

“Time Technoplast Limited Q4&FY13 Earnings Conference Call”

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Moderator

Ladies and gentlemen, good day and welcome to the Q4 & FY13 earnings conference call of Time Technoplast Limited. As a reminder, all participants' lines will be in a listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, please signal an operator by pressing "*" followed by "0" on your touch tone phone. Please note that this conference is being recorded. I would like to hand the conference over to Mr. Anil Jain – Managing Director and CEO, Time Technoplast. Thank you and over to you, sir.

Anil Jain

A very good afternoon to all my friends and a very-very warm welcome to you all, it is truly a warm welcome looking at this temperature going up to 50°. I have with me my colleagues Mr. Bharat Vageria and Mr. Sandeep Modi and Mr. Niklank Jain. It is our pleasure to be together with you this afternoon. Friends, we are together to brief you about our financial results for Q4 FY13 and also the financial year 2013 results and future outlook. The financial results of Q4 FY13 and 14 are already with you, let me quickly walk you through the key financial highlights. Let me begin with quarter 4 results; of course, we will try and focus more on the annual results.

In Q4 we have done a turnover of Rs 570 cr, in the corresponding period last year it was Rs 458 cr, net sales were Rs 525 cr as against Rs 431 cr in the corresponding period; EBITDA at Rs 78.8 cr as against Rs 61.9 cr and PAT at Rs 24.2 cr as against Rs 18.5 cr. The growth, therefore, has gone up by 24%, net sales 22%, EBITDA 27% and PAT at 30%. So EBITDA percentage during the quarter stood at 15% as against 14% in the corresponding period last year. If you look at the total financial year results 2012-13, the growth from gross sales on a consolidated basis stood at Rs 1953 cr as against Rs 1634 cr in the previous year, net sales were at Rs 1802 cr as against Rs 1532 cr. EBITDA just fell short of Rs 300 cr, it is Rs 296.9 cr as against Rs 247 cr and PAT at Rs 103.5 cr as against Rs 89.8 cr, so we have actually crossed over to the other side of Rs 100 cr which is an important milestone for us. In the financial year 12-13, the year-on-year growth on gross sale has been 20% and net sales it is 18%, EBITDA is 20% and PAT grew at 15%. EBITDA percentage during the financial year 2012-13 stood at 16.47% as against 16.12% in the corresponding of the previous year. The total borrowing as on 31st of March 2013 is at about Rs 814 cr. There has been a marginal increase though, of course, we had expected that we will keep the same as last year; the last year was Rs 757 cr there about, we have seen a marginal improvement in our working capital cycle which is reduced from 83 days to 80 days. The capex cycle is now coming to an end - in FY13 our total capex was Rs 166 cr just completing those projects which we already had in hand and that is what I had promised in the last conference also that we have completed all the projects and for the current year we do not really have to carry out a lot of capex. I think the important feature is that our India business grew at about 12% but our overseas business grew at about 40% so that vindicates the strategy that we had followed of going overseas to find new growth opportunities. Of course we continue to grow in India but a bit cautiously looking at the prevailing situation in the economy and I think this growth overseas will continue at the same pace in the next year, the current financial year as well and I think that will ensure that we have steady growth even in the current year despite lot of uncertainties in the Indian business environment. I think, just to give you a good break-down in our segments, the packaging continues to be at about 63%, lifestyle products at 10%, auto products 8%, infrastructure related products at 17% and other products which are healthcare, material handling, etc. only constitute 2% of the total sales. I think packaging remains the largest segment as always. I think in terms of turnover, we have 75% of turnover coming in from India the previous year and 25%

coming in from overseas, which of course while both the businesses will grow but in the current financial year we closely would add up at 70% and 30%. So I think let us devote a little more time on questions and answers and I will give you a little bit more detail on some other highlights. But I can assure you that we have the growth drivers in place which will continue to drive the growth of the company in the current financial year and the years ahead of us. So with this, I welcome any questions that you might possibly have.

Moderator

We will now begin the question and answer session. We are going to take our first question from the line of Sanjeev Zarbade from Kotak Securities. Please go ahead.

Sanjeev Zarbade

My question was regarding the EBITDA margins in this quarter, so typically we have seen that since the last two years the margins in the 4th quarter drops from on a sequential basis, so is this a seasonal trend that we have seen in this quarter also or was there any fluctuation in materials which pulled the margins down on a sequential basis?

Anil Jain

There you would certainly find the trend but of course it is a mix of both the raw material prices going up and then we have a chance of recovery in the next quarter. So to that extent maybe 1% impact was because of that but in the last quarter we have to make various other provisions, for example the bonuses, the increase or gratuity and other for the staff, etc. So all those provisions come in Q4 and, therefore, you'll find that the EBITDA in Q4 is relatively lower than in the previous quarters. Of course, on the other hand, we see a larger turnover in Q4, so in absolute terms the EBITDA always looks better but in percentage term you might find a little bit of dip there.

