

PONDY OXIDES AND CHEMICALS LIMITED **POCL**[®]

31st May 2024

National Stock Exchange of India Ltd
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block,
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Mumbai - 400 051

BSE Limited
Corporate Relationship Department,
Phiroze Jeejeebhoy Towers,
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Mumbai – 400 001

NSE Symbol : POCL
BSE Scrip Code : 532626

Dear Sir/Madam,

Sub: Transcript of the Q4 FY 2023-24 Investor Call held on 30th May 2024 - Reg

With reference to our letter dated 30th May 2024, intimating you about the link of audio recordings of the Investor call held at 03.00 PM IST on Thursday, 30th May 2024, and in this regard with accordance to Regulation 30 read with Schedule III of the SEBI (LODR) Regulations, 2015, please find enclosed the transcripts of the aforesaid Investor call.

The above information will also be available on the website of the Company:
<https://www.pocl.com/>

You are requested to kindly take the same on your records.

Thanking you,

Yours faithfully
For **Pondy Oxides and Chemicals Limited**

K. Kumaravel
Director Finance & Company Secretary



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Pondy Oxides and Chemicals Ltd (532626)

Q4 2024 Earnings Conference Call

May 30, 2024 • 03:00 pm (IST)

Final Transcript

Corporate Participants

K. Kumaravel

Director of Finance and Company Secretary | Pondy Oxides and Chemicals Limited

Piyush Dhawan

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

Vijay Balakrishnan

Chief Financial Officer | Pondy Oxides and Chemicals Limited

Conference Call Participants

Radhakrishnan Chonat

Director of Business | AlphaStreet

Rajesh Mangal Agrawal

Analyst | Rajesh Mangal & Co.

Giriraj Daga

Analyst | Visaria Family Trust

Pradeep Rawat

Analyst | Yogya Capital

Aniket Gada

Analyst | Individual Investor

Diya Brijwani

Analyst | White Whale Partners

Abhijit Mitra

Analyst | Aionios Alpha Investment Management LLP

Presentation



Radhakrishnan Chonat

Director of Business | AlphaStreet

Good afternoon, ladies and gentlemen, and welcome to the Q4 FY '23-'24 Earnings Call of Pondy Oxides and Chemicals Limited, hosted by AlphaStreet.

This is Radhakrishnan Chonat from AlphaStreet and it's a pleasure to host Pondy Oxides and Chemicals Limited for their quarterly earnings results conference call. From Pondy Oxides' management, we have Mr. K. Kumaravel, Director of Finance; Mr. Vijay Balakrishnan, CFO; and Mr. Piyush Dhawan, President, Commercial and Strategy.

Ladies and gentlemen, as a reminder, today's call is being recorded. For professional investors, we are live-streaming this audio along with the AI-generated transcript on our alphastreet.com platform. A replay audio of this call will be made available on alphastreet.com as well as on our YouTube channel. A final transcript will be made available shortly afterwards on AlphaStreet's platform as well.

With that, may I now request Mr. Kumaravel to take you through the financial performance and highlights. Post that, we can start with the Q&A session. Over to you, Mr. Kumaravel.



K. Kumaravel

Director of Finance and Company Secretary | Pondy Oxides and Chemicals Limited

Thank you, Mr. Radhakrishnan. Good afternoon, everyone. We wish you a warm welcome to POCL's fourth quarter earnings call.

We will briefly discuss the financial performance and highlights. As you are aware, we don't provide any specific guidance on our company's revenue or earnings and any communication or discussions on this call which reflect our outlook for the future, and which could be construed as a forward-looking statement must be reviewed in conjunction with the risks that the company may face.

Before moving into the financial results and performance of the company, I would like to brief the current market scenario of our Industry. The global automotive lead acid battery market is valued

at \$18.31 billion in 2023, and is expected to reach \$77.04 billion by 2031 and the market shows a steady CAGR of 5.5% from 2024 to 2031. The Battery Waste Management Rules and EPR guidelines have augmented the growth of lead batteries in the domestic market. The concept of circular economy, ESG, technological improvements has become more relevant than it was before. We see exciting times ahead of us with such developments.

I am pleased to inform that POCL has completed acquisition of 123 acres of industrial land parcel in Mundra, Gujarat state for INR41.40 crore. Through this acquisition, POCL will be strategically positioned to better service the Western area and expand its export potential globally. Due to its proximity to the port and the region's continued industrialization and development, it will serve both the domestic and foreign markets.

POCL is expanding its lead production from 1,32,000 metric tonne per annum to 2,04,000 metric tonne per annum in two phases. The first phase will cater to expansion of 36,000 metric tonne per annum in our Thervoykandigai Unit in Tamil Nadu. We have already initiated civil work, application for licenses and placed order for the machineries and machineries also in transit, and the project is expected to go live in Q3 '24-'25. This plant is specifically important for us and the industry as it is one of the most modernized plant with cutting-edge automation, improved operational efficiency and low on carbon footprint, as we are progressing towards an environment-friendly, sustainable manufacturing practices. Also, this plant will set the tone for our intent to voluntary ESG implementation.

Further, POCL, in Q4 2024, completed an issue and allotment of equity shares and warrants on preferential basis to the extent of INR132.50 crore. We have already received INR70.60 crore during this financial year and the balance amount will be received within 18 months from the date of allotment, that is from 28th February, 2024. The estimated capex for the first phase as mentioned is INR70 crore and will be funded through the proceeds of the preferential issue and internal accruals.

In the current financial year, POCL is looking at setting up of R&D facilities for creation of value-added products, both for the current portfolio and for feasible products, which will add overall value to the top and bottom line of the company.

With respect to the operational highlights, we wish to inform you that the capacity utilization of smelting has increased by 25% in FY '24 from 34,000 metric tonne to 42,500 metric tonne. Sales mix between domestic and export market remained stable at 40% and 60%, respectively. The percentage of value-added products in Lead segment has been constant at 60%, with new verticals contributing an extra 5% in value-added portfolio.

Furthermore, in its first year of operation, POCL has achieved top line revenues of INR42 crore in Aluminum Division and INR21 crore in Plastics Division. POCL has commenced production and sale of plastic from this financial year and achieved the sales of 2,800 metric tonne.

In respect to our financial highlights, we are pleased to inform you that revenue from operation has increased to INR1,524 crore, up by 4% from the previous year on a standalone basis. EBITDA margin has remained relatively stable at 5%-plus levels. Consolidated revenues from operation rose to INR1,541 crore, driven by a top line increase in sale of other non-ferrous metals and plastics. Despite overall EBITDA and PAT Margin showing a slight drop of 0.5% and 0.7%, respectively, mainly on account of reduction in margin of other new verticals and increased finance costs, Lead Division margins have remained intact at 6.3% for the financial year '23-'24.

We have healthy balance sheet position with consolidated net debt reduced by 52% to INR71 crore compared to INR147 crore last year, resulting in net debt to equity at 0.2. The cash flow from operation stood at positive of INR64.31 crores for the financial year '24. The working capital days have improved to 53 Days compared to 63 Days in financial year '23 and current ratio has improved to 2.44 and ROCE stood strong at 17%.

POCL has been a consistent dividend payout company since the inception. The Board has recommended 50% dividend to the equity shareholders for the year '24, which is subjected to the approval of the shareholders.

Our growth has been driven by increased capacities, value-added products, improved operating efficiencies, a healthy balance sheet, seasoned management, and enthusiastic support from the stakeholders, all of which is well balanced for POCL's future growth. With the continuous support of our stakeholders, we have no doubt that POCL will accomplish its objectives and soar to the even greater heights.

We appreciate you all participating in today's call. Over to you, Mr. Radhakrishnan.

Questions and Answers



Radhakrishnan Chonat
Director of Business | AlphaStreet

Thank you, Mr. Kumaravel. Ladies and gentlemen, we'll now move into our question-and-answer session. Today, we have participants joining via both the Zoom webinar platform as well as the tele-calling platform. And for participants who have joined us and connected through the Zoom platform can also post your questions directly using the chat functionality or raise your hand to ask a question directly to the Pondy Oxides management.

