the growth rate that we had mentioned about. So I am confident that 2015-2016 we will have EBITDA margins going up to 15% and the following year about 16%.

**Arfat Sayed:** Second question is you just mentioned that you had inventory loss in this quarter. Can you quantify that amount sir?

**Anil Jain**: It was safe to say that at the end of Q3, we had total inventory loss between 6 crores to 7 crores, more towards 7 crores side. We can only draw some comfort for the fact that it could have been much worse, but we saw it coming and therefore we were actually keeping our inventories to the minimum.

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

**Chetan Badia:** Sir, can you give breakup of your revenue for Q3 and for 9 months in terms of divisions?

**Anil Jain:** Yes Chetan, revenue breakup is on the packaging is 67%, lifestyle products 9%, auto component 7%, infra related products is about 16% and others is about 1%. And if you like to have geography wise, India is 69% and overseas is 31%.

**Chetan Badia:** This is for the quarter, right?

**Anil Jain:** This is more or less same actually, if you remember Q2 also or H1 this was more or less the same.

**Chetan Badia:** Alright and sir secondly what kind of a debt repayment schedule that you will have for FY16?

**Sandip Modi:** FY16**,** we have a total repayment schedule, in FY15 totally 155 crores and FY16 it is 125 crores.

**Chetan Badia:** So you given the volume breakup as well initially, can you give that again?

**Anil Jain:** Yes, I can give to you. The volume growth in the quarter was 13% and in 9 months, it was 10%.

**Chetan Badia:** And sir, what is the outlook for next year? Can you provide some kind of guidance right now?

**Anil Jain:** If you look at the current year, I guess in 9 months period we probably have something like almost 72% of our turnover. So I think if everything goes on alright, this will be closer to about 2,500 crores in the current year and we expect the volume growth of 12%-15% in 2015-2016. It is difficult to say what would be the topline because raw material prices have still not stabilized. Actually we are seeing them going down as we speak. So it will be very difficult to say what the value will be.

**Chetan Badia:** Any significant development in terms of your new product additions or talking to the clients, etc. so some kind of….

**Anil Jain:** When I talk about the new products, actually what comes to my mind straight away is cylinder business where we have done well in Q3 and of course we still have orders for Q4 also and if everything goes well which we expect, then I guess our capacity in India which is about 300,000 cylinders is more or less sold out actually. There are some contracts which are yet to be finalized, but it is kind of sold out. The impact has already started planning to move our capacity from Bahrain which is lying unutilized there that is about 400,000 cylinders and we tend to bring this over to India because we are getting no pressure from our customers to be able to give more number of cylinders. So we have to be excited about the cylinder business that is our new business. Of course in the case of shelters which is a part of our infra products, as you know that there is a lot of emphasis on toilets in schools. We have been able to design and develop not so expensive type of toilets for boys and girls in schools which can actually be taken by the corporates under their CSR program and the response is very good. So we expect that business will also contribute significantly. In addition to that, we are the only one who make wheeled trash cans that you see, the green color ones on the road side. We are the only one who are manufacturing here in India and under Swachh Bharat Abhiyan that is recognized as one of the products that can be either included in CSR or otherwise and we are seeing good demand for that as well. But otherwise if you look at other businesses, they are doing well. Of course we expect our auto business also to grow because the economy will turn around and then we will see the numbers for commercial vehicles to go up in next year.

**Chetan Badia:** And sir one more question. At what level of average crude valuation to be having the inventory in the books right now?

**Anil Jain:** No. As a matter of fact, the crude is not so much of a factor for the price increase or decrease for the polymers. It is essentially because there has been a complete destruction of demand for polymers in Europe, they are not buying things and North China has built their own capacity in China and of course China has moved the plastic product manufacturing to Africa and some places in US. So they are not buying polymers in this area and there are lot of new capacities that have come in especially from in Abu Dhabi and also in Saudi Arabia and Qatar. So there is a huge oversupply and the demand is not so strong. So the polymer prices have come down. Temporarily they kind of were stable for some time in between, but we are now seeing probably another splat of price reduction coming in because there is not much of offtake in China is going on holiday. So there is an inventory pressure on raw material manufacturers. So it is not to do with the crude prices but yes, our inventory currently is well you take about $1,300 which is the current price for high molecular weight high-density polyethylene, we do not see that changing substantially downward because this is a special aggregate material.