Sanjeev Zarbade

And other expenditure has also increased, it used to be in the range of Rs 56-58 cr in this quarterly basis, in this quarter it was Rs 72 cr?

Management

Because of the overseas unit which we started in the last quarter. So we are taking overseas unit from the January to December quarter years-end and in the last year we have started 2 to 3 units like Vietnam, Malaysia in the last quarter of the year. Therefore, the expenditure of that unit has come to this quarter.

Sanjeev Zarbade

And what is the margin trend we can look for in FY14?

Anil Jain

At the EBITDA we have found that in the Indian business, which is why we are projecting it to be about 75% in the current financial year. I think it would be fair to expect about 16% to 17% Indian businesses and from overseas business 13% to 14%.

Management

Overall it will be in the range of 16%.

Sanjeev Zarbade

And lastly what was the capex in FY13?

Management

Total capex is Rs 166 cr.

Sanjeev Zarbade

And in 14 what is our plans?

Anil Jain

Like I said in my opening statement that we are through with the capex cycles; only very small part would be remaining but we will actually have normal capex for maintenance capex and also some product development or probably de-bottlenecking some of our capacities. As you know that in India we are operating at about 70% to 75% of capacity utilisation, so we are expecting a growth of about

10% to 15%. I think in fitness of thing we should keep adding some of capacities there of course. Capex in such case would not be very large because we need only marginal capex for the plant and equipment because the factory, etc. is already in place, so we are expecting in the current financial year the capex to be inside Rs 100 cr.

Sanjeev Zarbade Last question if I may, what is the capacity utilisation in domestic and overseas now?

Anil Jain Like I said it is about 70% to 75% for the domestic and closer to 40% in overseas project but that is because we only started in last two years, so there is going to be improvement in the capacity utilisation.

Moderator We're going to take the next question from the line of Nehal Shah from Dolat Capitals. Please go ahead.

Nehal Shah Couple of questions: first thing on the battery segment, how are we basically doing in that front and what are our plans going forward; second on the composite gas cylinder project, what is happening on that particular front and how are the approvals going and are we getting any revenues from that particular project, has anything kick started?

Anil Jain Both are very important questions so you will have to allow me a little bit of extra time to be able to explain things to you. The battery business has started recovering. If you remember, FY12 was not the best year for our battery business but in FY13 we have started seeing the improvement, sales have grown up by 12% because if you see in the previous years we have seen a sharp decline in our sales, so it has now reached the lowest and has started coming up now and we see improvement in our EBITDA margins as well; so the EBITDA stood at about 12% in this business. Now you asked a very important question as to how do we see this business growing. One important thing we did was we have reduced our dependence on the telecom battery business. If you remember, three years ago it used to be almost 90% of our business, in fact almost 95%, and then we took a conscious decision by developing newer products and decided to bring it down, the telecom business to be down to 70%. So I'm very happy to tell you that we have been able to achieve it and in FY13 it was slightly more 60% on telecom and the rest was non-telecom business which is a better business - more dependable and does not have the kind of seasonality that you find in the telecom business. Interestingly, and I thought probably I would have told you later on once we have something concrete but it'll be good to give you an insight into what potentially might happen with this business. This year we are expecting to grow this business from Rs 180 cr we are expecting to be at least Rs 225 cr and we will probably take our EBITDA margin from 12% to 14% and we said that we can see that because our non-telecom business will grow and we probably will reach closer to 50-50%, so we have a clear business plan ahead for the battery business.

Nehal Shah What will drive that kind of growth from Rs 80 cr to Rs 225 cr in this year?

Anil Jain From Rs 180 cr, that is not difficult really, first thing that the first two quarters of FY13 were also not very good that I've promised that it will not be difficult. Now interestingly for us we have been approached by some companies both local companies and also multinationals who have immense interest in buying our business if you're interested in selling. As you know, battery is not our core business but we still remain very excited about it but I am very clear about if these proposals were attractive enough and we do not sell anything cheap but if the proposals are interesting and we get

good value for our shareholders I would not mind letting it go. So and continuing that we're looking at a turnover of Rs 225 cr with 12% to 14% EBITDA margins. I think there will be a significant value that will get unlocked. So that is the battery business but notwithstanding the ones that I've told you in the last we have a definite business plan and the business continues to grow at NED.

Nehal Shah But what about our patented product that has not been catching any kind of limelight like they have not done anything with the new patent what we have registered?

Anil Jain For the batteries?

Nehal Shah Yeah, the batteries.