As usual, we'll take the first few questions from the chat box as well as questions we have received via email and through our platform, and then we'll open it up for participants to ask questions directly. Ladies and gentlemen, once again, please use the Raise Hand functionality if you want to ask a question directly to the POCL management.

Let me start with the questions that we have received via chat and email first. The first question is, could you provide an update on the progress of the MoU with the Tamil Nadu Guidance?



Piyush Dhawan
President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

Hi, RC. Piyush this side. I'll take this one. So I'll just give a background first and then give you an update. So the background is that we have signed an MoU with the Tamil Nadu Guidance for establishing state-of-the-art cutting-edge recycling and manufacturing plants for non-ferrous metals, lithium-ion battery recycling, paper, plastics, rubber and additionally also R&D facilities for creation of value-added products, both for the current portfolio and for other feasible products, which will add overall value to the top and the bottom line of the company.

Now coming to the progress, we have already initiated the work at the Thervoykandigai plant in Tamil Nadu for civil work and primary machines for the expansion of the lead project, where we are looking at expanding to additionally of 72,000 metric tonnes per annum in two phases of 36,000 metric tonnes each. Now the investment program of INR300 crores to INR500 crores will span over five years, and accordingly, the preferential allotment was completed for INR132.5 crores to fund the initial capex of INR70 crores. We will be adding other non-ferrous verticals after completion of the first two phases in Tamil Nadu. And consequently, we will be establishing R&D

facilities for product development for future expansion to create new verticals.



Radhakrishnan Chonat
Director of Business | AlphaStreet

Thank you, Piyush. There's a follow-up question to this. Additionally, can you also tell how this agreement influenced the company's financials?



Vijay Balakrishnan
Chief Financial Officer | Pondy Oxides and Chemicals Limited

Hi, RC. This is Vijay. So on the financial part, yeah, as you know, we have a strong balance sheet position as on date. So to fund our capex, the fund-raising strategy will have an equitable mix of debt and equity to reduce our overall weighted average cost of capital. So consequently, we are creating new verticals which are automated, low on carbon footprint and operationally efficient. These investments, over a period of time, will increase our margins and also, at the same time, will increase the top and bottom line which will result us in robust financials over the long term.



Radhakrishnan Chonat
Director of Business | AlphaStreet

Thank you, Vijay. The next question is, can you tell how has the company adapted its strategy to mitigate any potential impact on its operations?



K. Kumaravel
Director of Finance and Company Secretary | Pondy Oxides and Chemicals Limited

I, Kumaravel, will take this question. We have a diversified portfolio of lead, copper, plastics, aluminum, etc., and we are working towards creating a forward-looking portfolio for the company by adding potential verticals like lithium-ion, value-added products in the current portfolio with EPR. To mitigate the impacts on operation, we continue to concentrate on building a strong procurement base in both the domestic and international markets, targeting Tier 1 customers for long-term association, better capacity utilization in our current portfolio, increased capacities in smelting operation, long-term contracts with both customers and suppliers, better operational

efficiencies, and creation of value-added products with better yield, and reducing logistics cost based on the hub and spoke model globally. Also, ESG goals are being worked upon, which will become a selling proposition and give us a competitive edge in the market.



Radhakrishnan Chonat
Director of Business | AlphaStreet

Thank you, Mr. Kumaravel. We have one more question from the chat window. What are your views on the near-term global market conditions and their impact on Pondy's production costs and business operations?



Piyush Dhawan
President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

I'll take this one, RC. The global economic scenario remains volatile amidst tensions across different parts of the globe as we are already aware of. Now the fact is, the corporates should be resilient to the global events to adapt and accordingly change the strategies so that they sustain in their respective businesses. Fortunately for us, in our three decade -- I mean, the experience, POCL has seen such business cycles time and again and has consistently delivered results by overcoming such cycles. Majority of our sales are concentrated in the Asia Pacific region and in case the freight costs for shipments from Europe and fuel costs increases due to any disruptions or so, the same will eventually be passed on to the customers. Also the fact is that -- a couple of more additional things is that we have a large customer base and a supplier base in diverse geographies. Also, we have a very diverse portfolio when it comes to the non-ferrous and the Plastics segment. Additionally, we are expanding our bases in the domestic footprint with respect to the EPR guidelines, which are set forward by the government, and also the fact that we are using substitute fuels in case there are global scenarios of pricing differences. So that's our view on the near-term global market conditions, RC.



Radhakrishnan Chonat
Director of Business | AlphaStreet

Thank you, Piyush. Appreciate that. Now, ladies and gentlemen, I'm going to open it up for the participants who have joined us via Zoom to ask any questions directly. Please use the Raise Hand functionality to let us know of your interest. I'll call out your name and unmute the participant.

Just a small request, please announce your name and company affiliation before you ask your questions.

Operators, please allow whoever has raised their hand to ask a question.

And the first question we can take from Mr. Rajesh Mangal Agarwal. Rajesh, please unmute yourself.



Rajesh Mangal Agrawal

Analyst | Rajesh Mangal & Co.

Yeah, good afternoon. Thanks for the opportunity. I want -- please brief something about this acquisition of land at Mundra port -- Mundra, Gujarat. You have already acquired this 123 acres of land. So what is the future guidance? What you are doing -- going to do here?



Piyush Dhawan

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

So I'll take this one. Hi, Rajesh, thank you for your question. So Mundra, as you are aware -- I mean, first, I'll give you a background. This is an industrial land and this is a very large parcel as well. It's about 123 acres and we have acquired due to strategic reasons. The first and foremost reason would be that it is just 16 kilometers away from the port. Additionally, we also see a lot of economies of scale in terms of costs when it comes to importing raw materials to Mundra and also exporting likewise. It also gives us a great footprint in the Western region. If you see the history of POCL, we have been concentrated in the Southern region only, but with our acquisition in Mundra, it gives us a sort of a pan India presence. And we have a footprint in the West also now.

Coming to the execution part of it, we are right now focusing on developing the Thervoykandigai land in Tamil Nadu, which was acquired last year. There, we are expanding our lead operations to 72,000 metric tonnes per annum, focusing on the export markets. Mundra will eventually fall in place in terms of a strategic execution of a project dedicated for our portfolio in hand and/or maybe we can add a diversity in the portfolio in the coming months. So that part, the project team is kind of exploring and also doing a lot of feasibility analysis with respect to the project evolution. So we'll get back to you on that with further details when the time is right.



Rajesh Mangal Agrawal
Analyst | Rajesh Mangal & Co.

Yeah, thanks. Thanks for the answer. And the second question is that you have already told this 36,000 metric tonne capex will be done by quarter three '24.

And what about the next 36,000 metric tonne?



Piyush Dhawan
President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

So once the quarter three number -- so this Q3 capacity is 3,000 metric tonnes per month, which translates to 36,000 metric tonnes per annum. So we are looking at the phase two to start once this stabilizes, the target being maybe six to eight months from the stabilization period, which is by the end of Q3 '25 -- '24-'25, yeah.



Rajesh Mangal Agrawal
Analyst | Rajesh Mangal & Co.

Thanks. Thanks for the same. And what is the future guideline for considering this -- what is the future guidelines for top line growth in FY '25 and '26?



Piyush Dhawan
President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

So what we are targeting -- I mean, again, for FY '25, I mean, you're aware that we've ended this year at INR1,542 crores, right?



K. Kumaravel
Director of Finance and Company Secretary | Pondy Oxides and Chemicals Limited

Yeah.

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

INR1,542 crores. So we are looking at a number, say, between INR1,800 crores to INR2,000 crores next year. And eventually, we would like to have a CAGR of somewhere between 20% to 25% year-on-year till we achieve our targets. And that is why if you see all the acquisitions, the land bank acquisitions or the company acquisitions have been falling in place and we've been executing projects time and again.

**Rajesh Mangal Agrawal**

Analyst | Rajesh Mangal & Co.