**Chetan Badia:** Alright sir. And sir one last question if I may. In terms of on your overseas operations, how many of our subsidiary kind of revenue contributing positively to the profits?

**Anil Jain:** Yes. You see we have started our overseas operations in several countries which included not China, Korea, Malaysia, Indonesia, Vietnam, Thailand, Sharjah, Bahrain, and Egypt that is where we had started our packaging business. We started the consolidation process. I am very happy to tell you that all the operations other than North China and South Korea, they had turned positive already and they have been contributing to the profit. In fact in some places, we see that we will have to make some incremental increase in our capacity. But as a part of the consolidation, we have withdrawn ourselves from Korea. The economy is doing rather poorly and we had additional demand coming in from Indonesia. So we have relocated the plant and equipment into Indonesia from Korea and we have started exiting from North China because China is slowing down far more than what you get to hear in the TV or the newspapers. So we will be also bringing in this capacity and relocate it at different other facilities where we see a spurt in demand. But if we leave aside these two, everywhere else we are doing very well and not only they contribute significantly to our EBITDA but also at the PAT level they are contributing.

**Moderator:** Thank you. Next question is from the line of Pulkit Agarwal from Karma Capital. Please go ahead.

**Pulkit Agarwal:** I am new to the company, so just want to understand from you what the long-term if you look for the next 2 or 3 years time horizon, what would be the major drivers for revenues and EBITDA margin for the company, if you could throw some light on that?

**Anil Jain:** I think if you look at the growth drivers, I would name composite cylinders where we are seeing a good demand and like I said, we are moving our capacity from Bahrain also to India because we see ourselves being able to book at least the part of that capacity next year or even more. Right now we are in discussions with a company which is in Far East who have promised to change about 2 million steel cylinders that they have with them considering that our total capacity is only 700,000 cylinders that could really be a very big number. So of course that would be the one which will be our growth driver. Secondly, I would see the packaging will also grow. If you look at the packaging where we are competing not only with plastic drums, we also compete with metal drums and in between when the polymer prices had gone up, the polymer drums had become far too expensive than the steel drums. If you see in the previous years we changed almost 55% of the drums from metal to plastic and 45% are still metal. So we could not convert them into plastic because the polymer drum prices had gone up. I am happy with the current price levels. We can offer polymer drums which have got lot of advantages. We then required at a price low than the steel drums and then we can start the process of cannibalizing more of this metal drums and converting them into plastic. So we see some substance of growth coming in from our packaging business. And the third one I would mention is high pressure pipes. With the focus on availability of drinking water in the rural area and impetus on sanitation, I think the water supply is assuming topmost importance in government plans. We have a capacity for high pressure pipes at 4 locations namely Silvassa, near Chennai, near Calcutta and also one in Pantnagar of North. So we are in all the four regions and we see a lot of the new projects coming in. Besides, if the highway construction comes back as they were doing it earlier, these days there are pipes on both sides of the new highway so that the cable or the wires or everything can be run through that and the roads has not be dug up over and over again. So that will also increase the demand for pipes. So I guess that will also be contributing to the growth in coming years. But our internal target is that we should be growing between 15%-20% every year, so that probably will give an idea where we would be in 2 to 3 years' time.

**Pulkit Agarwal:** Thank you sir. Sir, when we talk about drums, what kind of drums are we talking about, pardon me.

**Anil Jain:** This is the 210-liter plastic drums, the blue color ones that you see which are used for chemical, petrochemical, Speciality material, leather chemical, textile, Chemical construction chemical, variety of applications and mostly for hazardous and dangerous chemicals. So they are the replacement for metal drums that you will actually see at the gas stations etc.