Anil Jain Actually most of these products, as you know, which we had tried to patent, were all targeted at the telecom batteries and to be honest with you telecom battery business is not very exciting right now and it would not be prudent on our part to make additional investments to bring in those patented products at a time when telecom companies are looking for the cheapest batteries rather than the best batteries. So I think we will wait until the business environment improves there. Now on the composite cylinder, which is a very exciting business, but of course you can say that I have been saying that for a long time that the cylinders business is very exciting business but it continues to be so. In the last conference, I did mention that we are likely to get approval from PESO that is the erstwhile Chief Controller of Explosives who had come and visited us. Finally we got the approval - that was the biggest hurdle in the way of reaching out to some private LPG distributors in the country to use composite cylinders. We right now have a LOI from leading private LPG distributor in the country that has the potential of taking our entire capacity. Of course they will start with 50,000 cylinders and then as they put it out in the marketplace they would surely take everything that we can produce here in India that is about 300,000 cylinders. So everything has been done except that as the filler and the distributor even they need to take approval from CCOE and that process is underway right now and as far as the price and other terms are concerned we have reached an agreement and CCOE has given a specific approval for use of the cylinders by this particular customer of ours. So we're almost at end of this tortuous journey and probably would start seeing revenues trickling in; up until now yes we have been supplying one container here and there at different places but we do not have any turnover worth mentioning which is coming from composite cylinders, but this year again it will be fair to expect a turnover of or rather say this and the part of the next year which will look at a turnover of Rs 40 cr coming in from this business.

Nehal Shah That is at FY15?

Anil Jain Mostly FY14, not be entirely Rs 40 cr may be about Rs 30 cr in this year and Rs 10 cr each spillover to the next.

Nehal Shah Have we already got approval from HPVP and IOC?

Anil Jain They do not give any specific approval on their own, the approval from PESO.

Nehal Shah Now what next have we to do in order to commercially sell this product?

Anil Jain From our side nothing, now the people who are interested they have to also take the permission from PESO and that is what this customer is doing already - the private sector. Now we have also

taken permission that the public sector oil marketing companies can also use composite cylinders, approval includes the use of composite cylinders not by private LPG exhibitors but also by the public sector companies and with this approval now we have approached IOCL, HP and BPCL and they have also shown interest but I can promise you they have been showing interest in composite cylinders for the last five years, so I do not know how we should read from the interest that they show but they remain excited. I think the pressure would come on them as this private player would come with the composite cylinders and may start making dent. Now if you look at the optimism that is being shown by the private LPG distributors and not only Reliance but other people as well, they expect a huge jump in the sales of LPG with the restrictions in place. One interesting thing that has happened is after this restriction, the grey market has gone down earlier people who would buy the subsidised cylinder and then fill them up in other unauthorised or commercial cylinders, now those extra cylinders are not available, so the consumption was more than people have to buy non-subsidised gas and when they buy non-subsidised gas then they do not necessarily have to go to the oil marketing companies, they can go to the private companies who give them better service and probably better cylinders as well. And if we have these direct benefit schemes that government coming in, then everybody would be free to buy cylinders from wherever and I think that is what these companies are factoring in, in their business plan. I know from some people that they plan to go to the new states and step up their operations in their own states, so I think the timing is right we have all crossed the hurdle. One of the leading guys will start using these cylinders. I am sure once they are in the market place it will put pressure on the other people as well to look at them as an alternative to metal cylinders.

Nehal Shah

What is the expected price we would be keeping for the cylinders?

Anil Jain

You would like me to tell you on the open line. I can talk to you off-line on this but I know the reason why you're asking me this question but I think it will be safe to assume it is about Rs1600 to Rs1800 a cylinder.

Nehal Shah

And what about exports, have received approvals from the exporting countries as well?

Anil Jain

In fact, last week I was with ADNOC in UAE and they have started a trial of composite cylinders, so the first trial order is on its way and if they like these cylinders, which I have no doubt they would, then they can take up our entire capacity from Bahrain. So we're looking at the capacity in India to serve the Indian markets, East of India - that is Indonesia, Malaysia, Thailand and Vietnam. They are very excited about composite cylinder and Bahrain will take care of GCC. We already have the approval from ESMA - the approving authority; like we have got PESO here, in GCC they have ESMA they have got approval from them as well.

Nehal Shah

That is the only approval which is required or we need approval from other countries as well?

Anil Jain

That is the only approval required from GCC.

Nehal Shah

Okay for GCC countries you require only ESMA approvals?

Anil Jain

Correct.

Moderator

We're going to take the next question from the line of Chetan Wadia from JHP Securities. Please go ahead.

Chetan Wadia

My first question: can you just give some outlook for the automobile and the infrastructure business for FY14, where do you see the thing happening there?

