Time Technoplast Limited

❖ History of the company:

Time Technoplast is engaged in the business of Industrial packaging, PE pipe Manufacturing and Manufacturing of Type IV composite cylinders over the years the company has achieved market leadership in both domestic as well as in global markets. The company manufactures diverse products in the industrial packaging segment like IBC containers, MOX films, Plastic Drums, Jerry cans, Fuel Tanks, Urea tanks, LPG, CNG & Oxygen composite cylinders and more.

❖ Brief History

The company has not performed well in the past due to poor capital allocation decisions, aggressive debt and capex expansion, volatility in raw material prices and decreased management bandwidth. The company expanded heavily into different products like battery management, home plastic furniture etc. which diverted managements focus.

❖ Our Rationale for the pick

1. The company has made Mr. Bharat Vageria as there chairman and MD and this has changed many things for the company and also improved the companies focus towards value added products and focus on better return ratios for the company.
2. The company in the past used to over promise and under deliver in terms of numbers and return ration but now that had significant impact on the market perception of the company.
3. Technologically sound company with strong R&D team which is evident from products of the company and the company is the world's fourth largest industrial packaging company in the world and commands 70-80% market share in the Indian market, the companies is market leader in 9 out 11 countries in which it does business and the company's composite cylinder is accepted and approved in 48 countries of the world.
4. The company has changed its focus towards value added composite product from the traditional industrial packaging business which is evident from the change in it revenue mix the new composite products are high margin business which enjoys margin of 18-22% as compared to 10-12% margin traditional business.

5. The company is the first company in India to manufacture CNG composite cylinder which is the latest technology available for CNG composite cylinder. There are several benefits of the product such as it blast free, 70% less heavy then the traditional steel cylinders. The market size for CNG composite cylinder is of 11,453 crores and the company has the highest installed capacity of 480 cascades (600 cascaded will be added by Nov 2024) making total installed capacity to 1080 cascades.

6. The gas distribution companies has also shown interest in type 4 cylinders which is evident from the recent tenders rolled out but the CGD companies and the company is also poised to gain business from the government vision of establishing 10,000 CNG gas stations by 2027 as every CNG gas station requires minimum 2 cascades and there are 60 Cylinders in one cascade taking total requirement to 6,00,000 cylinders and cost of one cascade is 33 to 45 lakhs taking total demand of up to 9000 crores.

7. Improved focus of the company is evident from the latest announcement of divesting 50% of its MENA region subsidiary and raising 25 Million USD of funding and divesting 125 crores worth Non – core assets and closing down of home hard plastic furniture division and from the proceeds company want to use the sum for debt repayment and for benefit of the shareholders (possibly buyback or dividend)

8. Capacity utilization levels of the company has also significantly improved over the last two years to 82% and the companies LPG type 4 Cascade capacity is 90% booked and CNG cascade capacity is also operating at 85-90% capacity.

9. The company is expanding slowly into becoming a composite product company as the new expansion is coming in the composite product category and the company is also expanding itself to make hydrogen cylinders and retro fitting as well as OEM CNG type 4 Cylinders (the size of the opportunity can be gauged by looking at the CNG cars registration per month has risen to 75,000 cars from 30,000 to 45,000 in pre covid times)

- **Analysis of retrofitting market**

The company is looking to expand itself into retrofitting as well as OEM compressed CNG cylinder market. The cost to convert an existing petrol / diesel vehicle into CNG is estimated to be around 3,00,000 per vehicle and the estimated savings in running cost is 2.64 per kilometer so if as the By 2026 it is estimated that there will be 85,000 CNG buses in India so the opportunity size comes close to 3,330 crores.

CNG Cylinder : Overall Market Potential

Huge revenue potential given India's low penetration of CNG fuel stations and CNG vehicles

	Total Estimated Business (Rs. Cr.)	Business in No. of Years	Estimated Market Per Year (Rs. Cr.)	Conversion %	Total Estimated Business (Type-IV) per year (Rs. Cr.)
CNG Cascades	11,453	8	1,432	50%	716
MRUs	1,320	4	330	50%	165
Compressed Bio Gas	6,000	3	2,000	20%	400
Gas Generators for Telecom Towers	4,800	4	1,200	20%	240
CNG for Intracity Buses	5,304	4	1,326	50%	663
Total Estimated value of Business	28,877		6,288		~2,200