**Pulkit Agarwal:** Thank you sir and sir regarding our CAPEX plan, as you mentioned that we are almost complete with our CAPEX plans.

**Anil Jain:** No. In fact in the beginning of the year, we had said that in FY15, FY16, and FY17 put together, we will be doing a CAPEX of 250 crores. We had earmarked 100 crores for the current year, out of which in 3 quarters we had done 71 crores. So I think we will be well within 100 crores this year and with the rest, I am sure we can manage in the next 2 years as well. Right now, we are not looking for any major CAPEX or anything. So I suppose we should be able to do with what we have allocated, yes.

**Pulkit Agarwal:** So sir all the CAPEX that we plan to spend in the next 2-3 years will be funded from the cash generative by the business.

**Anil Jain:** Yes. As I had mentioned to you, this has been after a long time that we now see a positive free cash flow and I am sure this will keep growing because we have, I would say, healthy EBITDAs coming in. So I am sure they will not only be able to meet our commitment for the repayment of loans, but we will be able to meet our CAPEX requirement also wherever it is needed.

**Pulkit Agarwal:** Thank you sir. Sir, I would like to connect with someone to understand more about the company.

**Anil Jain:** You are most welcome actually anytime this week or next week if you would like to drop by that will be a good idea because then we can show you the product that we have in our office. Niklank Jain is our Company Secretary. You can just message to him, we will make ourselves available to you.

**Moderator:** Thank you. Next question is from the line of Vinod Malyia from Florintree Advisors. Please go ahead.

**Vinod Malyia:** Just wanted to check a couple of data points first. What is your unit price per cylinder?

**Anil Jain:** It actually depends, but it will be something like $35-$40 or thereabouts.

**Vinod Malyia:** How much $40?

**Anil Jain:** Yes, that is right.

**Vinod Malyia:** Because what we saw as 5 kg LPG cylinder…

**Anil Jain:** That the 5 kg will be of course less because this is the price I have indicated you for 10 kg cylinder. I think 5 kg will be closer to $30-$31.

**Vinod Malyia:** Because we found on Alibaba something like $5 or $10 kind of thing.

**Anil Jain:** Not from us, no.

**Vinod Malyia:** Okay not, that is fine. Now can you just estimate what is the potential for you in terms of the composite cylinder business which I am more or less certain you will sort of get into full capacity utilization shortly and I just wanted to understand what is the revenue potential there which is good. Can you give us the capacity utilization both in India and overseas for the 9 months?

**Anil Jain:** We can certainly do that. In India, we have the capacity utilization of about 80% and in overseas, 62%-65%.

**Vinod Malyia:** Now you did touch upon a number of growth drivers and to one of the previous questions what are the opportunities and so on. I remember in one of your previous calls you did mention that your maintenance CAPEX was something like 100 crores a year. So if you are only incurring something like 250 crores over the next 3 years which is I assume then all of it goes into maintenance and your capacity utilization is not really low. So I am just wondering how will you be able to achieve your 15% growth rate considering that your capacity utilization is almost catching up there.

**Anil Jain:** No. As a matter of fact, let me tell you when we talked about maintenance CAPEX, actually it is not maintenance CAPEX, it is a lot of debottlenecking that we do, right. So we will see some capacity which is locked up because this is non-availability of balancing equipment. So that is the area where we can actually increase our capacity by just incremental investment which otherwise is being counted in maintenance CAPEX. And on the other side, we also spent money on new product developments and say for example, right now we are working on the fuel tanks for Tata and also on Ashok Leyland. So these product developments preparing modes, etc. that also takes away our resources. So it is a combination of both. I think your question with the capacity utilization is 80% we go from here, we can because we will unlock some of our capacity besides let us face it today we have counted our capacity only for the working of 6 days and not 7 days in a week, but in the previous years we used to have working for 7 days that would mean we would have additional shift, so that we have people available even on the 7th day and that can actually give us capacity without having to invest a lot of money. And another thing is that we have factored in the capacity these frequent power cuts that we used to experience and one power cut even if it is for 5 minutes it would mean that we lose something like 1.5-2 hours. I am very happy to share that the power situation in this year so far touchwood has been very good**.** We do not see frequent breakdowns and I think overall the plant utilization factor for power companies is improving, therefore they are able to give us good quality power without interruption. So that also adds to our capacity.