Anil Jain

As you know there are two study business let me talk about auto business; we have something very exciting to share with our esteemed investors. If you remember in auto business one very exciting point is that we have anti-spray flaps where we enjoyed a virtual monopoly because this product is not being made by anybody else in the country and the anti-spray flaps which are currently giving a business of about Rs 50 cr approximately they were being used as per the legislation the government had passed, they were being used only for the trucks with a gross weight of 7.5 tons, that means they were being used by big trucks and the other vehicles were exempted from anti-spray flaps. We had made representations to the government or rather and some NGOs also did the same they said it should be made applicable to other class of vehicles as well and that was one; the second said that it should also be made applicable for not only the new trucks but also the trucks which are already on the roads. We have been successful until now in getting the rules amended as of last month whereby all the LCVs will also be required to use anti-spray flaps in addition to the big trucks and we expect that it should give us additional Rs 30 cr to Rs 40 cr business from whenever they become applicable. Of course, the legislation has been passed, the implementation has to be done by ARAI they'll issue guidelines - maybe it will take 2 or 3 or 4 months maximum and then it will become applicable, so in a year we should expect about Rs 30 cr to Rs 40 cr additional business coming in from anti-spray where we have decent margins and a very assured market because of the novelty of the product and the technology behind it. So that is the interesting development. Of course as you know that we're doing the fuel tanks for two vehicles, now we have several other projects which will come on stream one of which is for a 10-ton vehicle which will be manufactured by a leading transport manufacturer near Dharwad, so we will be supplying the fuel tanks to them as well and we have also been our two other projects for one 120, 90 and 150 L capacity fuel tank and 300 and 400 liter fuel tank have also been approved. So we are in the process of making tools, etc. but I have to caution all of us that it takes somewhere between six months to a year before they actually start bringing some results but yes the 10 L fuel tank for small truck will actually happen in next two months time we will start doing it, we in the meantime have already put up a factory in Hubli where we are doing industrial packaging and the part of the factory will be devoted to the manufacture of these fuel tanks also. So it is interesting business continues to grow we're at about 8% right now I think it might marginally improve its share of business and the total turnover.

Chetan Wadia

And for infrastructure?

Anil Jain

Infrastructure I think you have seen a growth in five businesses which has gone from Rs 100 cr to Rs 130 cr in the last year. We will continue to grow further. We have already started seeing inflow of a lot of enquiries and lot of projects are getting finalised. We have been told of course when the last elections happened we were not in this business but we have been told that in the election year the pipe business grows rapidly as government tries to complete water supply projects and, therefore, the need for pipes to come in. The potential is very large and our existing investment can see us doing up to the pipe in business up to Rs 200 cr, it is a question of probably not in this financial year but most probably in the next financial year we would reach that number.

Chetan Wadia

My next question is on the debt side, you said around Rs 818 cr is the debt as of March, what are the targets in terms of since you said that the capex cycle is over and more of a maintenance capex

it'll be doing in the subsequent years, so do we see some kind of material reduction in debt for FY14 and 15?

Anil Jain

For the moment we have made a target for ourselves that we would not let it increase. In any case, now that you see we can see the reduction in that but if you look at the cash inflow that we will have from the business and then we look at the capex that we have planned I surely see a situation where debt will start reducing probably from this year or most probably from the next year onwards because right now may be my main concern and that is the reason why I'm not saying it very strongly because we are seeing a little bit of delay in getting payments from our customers. Then credit period that we try to reduce or we were planning to reduce surely will not happen at the same pace, so that could be the only impediment but otherwise everything is right for us to A) not let our debt increase and B) we will start seeing it coming down.

Chetan Wadia

And just want a related question the working capital cycle for the domestic as well as the international business is more or less the same or the cycle is more over there?

Management

In India the working order cycle is 85 days and overseas it is in the range of 70 days, the overseas working cycle is less.

Anil Jain

So you would see that when the overseas business grows more rapidly than the local business the average working capital cycle will start reducing.

Chetan Wadia

How sensitive are you to rupee movement?

Anil Jain

Very. If you see the last year, we had a bit of a problem but I think we are wiser today and we are trying to cover ourselves up to get feasible and because 70% of our raw material is imported. So we have to closely monitor but lately we have been covering our payments as you open LC then we do not have any unpleasant surprises.

Chetan Wadia

Any specific guidance that you want to give reiterate for FY14 in terms of top line and margins?

Anil Jain

That is an interesting question. If we grow at about 12 to 15% in the domestic market, which we must, and see the growth of 35% to 45% overseas and you combine them together it will translate into overall growth of 20% in the top line and I expect the EBITDA and the PAT should follow the same if not better.

Moderator

We're going to take the next question from the line of Pankaj Bhobade from Axis Securities. Please go ahead.

Pankaj Bhobade

Just wanted to know more about your intermediate bulk carrier business and as far as infrastructure is concerned what is the status of the infrastructure project we had taken from MP government?

