



“Time Technoplast Limited Q1 FY15 Earnings Conference Call”

August 19, 2014



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OFFICER**
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*Time Technoplast Limited
August 19, 2014*

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Time Technoplast Limited Q1 FY-'15 Earnings Conference Call. 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 the conference call, please signal an operator by pressing '*' and '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 Chief Executive Officer of Time Technoplast Limited. Thank you. And over to you, sir.

Anil Jain: Thank you very much. A Very Good Afternoon and a Very Warm Welcome to all of you. I have with me my colleagues, Mr. Bharat Vageria, Mr. Sandip Modi, and Mr. Niklank Jain. So it is a pleasure as always to be together to brief you on the Financial Results of Q1 FY-'15 and the Future Outlook. The financial results of course have been already with you so I hope you had a chance to have a look at them. Let me still quickly walk you through the key financial highlights: During Q1 FY-'15 gross sales consolidated stood at Rs.613 crores as against Rs.530 crores in 1st quarter last year. The net sales of Rs.570 crores as against Rs.489 crores. EBITDA at Rs.80 crores as against Rs.70 crores in the previous year and PAT at Rs.21 crores as against Rs.19 crores in the same period last year. Compared to the corresponding quarter of FY-'14 the gross sales grew by 15.71%, the net sales grew by 16.44%; this 16.44% included in India 15% growth and overseas 43%, of course, because the base is small. The volume growth 9.32% in India it was 7% and overseas 34%. EBITDA grew at 14.31% and PAT went up by 8.6%. However, the cash profit increased by 10.56% that is Rs.45 crores as against Rs.40 crores in Q1 FY-'14. EBITDA percentage-to-net sale during the first quarter of FY'15 stood at 13.95% as against 14.21% in the corresponding period last year. The decrease in EBITDA is mainly on account of increased raw material prices. The percentage cost of raw material in Q1 FY-'15 stood at 68.42% as compared to 67.06% in corresponding period last year. Interestingly, the total volume as on 30th of June 2014 is Rs.830 crores as against the year end last year it was Rs.860 crores, so therefore there is a reduction in total borrowing. The total borrowing net of cash as of 30th of June 2014 is Rs.766 crores as against Rs.790 crores on 31st of March 2014. The working capital cycle is 81-days, in FY-'14 it was 82-day so it is more or less remain the same. India is 87-days as against overseas it is about 66-days. Like we said, we have put the brakes on CAPEX which is getting reflected in Q1 FY-'15, CAPEX had been only Rs.22 crores. I will be happy to answer the questions with details.

Moderator: Thank you very much, sir. Ladies and Gentlemen, we will now begin the question-and-answer session. Our first question is from Chetan Wadia of JHP Securities. Please go ahead.

Chetan Wadia: My first question is book-keeping question. Can you give me the revenue breakup in the five divisions that we have?

Anil Jain: More or less today it is the same; the Packaging has been 66%, Lifestyle 9%, Auto 7%, Infra 17%, and there was some small other businesses which is about 1%. And if you look at geographically India is 69% and overseas is 31%.

- Chetan Wadia:** Just to know your perspective on the competitive landscape for the Composite Cylinders now as in the domestic market. Has the size of the opportunity kind of visible now or is it still at the testing phase?
- Anil Jain:** No, in fact, I think the interest in Composite Cylinder is increasing faster than we had expected. Though in the first quarter we did not do much of a business but we have now order booking in excess of 40,000 cylinders already, and there are quite a few orders in the pipeline, though of course in the first quarter we did only 10,000 numbers but if we include Reliance pending order as well so we are talking about in excess of 70,000 Cylinders orders on hand. So it is clear that there is a lot of interest. When you talk about Q1 we have been able to reach out these cylinders to almost 9 countries which is important because its feeding and the demand there is quite large but the most important thing to watch is that we have been able to get approvals in those many countries are more, so we should actually expect this business to grow even faster.
- Chetan Wadia:** This 70,000 is for FY-'15 or there is some 6-month kind of?
- Anil Jain:** No, this will be very much in this year, in fact we are pushing them very hard, and I think in Q2 and Q3 we should be able to clear it, therefore other orders in the pipeline, so for sure it will be executed in this year.
- Bharat Vageria:** Chetan, in fact, this year, we are estimating around Rs.20 crores to Rs.25 crores business from the Composite Cylinder looking into the present trend and the orders which are coming for the trial or the repeated orders.
- Chetan Wadia:** And the margins of this will be the...
- Bharat Vageria:** Margins are in the same as we have told in the overall consolidated range of that whenever we are working out our pricing keeping the EBITDA level of 14% to 15%, this is the normal policy we are adopting.
- Chetan Wadia:** My second question is on the Battery business. Any breaks in terms of increasing business towards the non-telecom battery business that you were trying for quite some time now?
- Anil Jain:** The telecom battery business in between we had seen a dip, but that business is now coming back as you saw in FY-'14 we did gross sale of Rs.186 crores as against I think Rs.160 crores in the previous year, and this year we are expecting it to go beyond Rs.210 crores which would mean that there will be growth in the Battery business and the trend continues; telecom companies have come back for the Batteries for the simple reason that in last 2-3-years they had not invested in Batteries, so therefore they are there, but more than that actually we have specialized in Solar Batteries, and there is a very good demand developing for the Solar Batteries where we have a very specialized product for that application.
- Chetan Wadia:** There has been a buzz around this telecom Battery business that you were trying to do some stake sale and all that, so can you clear some doubts on that?