**Vinod Malyia:** Right, understand. Thanks for that and in one of your previous conference calls, I do remember that the margins had gone down and you explained saying that because the raw material prices had gone up and you were not able to fully pass on the increase in raw material cost, the gross margins had gone down and that is why the EBITDA margins had gone, I think this is one quarter, 2 quarters ago. So when the prices are coming down, are you just hoping that you would see a reverse wherein you will pass on some amount of the price drop to your customers but you would be able to retain some margin there but looks like you were not been able to do that, is it a very difficult thing to do?

**Anil Jain:** No, it is not actually. Let me just clarify that when we discussed this subject in the previous conference, we have always maintained that we are able to pass on the increase or decrease on to our customers with a time lag.

**Vinod Malyia:** With the one quarter lag, yes.

**Anil Jain:** Because we have to give them a price fixed for a quarter. At some point, we cannot protect ourselves. We have been saying that if the price increase or decrease is more than 5% during the quarter, then we are due for a price revision in between and that was essentially because the prices were going up so we did not want to come to harm because of that. Unfortunately for us, the price index has dropped almost 15% in less than 6 weeks period. So we have to open up the ongoing contracts and pass on the decrease in the price to our customers even though we had the inventory which was priced higher. So that is the reason why we had to recognize from inventory loss and that has shaved off our EBITDA by about a percent. If it were not to happen, then we would have been closer to about 15% and that is what we had been aiming at on plan now. The reason why our EBITDA percentage was coming down when the raw material prices were going up, this was a purely mathematical thing that if you were selling, we have a fixed margin index of Rs. 15 and the product price is Rs. 100 so we get 15% but if the product price is 125 and we still get 15%. So the 15%, the EBITDA would look as if it is more like 13% of this. So optically it was looking at this, the EBITDA as a percentage was coming down, though in the absolute terms it was in place. You are right absolutely when the raw material prices go down and we pass it on to our customers and we will continue to work on fixed EBITDA margins as we have always done, then this percentage will improve and thus the percentage of EBITDA through the sales will improve in coming quarters.

**Vinod Malyia:** But given that you have passed it on where you are right now and we sort of more or less say that the 20% EBITDA is more or less not really achievable because you are also working towards the fixed EBITDA margin level. So maybe a 15%-16% target seems more realistic.

**Anil Jain:** You are absolutely right, but this is not purely because of this reason. I think what we have done is we had added some products to our portfolio which was not there in the previous years when we used to have 17%-18% EBITDA margins. Say for example high pressure pipes, now the high pressure pipe normally will have a gearing of 4 or 5 asset turnover and we are happy even if the EBTIDA margins are 12% or thereabouts. So since the pipes are now having a significant part of our total turnover about 180 crores, so they also try to kind of bring down aggregate EBITDA margins, so you are right absolutely. I think it will be reasonable to expect EBITDA margins somewhere between 15%-16%, 20% is the far cry I must admit that, yes.

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

**Kamna Motwani:** Sir, most of my questions have been answered, just a couple of more. Firstly, I missed the breakup of volume growth between India and overseas, so if you could just kindly give me that?

**Anil Jain:** Yes Kamna if you look at the quarter, the volume growth has been 13% and the value growth has been 15%. If you get down the volume growth; India is 8%, overseas 25% and in the value growth, India is 9% and overseas is 33%.