Yeah, thanks for the same. And considering this EBITDA and PAT margin is reducing year by year, so what is your future guidelines?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

Okay, so this is interesting. So what happens is, Rajesh, when we start a project, so if -- whether it is an aluminum or plastics, now coming to lead first. Lead, we have time and again delivered sustainable margins year-on-year. So that goes without saying. And we've kind of also improved the basis points and are generating operational efficiencies year-on-year. So that is as far as lead is concerned.

Now, when you enter a new vertical, whether it is a plastics, or an aluminum or a copper, so there is generally a learning curve involved. And then that forms part of an investment in strategy, in terms of customer empanelments, in terms of finding the right raw material mix, in terms of finding the right finished good product portfolio mix.

So I'll give you an example. In plastics, the general grade, what we manufacture, would be a C080, which is again a grade of -- which is benchmarked against the Reliance pricing and so many others. But then our idea of finding the right product mix would be to have a filled grade or a grade of an ABS or a nylon. So, that, we are evolving time and again, and we have seen progress. We've seen a certain amount of positive development in all the verticals -- in all the new verticals that we've created since the last year.

So we have to accept that this is a transition period and the profitability will evolve over a period of

time as far as the new verticals are concerned. But lead remains our hero product portfolio. And we are again concentrating to expanding there for 72,000 metric tonnes per annum from next year onwards.

**K. Kumaravel**

Director of Finance and Company Secretary | Pondy Oxides and Chemicals Limited

To supplement further to Piyush's explanation, EBITDA on lead product is totally intact. It is above 6% only. You know very well -- aware that interest rates has gone up during this financial year '23-'24. Because of that, interest liability has gone up. Due to that reason only net profit has come down, plus other overhead expenses because of the new project expansion, as mentioned by Piyush. Otherwise, everything going well. If top line is going up, parallely, the same level of EBITDA margin will continue in the next financial year.

**Rajesh Mangal Agrawal**

Analyst | Rajesh Mangal & Co.

Yeah, yeah. Thanks. Thanks for the same. And, sir, I think we do not have upload any investor presentation, have we?

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

So, you're right, Rajesh. So the idea is that we are working on a concrete presentation for the entire stakeholder and shareholder community. We have a vision in place where we want to achieve a certain target. And I mean, this would be a right platform also to mention that we have established a lot of verticals, which will evolve over the next months and we'll be adding a couple of other verticals as time comes. So we will be releasing our investor presentation which will kind of enlighten everyone, the entire community, to how POCL has progressed and what POCL plans in the near future.



Rajesh Mangal Agrawal
Analyst | Rajesh Mangal & Co.

Yeah, it will be very helpful, sir. And last thing, sir. During the -- your inaugural speech, I think you have told that if any freight, etc. -- freight cost is increased, you are very well pass on to the customer. Is it -- am I correct?



K. Kumaravel
Director of Finance and Company Secretary | Pandy Oxides and Chemicals Limited

Yeah, yeah, correct.



Rajesh Mangal Agrawal
Analyst | Rajesh Mangal & Co.

Okay. Okay. See, I have listened too many con call and where they people told that this is really a very problematic area in this to pass over this additional freight cost. So what I request you and suggest you, so it is very good that if you are able to pass on the any additional cost, it is very good. Otherwise, we may use any -- that what is called...



K. Kumaravel
Director of Finance and Company Secretary | Pandy Oxides and Chemicals Limited

This is passing on exclusively for metals, not for other overheads or fuels and other thing. Main variation is metal and metal prices is huge variation in this industry, that is passed on to customer. For other overhead increase, we have to absorb.



Rajesh Mangal Agrawal
Analyst | Rajesh Mangal & Co.

Okay. Okay. Okay. Thank you, sir. All the best for the future endeavor.

**K. Kumaravel**

Director of Finance and Company Secretary | Pondy Oxides and Chemicals Limited

Thank you, sir.

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

Thank you, Mr. Rajesh.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Mr. Rajesh, for your questions. The next question we'll take from the line of Ms. Divya Brijwani. Divya, please unmute yourself and go ahead and ask your question. Divya? Diya -- sorry, Diya Brijwani. I'm sorry. Diya Brijwani, please go ahead. I'm not sure we can hear you. Can you please speak up, Divya -- Diya Brijwani?

All right, looks like we have some technical issues. We'll move to the next person. Mr. Giriraj Daga. Mr. Giraj Daga, please unmute yourself and you can go ahead and ask your question.

**Giriraj Daga**

Analyst | Visaria Family Trust

Yeah. Hello. Am I audible?

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Yes, go ahead, Giriraj.

**Giriraj Daga**

Analyst | Visaria Family Trust

Yeah. So actually I'm new to the company, so I'll have some of the basic questions first. So first, why this quarter performance looks weak compared to last quarter, quarter-on-quarter as well as year-on-year? What went wrong there?

**K. Kumaravel**

Director of Finance and Company Secretary | Pandy Oxides and Chemicals Limited

So actually, some of the orders of the customers, due to year end inventory level, they want to push to the April. Whatever orders we received for March, due to the inventory holding problem, they wanted to dispatch during the month of April. Because of that, last quarter of March, sales is little down. And profitability, once it is -- sales is down by INR100 crore, actually equivalent profitability also will be down. Nothing else. Otherwise, if you see in the terms of profitability margin, EBITDA margin is intact throughout the year. In fact, in the same quarter also the similar margin we earned in the previous year. If you see April and May, this -- again, whatever turnover we lost in the previous quarter is going up in the current financial year.

**Giriraj Daga**

Analyst | Visaria Family Trust

And when you say customer pushed it, means basically the OEMs like the automobile, Amara Raja kind of...

**K. Kumaravel**

Director of Finance and Company Secretary | Pandy Oxides and Chemicals Limited

Yeah, sometimes, sir, sometime.

**Giriraj Daga**

Analyst | Visaria Family Trust

And what -- so what percentage of -- so first of all, what was the lead revenues? You mentioned about INR42 crore of aluminum, INR21 crore of plastics. Rest, I'm assuming, is all lead, right?

**K. Kumaravel**

Director of Finance and Company Secretary | Ponds Oxides and Chemicals Limited

Yeah, yeah all our other things are lead.

**Giriraj Daga**

Analyst | Visaria Family Trust

What was the lead volume, first of all, this year, full year FY '24? And second question is, what is the, let's say, proportionate of sales we are making to the OEM clients and what percentage we are selling to the spot market?

**Vijay Balakrishnan**

Chief Financial Officer | Ponds Oxides and Chemicals Limited

Okay, I am Vijay, I will take this question. So lead volume, in fact, there is a -- volume-wise, there is a increase of about 5 percentage to 6 percentage in terms of lead volume.

**Piyush Dhawan**

President, Commercial and Strategy | Ponds Oxides and Chemicals Limited

Total volume.

**Vijay Balakrishnan**

Chief Financial Officer | Ponds Oxides and Chemicals Limited

Total volume is about 71,500 metric tonnes this year when compared to 70,300 metric tonnes last year. So -- and in terms of the spot market, generally, we book -- most of the orders are being booked in the OEM market where it is about 95% of the orders are long-term and balance, 3% or 5% of the orders, we book on spot basis.

**Giriraj Daga**

Analyst | Visaria Family Trust

Okay. And like, you have already 1,32,000 capacity, right, 1,32,000. And when I look at the number 70,000, it's roughly about like 55%. What is the optimum utilization we can do? Like, can we do only maximum 75%, 65% or can we push towards the 85%, 90% also?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

So -- hi, Giriraj, this is Piyush. So what you just mentioned about the finished volumes, which is 1,32,000 metric tonnes per annum, that would be a finished goods capacity and versus what we're utilizing, roughly about 70,000, 72,000 as of now. It's good to have a little spare capacity. But yes, as of the moment, we are underutilizing. Now to substantiate further, there are three additional -- three verticals in lead recycling. One would be your battery breaking, then smelting and then refining. So what we have done, and we are concentrating on the expansion, is to increase our smelting capacities. Right now, we have smelting capacities of roughly about 80,000 metric tonnes per annum. And that, we are doubling basically in two phases to 160,000 metric tonnes per annum. Now this entirely depends upon the entire raw material portfolio you cater to. So if you buy batteries, then it kind of passes through three different verticals and it adds on to your profitability. And then likewise, for each vertical, it has that behavior.

