

# PONDY OXIDES AND CHEMICALS LIMITED **POCL**<sup>®</sup>

09<sup>th</sup> February 2024

**National Stock Exchange of India Ltd**

Exchange Plaza, 5<sup>th</sup> Floor,  
Plot No. C/1, G Block,  
Bandra Kurla Complex, Bandra (E),  
Mumbai - 400 051

**BSE Limited**

Corporate Relationship Department,  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai – 400 001

**NSE Symbol : POCL**

**BSE Scrip Code : 532626**

Dear Sir/Madam,

**Sub: Transcript of the Q3 FY 2023-24 Investor Call held on 08<sup>th</sup> February 2024 - Reg**

With reference to our letter dated 8<sup>th</sup> February 2024, intimating you about the link of audio recordings of the Investor call held at 03.00 PM IST on Thursday, 8<sup>th</sup> February 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)

Q3 2024 Earnings Conference Call

February 08, 2024 • 03:00 pm (IST)

**Final Transcript**

## Corporate Participants

### Ashish Bansal

Managing Director | Pondy Oxides and Chemicals Limited

### K. Kumaravel

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

### Vijay Balakrishnan

Chief Financial Officer | Pondy Oxides and Chemicals Limited

### Piyush Dhawan

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

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## Conference Call Participants

### Radhakrishnan Chonat

Director of Business | AlphaStreet

### Harsh Maru

Analyst | Emkay Global Financial Services

### Darshil Jhaveri

Analyst | Institutional Shareholder Services

# Presentation

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**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Good afternoon, ladies and gentlemen, and welcome to the Q3 FY 2023-2024 Earnings Call of Pondy Oxides and Chemicals Limited, hosted by AlphaStreet.

This is Radhakrishnan Chonat from AlphaStreet and it's an absolute pleasure to host Pondy Oxides and Chemicals Limited for their quarterly earnings results conference call.

From the management, we have Mr. Ashish Bansal, Managing Director; Mr. K. Kumaravel, Director of Finance; Mr. Vijay Balakrishnan, CFO; and Mr. Piyush Dhawan, President, Commercial and Strategy.

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 alphastreet.com's AI platform. A replay audio of this call will be made available on alphastreet.com's platform as well as on our AlphaStreet India YouTube channel. A final transcript will be made available shortly afterwards on AlphaStreet's platform.

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



**Ashish Bansal**

Managing Director | Pondy Oxides and Chemicals Limited

Thank you, Mr. Radhakrishnan. Good afternoon, everyone. We wish you a warm welcome to POCL's third 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 discussing the financial results and performance of the company, I would like to brief the current market scenario of lead. The lead acid battery recycling market has been steadily growing

over the past few years. The global lead acid battery market size will grow at a CAGR of 6%.

The Asia Pacific region dominates the lead acid battery recycling market, and accounting for more than half of the global market share and India being one of them with its increasing share year-on-year.

Overall, the market shows promising growth potential in the coming years as more countries shift towards circular economy models where products are designed for reuse and recycling, thereby presenting an opportunity for manufacturers to recover valuable materials from used batteries and recycle them into production cycle and the need for reliable energy storage solutions will continue to rise, driving demand for lead acid batteries as well.

In conclusion, the future outlook for the lead battery recycling market is positive, with significant growth predicted in the coming years.

With respect to the quarterly revenue growth, POCL has reported a total revenue of INR454 crores with a growth of 16% in terms of value and 12% in terms of volume from the previous quarter in the current year. Revenue from the operations when compared to corresponding quarter of last year, FY 2023, has substantially increased by 22%.

For year-to-date numbers, POCL has reported sales amounting to INR1,168 crores. The increase in value terms is about 13% when compared to previous year.

Our EBITDA levels in lead vertical for this quarter were in the range of 6.04% versus 5.20% for the previous quarter of last year. Overall, POCL has achieved an overall EBITDA of 5.40% due to lower realization in Aluminium division and other related operational expenses.

In relation to ratios, the current ratio is at an optimum level of 1.47 and debt equity ratio is at 0.83, which is well within the industry standards. The return on capital employed for the Q3 FY 2024 stood at 27% and our sales mix comprise about 45% Domestic and 55% Exports.

The company has also obtained the assent of shareholders in the EGM held on 6 February, 2024 for raising capital to a tune of INR133.50 crores by issue of equity shares and warrants on preferential basis to the promoter group and to certain identified non promoter persons/entities. On receipt of SEBI approvals, the allotments will be completed.