Anil Jain

If you would not have asked this question I would have found time to mention both of these because there are interesting businesses for us. Intermediate bulk container business is growing, in Daman we had one plant but we found that we were running out of capacity but we are now putting up additional capacity in Daman itself to meet growing demand. In addition to that we have now put up additional production facility inside the power factory in Hosur; we are manufacturing IBCs so that we can service our customers in South of India as well because we have been seeing the demand

growing rapidly from South of India and we found that freight cost was almost about 15% to 20% from Daman to a place like Chennai or Hyderabad, so that south market we will be catering from our Hosur plant. So A) we have increased the capacity in the Western region by putting up additional plant at Daman in addition to that we have expanded our operations in Hosur to include IBC manufacturing there as well. Of course that was done in the last month and a half, so we'll see how these numbers will grow. We do believe that once the packaging is available locally the customers are likely to use it more, so we should see good results. In addition to that you asked me a question about the shelters. I'll be happy to tell you that we have got this order from MP government. Of course like any government by the time they cleared up of all the terms and conditions and formal agreement was signed there were some delays. We now, in the meantime, have received and started receiving advance payments from them and started the project - it all includes about 2000 shelters to start with. We are focusing at 513 in four districts and then we will take the next batch out grow the same number, so I think we'll end up doing minimum of 1000 in this year or slightly more perhaps but then considering that there might be election and some issues towards the end of the year, so it will be safe to assume that we will at least complete half of it in the current financial year.

- Pankaj Bhobade** The order was around Rs 120 cr, so how much have we completed by now and how much are we expected to complete by FY14?
- Anil Jain** In FY14 we will complete about Rs 60 cr or slightly more than Rs 60 cr, we have completed but not build up till now about Rs 15.8 cr.
- Pankaj Bhobade** So Rs 16 cr has been completed out of Rs 120 cr and out of the rest Rs 100 cr we will be completing around Rs 60 cr, right?
- Anil Jain** Balance Rs 40 cr in this year and total in FY14 will be about Rs 60 cr and balance of course will be in the next year.
- Pankaj Bhobade** You mean to say by FY14 we will be completing Rs 60 cr out of Rs 120 cr and the rest Rs 60 cr would be spilled over in FY15 end of ahead?
- Anil Jain** That is what we are anticipating.
- Pankaj Bhobade** Any new order have we received for infrastructures or shelters?
- Anil Jain** Well they are willing to give us lot of additional orders but the problem is they are into the areas where more than us the Maoists are very active and look what happened this Sunday or Saturday. We would rather go slow. We will wait for other more interesting districts to come up. The total requirement is 20000 shelters, so that is the total demand they have actually.
- Pankaj Bhobade** And then are we targeting only MP or are we targeting other states as well?
- Anil Jain** Let me tell you, this business is a bit challenging because you have to make those shelters at different locations. It is not at one single place that you have to be doing 2-3 or 5 it 10 km, or 15 km you have one shelter which is bringing you Rs 6 lakh turnover, so there is a limitation on how many sites you can work on the same time. So we will be targeting for a larger chunk of it but I would like to think that at any stage we would not be doing more than Rs 120 cr a year.

Pankaj Bhobade	So will that be the only segment as far as PESO is concerned - only thing will be delivery or are we planning to diversify into some other type of shelters?
Anil Jain	No, I think we are very happy with this product. It is very well accepted by the users, I think we will stay put with the same, it is a modular construction, so you can use this shelter for making school buildings, hospitals, panchayat bhavan, warehouses or whatever. To that effect there might be different applications but the basic construct of the product will be the same.
Pankaj Bhobade	As far as IBCs are concerned, you said we have already utilising our Daman factory, so what is the current utilisation rate of Daman factory, what is the additional capacity coming up?
Anil Jain	We have doubled the capacity, we had a capacity of about 90,000 IBCs per year. We are more or less at about 90% of the capacity, now we have put an additional capacity of the same numbers.
Pankaj Bhobade	So Daman will be having 180,000 units.
Anil Jain	Yes, you are right absolutely. We are already pushing about 100,000. Out of total capacities of 80,000, already got the sales in excess of 100,000 IBC per year in India. IBCs are not exported so they are basically for domestic use only.
Pankaj Bhobade	As you said we are doubling our capacity at Daman so 180 would be at Daman itself, right?
Anil Jain	That is right.
Pankaj Bhobade	And what about Hosur - what is the capacity you're coming up with at Hosur?
Anil Jain	We will be having a capacity of about 60,000 IBCs down South.
Pankaj Bhobade	So together in India we will be having 180+60=240.
Anil Jain	Yes.
Pankaj Bhobade	And what is the status at overseas capacity, how are they utilised?
Anil Jain	Like I said, overall capacity utilisation is less than 40%.
Pankaj Bhobade	And how are we planning to ramp it up?
Anil Jain	We are just new into the market. Every month we have been doing better than the previous one. The customers do not change from one day to another, there are some existing players so they are converting them from steel drums into IBCs the process is a little complex and time consuming, so we surely can see the progress actually happening there.
Participant	So what is the tentative target for FY14 and 15 as far as utilisation of our overseas capacities is concerned?
Anil Jain	I would refrain from giving a target for a particular product but like I said we would look at capacity utilisation which is right now about 40% overseas. We expect that to grow another 14% so about 60% utilisation in the current financial year.
Participant	In FY14?