**Kamna Motwani:** And what is the quantum of price cut that we have taken for allowing the decline in raw material prices? You mentioned that raw material prices dropped by about 15%, so our selling price is also down by the same quantum?

**Anil Jain:** No, this will not be 15% because the raw material is almost about 67% of our total price. I have to take the cut only on the raw material price because of the expenses, it will remain the same. I think in Q3, we could convince some of our customers not to press for price reduction, some of the prices have gone down. So we may not have passed on the decrease to our customers. But I must admit in Q4 we start with the lower prices, therefore we would have to pass on the decrease that has taken place in Q3, but we will certainly resist passing on the reduction in raw material prices that may occur in Q4. So you are right, we retained some advantage because of this reason when the prices are going down.

**Kamna Motwani:** So say on a Q-on-Q basis when you exited Q3, what was the raw material price down by over Q2, 15%?

**Anil Jain:** That was 15%, you are right absolutely but we have not stopped there actually we are only seeing some further reduction in January. So let us see where does it stop, but on the other hand, there is some speculation that the prices may go up a little bit and gets stabilized at that level.

**Kamna Motwani:** Right sir. Sir and you mentioned that you would be moving away from North China, so any losses that you are envisaging when you shut down this facility?

**Anil Jain:** Not quite because the building was on rent. So that should not really…. because already manpower we had kept to the minimum. So we do not think whatever operating losses were there, they already have been accounted for in the previous quarters. So on the CAPEX side, it is not quite because we will be taking out all our assets and relocate them. So there could be some loss for establishment etc. but we are talking about lakhs and not crores actually.

**Kamna Motwani:** Sure, that is good to know. Sir also we have another facility in China, so how is that doing?

**Anil Jain:** South China doing okay. We have cost-to-EBITDA there right and that is also quite fine but of course we are also contemplating whether having exited from North China whether we should stay there. The South China is a joint venture with a local Chinese partner. I would be with him in February and if he would pay me everything which I have invested there, then probably I would likely to take that operation also. It is not a substantial**,** it does not a big operation for us, and it does not make sense if we are exiting China, matters will be a full exit and not just a part of it.

**Kamna Motwani:** Sure and sir what percentage of our cylinder capacity is currently booked in terms of orders in hand?

**Anil Jain:** In the current year, we doing something like 33%-35% but for the next year, I am saying keeping my fingers crossed, we should be able to book our entire capacity.

**Kamna Motwani:** Including the Bahrain capacity?

**Anil Jain:** No. That has not even moved in from there. So I think we would be able to install that capacity by September 2015 and there will be some approvals etc. So sometime we will also get them as well, but we are expecting some additional orders to come in H2 next year and it will be just in time to meet those orders like I just mentioned about a company in East which is looking for replacing 2 million metal cylinders with composite cylinders.

**Kamna Motwani:** Right. So if I get it right, earlier our focus was the Middle East market but now we see a lot of traction in Far East so that is where we are concentrating.

**Anil Jain:** Not quite actually as a matter but if you look at it, we have been supplying it to Africa and a lot of places and this has created a tremendous amount of excitement in Africa. As you would know in the meantime, the World Bank has started a major project in Africa where they would like people to change over from fuel wood to LPG because they have just cut their jungles and burnt them away and LPG penetration is very less. So a lot of companies are being subsidized by World Bank and they wanted to start with composite cylinders because this is much cheaper unlike India where people have to bring their old cylinders and pick up the filled one and take it home, so the safety is of major concern because they normally take it in public transport and composite cylinders being explosion proof are being strongly recommended even by the World Bank people.

**Kamna Motwani:** Right and the facility that you are shifting from Bahrain to India that would be collocated with the India facility in the same premises?

**Anil Jain:** In the same premises, yes. We have called out some additional space because I must say that it is more like squeezing into that location. So we thought let us not to go to another location, do it with the existing one. But yes if we go for the second round of expansion at some point in time, then we will relocate the entire capacity in India, not just old one.