We have already started procurement of machinery, execution and development of the expansion in lead project at our newly acquired company at Thervoykandigai in Tamil Nadu where we are increasing capacities in lead vertical from 1,32,000 metric tonnes per annum to 2,04,000 metric

tonnes per annum in phases. The installation will commence in June 2024 and will be commissioned by September 2024.

We appreciate you all participating in today's call.

And over to you, Radhakrishnan.

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## Questions and Answers

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**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Mr. Ashish. We'll now move into our question-and-answer session. Today, we have participants joining via the Zoom webinar platform and also via the tele-calling platform. Participants who have joined us and connected us through the Zoom webinar platform can pose their questions directly to me on the chat box and we can ask the questions on your behalf. Or alternatively, if you wish to ask a question directly, please use the Raise Hand functionality.

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

I'll start with the questions that we have received via emails and through our platform first.

The first question is, can you tell us more about the recent MoU that your company has signed with the Government of Tamil Nadu?



**K. Kumaravel**

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

I, Kumaravel, take this question. We have proposed to set up a state-of-art recycling and manufacturing plant in Tamil Nadu for non-ferrous metals, lithium-ion batteries, paper, plastics, and rubber, and the Government of Tamil Nadu has agreed to offer facilitation and support for implementing the project. These are under feasibility stages and are being discussed internally on techno-commercial grounds to evaluate the opportunities available at hand and translate them as commercially viable projects for the company.

The company has planned to invest in the range of INR300 crores to INR500 crores in the proposed projects in the next five years. This is projected to generate additional revenue of INR750 crores per annum for the first phase and thereafter on an incremental basis with other projects coming in.



**Radhakrishnan Chonat**  
Director of Business | AlphaStreet

Thank you, Mr. Kumaravel. The next question is, how does the company intend to fund its capex of INR500 crore, with which the company is going to set up the recycling and manufacturing plants in Tamil Nadu, and can we expect a dip in the margins of the company due to this MoU?



**Vijay Balakrishnan**  
Chief Financial Officer | Pondy Oxides and Chemicals Limited

Hi, RC. This is Vijay. The planned capex of INR300 crores to INR500 crores would span over a period of up to five years. POCL has raised INR133.50 crores in equity to fund its initial capex growth phase through the preferential allotment. Future requirements of funds will be decided on business fundamentals and the global economic scenario at such point in time. Maybe an ideal mix of debt and equity will enable us to have an overall weighted average cost of capital at relatively lower levels, consequent to which, our profitability will improve along with our top line.



**Radhakrishnan Chonat**  
Director of Business | AlphaStreet

Thank you, Mr. Vijay. The next question is, can you share the numbers in terms of working capital for this quarter as compared to the quarter last year?



**Vijay Balakrishnan**  
Chief Financial Officer | Pondy Oxides and Chemicals Limited

The working capital amount as of December 2023 is INR275 crores when compared to INR240 crores in the December quarter last year. This is attributed to an increase in inventory and debtor levels for Aluminum vertical when compared to last quarter of the previous year.



**Radhakrishnan Chonat**  
Director of Business | AlphaStreet

Thank you, Vijay. The next question is, can you provide an updated breakdown of your sales between exports and domestic markets for Q3 FY '24?



**Vijay Balakrishnan**

Chief Financial Officer | Pondy Oxides and Chemicals Limited

I will take this question too. The geographical sales mix of POCL is made up of about 45% of Domestic sales and 55% Export sales. Having additional verticals in aluminum and plastics, we will also gain access to a wide array in the domestic market concentration in the coming months.

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**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Mr. Vijay. The next question is, can you share a roadmap on how the company intends to grow in the foreseeable future?

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**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

Hi, RC. Piyush, here. I'll take this one. So lead is our core vertical as of today and significant steps have been taken to develop other verticals like plastics and the Aluminum division. We are currently expanding in lead vertical at our newly acquired company in Thervoykandigai in Tamil Nadu and further increasing capacities from 1,32,000 metric tonnes per annum to 2,04,000 metric tonnes per annum in phases. In addition to lead vertical, we have built a very strong platform and a diverse portfolio with visible business opportunities in plastics, aluminum and copper.

In parallel, with the markets evolving in real time in lithium-ion, rubber and paper, we continue to see progress in techno-commercial feasibility, which will eventually translate to yield positive strategic growth in the short to mid-term that has an overall longing impact on the long run growth of POCL. This will get added to our top line and the bottom line in the financials and such new additions will happen over a period of time.