Anil Jain	That is right.
Moderator	We're going to take the next question from the line of Kamna Motwani from CRISIL Limited. Please go ahead.
Kamna Motwani	Just wanted to clarify the revenue breakup that you did give in the beginning of the conference call that is for the full year or for Q4?
Anil Jain	I gave both actually in the first 2 min or 3 min, I did quarter 4 and then I gave the annual, if you want I can just quickly repeat the same for you.
Kamna Motwani	What I needed was the breakup between the various verticals, packaging, lifestyle, auto, infra and others that you did give at the beginning of the call, was that for Q4 or for the full year?
Anil Jain	It was for the full year.
Kamna Motwani	Coming to the EBITDA margins, which have fallen and partly attributable also to the new capacities that have come in also, I am sure the depreciation has increased by 30% on a sequential basis because of the same reason, this to get a prospective on how much is the total capacity that we have added in the last quarter as compared to our gross block?
Management	Because in overseas we have added 2 to 3 units in the last quarter. We have also added the IBC machines in two locations.
Management	Different variety of products so in terms of percentage we say it is 20%.
Kamna Motwani	So we have added about 20% of our international business?
Management	Of the total increased capacity of last year, we can say in the last quarter 20%.
Kamna Motwani	And how much EBITDA margin are we doing currently at the international level?
Management	Internationally we have an EBITDA margin of 14%.
Kamna Motwani	Even in this quarter?
Management	Yeah, it is maintaining the same level.
Anil Jain	Total sales overseas was about Rs 450 cr and EBITDA is at about Rs 66 cr.
Kamna Motwani	Lastly, what is the tax rate expected for next year because since the international capacity is ramping up, the tax rate ideally should go down a little bit?
Anil Jain	You are right actually our tax rate is lower overseas as compared to India, now it is standing at 25%.
Management	Right now it is 24% it will be maintaining at the range of Rs 23 to 24% overall because in overseas also the tax rate is in the range of 17% to 20%.
Moderator	We're going to take the next question from the line of Sameer Dalal from Natwarlal & Sons. Please go ahead.

- Sameer Dalal** You mentioned earlier that it is taking time converting user from steel to plastic drums, how much is the pricing differential that exists between the two at the moment?
- Anil Jain** The price differential is 5% or less than 5% between steel drums and plastic drums. In fact, the steel drum there now has become a bit more expensive than the plastic ones.
- Sameer Dalal** The steel has become more expensive even though the steel prices are down you are saying?
- Anil Jain** Right, because of the polymer price but it will be safe to assume that they stand at the same price as metal and the plastic drum but the plastic drums do have a lot of advantages such as no corrosion, no rusting, no paint peeling off, no leakages, long shelf life for the product and of course a very high resale value so this is something that we need to educate our customers that the plastic drums are better than the metal drums and if they are available to you at the same price as the steel drums then it becomes very strong case for you to convert from metal to plastic once. The reason why it has not been done in the past especially in Asia is because the quality of plastic drum was not very good in different countries. Of course in India we have a penetration of more than 55%, so if you imagine out of every 100 drums both plastic and metal put together, 55 are plastic and 45 metal but if you look at the same in the worldwide it is 12% is plastic drum and 88% are steel drums. In Asia, it is even worse - 94% drums are metal drums and 6% are plastic drums. So if you leave aside India, then Asia has very small penetration of plastic drums and the reason was because the plastic drums were not competitive because they were making it at a much higher rate and the other problem was the quality was not up to the mark because they would not be able to withstand internal pressures test, drop test, tough handling as we have gone into these markets by putting up projects in China, Taiwan, Thailand, Malaysia, Indonesia, Vietnam and Korea, etc. We have gone to the customer and told them that plastic drums can be as good or in fact better than the metal ones and, therefore, you should start it. Now shift from one to another is the process that is on right now.
- Sameer Dalal** For all the plants that you have set up internationally, the ones we have just mentioned, how long have some of them existed and how long it has taken to scale up all the way even up to 40%?
- Anil Jain** It has not really taken us very long because considering that most of these projects have happened last year or the year before that, we have taken on an average 18 months to come to a capacity of maybe 40% on an average basis. But from here onwards I think the climb would be steep that is easier sorry because a lot of work has been done on the ground and we can see the results come in. But if you take the reference I think when we went to Sharjah it took us almost 3 years to get this converted it use 80% of our capacity. In Thailand I would like things to take about four years to reach 80-85%.
- Sameer Dalal** Like you said you have no more further expansion in any other country, they all pretty much all ready?
- Anil Jain** We have now gone in all the major markets and we are seeing a good demand may be as we get entrenched their and if there is a bigger demand we might make incremental investments either for debottlenecking or probably marginally increase our capacity there but that would not be a huge investment but you are right absolutely for the moment we have gone to the countries that we needed to. We would let it sink in for a while before we think of other players. We're not going into Europe, we're not going to US, Asia we are pretty much covered considering that we on the other

side Egypt, Bahrain, Sharjah and in India and of course Eastern countries that I've talked to you about.