Focus on buses; Commercial vehicles and passenger cars, estimated to have equal or more potential
Business from commercial vehicles and passenger cars not factored

Cascades	Type-I	Type-IV
Material of Construction	Made of Steel	Non-metallic inliner, fully wrapped with carbon fibre.
Cylinder Weight(9,000 Litre Capacity Cascade)	13,200 Kgs	2,538 kgs
CNG Carrying Capacity(Per Cascade as per Payload & RTO Norms)	4,500 Litres	9,360 Litres*
Residue Impact	Sulphur/H_2S residue, Corrodes Metal Cylinder. Maintenance Required.	Polymer inliner inert to all residues.Maintenance Free.
Standard	IS:7285	ISO:11119-3

On-Board	Type-I	Type-IV
Material of Construction	Made of Steel, Exposed to atmosphere and prone to corrosion.	Non-metallic cylinder fully wrapped with carbon fibre.
Standard Sizes	30 Litres – 35 kgs (Tare) 60 Litres – 65 kgs (Tare)	60 Litres – 16 kgs (Tare)
Cylinder Weight	Heavy weight cylinder. Huge additional load on vehicle chassis.	Light weight cylinder, More driving comfort, Higher service life to vehicles.
Residue Impact	Can result into engine seizure or clogging of fuel lines. Prone to rust.	Inliner inerts to CNG residues S/H_2S. No Rust, No Corrosion.
Vehicle Mileage	Lower mileage due to higher weight.	Higher mileage due to lower weight.
Cylinder Mounting	Heavy Weight – Limits the number of cylinders.	Light Weight – One or more cylinders can be mounted increasing driving range.
Suspension Load	Higher wear and tear of suspension and brake parts.	Lighter cylinder, lighter load on suspension and brake parts.
Explosion Proof	Metal cylinders prone to explosion in the event of fire.	Yes

❖ **LPG Cascade Business**

The company is also engaged into manufacturing type 4 LPG cascade and is one of the largest producer in the country. The company has an installed capacity of 1.4 million cylinders but effectively on 1 million cylinders can be made due to different sizes of cylinders are manufactured, the company has received order from IOCL to supply 7,50,000 type 4 composite cylinders and IOCL has also extended the order for one more time this order consumes 70% of total installed capacity of the company and company has plans to expand LPG business but it will expand when other two OMC also roll out there tenders.

The segment is operating at 90%+ capacity and the remaining is exported and company has received approval from more than 48 countries in the world.

Bharat Vageria: More than 90%. Yes.

Pritesh Chheda: And how much cascade capacity do we have?

Bharat Vageria: In that cascades casualty, I have increased already in this quarter, I have increased.

Pritesh Chheda: So, what number, sir?

Bharat Vageria: I have increased whatever, it's different lines are there. Last time we had four lines. We have now installed five lines. Six line is working, but one line I can do around 5 to 6 cascade in a month. So, four lines I am doing around 20 cascades. So, all utilization, full capacity running. Now the fifth line will start at the end of this month. So, next I can say six months, I'll have a capacity and we will be able to do around 25 cascades in a month.

❖ Bharat Ji's outlook for international business consolidation

Karan Gupta: I appreciate that sir and understand the seasonality in the business. Sir, next question I actually wanted you to discuss a little bit, I know you've made disclosures regarding the organization of the international businesses. But I just wanted to get an understanding of why the company is doing this at this point? Why this changing strategy that historically you've expanded significantly overseas and put up a lot of CAPEX? So, why this decision to consolidate those holdings and you know, focus more on India at the present time?

Bharat Vageria: Karan, it's a good question you have asked. It is the same question we also thought and discussed deliberately in our Board meeting also. You know that my overseas business which is almost giving me the 30 to 33% revenue from overseas, but whereby EBITDA margins are in the range of around 13%. But the business we are talking now it's a right time for completion. Why?

Inert personality a good mgmt. sign

Because in India, there is a too much opportunity available from the composite products which we have seen in the last two years time. And in fact, these two years' time we thought why not to increase the return of the investor, return the good benefit to all valued investor including promoters also? So, thought it is to be because in value added products, these composite products comes under the value added products where the EBITDA margin is ranging from 18% to 22%, average we can take 20%.