- Anil Jain:** You mean to say the divestment of this business?
- Chetan Wadia:** There was a buzz around that the company will be divesting a part of the stake in the telecom battery business.
- Bharat Vageria:** That we had one discussion and still we are open for that, if we get our price then obviously we are open for discussion of that, in the meantime as company is growing 15% to 20% and the business has come back to Rs.200 crores or 250 crores range, so definitely we will see value in there, and if we get our value then definitely we are open for discussion.
- Anil Jain:** There was a time when there was no light at the end of the tunnel because the telecom companies not buying enough, so we had given a mandate... of course, the mandate continues, but we are not in a tearing hurry to divest this business because we already see it. As Bharat rightly said if we get a decent valuation for this business, yes, we are open to divesting it.
- Moderator:** Thank you. Our next question is from Kamna Motwani of CRISIL. Please go ahead.
- Kamna Motwani:** Firstly, we have taken an approval to do QIP. So any specific end-use that we are looking at or?
- Anil Jain:** Kamna, as a matter of fact we passed this resolution in the last board meeting with no specific intention for the QIP. As you know, clearly the prices of our share is still not decent enough for us to consider QIP, but since the board resolution is valid for at least a year, we thought we will just pass resolution, and if we had an opportunity we probably would have used that money to reduce our debts, but like I said we have no definite plan or a time line on this one, we passed the resolution just to keep some cushion in hand.
- Kamna Motwani:** Sir, also looking at the EBITDA margin of the standalone business that has improved considerably over the last year, so has TPL Plastic, but what has really dragged our EBITDA margin is the balance subsidiary. So just wanted to understand because I am not able to tie up the increase in raw material price should also impact our standalone margin but that is in fact something about 15.4% in the quarter, so I just wanted to understand what is going on there?
- Anil Jain:** Now that the prices of raw material has kind of stabilized and they are stabilizing and that is the time when we at least always see our EBITDA margins improving a little bit otherwise they get postponed because we pass on the increase to our customers with the lag actually. So I guess as things to get stabilized we should really see some EBITDA margins coming back to us. But, otherwise there is nothing very special that has actually happened except that the demand is picking up, of course, Q1 for us is the quietest quarter when it is normally about 22% of our annual turnover I guess this is more or less the same line this time also. So I guess if it was a bigger quarter then we would have seen a better impact on it, yes.
- Kamna Motwani:** But any pressure that we are seeing in international margin?