Now coming to the point where you asked about the capacities, once the expansion is done on smelting part, we have our focus on procuring batteries, where we will see the transition on additional value -- I mean, value addition in terms of profitability. As of now, yes, 70,000 is the finished goods target that we are achieving, which we plan to increase it to roughly about approximately 90,000 levels by the end of next financial year.

**Giriraj Daga**

Analyst | Visaria Family Trust

Okay. Just to understand the business model, like, can this 2,04,000, what you mentioned in the press release, total capacity from 1,32,000 to 2,04,000, can we sell, let's say, 1,70,000 out of that?

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

No, I didn't get your question. Could you please...

**Giriraj Daga**

Analyst | Visaria Family Trust

Is it physically possible? I'm not looking at a particular year, but is it physically possible that the 2,04,000 tonne of capacity, which we are going to expand phase one and phase two, 36,000 each, can we sell 1,60,000, 1,70,000 optimally in a year from that capacity?

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

In an ideal scenario, the answer is in the positive. Yes, we can. So we have finished goods capacity, the refining capacities are there, the smelting capacity by the end of the two expansions would be very ideal. And if we find the right raw material portfolio mix, we would definitely be in a position to cater to the numbers what you just pointed out.

**Giriraj Daga**

Analyst | Visaria Family Trust

Okay. Second question, somebody also mentioned about the Mundra land purchase. We are at the same time also having a large MoU with the Tamil Nadu government also. So, like, if we were to look at that by priority wise, we are already doing expansion at our existing location, like from 1,32,000 to 2,04,000, then we have Mundra, then we have Tamil Nadu. So will the Mundra project and Tamil Nadu run simultaneously, or we'll have to prioritize one of them to keep our leverage in check?

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

So, you're right. Of course, the MoU is a non-binding agreement, though. But the fact of the matter is, our priorities are set on the Tamil Nadu Thervoykandigai land, which we acquired last year in

January '23 through the NCLT. And we are right now increasing our capacities there. We will be eventually looking at other non-ferrous options as well to kind of have a footprint in the same premises. When it comes to Mundra, it will overlap certainly at a certain point of time when we find the right product portfolio mix of value addition to be executed at the right stage. So that will overlap sometime. But as you said, our priorities right now is to expand the lead capacities to 72,000 metric tonnes per annum, which will result in an overall capacity of 2,04,000 tonnes per annum.

**Giriraj Daga**

Analyst | Visaria Family Trust

No -- that I understood. Just a follow-up then on this. Like, can we see Mundra happening in -- like, at least the project starting in FY '25 itself? Mundra?

**K. Kumaravel**

Director of Finance and Company Secretary | Pandy Oxides and Chemicals Limited

But still Board has not taken any decision on that. It is -- still discussion is going on. I cannot give immediate answer for this question. We'll come back to you at the appropriate time.

**Giriraj Daga**

Analyst | Visaria Family Trust

Okay. Like, some of the question on the business. When you say lead battery pricing, scrap battery pricing, is it related to the lead prices? Right? Is my understanding correct?

**K. Kumaravel**

Director of Finance and Company Secretary | Pandy Oxides and Chemicals Limited

Yes. Yes.

**Giriraj Daga**

Analyst | Visaria Family Trust

So, generally, let's say, if the lead prices are \$2,200 in the international market, minus a spread of certain, let's say, 10%, 12%, that's where the battery spread -- scrap prices will be?

**K. Kumaravel**

Director of Finance and Company Secretary | Pandy Oxides and Chemicals Limited

Yeah, yeah, yeah. [Speech Overlap].

**Giriraj Daga**

Analyst | Visaria Family Trust

Okay. That's the right thought process. Right? So gross margins are about like, what, 12%, 13% in the Lead segment?

**K. Kumaravel**

Director of Finance and Company Secretary | Pandy Oxides and Chemicals Limited

Yeah, 11% to 12% is gross margin.

**Giriraj Daga**

Analyst | Visaria Family Trust

And how is this in aluminum and plastic?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

So, aluminum margins -- so I'll just give you a perspective. First of all, like you said, lead is linked to the LME. That is correct. As a percentage of LME, we buy the respective raw materials and the selling also happens as a percentage of the LME plus the premium. So that addresses your lead question.

Now, I'll walk you through the other as well. When it comes to aluminum, it works on a fixed pricing model of the OEMs present in India. The aluminum industry primarily caters to the automobile segment in India. Geographically, we are very well suited to where we are right now, which is in Sriperumbudur. So from an automobile perspective, we are very close to, say, a Renault-Nissan, a Hyundai, TVS and so many other OEMs.

Now, when it comes to the margins, typically, the margins would be around 7% to 8% for aluminum. However, if you see the entire trend in the industry for the last one year, aluminum sentiments were very low until things have started kind of coming back on the pipeline again. But aluminum, typically, the margins should be between 6% to 8%.

When it comes to plastics, again, to go back again to aluminum and plastics together, we have to find the right product portfolio mix. We've evolved in terms of manufacturing the die cast alloys, in terms of manufacturing plastics, granules of different variety, whether it's a polypropylene, or whether it is an ABS, or whether it is a Nylon 6. But then again, finding the right product portfolio is what we are evolving since the last one year. And we are on our way to kind of having a concrete view of this is the portfolio what we will move ahead with.

**Giriraj Daga**

Analyst | Visaria Family Trust

No, understood. Just a follow-up here. What can be the, let's say -- based on current capacities, what can be the peak revenue in each of the segment, Aluminum and Plastics?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

So peak revenue for Plastics would be close to INR50 crores, what we have targeted for this year. And for aluminum -- so aluminum, right now, what we are doing is the current portfolio mix is a very -- I would say, is not the right profitable mix to attract this year. So what we are, right now, doing is that we are revisiting the product portfolio and finding out the right alloys which we would like to manufacture. And if everything goes right, we should be in a position to deliver about INR250 crore turnover from aluminum, if we find the right product mix.

**Giriraj Daga**

Analyst | Visaria Family Trust

INR250 crore, and you are mentioning over time, right?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

Over the next one year, subject to finding the right product mix, of course.

**Giriraj Daga**

Analyst | Visaria Family Trust

Okay.

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

But right now we are evolved -- I mean, looking at opportunities of finding the right product mix for aluminum because the die cast series right now doesn't make practical commercial sense to us.

**K. Kumaravel**

Director of Finance and Company Secretary | Pandy Oxides and Chemicals Limited

Yeah. As he mentioned, it is not -- there is no hedging mechanism available right now for aluminum. Because of that, we are -- very slow pace we are going. But plastic is -- came online, that will give top line growth of maybe around INR50 crore for the current financial year from plastics.

**Giriraj Daga**

Analyst | Visaria Family Trust

Okay. Last thing from my side, sir. In terms of raw material sourcing, like how -- like, is there the long-term contract with the supplier or we buy it from the spot market? What is the system there

and that too from the raw material supply?



Piyush Dhawan

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

So what Vijay mentioned earlier, if you look at the customers, right now, we have 90% fixed contracts and 10% -- 5% to 10% spot. Similarly, I mean in the position what we are, we have a similar mechanism with the suppliers as well. So we have long-term supplier contracts which have -- which date back to more than 5 to 10 years of our supplier relationships. So there as well, we have long-term contracts, fixed contracts, fixed volumes and then as the market performs and behaves, we do spot contracts as well. And the same mechanism is there in the domestic market also. This is as far as lead is concerned and a similar approach we do for aluminum as well.

When it comes to plastics, plastics right now, what we're doing is, we're concentrating more on the internal batteries which are resulting in plastics. Typically, 7% of a battery translates to a plastics and out of which a PPCP or a ABS would generate product portfolio. And then we also buy from the local market. Now having EPR come into the picture under both Battery Waste Management Rules and Plastic Waste Management Rules, it kind of gives us a good leverage and footprint in the domestic market also. So as far as the procurement is concerned, we are very well placed in both the international and the domestic markets.



Giriraj Daga

Analyst | Visaria Family Trust

So in the press release, you've mentioned the procurement mix of lead and plastic through imports is approximately 85% and 63%.