**Kamna Motwani:** Sure sir and just lastly are we planning to dilute our stake or something in the company if QIP is on the cards?

**Anil Jain:** I am sure this is the question on the minds of lot of our investors who are on the conference call and I would like to clarify that that we had passed enabling resolution in the AGM**.** Of course we did certain correction, so we then called for the AGM but Kamna you let me share, it does not make sense for us to dilute at the price level at which our share is currently running. We are conscious of the fact that it does not truly reflect the price of our shares. So we would wait until we see a price at decent levels and then consult our key investors and take a decision. So it is more of enabling resolution that we are doing it but now QIP is still far away from the fixed date of whatever date will be….

**Moderator:** Thank you. Next question is from the line of Sunil Jain from Nirmal Bang Securities. Please go ahead.

**Sunil Jain:** Sir, I got two-three questions. One is regarding growth you said for the coming period around volume growth of around 13%-15%. Sir in that, is it possible for you to split between India and abroad because anyhow abroad you are doing a very good growth, so will that continue or will that slow down in the coming year?

**Anil Jain:** I would like it to be a little more but 10% in India we have planned it right now and it will be about 23%-24% overseas.

**Sunil Jain:** Okay and sir can you talk about this battery business, what is your plan for that and all?

**Anil Jain:** The battery business yes, we reported to you in the last conference that the battery business is doing well, it continues to be so in Q3 as well. We have done total sales of 156 crores in 9 months period and normally Q4 is our best quarter. So we will be closer to about 220 crores by the end of this year. So this business is doing well. They still bring an EBITDA of about 12%. I think the demand from Telecom sector has revised because they have not really bought batteries for a long time, so they now need to replace those batteries. So there is a pent-up demand which will get released as the telecom companies have a better cash flow with the new tariffs that they have implemented. But I must say that we added solar batteries to our product range and this is very special battery because it has to be charged at very low current and it should be allowed to discharge completely because if you have 2 or 3 days of cloudy days, then the battery should be able to support, it did not charge the next time around. This battery has done extremely well and my team tells me that it is the most preferred battery by people who are doing solar projects. We have seen a good growth for that one, so we are actually focusing for the next year to divert some of our capacity or probably debottleneck our capacity and take it to solar batteries where there is a good demand and the prices are relatively better. So that we will continue but yes towards the time when we had thought of letting this business go to a strategic investor or a private equity, unfortunately we could not find someone who could really meet our price expectations and as soon as the company is doing very well, we thought it might be worthwhile waiting a little bit longer. In the meantime, we have also started receiving orders from defense especially for submarines and that is a very good business and a very prestigious one. So that should improve the performance of this company next year.

**Sunil Jain:** Sir we have 100% holding in this company or?

**Anil Jian:** No Sunil, this is only 71%, 29% is being held by the previous owner of the company which is Mr. N. Janardhan Reddy's family who of course is no more, his son is actually a part of our Board.

**Sunil Jain:** And sir last question about competition from metal drum. So as compared to metal drum, are we cheaper or still we are a bit higher than metal drum?

**Anil Jain:** Up till 15 we were more expensive because the raw material prices were very high for us but after the prices have come down, we are almost about 5%-7% cheaper than metal drums and because the plastic drums are considered to be a better alternative because there are no corrosion or rusting, no paint peeling off and a very high resale value. I think the customers are now looking at us because we can change from metal to plastic without having to incur any additional cost.

**Moderator:** Thank you. Next question is from the line of Pankaj Bobade from Axis Securities. Please go ahead.

**Pankaj Bobade:** In answer to earlier questions, you mentioned that our center capacity is booked around 35% for current year and would be booked for 100% for next year, am I right?

**Anil Jain:** Yes, you are right absolutely.

**Pankaj Bobade:** Sir in addition, you also mentioned that you will be shifting the Bahrain plant to India?

**Anil Jain:** Yes.

**Pankaj Bobade:** So what is the timeline for that and what different approvals will we have to take for that and how long do we see it contributing to the topline?