- Anil Jain:** No, the margins are more or less same, yes, the reason was like certain expenses such as startup now are getting also stabilized. So we are not seeing any pressure on the EBITDA margins. Sometimes if you want to enter a big customer you may start with a little bit lower price so that you can win him over and then bring the prices back to normal. So this could be some such cases but otherwise, no, the EBITDA margins are more or less stable.
- Bharat Vageria:** In other words I will tell you in fact in overseas operation also it is the 1st quarter and my Indian operation also it is the 1st quarter because we are 3-months behind as per the international operations are concerned, this quarter is concerned April-May-June 2014, and for international we have taken January-February-March, (it is the first quarter every this thing. Later on the fixed asset will be there, therefore the percentage may be here or there.)
- Kamna Motwani:** For the full year what kind of margins are we expecting?
- Bharat Vageria:** In fact in the EBITDA level we are working out means our internal guidelines in the range of 14.5% to 15% looking at the cost of the product input cost. In future, for example, cost of the input is going down by may be the foreign exchange dollar import price, then percentage terms it will increase. But looking at the current, the price is stable, foreign exchange is stable, and so we are considering that our internal guidelines in the range of 14.5% to 15%.
- Moderator:** Thank you. Our next question is from Bhavin Chheda of Enam Holdings. Please go ahead.
- Bhavin Chheda:** Sir, a few questions. If you can give me the volume numbers of IBC in India and overseas in the quarter and similarly Plastic products?
- Bharat Vageria:** Bhavin, exact number currently not with me, but you can call me afterwards and I will provide you that details. Volume numbers we do not have available. I can tell you that as far as growth is concerned volume growth overall is around 8% to 10% and value growth is 15% which we have seen in the results also. Improvement will be found in the now looking at everywhere we are hearing some improvement is there, demand is there, but we come to know by first half of the year.
- Anil Jain:** As a matter of fact, as we are getting stabilized in those markets actually because we were a new entrant until last year, so I think the sale is going through and of course every month we do better than the previous month, so we will be able to give you the numbers with regard to the IBCs and also the Plastic ones, of course, IBCs will be in numbers and the Plastic ones will be all in tonnes because we converted its impact to the tonnages.
- Bhavin Chheda:** And sir, order book Cylinder you said you had 70,000 including Reliance and the overseas order?
- Anil Jain:** That is right.
- Bhavin Chheda:** And how much you must have sold in Q1 if that number was available?

- Anil Jain:** It is about 10,000 Cylinders.
- Bhavin Chheda:** What was the net debt number?
- Bharat Vageria:** Rs.766 crores.
- Moderator:** Thank you. Our next question is from Megha Hariramani of Pi Square Management. Please go ahead.
- Megha Hariramani:** Sir, I would like to know what is the raw material percentage that we import and what is the endogenous percentage?
- Anil Jain:** Normally depends upon how the prices pan out both in overseas market and the Indian market, but I guess it is both like 65% is import and about 35% is local, but I must admit at the same time currently, import prices look better than the local ones, but, of course, you have the risk of foreign exchange, so if you take the cover more or less comes to the same.
- Megha Hariramani:** So the prices look more favorable in the foreign markets when it comes to raw material procuring?
- Anil Jain:** That is right.
- Megha Hariramani:** So do we even hedge in terms of the currency fluctuation and all?
- Anil Jain:** Yes, we do that as a matter of principle but we take and we leave something little bit open because rest of the consignments which are on the way or whatever but otherwise we try and cover foreign exchange immediately after the shipment takes place.
- Megha Hariramani:** So we will hedge the entire part or?
- Anil Jain:** About 80% is actually covered.
- Megha Hariramani:** Another question that I have is can you just give me the revenue detail from the overseas market, I mean, what all market contribute how much to the revenues and where are you more concentrated?
- Anil Jain:** You would like to know the country wise revenues or otherwise ...?
- Megha Hariramani:** Geographically but overseas, right.
- Anil Jain:** So total overseas business is like we said 31% of our total revenue, which comes to Rs.176 crores in this Q1.