Piyush Dhawan

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

Yeah.

**Giriraj Daga**

Analyst | Visaria Family Trust

So our raw material of lead is 85% imported, right?

**K. Kumaravel**

Director of Finance and Company Secretary | Pandy Oxides and Chemicals Limited

Yeah, yeah.

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

Yes.

**Giriraj Daga**

Analyst | Visaria Family Trust

Okay. So like, we still have decent domestic supplies of lead, so we are not able to get a hand on the domestic supply or imports are more economical currently?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

So what happens is, again, the right raw material portfolio has to fall in place. So we are expanding our footprint on the domestic segment as well. As you're very well aware, with the augmentation of the Battery Waste Management Rules and the EPR guidelines which have come into place, it gives us a lot of exposure to have the organized players -- I mean for organized players like us to get access to a lot of batteries which kind of was routing out through the -- to the unorganized sector. So that way, I think by the end of the next financial year and moving ahead, we would probably have a better hold on the domestic segment also. And as far as imports is concerned, it's a matter of choice. And again, it's a matter of pricing. So wherever we find a level playing field, we will capitalize on that and we continue to import.

**K. Kumaravel**

Director of Finance and Company Secretary | Pandy Oxides and Chemicals Limited

More than that, hedging mechanism is not available for domestic supplies. It is available for the imports. It is not available in the domestic. So we have to do it very carefully.

**Giriraj Daga**

Analyst | Visaria Family Trust

My question was actually, imports we have long-term supplies also like domestic...

**K. Kumaravel**

Director of Finance and Company Secretary | Pandy Oxides and Chemicals Limited

Yeah, yeah, we have long-term supplies.

**Giriraj Daga**

Analyst | Visaria Family Trust

Okay. Okay. Thanks a lot and all the best.

**K. Kumaravel**

Director of Finance and Company Secretary | Pandy Oxides and Chemicals Limited

Thank you.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Mr. Giriraj. Ladies and gentlemen, I request you to limit yourself to maximum five questions and come back in queue. The next question we can have from the line of Mr. Pradeep Rawat. Pradeep, please unmute and go ahead.



Pradeep Rawat
Analyst | Yogya Capital

Yeah. Good evening to everyone and thank you for the opportunity. So I have some basic questions. So what is the revenue contribution from segments other than lead?



Vijay Balakrishnan
Chief Financial Officer | Pandy Oxides and Chemicals Limited

I'm Vijay, I will take this question. So in terms of Aluminum, we had about INR42 crores in turnover and in terms of Plastics, we had about INR21 crores in turnover on a standalone basis.



Pradeep Rawat
Analyst | Yogya Capital

Yeah. Okay. And my next question is, why we had such low smelting capacity as compared to overall capacity earlier? Can we produce lead without smelting capacity?



Piyush Dhawan
President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

So, hi, Pradeep. Thank you for the question. So the answer is yes. Without the smelting capacities, you can produce pure lead and lead alloys. The raw material for that would be a typical lead scrap, which -- so what happens is, like I said before, the pricing, the procurement and the right customer price also has to fall in place for that to happen. So we work on a lot of permutation and combination when it comes to finding the right portfolio mix of raw materials to cater to the 70,000 tonnes per annum what we have produced. Now, when we start expanding, so say. 90,000 tonnes per annum for next year, we'll again have to concentrate on a mix of both smelting and refining to cater to the finished goods capacity.



Pradeep Rawat
Analyst | Yogya Capital

Okay, so you said typical lead scrap. So what do you mean by that?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

So that is called Radio scrap in -- from history point of view. So you can use Radio scrap to refine and manufacture lead or lead alloy. But then it would be really expensive. So that's why we go through the entire process of battery breaking, smelting and refining.

**K. Kumaravel**

Director of Finance and Company Secretary | Pandy Oxides and Chemicals Limited

This is a backward integration. Processing through the smelting is another backward integration where value addition is more.

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

Yeah.

**Pradeep Rawat**

Analyst | Yogya Capital

Yeah. Okay, understood. So we are increasing smelting capacity to 1,60,000 tonne per annum.

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

That would be correct.

**K. Kumaravel**

Director of Finance and Company Secretary | Pandy Oxides and Chemicals Limited

Yeah.

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

In two phases.

**Pradeep Rawat**

Analyst | Yogya Capital

Yeah. So we can produce 1,60,000 tonne per annum with like backward integration, right?

**K. Kumaravel**

Director of Finance and Company Secretary | Pandy Oxides and Chemicals Limited

Yeah. Correct.

**Pradeep Rawat**

Analyst | Yogya Capital

Okay. And the rest would be like not so cost effective.

**K. Kumaravel**

Director of Finance and Company Secretary | Pandy Oxides and Chemicals Limited

Yeah. Less -- it's not cost effective. We can manufacture. The balance, anyhow, that quantity is to be met through the other scrap only.

**Pradeep Rawat**

Analyst | Yogya Capital

Okay. So going forward three, four years down the line, so can we expect the capacity utilization to be somewhere near 80%, 90%?

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

I think 80% would be the right optimum mix because we need to have spare capacities as well. So 80% -- but then again in the next three to five years, we would also look at increasing further if there is an opportunity. So yeah, 80% would be an ideal mix.

**Pradeep Rawat**

Analyst | Yogya Capital

Okay. So my next question is regarding the Tamil Nadu MoU. So what kind of investment are we going to commit to that project?

**K. Kumaravel**

Director of Finance and Company Secretary | Pondy Oxides and Chemicals Limited

INR300 crore to INR500 crore already we committed over the period of five years.

**Pradeep Rawat**

Analyst | Yogya Capital

Yeah. And what could be the revenue potential from that capex?

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

So for the current project, we are looking at roughly about INR1,500 crores -- INR1,200 crores to INR1,500 crores from both the phases.

**Pradeep Rawat**

Analyst | Yogya Capital

INR1,200 crores to?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

INR1,500 crores additionally for both the phases.

**K. Kumaravel**

Director of Finance and Company Secretary | Pandy Oxides and Chemicals Limited

For the investment of INR100 crore, we are going to do in the first phase and balance INR400 crore investment will give additional revenue. That, yet to be decided.

**Pradeep Rawat**

Analyst | Yogya Capital

Yeah. And what would be the capacity for this capex?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

So like I said, we are expanding another...

**K. Kumaravel**

Director of Finance and Company Secretary | Pandy Oxides and Chemicals Limited

72,000.

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

So just look at the current product portfolio mix -- I mean the current revenues. So we are in -- if we deliver another 70,000 tonnes of lead, then you have additional INR1,200 crores to INR1,400 crores in revenue. Right?

**Pradeep Rawat**

Analyst | Yogya Capital

Wait a minute, I just have a confusion. So we are expanding 72,000 tonne per annum capacity in two phases, 36,000 plus 36,000. And that is Tamil Nadu MoU. Right?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

Yes.

**K. Kumaravel**

Director of Finance and Company Secretary | Pandy Oxides and Chemicals Limited

Yeah, yeah. That is also one part of Tamil Nadu MoU.

**Pradeep Rawat**

Analyst | Yogya Capital

Okay. So first phase would be for INR70 crore and the second phase would be?

**K. Kumaravel**

Director of Finance and Company Secretary | Pandy Oxides and Chemicals Limited

Another INR50 crore.

**Pradeep Rawat**

Analyst | Yogya Capital

Yeah. So what -- like, the rest of the investment would be on what thing?

**K. Kumaravel**

Director of Finance and Company Secretary | Pandy Oxides and Chemicals Limited

Other non-ferrous metal, that we take it after completion of the lead portfolio.

**Pradeep Rawat**

Analyst | Yogya Capital

Okay. So those capacities would be different from this, like...

**K. Kumaravel**

Director of Finance and Company Secretary | Pandy Oxides and Chemicals Limited

Yeah, yeah, that is different.

**Pradeep Rawat**

Analyst | Yogya Capital

Those would be the add-on on 72,000 tonne per annum.

**K. Kumaravel**

Director of Finance and Company Secretary | Pandy Oxides and Chemicals Limited

Yeah, yeah, yeah. That is different, additional capacity.