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**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Piyush. Let's move into the live audience questions. We have Harsh Maru. Operator, can you make Harsh Maru join the call to ask a question? Hey, Harsh, go ahead and ask your question.

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**Harsh Maru**

Analyst | Emkay Global Financial Services

Thank you so much. Am I audible?

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Yes, go ahead.

**Harsh Maru**

Analyst | Emkay Global Financial Services

Thank you for this opportunity. So my question basically relates to this expansion. So we now have about INR130 crores of equity with us as we conclude the pref issue. So what is the total funding requirement that you need to go from 1,32,000 tonnes of capacity to around 2,00,000 tonnes capacity? And what is the ideal debt equity mix that we are looking at in terms of the expanded capacity?

**K. Kumaravel**

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

So, I, Kumaravel, will answer this question. As we informed in my earlier communication regarding the MoU, this investment of INR300 crores to INR500 crores in phases. So out of this INR133 crore preferential issue, initially we get about INR70 crore now before the end of March '24 and balance we get after 18 months. So that will be utilized for the second phase of utilization. So initially we utilize this INR70 crore for our immediate expansion at Thervoykandigai, Tamil Nadu, where our immediate requirement is in that range only. And other expansion required in the existing units, meet it through the internal accruals. Immediately we are not going for any term loan proposal, that is not in the card. Maybe in the future, depending upon the requirement, we go for the debt and equity mix later on. Not now.

**Harsh Maru**

Analyst | Emkay Global Financial Services

Okay. And in terms of basically our -- this expansion facility that we'll be having now, would it be any different from our current core capacities? Would they, like, yield better margins in any form? Like, are we building any better efficiencies in this expanded capacity? If you can throw some light.

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**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Limited

Yeah. Harsh, this is Ashish here. This current plant that we are installing is definitely a much more modern plant with some addition on technology front as well. And definitely, yes, there will be better efficiencies and higher automation and the running cost will be little lower than our existing operations on this new capacity.

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**Harsh Maru**

Analyst | Emkay Global Financial Services

And we are sorted in terms of the sourcing for the expanded capacity as well?

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**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Limited

Yes, we are.

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**Harsh Maru**

Analyst | Emkay Global Financial Services

And just one last question. In terms of value-added products, like, what is the kind of mix that we have currently, like, for the third quarter and probably right now? So anything that we are selling which is a premium to LME in terms of lead. So what would be the broad proportion of that quantity be like?

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**Ashish Bansal**

Managing Director | Ponds Oxides and Chemicals Limited

You're asking if the products other than the pure lead product or you're asking else -- something else?

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**Harsh Maru**

Analyst | Emkay Global Financial Services

Like, other than pure lead products, basically.

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**Ashish Bansal**

Managing Director | Ponds Oxides and Chemicals Limited

Yeah. So currently our sales on pure lead is only in the range of close to 35%, give or take a couple of percentage. And the balance 65% is on various alloys and specific products that are manufactured specifically for customers like the custom-made alloys. And going forward, more or less, I mean there can always be a 5% plus/minus, but more or less, the product mix would remain in similar ratios.

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**Harsh Maru**

Analyst | Emkay Global Financial Services

Thank you so much, sir. And all the very best.

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**Ashish Bansal**

Managing Director | Ponds Oxides and Chemicals Limited

Thank you, Harsh.

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**Radhakrishnan Chonat**  
Director of Business | AlphaStreet

Thank you, Mr. Harsh. Ladies and gentlemen, once again if you would like to ask a question directly, please use the Raise Hand functionality or alternatively, you can ask your questions through the chat window.

We have a couple of questions coming in via the chat window. The first question is from Mr. Darshil Jhaveri. What kind of year will FY '25 be? Can we see 20% growth in FY '25?



**Vijay Balakrishnan**  
Chief Financial Officer | Pandy Oxides and Chemicals Limited

Yes, I'll answer this question, Jhaveri. So the expected -- right now -- yeah, last year if you see, our turnover was about INR1,474 crores and for next year, we can expect roundabout from INR1,700 crores to INR1,800 crores will be our expected turnover.



**Radhakrishnan Chonat**  
Director of Business | AlphaStreet

Thank you, Mr. Vijay. Next question is from Bhavesh Chauhan. The company will be in receipt of INR500 crore due to this preferential issue. Can you explain the deployment of this amount, please?



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

Deployment of this preferred preferential capital amount you are talking about?