- Megha Hariramani:** But then what all the markets are you concentrated in when it comes to overseas so geographically?
- Anil Jain:** We are quite well spread out, actually we are in China, we are in Taiwan, Malaysia, Indonesia, Vietnam, Thailand, and other side we have Sharjah, we have Bahrain, Saudi Arabia, and we have Egypt actually, so that is Packaging business we have outside, and of course for Non-packaging business actually we have got Poland and also Romania. More or less all our operations are doing well, but our focus if we want to see the hierarchy in the Packaging business Thailand comes at number one followed by Taiwan.
- Megha Hariramani:** Any more cylindrical projects coming up from these countries itself?
- Anil Jain:** This is cylinder only we have in India. We do not have cylinder manufacturing in those countries and right now we are focusing on India and supplying composite cylinders from India to various markets. Once we see a critical margin in some countries we might even consider later on, but right now we would be focusing on our capacity in India.
- Moderator:** Thank you. We will take our next question, is a follow up from Chetan Wadia of JHP Securities. Please go ahead.
- Chetan Wadia:** My question was can you give me the volume growth numbers which you gave at the beginning... India and overseas?
- Anil Jain:** The volume growth is 7% in India and 34% overseas.
- Chetan Wadia:** What is the outlook for FY-'15 for volume-led growth both for India and overseas?
- Anil Jain:** Now actually since the prices have stabilized so our volume or value growth will more or less be the same, and though we should do better than that but we have ourselves estimated something like 15% growth actually on a consolidated basis of course, India may be closer to 10% to 12% and overseas it will be about 20%.
- Chetan Wadia:** And sir a specific question, what is the outlook for the Automobile Tanks that we are making? For the Lifestyle products what kind of outlook can you provide for them for FY-'15?
- Anil Jain:** Automotive business was slow in end of last year and of course in Q1 also it continues to be slow because most of the components that we manufacture go into commercial vehicles, the sale of which has been really picked up, but we have now got some more products, for example, we were supplying fuel tanks for Ace, now we have got another fuel tank for their other vehicles, and there are some products which are coming through, we have now two new radiator tanks. Though the sale of a particular product may not really pick up as much but since we are bringing in new products we will still be able to see growth in our other components business. For the Lifestyle this is more or less our standard business and I guess we would be seeing the growth which is an aggregate growth of all other businesses more like 10-12%.

- Chetan Wadia:** And sir, lastly if you can touch upon Material Handling business as well?
- Anil Jain:** Material Handling business is still a small business. This is a joint venture with Schoeller Arca. Of course it is still growing; we have seen about 10% to 12% growth. Of course, we were hoping that multi-brand retail would come into India, that would have really pushed this business pretty fast but that did not happen. So we are working with mostly the retail guys locally who have now started investing. So I think we will continue to see this kind of growth even in this year or may be slightly better.
- Moderator:** Thank you. Our next question is from Apurva Shah of Dimensional Securities. Please go ahead.
- Apurva Shah:** Sir, my question is on overseas business. Like you said you are looking for 20% growth, but if you look at Q1 result and last few quarters result we have been consistently growing at anywhere between 35% to 40%. So why you are slowing the way on guidance for FY-'15 because looking at the run rate you might be easily doing 35% plus growth rate so...?
- Anil Jain:** Of course the base is also increasing, therefore, we cannot really continue to grow. Earlier, the base was very small. So we could show a very good growth in terms of percentage, so now the base is actually going up, though we will be growing but probably in terms of percentage it would not look very impressive, but believe me 20% growth in a market where we have gone in looks pretty good, and this is still just guidance, we would hope to do better than that.
- Apurva Shah:** I agree sir that in earlier period it was on a low base but even despite still the base is still low and we are achieving 40% run rate even in the last two quarters. So I just wanted to confirm do we foresee any sort of slow down in coming quarters?
- Anil Jain:** If you take the volume growth was still about 30-32%, it was muted because that was the value growth 40% that you are talking about. So I think this 20% has to be seen as against 32% that we have done in last year. May be a little bit conservative, we do not see any headwinds there, so we should grow, but for the moment we have to consider this will be about 20%, but we should really do better than that.
- Apurva Shah:** And sir last question on overseas business only, is there any particular geography or segment which is contributing to such high growth or if you can explain in detail?
- Anil Jain:** If you look at our overseas Packaging business which is largely comprising of Plastic Drums and Jerry Cans on one side and IBCs on the other, now the fact of the reason why we went to these markets was because we wanted to replace metal drums with plastic and this is exactly what we have started doing, of course, to our dislike we find that the polymer prices have gone up whereas the steel prices remain more or less the same, therefore now Plastic Drums are almost about 10% more expensive or may be 8% more expensive than the Metal Drums. So to that extent motivating a customer to switch over from Metal to Plastic has become that much more difficult, but if we look at the penetration of plastic drums in those markets where we have gone in it is still in the range of about 7-8%, but if you look at India the Plastic Drums are