**Pradeep Rawat**

Analyst | Yogya Capital

So can you quantify that?

**K. Kumaravel**

Director of Finance and Company Secretary | Pandy Oxides and Chemicals Limited

That cannot be quantified now. That's yet to be decided.

**Pradeep Rawat**

Analyst | Yogya Capital

Yeah. Yeah. Okay. Thank you. Thank you. That's all from my side.

**K. Kumaravel**

Director of Finance and Company Secretary | Pandy Oxides and Chemicals Limited

Thank you.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Mr. Pradeep. Next, we'll take the question from Mr. Aniket Gada. Aniket, please unmute yourself and go ahead and ask your question.

**Aniket Gada**

Analyst | Individual Investor

Hello. Hi. I just wanted to ask about the orders that have been pushed to April. In the balance sheet, the inventories have gone down from INR150-odd crores to around INR123-odd crores. So I just wanted to ask, like, why is that? From what -- in one question -- in one scenario, we have inventory pile up because the suppliers are not -- the customers are not taking up the products. And on the other side, we have a decrease in inventory.

**K. Kumaravel**

Director of Finance and Company Secretary | Ponds Oxides and Chemicals Limited

No. But when there is orders is postponed to April, naturally, our raw material procurement also be postponed too. Why should we keep more inventory and incur interest on that?

**Aniket Gada**

Analyst | Individual Investor

Okay. So going forward, for the year, the inventory would be around this much only, INR120-odd crores or something?

**K. Kumaravel**

Director of Finance and Company Secretary | Ponds Oxides and Chemicals Limited

We want to reduce the inventory carrying cost. So we want to keep optimum inventory level at this.

**Aniket Gada**

Analyst | Individual Investor

Also, on the second part, if the INR100-crore-odd orders have been pushed in April, should we consider the -- as right now, like two months have passed for quarter one, should we consider an improvement in the revenue for this quarter? Quarter one?

**K. Kumaravel**

Director of Finance and Company Secretary | Ponds Oxides and Chemicals Limited

Yeah, surely. Revenue is going up.

**Aniket Gada**

Analyst | Individual Investor

As compared to Q1 of FY '24?

**K. Kumaravel**

Director of Finance and Company Secretary | Pandy Oxides and Chemicals Limited

Yes.

**Aniket Gada**

Analyst | Individual Investor

Okay. On the other part, the aluminum, in last con call, the management has said like the aluminum run rate of revenue was INR40 crores for nine months. But currently, for 12 months, it's like INR42 crores. So just INR2 crores of revenue has been booked for these three months. So what is the scenario? Like, how low the revenue has fallen?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

Hi, Aniket. So, again, I'll just give you a background. The last one year in aluminum industry was almost a bloodbath. So it is basically the guys who have survived are all old players. Fortunately for us, it was a pilot plant and we were getting empaneled with customers and we were increasing our order strength and all of that. But then, again, right now, what we are doing is we're revisiting the product portfolio mix. I will clarify the fact that we have been manufacturing the die cast alloys which cater to the automobile industries and what we are doing right now is we are reviewing the product portfolio and finding the right finished good for the right supplier -- customer so that we get a value addition out of it rather than follow the bandwagon and be part of negative numbers or a volatility in the market. So we want to kind of get separated from the current product portfolio mix into a newer value addition one.

**Aniket Gada**

Analyst | Individual Investor

So how long this will happen? Like, low capacity utilization for aluminum?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

Maybe till the next -- for the first two quarters. Yes.

**Aniket Gada**

Analyst | Individual Investor

Okay. And on the Plastics, last con call, you had said like you are targeting to acquire more OEMs. But how many new OEMs have you acquired for Plastics Division this quarter?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

So right now, we have about, I think, 11 -- 10 to 11 customers, who we are supplying to. We are doing roughly about 400 to 500 -- between 440 tonnes to 500 tonnes a month, to be precise. And we are right on the target of achieving the numbers of the standard capacities for this year from the same unit.

**Aniket Gada**

Analyst | Individual Investor

Okay. So -- but you're targeting like almost 120% increase in Plastics revenue. So is it possible for this year, considering the number of clients you have and maybe...

**K. Kumaravel**

Director of Finance and Company Secretary | Pandy Oxides and Chemicals Limited

No, last year figures is not comparable. Being the first year of operation, capacity utilization is low. So this year in Plastics Division, we are trying to achieve the capacity of 80%.

**Aniket Gada**

Analyst | Individual Investor

Okay. The capacity for Plastics is around 9,000 metric tonnes.

**K. Kumaravel**

Director of Finance and Company Secretary | Pondy Oxides and Chemicals Limited

Yes, yes, yes.

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

Yes. And we will be roughly targeting about 6,000 tonnes, which is about 400 tonnes to 500 tonnes a month for this year.

**Aniket Gada**

Analyst | Individual Investor

Okay. And for lead or the value-added and the vanilla lead, what's the revenue mix, percentage-wise?

**K. Kumaravel**

Director of Finance and Company Secretary | Pondy Oxides and Chemicals Limited

It is around 60-40; 60% value-added.

**Aniket Gada**

Analyst | Individual Investor

And the EBITDA per tonne for that?

**K. Kumaravel**

Director of Finance and Company Secretary | Pondy Oxides and Chemicals Limited

EBITDA, we can take only average EBITDA. We cannot give separately.

**Aniket Gada**

Analyst | Individual Investor

Okay. In the last quarter also, like, the green lead, you were going to give the update but no update has been coming from the company. So any updates on that, on the production from green lead process?

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

So green lead, what has happened is -- I mean, we categorize the project into feasibility, pre-feasibility and execution stages. Now, green lead being the process it is, which is hydrometallurgy, and to kind of scale it at similar cost levels has been a journey for us for the last one, one and a half years, I would say. So we have right now put it in the feasibility stage and we are analyzing the commercial viability on a large scale basis. Because, again, the new technology it is, like I said, the hydrometallurgy, expansion of it will eventually take some time. So we are right now at a feasibility stage to analyze the commercial viability at a large scale level.

**Aniket Gada**

Analyst | Individual Investor

So this -- if it happens, this will apply to the existing production as well, right?

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

No, lead operations are not going to be affected by green lead operations at all. So we have, I mean, almost three decades of experience in lead. So lead is our hero product which will remain for good. But then green lead, yes, for green lead -- so lead operations is more of a pyrometallurgical operation which we've been experienced and well versed with for so many years.

But green lead belongs to the hydrometallurgical category and scaling it up there in phases would take some time.



Aniket Gada

Analyst | Individual Investor

Okay. In the EPR update, so currently, the government has, like, 30% producer recycling for this year targets. And we have not yet, like, registered ourselves. So, what would be the process right now for us, in the EPR?



K. Kumaravel

Director of Finance and Company Secretary | Pandy Oxides and Chemicals Limited

EPR, already we registered for Andhra Pradesh unit, and the Tamil Nadu portal was not functioning for so many months. We are closely following it up with the government agency. Now only, it started working. Already, we applied for Tamil Nadu also.



Aniket Gada

Analyst | Individual Investor

What kind of MT, like metric tonnes, we have applied for?



K. Kumaravel

Director of Finance and Company Secretary | Pandy Oxides and Chemicals Limited

Based on our Consent for Operation quantity, we can apply. Piyush, you can explain.



Piyush Dhawan

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

So, Aniket, what happens is, we are going to cater to the EPR as a recycler. We are not here being an OEM or a consumer or an aggregator. So, the kind of quantities that will be applied here will -- would obviously depend on the domestic procurement, what we get through an EPR.

Fortunately, in our state, in Tamil Nadu, we've already started receiving soft and hard calls both in terms of reaching out to us for EPR opportunities, whether -- and all from major OEMs. So, like, Mr. Kumaravel just mentioned, unfortunately, Tamil Nadu portal of EPR from the CPCB and MoEF was taking some time. We've already applied for Andhra, and we've already received the EPR there. So, we'll be starting EPR credits from there. And we'll be able to give you some highlights probably in the next earnings call, yeah.