Sameer Dalal

Will it be possible for you to send out an e-mail if we can do a small chat later. What is each of these countries different plants, when exactly they came up and what utilisation each of these plants is working at and just trying to get a sense of how things are in each of these countries and the second very important thing which you mentioned is that you said you saw that there is some amount of difficulty in collection of funds from customers. Can you elaborate a bit more why there is a problem of collection of funds at the moment I mean to many of the people you are supplying, the cost of these drums will be a very insignificant part so why the delay?

Anil Jain

I think you are talking about two different things here. When I mentioned about the payment cycle we find that customers are delaying their payments by a couple of days actually so for example, if a typical customer was paying up in 30 days we find that he has pushed it to 35 days but I think that has something to do with the general business environment and that was confined only to India. It is not because of any other reason except that when the interest rates were high the customer probably tended to stretch it a little bit but we are equal to the task by reminding and getting payments on time, so that is what I meant that the payments might be a little delayed.

Sameer Dalal

But you're not expecting much debtor days to increase incidentally?

Anil Jain

Look at our customers - these are Hindustan Lever, Godrej, Pepsi, SmithKline Beecham, Nestlé, GMSC, GSFC, IGL, you name the companies and they are the top class companies. I do not think that would be a concern.

Sameer Dalal

One last question, you mentioned that your Indian operations are working outside of only 70% utilisation, why is it that at these lower levels and what is stopping yours from utilising your domestic capacities also at the higher level given that the Indian market is quite well entrenched and quite well aware of these plastic drum benefits, why cannot we scale that up to a higher number. Why are we struggling at 70%?

Anil Jain

Let me tell you first of all, this is a rolling capacity because every year we keep adding capacity but it is not a capacity which was built 4 years ago and then we are only using 70% of that because we must have added capacity in the last year and the year before that, it should take time for you to fill it up.

Sameer Dalal

So would it be able to classify how much water capacity at the end of FY12 and how much at the end of FY13?

Anil Jain

I would love to do that but there is a bit of problem here because some capacity are in numbers some are in tonnes. If you do not mind it will be a good idea if we meet up sometime and probably it will be easier for us to kind of give you the information a little bit more in detail. I would also like to add lower capacity utilisation is not entirely because of us, you have power off for two days in Tamil Nadu and three days in Andhra Pradesh there you do not get grid power. So obviously even if you have the capacity they are sitting idle because you do not want to generate electricity by DG set which is so expensive, so some of the power situation is also putting a constraint on the capacity utilisation that we have.

- Moderator** We are going to take the next question from the line of Pankaj Kumar from Edelweiss Securities. Please go ahead.
- Pankaj Kumar** My question pertains to your international operations - you have expanded to many countries across Asia and Africa, so just wanted to know just which one is among all these is the biggest market and whether do you see the largest potential?
- Anil Jain** You are asking me which of my babies I like the most.
- Pankaj Kumar** This could be as big as India is basically.
- Anil Jain** Well I am very excited about Bahrain which is actually marketing Saudi Arabia so that there is a lot of chemical companies which are coming in there as you now know we have got huge amount of gas they are cracking and that is the feedstock for a lot of downstream chemicals and Dow Aramco, SABIC and a lot of these companies have made billions and billions of dollars of investment at the requirement of packaging actually growing very rapidly there if you really have to put a number to it number one will be, Saudi Arabia. We're very excited about Egypt's actually I have been warned by my marketing people there that I may have to probably send them additional machines as they are finalizing some contracts which will take up a large part of our capacity, so Egypt looks to be a very strong market of course they are going through a little difficult time but that is notwithstanding the industry is still being quite fine and I am very excited equally on Indonesia and let me tell you I'm disappointed that I am not able to put the name India before Indonesia but the fact still remains that we have still the story in India but Indonesia is actually the biggest beneficiary of whatever is happening in Asia and China a little bit of slowdown then Indonesia is actually growing rapidly. Malaysia has become too expensive so Indonesia is getting some industry being shifted from Malaysia to Indonesia. So in terms of ranks and that we're excited about I would put Bahrain and Saudi Arabia, Egypt and then Indonesia.
- Pankaj Kumar** And how is Chinese market?
- Anil Jain** Chinese market is very interesting market it is a very big market there is a market have to be but not necessarily the market that you can actually earn a lot of money and I must admit of course it is not really impacting us so much because our capacities are very small and we still can and we are in the replacement business where we are replacing metals from plastics or metals will IBCs but if you look at the overall industry growth then China is actually having a trouble right now, we do not see the same rate of growth in fact in some places we are seeing a slowdown.
- Pankaj Kumar** In terms of competition, who are the major competitors basically bidding at this market and who basically we see as a major threat in terms of competition?
- Anil Jain** If you talk about international competition let us start with India. We compete with ourselves mostly because we have a fairly large market share but internationally there are three other companies that I can name one is Greif, which is a US-based company, second one is Schutz that is the German company and Mauser my joint-venture partner in steel drum in India, three international companies. Now what happened is most of these companies have remained in North America and Europe and only have come to Asia very late if we leave aside Schutz who has the presence in Shanghai in China and Malaysia and Australia others have virtually no presence. Mauser is only in Shanghai and

Greif has now put up a plant in Shanghai. Fortunately for us we're not in Shanghai so they are not my competitors there I am 1200 km North of Shanghai and 1200 km South of Shanghai but internationally these are the three companies that we can call as international competitors I think in Asia as Time Technoplast we should easily be the largest in the three packaging company.