almost 55% of the total drums that means we have been able to replace almost 55% of the metal drums into plastic. So this is our intention that we should be able to do the same in other countries where we have gone in. So we have huge headroom available to us, but, yes, we do know that the process of change takes time, when we talk about 55% replacement in India, we have been talking about 22-years that we have really spent in doing it, on the other hand if you look at worldwide the Plastic Drums are only about 10.7% of the total Drums business. So we are trying to follow the example of what we have done in India in these countries, it would have been probably easier and faster if polymer prices would still be as favorable as they were when we started or the steel prices would have gone up, but it has gone the other way, but we are still engaged in doing it. So even if there is no intrinsic growth for the GDP in those countries I think replacing Metal Drums with Plastic would really see us through. IBC is the new concept in this region because there were hardly any IBCs available locally except for one in China, but now we have brought IBCs in different countries, whereas the regions that we are present, 50% of the world's packaging products are used in those regions, but IBC is less than 10% because of mechanical handling not being available. So we are still trying to break the trend still and motivating our customers to do mechanical handling, in certain countries they adopt mechanical handling, therefore the growth is faster but in other places we really have to struggle a little bit. But, we are sure that if IBCs are almost 40% of the total business in the western world one day soon it will be the same in Asia as well. So we are ready with additional capacity in different countries. So to sum it up we are very-very optimistic about our Industrial Packaging business in the countries that we have gone to. It is a question of time and I guess we are making a very good progress.

Apurva Shah:

Can I summarize like do we benefit from first movers advantage sort of thing in these countries?

Anil Jain:

You are so right about that, actually that is the reason why we are really hurried up going into the country, easy to go to so many countries in such a short time, but we wanted to take advantage of being the first mover. Also, remember that our international customers, Dow, Huntsman, BASF, Clariant, all of these guys have the chemical plants in these countries, but they did not have a recognized supplier, and since we have the relationships going with them in India so it was good for us that we moved into those markets, we had first move advantage, and second, we move closer to our customers in this region, and those are the things have helped us grow our business quickly, and also I must admit as probably discouraged our competitors to come to those markets.

Apurva Shah:

And sir, how has been the competition evolved since your entry into those particular markets, like do you see increase in competition?

Anil Jain:

Not quite actually, but yes, once we move into these countries, everybody sits back and take notes, especially our international competitors Greif, Schutz, and Mauser that these guys have won and so let us look at these markets. But, I guess we have made sure that we feed the market very-very well and at competitive prices. So with the local companies we do not see

competition because they do not have the technology and know-how, but from the international competitors, not quite because they are used to of serving in very large markets and these are not such large markets as they see it from a distance.

Apurva Shah: I have two book-keeping questions. What kind of CAPEX we are looking for FY15?

Anil Jain: As we said, we will really put a brake on CAPEX, so it will be less than Rs.100 crores in the last meeting we said and you can see it that in the Q1 we have done only Rs.21 crores, so we are well on our promise that we will keep it.

Apurva Shah: Any guidance on effective tax rate?

Anil Jain: Effective tax rate will be in the range of 25%.

Moderator: Thank you. The next question is from Sanjeev Zarbade of Kotak Securities. Please go ahead.

Sanjeev Zarbade: My question is regarding the gross asset turnover in the future years. So we have seen over the last two years we have added capacities and also incurred significant CAPEX, but what we basically observe is that whatever increase has been there in EBITDA in the last two-three years, almost similar increase has been there in combined interest plus depreciation, so that has in a way negated any benefit that is accrued from higher revenues. So how do you expect this situation to change in the future – do you expect the gross asset turnover to increase in a way so that we can generate more revenues from much lesser CAPEX, some...?

Anil Jain: Actually if you look at our overseas business that we have made largely investments that we are talking about in the last two-three years, we still are close to about 55% in terms of capacity utilization. In the other large markets, we have capacities available. So I have no doubt in the mind that we actually can push the turnover up there without incurring any further CAPEX. In India, though aggregate capacity utilization will be more in the range of about 75%, but there are some businesses there, capacity utilization is very low, for example, our Cylinder business also the Pipe business and IBC, therefore we can push it up. If you look at the investment that we have made and with little bit of marginal investment, balance debottlenecking our capacity, we can reach close to about Rs.3,000 crores with the investment that we have made. As we reach there then I think you would see that this CAPEX was very important.

Sanjeev Zarbade: Sir, do you really feel the need to raise any fresh equity funds to maybe reduce our borrowings or something of that, are there any serious plans in the near-term?

Anil Jain: We do not really see that happening, we went public in 2007, with the equity that we have currently we will keep the same way, our cash flow would allow us to expand if at all we are required to, but right now we are consolidating and we are focused on improving our ROCE and asset turnover ratio, that is what we are focused at, but if you are talking about two, three or four years from now, our internal generations would be able to see our expansion if any true without having to raise further equities. So we are happy with the equity that we are having.