So, what we are doing is to increase the ROC, to have a good opportunity available in India, and to capture the demand which is already there, and where the big investment is also required, investment I am talking in LPG and CNG put together, that works out more than 200 crores. So, company is replacing the business from 13% EBITDA level to 18% EBITDA level. In addition to that, there will be the substantial benefit in reducing the working capital cycle time also. The value added products where the working capital cycle time is in the range of I can say 65 to 70 days, but in the other products the cycle time is more than 100 days.

These are the main objective means we are very clear, we would, current ROC, which is in the range of 13%, in the next three years' time, it should reach to around 19, above 19% or maybe around 20%.

❖ Pricing Structure of the company and how they control raw material prices.

Shashi Ranjan: The question that I have is that what measures are we taking to control the rising raw material prices and passing it on to our customers?

Bharat Vageria: Yes, Shashi, what happened, really such kind of the product, our products are mostly 92% products are b2b and users we are giving, and everybody knows the polymer prices. And you can see the last I can say 10, 15 years' trend. Whenever price increase is there, we pass on to the customer. Price decrease also we pass on to. Both the ways the understanding is there.

And most of the customers, I can tell you, around 50% customer, we do the business on monthly pricing. Every month we will pass on to them with the time lag maybe because but every month when the supplier change prices four times, but we change one time only. So, we pass on with the gap of 15 to 20 days, but some customers we do business on quarterly business. Almost 40% business we are doing with the quarterly business with customers. There also we do the pricing transfer.

So, only 8% consumer product is there where we can play with the schemes. If prices are down, we increase the schemes, free schemes, and when the prices are up, we withdraw that scheme. So, therefore, you have seen our EBITDA level also, except in Corona period where the EBITDA was 11%. Otherwise, our EBITDA range is in the range of 13 to 15.5% is our margin range for the EBITDA. So, we are able to pass on. There is no doubt because price, and another thing we have seen the price increase in the last four months. So, every price increase has been given because almost 70% is the raw material cost. So, we can't sustain the rate if we don't pass increase to the customer.

Harsh Beria: Perfect. Thanks for that clarification. I saw in our presentation this time we mentioned that we are targeting or we are looking for aftermarket sales for our CNG onboard applications. Can you talk about like the current state of development in that segment?

Raghupathy Thyagarajan Yes, that's a huge market, because at the moment what we are currently doing the CNG capacity that we have is only filling up the supply chain part of it where in the CNG is required

to be transferred from the mother station to the daughter station in the form of casket. These gases that are appended at the daughter stations or other retail outlets will have to find their way into the automotive vehicles. Not all the automotive vehicles today in India are all using steel cylinders, and which are obviously very heavy in weight. The shift from steel cylinder to type four cylinder will bring about an 80% reduction in the weight of the cylinder. So, it's a project which is being carried out by us, we are working with some OEMs already and it's a little long gone process in terms of an OEM approval. But when it comes to aftermarket they are more eager and ready to switch over which we will do it when we have the expanded capacity available to us. And there we are also focusing on not only for the gaskets but also for the aftermarket which will mean a different size for automotive vehicles as well. So, that will be a little different size and a little different internal technology as well and that will also be rolled out as we come up with expansion.

❖ Opportunity in CNG cascade Business

Bharat Vageria: Khushal you might have seen that currently for CNG you would have to get in queue of the pumps which are selling petrol and diesel, now all over India we have new 8000 filling stations. Now we have Mahanagar Gas, Virat gas and all they are opening their own gas stations so government has given them licenses and we are making the equipment's which they required to bring the gas from their mother station to their filling station which is called CNG cascade, in one cascade we have 60 cylinders and it's mounted directly. And it's kept at the gas filling station and from there it's filled in the vehicles. In todays' time the market value is 18,000 crore in coming years. We have 8000 pumps opening and at one petrol pump we require two cascade so it's 16,000 cascade and one cascade of steel is of 35 lakhs and higher is of 70 lakhs.