**Aniket Gada**

Analyst | Individual Investor

Okay. Thanks -- and thank you for the answer. And that's it from my side.

**K. Kumaravel**

Director of Finance and Company Secretary | Pondy Oxides and Chemicals Limited

Thank you.

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

Thank you, Aniket.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Mr. Aniket. Let's try Diya Brijwani once again. Operator, can you please allow Diya. Let's see if her technical issue has been sorted. Diya, please go ahead.

**Diya Brijwani**

Analyst | White Whale Partners

Am I audible?



Radhakrishnan Chonat
Director of Business | AlphaStreet

Yeah, you're audible. Go ahead.



Diya Brijwani
Analyst | White Whale Partners

Yeah. I'm so sorry for the technical glitch. So, my question was regarding the EPR, just to follow-up. So, if I just look at the regulations of 2022 and compare it to 2001, even in those 2001 regulations, it was stated that the producers need to collect back, let's say, 50% of the batteries sold. But that failed. Of what I understand, there's a significant leakage from the dealer side, wherein the informal smelters, they offer a higher price to the dealers. So, in that case, how do you see this fundamental problem going away with the new regulations coming in?



Piyush Dhawan
President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

Hi, Diya. So, in fact, we were -- I mean, last month, on -- the panel also for discussion on EPR for -- specifically for the lead acid batteries, and we are happy to inform that -- so lead acid battery, as far as the journey from 2001, so it all started with the battery waste management handling rules, right? And then, it kind of again evolved through a lot of discussions with the CPCB, the Central Pollution Control Boards, and a lot of other State Pollution Control Boards and the MoEF.

And then, came the battery waste management rules. And through a lot of push from the industry, the -- I'm talking about the organized industry, we finally got the extended producer responsibility rules and guidelines from the government. I mean, it was a great milestone for all the stakeholders in the government, because this industry has, on the domestic front, unfortunately, been a very unorganized set-up earlier. But then, times have changed for us also. And fundamentally, like you rightly pointed out, it is going to be a challenge for the next -- for a couple of years initially, because we see a very positive change in development happening.

Now, when you say, there's a leakage from the dealer, yes, there is. And they would continue to be. But then transitionally, it would kind of reduce, because each recycler and OEM would continue to penetrate the market further. So, once the EPR registrations are kind of given, and the quantities are set forward, so every organized player, say, for example, us, will reach out to major

OEMs or the industrial players, all the automobile industries, all the IT sectors, to kind of gather batteries, and where we can award the EPR certificates, which adds value to both our ESG goals and also to the commercialization of EPR, if I may say so, because each EPR credit has -- carries a certain value. In fact, last week, we were discussing on the values of EPR that it will carry, and also the penalties that the stakeholders will have to pay in case they don't adhere to the guidelines.

So, fundamentally, we see it as a very positive change happening. And over the next couple of years, we will see the domestic numbers of procurement being well, increased to 30%, 40% levels, and have a balanced approach with imports. I hope that answers your question, Diya.

**Diya Brijwani**

Analyst | White Whale Partners

Yeah. So, thanks for that explanation. But just one question. We haven't -- like, the Board hasn't really finalized -- the government hasn't finalized on the penalty amount or the credit value yet, right?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

No, not yet.

**Diya Brijwani**

Analyst | White Whale Partners

So -- okay. So, once finalized [Speech Overlap]...

**K. Kumaravel**

Director of Finance and Company Secretary | Pandy Oxides and Chemicals Limited

But it's a responsibility on the -- it's a responsibility on the battery manufacturers to collect the entire battery from the dealers, that responsibility, they've fixed on the battery manufacturers now.

**Diya Brijwani**

Analyst | White Whale Partners

Got it. Okay. If that avenue really opens up, then we can add-in revenue through EPR credit sale as well, right?

**K. Kumaravel**

Director of Finance and Company Secretary | Pondy Oxides and Chemicals Limited

Yeah.

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

Yes. So, we are doing that as a vertical for generating profits as well. So, that is also something we are majorly looking at.

**Diya Brijwani**

Analyst | White Whale Partners

Got it. Cool. That's it from my side. Thank you.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Diya. The next question, we'll take from the line of Abhijit Mitra. Abhijit, please go ahead, unmute and you can ask your question. Abhijit, please unmute yourself.

**Abhijit Mitra**

Analyst | Aionios Alpha Investment Management LLP

Yeah. Thanks for taking my question. I hope I'm audible.



Radhakrishnan Chonat
Director of Business | AlphaStreet

Yes, go ahead.



Abhijit Mitra
Analyst | Aionios Alpha Investment Management LLP

Yeah, a couple of questions. Firstly, on the capex targets for the next couple of years, just to sort of have a clarity on the actual capex that you are planning to spend for '25-'26?



Piyush Dhawan
President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

Can you please repeat your question, Abhijit?



Abhijit Mitra
Analyst | Aionios Alpha Investment Management LLP

The capex targets for '25 and '26. How much capex are you planning to spend for fiscal year '25 and fiscal year '26?



Piyush Dhawan
President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

So, fiscal year '25, so we've already kind of invested last year for the acquisition of Harsha Exito. And this year, we would be in -- we have a capex plan to invest about INR100 crores in the entire scheme of things for the particular project in question. And likewise, next year as well, seeing the business fundamentals and opportunities, we'll add on another INR100 crores.

**Abhijit Mitra**

Analyst | Aionios Alpha Investment Management LLP

Got it. And what's the expected margin profile? I can understand there's several expansions projects which are going through. But how do you see your margin profile evolving over the next couple of years?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

So, it is very important to understand that we have had that learning curve in plastics and aluminium since the last one year. And the margins will again start spelling out in this year, specifically, of our plastics.

And coming to lead, so what we see with the plant -- with the upcoming plant, we see a lot of positivity in terms of the term -- in terms of the automation and the operational efficiency it will have. We look at it from a point of view that it will be a benchmark plant for us in India and of the highest global standards, and it will generate a lot of operational efficiency. So, that kind of takes care of the lead segment. In -- and in terms of profitability, right now, we are at 6.5% levels for lead, 6.0% to 6.5%. We see ourselves increase through operational efficiency by another 20 basis points or 30 basis points or maybe a little more as time -- as we see the project shape up.

Coming to plastics and -- coming to plastics first, we will eventually, as we kind of find stability in the current phase and expand further, we will see margins improving in the current years. Now, the entire idea is whatever we've invested so far has to kind of give us the benefits, so that we have that business fundamental of reinvesting it again and getting benefits out of it. So, we see a lot of positivity in the coming years for the investments that we have made so far and the investments that we're going to do.

**Abhijit Mitra**

Analyst | Aionios Alpha Investment Management LLP

Got it. And since producers are already buying EPR credits in some of the sectors, so I mean, have you sort of build across any numbers on the expected EPR credits in plastic, or that you are about to get over the next couple of years?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

So, lead acid -- lead batteries, yes, we're looking at a number. We are in fact having -- so, as I mentioned, we are having soft calls and hard calls where we are reaching out to players and getting the interest built up as to what proposition we bring on the table.

And I mean, we will soon -- I mean, like I said before, we'll be setting out the investor presentation where we'll kind of highlight how EPR can shape up as a profit center in the coming months and in the coming quarters.

**Abhijit Mitra**

Analyst | Aionios Alpha Investment Management LLP

Got it. Understood. And the last question is on the supply chain, just to understand your lead and plastic supply chain a bit more. For the domestic supplies that you are getting or procurement that you are doing, how unorganized is the space? And is that sort of a headwind to ramp up volumes in the segments?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

So, we work -- fortunately for us, we work 100% on our organized segment. Compliance is, of course, foremost importance for us. But the advantage is that the unorganized sector is moving towards being organized. So, that is kind of a ray of hope, and also an advantage which we will tap on to as an industry, the organized industry, in the coming months and the coming years as well.

So, if today, I see the unorganized market roughly to be 60% to 70%, so that number will probably increase -- decrease in the coming years, to say, for example, 40% would be unorganized, 60% would be organized. So -- and that would kind to give us big benefits. That is as far as lead is concerned.