- Moderator:** Thank you. The next question is from Pankaj Bobade of Axis Securities. Please go ahead.
- Pankaj Bobade:** I just wanted to understand about the capacity utilization of Indian business and overseas business.
- Anil Jain:** India business the capacity utilization on an aggregate basis will be close to about 75% and when you see it overseas it is still 52-55%.
- Pankaj Bobade:** Sir, what is the reason for it being so low?
- Anil Jain:** This capacity can come late actually, the capacity in overseas is coming in the last two or three years, it takes time, Packaging business is a rather slow one, because you have to really get all the approvals in the countries that you go to, and the customers although would like to drive you out for some time before they give you the volumes but yes, we are going and the capacity utilization is definitely improving. It is essentially because these capacities were added lately.
- Pankaj Bobade:** Another question regarding the approval process you talked about from 17 countries regarding the Composite Cylinder, just wanted to know more about it? And also I suppose last quarter or a quarter above before that, you talked about your tie-up with some US-based company for supplying Composite Cylinders to them. So just wanted to understand what is the status of the same?
- Anil Jain:** Composite Cylinders you first have to get the approval from international third-party, this is TUE in Rheinland, so we have taken approval on the European standards and also IRS standard, so we get those approvals, but when you want to export it to other countries or even use it in India, there are safety observations and you have to get their approvals also, so for example, PESO is the safety organization for India which is in the former times was called (CCOE) Chief controller of Explosives and likewise in all the countries that we have gone to we have to take local approval which is both expensive and time-consuming. Only after getting this approval you can start approaching the interested customers. So they have done that and you can see it in last year and this year the number of Cylinders that we have supplied though may not be large enough but it is very satisfying to see that they cover almost 10 countries, all put together has huge business potential, and they are now coming back for more quantities. In Mexico and USA they follow standard called DOT which is very specific to US and there are a lot of Compliance we need to do, so we appointed a sales agent and trusted him with the job of getting DOT approval, those guys came in last month for inspecting the factory which they did. Strangely enough there is a group which comes for inspecting the factory and then there is another group which comes for approving the product. So now we are expecting the next group to come in, and probably the DOT approval will be there by maybe end of this financial year. USA is a prestigious market. I would not say a very large though. So, we need to get this approval more for the reason that it probably will give a lot of confidence amongst our customers. But in terms of business, we are not expecting a very big business from USA because they normally use it for recreational purposes, for example, camping or yacht or whatever, and not necessarily for coking coal.

- Pankaj Bobade:** You mean to say the approval process for USA is almost complete and we are expecting the approval sometime in second quarter, am I right?
- Anil Jain:** Not second quarter, end of the financial year actually. Since we have crossed the two hurdles, and the third one is just to be crossed over, because the team has to come to test our product; the factory has been approved of course.
- Pankaj Bobade:** So we are expecting an approval from USA by end of this year?
- Anil Jain:** That is right.
- Pankaj Bobade:** But were we in talk with any company for supplying Cylinder to them from US?
- Anil Jain:** Basically, he is our distributor for our competitor in USA, but he was not very happy with our competitors, so he wanted to kind of change over to someone else. So he has approached us and we agreed to work together with him.
- Pankaj Bobade:** Is that deal still on?
- Anil Jain:** Yes, it is still on, we have not really firmly done that, but like I said we do not have much of an interest in US market, therefore we are not really pushing it very hard.
- Pankaj Bobade:** Which are the other ten countries you mentioned wherein we are in advanced stage of getting the approvals?
- Anil Jain:** The ten countries we have already got the approval. We are still in the advanced stage of getting approval from other countries... but if you could allow me, I can discuss this part with you offline because this is something which is little confidential, so maybe after this conference or tomorrow sometime we can call you up and give you this answer.
- Moderator:** Thank you. The next question is from Megha Hariramani of PI Square Management. Please go ahead.
- Megha Hariramani:** Can you just give me a detailed idea about how much market share are we capturing in India and how much are we looking at in the overseas market?
- Anil Jain:** Since there are not very many players in the organized sector, quite honestly it is very difficult to know exactly what the market share is but I would like to think that our market share in Packaging is in excess of 60%, but this business carries from one product to another, there are some products where our market share are 90% or thereabout, but in some of the businesses it could be even lower than that. So since we have different products, the market share will be different.
- Megha Hariramani:** What about the overseas market – how much market share are we...?