❖ Shift in managements intent becomes more clear

take the order very cautiously looking to the market trends. But we know that EBITDA margin in that product is in the range of 11% to 12%. So, we have to work within that for existing capacity utilization in that business. As I mentioned in my last call also, that we are not going to expand in pipe business, because it's the low EBITDA margin business. We will do our focus on the value-added products and the composite products. But yes, if you ask me the future, Company is focusing and management is focused on increasing the operating margin, and it will be in the range of between 14% to 15.5%, 1.5% I am keeping the range on account of the pass on of the price increase or decrease, certainly, 14% is our target. Because everything is linked with the improvement of the ROC part because when the margin will improve, we have not changed any focus on the ROC, definitely by '25-26, we are targeting to achieve ROC over 19% by changing the combination of established products and the value-added products.

Sureshwaran: My question is regarding our another hi-tech product, DEF urea tanks. So, what is the reception sir in the market now… any orders for this one?

R. Thyagarajan: As you're aware that urea tank is used for the urea applications which goes along with the diesel as per the BS-VI norms are concerned. These have been put into place. We have already developed three different sizes of urea tanks which we are supplying the OEMs. The tank is doing exceptionally well. There are additional sizes that have also been ordered, which should see further growth in the business. So, we are working with OEMs, this is a sticky OEM product, the product is manufactured using the technological advantage that we have, and we are able to successfully exploit it. I think there are very few successful players offering these urea tanks in the country today.

Now one another thing that I would like to bring a bit because in the last, I can say, quarter or I think in the 6 months, management identified certain additional non-core or non-performing assets which last year, it was in the INR40 crores, out of that, some assets have been disposed off. But some additional assets have been identified, and which is in the range of around INR100 crores, and that management is keeping target to sell off and use these proceeds and internal policy is letting it by March 31, 2025, non-performing assets should be zero. That's the internal target we are keeping it. So the money can be used for the best -- put for the use and the return can be increased.

Now I would like to open the floor to answer the specific questions. Thank you all.

Jignesh Kamani: Understood. Sure. And last question, if you talk about overseas venture, we should be doing close to INR100 crores of profit this year. So as you said, around INR1,000 crores kind of valuation. So why there is aggression to sell it slightly lower valuation because annually, we will generate at least INR100 crores-plus cash flow from overseas venture.

Bharat Vageria: Let me check-up. I think you are right. From your point of view, you know very well when the family becomes big. We have to take the new house. We have to take the new partner. We have to take the new premises. I know very well, my overseas business is growing at 10% to 12%,

good EBITDA margin, 13%, not bad compared to other businesses. But as I mentioned in my last call also, we are replacing business from 13% to 18% or 20% EBITDA level business.

Another thing, we'll have to see our management bandwidth also, and we have also experience to take a local partner in each of the continent, then we can grow faster and our management bandwidth will also be substantial. So every country has a good opportunity wherever we have a presence. You know that we have a presence in Asian countries, present Malaysia, Indonesia, Vietnam, and Taiwan. Every country is growing because the China Plus advantage is coming in that country.

So we are now focusing on the solar, railway signal and industrial batteries. And as far as this battery is concerned, it's a small part of our overall revenue, we have discussed last time, and we have mentioned at the right time, we will also have a plan to exit. But yes, as far as company is concerned, the revenue is in the range of INR120 crores to INR150 crores.

But yes, the existing potential with a certain modification revenue can reach to the INR300 crores. But as you heard in our last call also, we have a more focus on the value-added products, so definitely, you asked me two years down the line, we may not continue this as far as battery business is concerned. But yes, if the company self-survival, that matter is concerned.

❖ Risk Concerns for the company

1. The company historically suffered from poor capital allocation decisions which includes aggressive capital expansion and aggressive debt increase that lead to mishap in the balance sheet and when the there was slump in the market demand the debt burden lead to margin pressure on the company.
2. The company did not manage to watch the talk and walk the guidance provided which lead to decreased investor confidence.
3. The company tried to do many things in past like tried to venture into real estate, Battery manufacturing, home furniture molding which lead to decrease in management bandwidth leading to decreased focus and in turn the whole business suffered.
4. The company uses High density polymer as its raw material which exposes it to further raw material volatility and secondly it is imported by the company it further exposes it to currency volatility and due to which company is in need to carry high inventory which leads to stretched working capital cycle
5. The company's PE pipe business has turned around but has to look out because of volatility in its revenue generation capability.