Plastics also, I mean, EPR, we see a lot of interest coming in. But right now, what we are looking at is polypropylene copolymer, that is one grade, in the coming months. And as we move forward in the plastics segment, we will be looking at alternative grades as well, whether it's ABS, whether it's nylon and other engineering plastics. So, we will eventually find a common balance between both the verticals.

**Abhijit Mitra**

Analyst | Aionios Alpha Investment Management LLP

Okay. So, the level of organization in the plastic sector is not a constraint for you as of now?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

Sorry, can you please repeat?

**Abhijit Mitra**

Analyst | Aionios Alpha Investment Management LLP

I'm saying, the level of unorganized supply chain in the plastic sector is not a constraint for you to sort of shape up your volume.

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

No, of course, it is a constraint, it is, because the market is sort of fragmented and concentrated earlier to the unorganized players. Now, when the transition happens from the unorganized to the organized, that transition will take some time. But then, transition will be long-term and will help the entire industry as a whole.

**Abhijit Mitra**

Analyst | Aionios Alpha Investment Management LLP

Got it. Thanks and wish you all the best.

**K. Kumaravel**

Director of Finance and Company Secretary | Pandy Oxides and Chemicals Limited

Thank you.

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

Thank you so much, Abhijit.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Mr. Abhijit. Ladies and gentlemen, I'm going to give a few seconds to see if there are any more questions on the line. Again if you have any questions, please do use the Raise Hand functionality.

Okay. We have additional questions from Giriraj Daga. Giriraj, please limit yourself to just two questions. Go ahead.

**Giriraj Daga**

Analyst | Visaria Family Trust

Yeah. Hi. Just one on the -- follow-up on the EPR questions. So, just to understand, we'll get only credit for the source what we buy domestically, right, the raw material, or is it like all?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

No. So...

**K. Kumaravel**

Director of Finance and Company Secretary | Pandy Oxides and Chemicals Limited

It is only for domestic.

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

So, it's only restricted to domestic. Giriraj, only domestic, not for imports.

**Giriraj Daga**

Analyst | Visaria Family Trust

Okay. And this is not fungible, just a broad thought. I don't know, I'm not too familiar with...

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

I'm sorry?

**Giriraj Daga**

Analyst | Visaria Family Trust

This EPR, is not a fungible thing, like the other sector, like obviously, in this quarter, we saw a couple of tire companies paying very high cost on the EPR.

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

Yeah. Yes. Okay. So, okay. So, what happens really is say, for example, if I have a customer or an OEM A, who wants to recycle his batteries through us, so we'll have a set EPR commercial cost if we allocate, say, I mean, just on a very high level example I'm saying, if it is a INR5 or a INR10 per kilo, which would be the market cost. So, we'll attribute that to the cost of procurement, and the net amount would be our effective cost of procurement for batteries.

And the same approach will apply to plastics, to the lithium ion batteries, to the tires, and to the e-waste as well, where EPR is applicable.

**Giriraj Daga**

Analyst | Visaria Family Trust

No, my question was that, let's say, like the tire companies were made to pay the battery companies like Exide or Amara is still not being paid first of all. The other part was that, let's say, can tire company buy EPR from -- like, it's not -- the segment is clear, right? Lead EPR will have lead EPR cost...

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

No, it's not cross-functional.

**Giriraj Daga**

Analyst | Visaria Family Trust

Cross-functional...

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

It's not cross-functional. There are separate rules for tires, e-waste, lithium ion batteries, lead acid batteries, plastics.

**Giriraj Daga**

Analyst | Visaria Family Trust

Okay. And...

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

Plastics itself is -- it's categorized into four categories, rigid, flexible, and the others also, multi-layered, and others. Yeah.

**Giriraj Daga**

Analyst | Visaria Family Trust

Okay. And why -- any thought you -- obviously, the companies would be more appropriate, Exide and Amara, but any thoughts why they are still not being asked to pay penalty, unlike tire companies? Are they still matching all the EPR guidelines, or there is some still leeway out there?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

No. So, I think, Diya Brijwani had raised this point. So, nothing has been -- so, the penalties and the cost of compensation has not been yet finalized. So, the point of discussion is, we have to start at a given point of time. Unfortunately, the government has started this particular activity of EPR. When it comes to penalty and compensation, those numbers are not yet finalized.

So, there will be a cooling period of the date of coincidence when this compensation will get attracted to the OEMs that you have mentioned. But there is no such reason as such, because some rules are still yet to be finalized on a broader scale.

**Giriraj Daga**

Analyst | Visaria Family Trust

Okay. Thank you. That's all from my side.

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

Thank you, Giriraj.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Mr. Giriraj. Looks like we have a follow-up question from Aniket Gada. Aniket, go ahead and ask your question. Please limit it to two, request.

**Aniket Gada**

Analyst | Individual Investor

I just wanted to follow-up on the EPR itself. The example that you gave in the EPR cost that the producer has to -- is burdened with. Does -- do we get additional margins on that, or will the margin expansion happen for us in case of EPR happens?

**Piyush Dhawan**

President, Commercial and Strategy | Ponds Oxides and Chemicals Limited

So, there are various stakeholders in EPR. So, we can discuss at length, but I'll just give you a very high level understanding. So, there is some -- there's a producer, there's an aggregator, there's a dealer, there's a consumer, and then there is the recycler.

Now, responsibilities have been allocated to all. Now when it comes to the commercialization of EPR, yes, you're right. It is possible, because EPR is an activity that a recycler will carry out, because they will allocate a cost of storage, they will allocate a cost of conversion, they will allocate other costs as well. So, yes, it can be commercialized. To what extent, only time will tell. Right now, the rates are different for different forms of EPR credit.

**K. Kumaravel**

Director of Finance and Company Secretary | Ponds Oxides and Chemicals Limited

Now, because of the EPR credit, margin will go up. That is your question, no?

**Aniket Gada**

Analyst | Individual Investor

Yes.

**K. Kumaravel**

Director of Finance and Company Secretary | Ponds Oxides and Chemicals Limited

Yeah. Margin has to go up. Our procurement cost will come down.

**Aniket Gada**

Analyst | Individual Investor

Okay. My second question is, on the plastics division, what kind of margins do we currently have and what are we expecting for the FY '25?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

So, right now, what is -- again, to reiterate, right now, the margins are -- just one second, please. So, right now, the material margins is about 11.7% to 12% on the material margin level. But given that we are stabilizing and there is a cost of entering the market, because this is not something which we were there earlier, we have entered the market. And fortunately, if you look at both the divisions, plastics and aluminium, we have built a very strong case of INR21 crores and INR42 crores. So, we're looking at margin of roughly -- one sec, about 6% to 7% this year.

**Aniket Gada**

Analyst | Individual Investor

6% to 7% on the net basis, right?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

EBITDA -- yeah, EBITDA.

**Aniket Gada**

Analyst | Individual Investor

EBITDA?

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

Yes.

**Aniket Gada**

Analyst | Individual Investor

Okay.

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

But again, this is the vanilla items what we manufacture. When we start adding filled and added compounds, those will give us better margins. But that entirely depends on the business fundamentals that will exist in the coming period.

**Aniket Gada**

Analyst | Individual Investor

Okay. Thank you.

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

Thank you, Aniket.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Mr. Aniket. Ladies and gentlemen, I guess that's all the time we have allocated for today. Please do send in your additional follow-up questions by e-mail to us and we will get those answered by the POCL management.

Thank you all for joining us for the Pondy Oxides and Chemicals Limited Q4 FY '23-'24 earnings call. And as a reminder, today's call was recorded. A replay of this call will be available on AlphaStreet's India's YouTube channel, as well as alphastreet.com platform. A final transcript will be available shortly on alphastreet.com.

Thank you, everyone, for joining the call, and thank you Pondy Oxides and Chemicals management team.

**K. Kumaravel**

Director of Finance and Company Secretary | Pondy Oxides and Chemicals Limited

Thank you.

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

Thank you, everyone.

**Vijay Balakrishnan**

Chief Financial Officer | Pondy Oxides and Chemicals Limited

Thank you.



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