- Anil Jain:** In overseas market like I said we have just gone there in last two or three years and our focus is more on changing people from metal to plastic. But it would be difficult to say what the market share could be but yes, we are talking about Sharjah, the Plastic share could be 100%, if we talk about Thailand, we could be more or less 80%, if you are talking about Taiwan, we could be close to about 65%, each country we have different market share, then that is product-to-product, but if we take the Metal Drums together then our market share will be much smaller, and that is what we are trying to convert from metal to plastic.
- Megha Hariramani:** Also sir, can you just provide us the segment wise future outlook that how much growth are you expecting per segment going forward for next two years?
- Anil Jain:** I think we will be doing about 15% growth that is what we have set out ourselves for. I think it will be safe to assume that more or less all the segments will grow at the same pace, because we do not have any slow movers, but yes, businesses like Cylinder and Pipe might grow even faster, but we have given you an aggregate growth of 15%, and I think we should be able to maintain that.
- Megha Hariramani:** So 15% would be on revenue and net profit both or?
- Anil Jain:** Yes, both on the revenue and also on the net profit.
- Moderator:** Thank you. The next question is from Ashi Anand of Kotak India Focus Fund. Please go ahead
- Ashi Anand:** I just wanted to understand what is the outlook on margins for the current year?
- Anil Jain:** We are looking at EBITDA margins between 14-15% on basis actually. As Bharat had explained, this is the percentage based on the current raw material prices, but if raw material prices come down and our EBITDA margins are in absolute term, so as a percentage they might actually increase. So, given the current situation this is what we are looking at, but it might change if raw material prices drop, though of course we will pass on the decrease to our customers, but EBITDA as a percentage of the sale value will still look better.
- Moderator:** Thank you. The next question is a follow up from Chetan Wadia of JHP Securities. Please go ahead.
- Chetan Wadia:** You said that net debt is around Rs.766 crores. Last year if you see the interest cost was almost more than 40% of the EBIT. So what kind of debt reduction target we have for FY15? And what is the repayment schedule for next year as well?
- Anil Jain:** There are two things – one is of course, we are expecting some decrease in our overall debt, because we are not really spending on CAPEX, etc., but on the other hand, our working capital requirements will grow, because we are expecting the growth in business but like we have said before we are expecting the debt to go down by end of this financial year and I guess this trend

will continue even in the future as well, because we do not have any major CAPEX or expansion plans.

Chetan Wadia: Do you have a specific target like the gross debt should be down to this level by end of this financial year or by end of next financial year?

Bharat Vageria: In fact, we are thinking to down; it should be down by Rs.50-60 crores a year that is the internal target we are keeping it. Once you recall that last meeting we had told that from 2015 almost we will not allow to increase the overall debt. In spite of the increase in the business by 15-20% we will maintain our business in the same level, but we are seeing now that as the CAPEX cycle have been over and we are reducing the size of the CAPEX, therefore, we are internally targeting to reduce the debt by Rs.50-60 crores on a yearly basis.

Chetan Wadia: What is the cost of debt?

Bharat Vageria: Cost of debt is around if you take average out is around 11.7% India and overseas both put together, because India is 12.5-13% and overseas is around 6.5-7%. When you see the final cost figure available in the cost and if you will see the percentage directly from the debt level it will not tally because this cost is inclusive of the other charges, it includes not processing fee, and the cost of the non-fund based utilization cost also.

Chetan Wadia: What is the foreign currency denominated debt and overall debt?

Anil Jain: In India we have which is covered, but overseas we are close to 250 crores which is mostly in foreign denomination, but in India you can consider averaging in rupees because even though we might have some dollar loans and this is fully hedged including the interest. So we do not see any problem.

Moderator: Thank you. As there are no further questions from the participants, I now hand the floor back to Mr. Anil Jain for closing comments.

Anil Jain: Thank you very much. I thank my investors for reposing confidence in the management and the company. I think we are in for very interesting times. I think the entire focus right now is on better capacity utilization and better research utilization. So therefore, we would see that the performance of the company will improve, and we are very excited about the businesses that we are in and we see the potential for all of these businesses to grow both in India and overseas. It will be the endeavor of my colleagues and me that we keep the confidence of our investors and the company and keep them delighted. Thank you very much.

Bharat Vageria: Thank you very much to everybody.

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