❖ Guidance of the management

1. Revenue mix to be 40% value added products and 60% established products
2. Revenue of 500 crores by FY24 from CNG business and 800 crores by FY 25
3. ROCE target of 19%+ by FY 25-26 and margins in the range of 18%
4. Estimated revenue of 2000 crores plus from composite cylinders in five years time
5. 600 cascade capacity will be commercialized by Q1FY25
6. To reduce working capital cycle to 90 to 100 days by FY25
7. To divest all non core assets by FY25 and in CY the company will repay 100 crores in debt and target to half the debt from the proceeds of restructuring activity

❖ Key performance indicator identified

1. Business mix between value added and established products and see whether it is increasing or not?
2. Volume and revenue contribution from cascade product to look out for
3. Divestment and restructuring progress should be closely tracked along with margin improvement plus, debt reduction programme.

ANNEXURE

❖ Yearly Segmental Performance and key metrics

Sales	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Polymer Products	1320	1464	1596	1785	1730	1978	2204	2527	2537	2110	2512	2867
Growth %		*11%*	*9%*	*12%*	*-3%*	*14%*	*11%*	*15%*	*0%*	*-17%*	*19%*	*14%*
Composite Products	209	333	590	691	692	777	899	1037	1042	895	1138	1422
Growth %		*60%*	*77%*	*17%*	*0%*	*12%*	*16%*	*15%*	*0%*	*-14%*	*27%*	*25%*
Polymer Products Margins (%)	13%	13%	10%	10%	11%	11%	11%	11%	10%	8%	9%	9%
Composite Product Margins (%)	10%	10%	9%	10%	10%	10%	11%	11%	10%	8%	10%	10%
Polymer Products ROCE (%)	12%	13%	10%	11%	10%	11%	12%	12%	10%	6%	9%	9%
Composite Products ROCE (%)	10%	15%	23%	26%	25%	30%	29%	31%	25%	19%	28%	30%

❖ Quarterly Segmental Performance and key metrics

Sales	31.03.2021	30.06.2021	30.09.2021	31.12.2021	31.03.2022	30.06.22	30.09.2022	31.12.2022	31.03.2023	30.06.2023	30.09.2023	31.12.2023
Polymer Products	688	525	615	645	727	632	674	760	801	714	768	861
Growth %		*-24%*	*17%*	*5%*	*13%*	*-13%*	*7%*	*13%*	*5%*	*-11%*	*8%*	*12%*
Composite Products	264	229	299	297	312	312	350	368	392	366	426	464
Growth %		*-13%*	*31%*	*-1%*	*5%*	*0%*	*12%*	*5%*	*7%*	*-7%*	*16%*	*9%*
Polymer Products Margins (%)	9%	8%	10%	10%	10%	8%	9%	9%	10%	9%	10%	11%
Composite Product Margins (%)	10%	9%	11%	11%	9%	10%	10%	10%	11%	10%	11%	12%
Polymer Products ROCE (%)	-	-	-	9%	9%	9%	9%	9%	9%	10%	10%	11%
Composite Products ROCE (%)	-	-	-	27%	28%	30%	29%	30%	30%	32%	32%	36%

❖ Revenue Mix of the company & Capital Expenditure of the Company

Share	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23
Established Products	88%	87%	N.A.	71%	71%	70%	69%	67%
Composite Products	12%	13%	N.A.	29%	29%	30%	31%	33%

CAPEX	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 Till now
Established Products	118.9	171.3	94.4	67	78.5	86.6	62.6
Value Added Products	122.7	58.4	51	36.5	107.2	136.9	81.6
% Capex in Established Products	**49%**	**75%**	**65%**	**65%**	**42%**	**39%**	**43%**
% Capex in Value Added Products	**51%**	**25%**	**35%**	**35%**	**58%**	**61%**	**57%**
Total	**241.6**	**229.7**	**145.4**	**103.5**	**185.7**	**223.5**	**144.2**

It is clearly visible that the new leadership is walking the talk and if focused to increase the mix of value added composite product in the total revenue mix which will in turn improve margin and will lead to shift in time techno being recognized as traditional plastic company to value added composite player will lead to rerating of the company.

❖ Poor Capital Allocation Problem can be highlighted by the following table:

Particulars	Change in Borrowings	Dividend Paid
2012	-	14
2013	56	11
2014	36	12
2015	-57	12
2016	-58	13
2017	-24	14
2018	55	18
2019	63	23
2020	50	25
2021	-27	22
2022	43	17
2023	-15	23
Sep-24	-26	
Total	**96**	**204**