**Anil Jain:** It goes this way that we have in India currently about 300,000 cylinders capacity and that is the one which I have said will get booked from next year. We have additional capacity of 400,000 cylinders which is sitting in Bahrain and that is the one which we intend to bring over to India. We expect this to be installed, deducted, and commissioned by September 2015. As we take additional 8 weeks to get approvals, advantage is that we are locating in the same premise as we already have. So lot of plant audited, etc., can be avoided and the product design is the same as we already have the approval for, so that we will also be demonstrated quickly. I would expect that this will start contributing to the topline by Q4 of FY16, yes.

**Pankaj Bobade:** And do we have orders in place for this capacity?

**Anil Jain:** We are seeing those orders. Though I have not it in hand now but we have a fairly good chance to get the orders like I mentioned few companies who are now very keen on composite cylinders and we foresee ourselves being able to get the order for this new capacity as well.

**Pankaj Bobade:** Sir just wanted to have a guess of, in absolute terms how much would this capacity contribute to the topline roughly how many in crores if it is 100% utilized?

**Anil Jain:** Well, of course if we take 90% capacity utilization, we will contribute through something like 50 crores that we will have to make different type of cylinders and that is what I am talking about on our existing capacity 3 lakhs cylinder but when we have 4 lakhs cylinders also there, so proportionately you can imagine there will be another 60 crores or thereabouts. So maybe in FY17, we hope that our entire capacity probably would be seen closer to about 100 crores at that time.

**Pankaj Bobade:** Sir one more question regarding the capacity utilization for IBCs? What is the status? What is the current capacity utilization for domestic capacity and how is it for overseas capacity?

**Sandip Modi:** For IBC in India, capacity utilization is in the range of 90%-95% and in overseas it is in the range of 30%.

**Pankaj Bobade:** Overseas 30%.

**Anil Jain:** Yes. And if I make strain actually, there is a certain minimum economic size that we have to put up. Let us say for example, we put up a plant in Indonesia where the capacity will be about 90,000 to 100,000 IBCs in a year but the total demand in Indonesia would still be about let us say 40,000 to 45,000 but growing yes. So therefore the capacity utilization in that country would be less but if we talk about our market shares that is quite high actually.

**Pankaj Bobade:** Sir what numbers Mr. Sandip has given, they are for IBCs and how about the total Indian capacity utilization versus overseas utilization?

**Sandip Modi:** India total capacity utilization is in the range of 80% and overseas it is in the range of 60%-65%.

**Moderator:** Thank you. Next question is from the line of Umesh Patel from Sharekhan. Please go ahead.

**Umesh Patel:** Sir I missed the earlier part, I just wanted to know the volume growth of industrial packaging segment and infra segment for the current quarter?

**Anil Jain:** We have said that our volume growth has been around 13%. So in the infra, we have the volume growth of about 17% and in packaging it is about 11%.

**Umesh Patel:** And for lifestyle you told 16%, auto is 9%, new products 7% and other is 1% right?

**Anil Jain:** Yes, segmental wise that is right.

**Umesh Patel:** So sir now the last question related to this thing like as you said that Bahrain plant we are shifting to India having capacity of 4,00,000 tonnes. So I just wanted to know sir definitely there will be some kind of element that we will write off in terms of losses before shifting of that plant which will come in the future…

**Anil Jain:** Umesh, this plant which we have in Bahrain has not been installed and commissioned, we have just sent it across. If you are looking at a loss, it may best be the sea freight that we may have to incur from there and in any case sea freight from Bahrain to any place is more or less zero. That is literally be too much.

**Umesh Patel:** I just wanted to know how many kind of products are there to offer under composite cylinder say 5 kg, 10 kg, 12 kg, how many products are there as of now?

**Anil Jain:** Okay, I will tell you that at present we have 2 kg, 5 kg and 10 kg but in near future, we will be bringing in at least five different additional sizes. I would not discuss that in the open line but we will have cylinders of different sizes. As we have now learned that some of our customers are wanting to use that kind of a cylinder to replace the metal cylinders that they currently use.