Pankaj Kumar

How strong are the Chinese players in this market?

Anil Jain

There are several Chinese companies would try and do these products but I must say it is a zero defect business because customers are pulling some of the most hazardous and the dangerous chemicals in this packaging. I have found that Chinese are good in lots of other areas but not certainly in the businesses where you have zero defect as a prerequisite. There are people but I would rarely call them as serious competitors actually.

Pankaj Kumar

So you believe that approvals and this quality is the major entry barrier for them?

Anil Jain

And the technology. These guys do not have the technologies and if we look at the other three companies - Schutz, Mauser, and Greif - they have stopped giving technologies to anybody on a know-how, they themselves want to come into those market even when they can and that is the reason that we have sensed that this market is lying open for a multinational company to come in and go to different countries we did not want to allow these guys to come in and moved in quickly.

Pankaj Kumar

My last question is in the other parts of Asia and Africa why is that plastic drums were not exhibited earlier now why we see there would not be a transformation now?

Anil Jain

I'm narrating our experience - when we bought this company the largest in the food packaging company in Taiwan and Taiwan penetration of plastics was 5% or 6% now improved. And then when we went in there we found that they were making 10.5 or 11 kg drums as against 8.2 Kg that we produce in India, even 7.8, and our drums can withstand drop test from a height of 2.5 meters five times. There when we picked up their drum filled them up and dropped them from a height of 1.5 meters, the performance of all the 10 drums that we tested were consistent, all the 10 drums failed in the first drop itself, in spite of the fact that there were 10.5 kg, on a 10.5 Kg you are using 25% extra raw material so your prices are more than the steel drum prices and yet they are not able to get the drop test performance such a drum nobody would want to use, with the technology and know-how that we have we have been able to reduce the weight down to 8.5 Kg, make them competitive as against steel drums and improve the performance, now the customers are looking at us seriously.

Moderator

We're going to take a follow-up question from the line of Nehal Shah from Dolat Capital. Please go ahead.

Nehal Shah

Can you give us a break-up of capex which is expected in FY14 you said some Rs 100 cr, right?

Anil Jain

Inside of Rs 100 cr actually. We have not just finalised the plan but let me just give these numbers; you will have an approximate idea but allow me to send it separately by the mail. But it adds up to less than 100. It mostly comprises maintenance capex, some new products that we are developing for examples some pails of larger volumes, we have set up in Poland, we have entrance matting, our entire capacity was bought out by IKEA and they are now wanting to buy additional capacity, so we had to double up our capacity in Poland. So we quickly make some investment and the part has

been done so all of that will add up to, allow me to send you these breakdowns separately if you can.

Moderator

I would now like to hand over the floor back to Mr. Anil Jain for closing comments. Over to you, sir.

Anil Jain

Thank you very much and thanks all the questions were very interesting. I looked at my list and I think all the topics have been covered except for one that is very dear to me. I had to keep emphasising that our focus right now is improving our ROCE and ROMW and to what we saw was completely expected - we had good ROCE and ROMW in the past, as we invested a lot of money in the last three years which is in excess of Rs 600 cr. We were expecting these new projects will take time to take off and we will have to nurse those babies and take the burden. It was very much expected that we would see a drop in ROCE and ROMW, but as you see from this year FY13 onwards we have started seeing now the upward movement that is improvement, though of course it was marginal in FY13 but we expect this to keep improving. Of course our internal target is 20% which probably will happen in FY15 and that will be at least our endeavor that we will try to reach that number. I think there were certain doubts when we were making those investments overseas whether we were moving in the right direction. I would like to ensure our investors that imagine if we were not investing overseas and growing at 40% overseas then we would be seeing aggregate growth much lower than what we're seeing today, it is just not about growth but also new opportunities and we have proved the strategic value of the company. We have been able to win our international customers with whom we are partnering in different countries with widening the base load. I think it was a painful thing for us to put up these projects in such a short time, to find people to man them, to find resources, to be able to provide what they needed but I think it was very much required and we can see the results that they will continue to provide us growth of 40% growth overseas even at the current financial year. Like I said in my previous conference, our target is now to make our assets sweat for us, the assets we are sweating already and improve our ROCE and RONW, let there be no doubt in anybody's mind that we are not mindful of this fact and we are working very-very hard to improve upon it. I can assure you that the trust of our investors in the company and management will be fully capped. Thank you so very much.

Moderator

On behalf of Time Technoplast Ltd that concludes this conference call. Thank you for joining us, you may now disconnect your lines. Thank you.