**Umesh Patel:** Right sir and sir any thought process on approval from Government of India for composite cylinder as of now?

**Anil Jain:** We have got all the approvals. Actually we are like a guy who is all dressed up and no place to go. We took almost 2 years to get approval from PESO that is former term it used to be CCOE, we got our entire product range. They write something very nice about us and everything but all marketing company, they have been contemplating to buy some composite cylinders that you cannot blame them because they have been doing so from 2008 up till now. I do not know, we met them just on Friday and it is again a lot of interest that they said they are going to be out with the tender very soon, but let us take it with a bucketful of salt. We are not counting too much on the Indian market admittedly. It is the huge market when they get ready but right now I think the priorities of OMCs is more on giving that subsidy or other things, so I do not know whether they will be ready or not.

**Umesh Patel:** Sir what is the Indian market size as of now, the opportunity that pertains in India as of now in composite cylinder approximately if you can give some figure?

**Anil Jain:** The population of cylinders in India is about 35 crores, so 350 million cylinders are in operation thereby 2 crores that is 20 million cylinders every year and all of them are steel.

**Umesh Patel:** 20 million cylinder opportunity is there which is in steel as of now.

**Anil Jain:** Every year they are being buying it and now they have to step it up because our beloved Prime Minister has said that the people below the poverty line will not have to give the deposit also, so they will get the cylinder connection without deposit and that they will be getting the subsidy as well. So I think it will increase and that would be mean they will have to buy more cylinders.

**Umesh Patel:** Right and the last question is sir on business model side, we are operating in four divisions, I just wanted to know which two divisions are expected to drive the topline in the next 2 to 3 years and out of these four divisions, which 2 or 3 segments that is undertaking high EBITDA margin for us?

**Anil Jain:** I think the infrastructure will grow pretty rapidly. So that is one segment that we will see good growth and reasonably good margins and the singles are a part of our infrastructure business, also the high pressure pipes that I talked about so that will be one, but I would not leave packaging too far behind because they would also see pretty rapid growth. And at the moment not counting too much on auto components or lifestyle products because I do not know the market is still not very strong.

**Umesh Patel:** Correct sir. What is the EBITDA margin these 2 segments are generating for us?

**Anil Jain:** Well, we normally do not calculate the EBITDA margin for each product group, but can we probably discuss this offline. We will be able to give you some indications offline.

**Umesh Patel:** Definitely.

**Moderator:** Thank you. Next question is from the line of Sanjeev Zarbade from Kotak Securities. Please go ahead.

**Sanjeev Zarbade:** I just wanted to know the debt that is outstanding on the balance sheet right now?

**Anil Jain:** Sanjeev, the debt right now is 816 crores, so it is an improvement from the last quarter and of course from the beginning of the year.

**Sanjeev Zarbade:** And sir is it possible to share in terms of tonnage, the volumes during the quarter and the year?

**Anil Jain:** We think it is complicated because some of our products are converted to tonnage, but some are sold by number, some are sold by square meter. We have some numbers but I do not know whether they will meet your requirement or not.

**Moderator:** As there are no further questions from the participants, I now hand the conference over to the management for their closing comments.

**Anil Jain:** Thank you very much. So I thank my investors for reporting their confidence in the company and management. Like I had mentioned during the conference, we are very excited about things to come. I think now that we are through with this investment cycle and have started seeing some free cash flow available to us, it is a good sign. I think almost on every segment we have potential to grow but we have clearly identified those areas where we would be focusing and the kind of growth that I have predicted seems quite realistic. So we will continue to grow and I think very clearly our focus will remain on ROCE and RONW, and we would see a marked improvement in these two areas in next quarters or month. So I thank you for your support all this time and hope we have a chance to work together for many years. Thank you so much.

**Moderator:** Thank you very much members of the management. 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.