**Radhakrishnan Chonat**  
Director of Business | AlphaStreet

Yes, yes.

**K. Kumaravel**

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

Yeah. Just I explained, no? This -- initially, we are getting INR70 crore from preferential issue before March '24, which will be utilized for our new expansion going on in Thervoykandigai, Tamil Nadu and for lead automation plant. And for the balance, we'll get only after one and a half years, 18 months, only we'll get that balance amount. That, anyhow we are having second phase of expansion of different metals in the same venue or different venue. Already, we discussed in our opening meeting. All this thing, we'll spend in the later-on period after one and a half year.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you Mr. Kumaravel. The next question is from Mit Masalia. I hope I pronounced it right. The question is, will additional demand generated from expansion be entirely value-added products?

**Ashish Bansal**

Managing Director | Pondy Oxides and Chemicals Limited

Like I just spoke, I mean the entire production will not be value-added products but it will be in similar mixes about 35-65 or 40-60. It'll be a mix of both.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Ashish. Ladies and gentlemen, if you would like to ask a question, post it on the chat window or you can just raise your hand and ask it directly. There's a follow up question from Mit Masalia. Is the company looking to export the same to leading South Asian battery players? The question is vague, but the question is, is the company looking to export the same to leading South Asian battery players?

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Limited

So, Mit, just to give you a little background on POCL. POCL is one of the largest exporters of its -- these lead products in India. And we have been exporting this for almost over 15 years now to all these Southeast Asian countries and directly to the OE manufacturers of batteries and all the large battery makers, the Tier 1 battery makers specifically, to countries like Japan, South Korea, Thailand, Indonesia, Vietnam, Malaysia, Middle East, Bangladesh, multiple -- I mean almost in excess of 15 countries. So we are already doing that and going forward as well, from this production plant also, it will move to similar locations and other more locations as well.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Ashish. The next question is from Aniket Gada. What is the segment-wise revenue breakup for Q3 and also capacity utilizations for all the segments?

**Vijay Balakrishnan**

Chief Financial Officer | Pandy Oxides and Chemicals Limited

So I will take this question. So in terms of Lead division, the revenue is about -- for YTD numbers, it is about INR1,125 crores. In terms of Aluminum, we have done about INR40 crores and in Plastics we have done about INR15 crores for the last nine months. In terms of capacity utilization, we are in the range -- in Lead division, it's about 60 to 65 percentage; and in Aluminum, it's about 20 percentage; and in Plastics, about 25 percentage. Thank you, Mr. Vijay. The next question is from Prathamesh Dhiwar. Sorry, if I missed it, but how are we looking at margins and exports as a percentage of sales and the overall revenue guidance for FY '24 and FY '25?

**K. Kumaravel**

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

EBITDA margin is in the range of 6% at present on Lead division. Once we have Thervoykandigai plant in operation, EBITDA margin, we are expected to get more than 7% in that new plant. So overall EBITDA margin will go up further.



**Radhakrishnan Chonat**  
Director of Business | AlphaStreet

Thank you Mr. Kumaravel. Ladies and gentlemen, if you would like to ask a question directly, you can use the Raise Hand functionality, once again, as a reminder. We have a few more questions from the chat window. It's a follow-up question from Darshil Jhaveri. What kind of margins can we expect? Will we have operating leverage with better revenue? Is INR1,800 crore revenue conservative as in Q3, as we have already reached the run rate of INR1,800 crores? I hope that makes sense.



**Ashish Bansal**  
Managing Director | Pandy Oxides and Chemicals Limited

Yeah. I mean for the next financial year, definitely INR1,800 crores is on the conservative side and looking at multiple global phenomena and factors, we have definitely given a conservative number. So that's the best we can say. But definitely yes, INR1,800 crores is a conservative number. We will definitely strive to attain more.



**Radhakrishnan Chonat**  
Director of Business | AlphaStreet

Thank you, Mr. Ashish. There's one more follow-up from Darshil again. What kind of seasonality do we face?



**Ashish Bansal**  
Managing Director | Pandy Oxides and Chemicals Limited

So basically, our sales, predominantly, we do not -- we believe in very less amount of spot sales, and our -- most of our sales are governed by long-term contracts. We sign annual contracts with all the large OEs, and maybe 3% to 5% maximum of our sales are on a spot basis. And that's more on opportunity based or any specific extra value-added product that we get or that's also to support some of our existing customers where they need some extra material, raw material of sorts. So generally in excess of 95% of our sales is done on long-term basis.



**K. Kumaravel**

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

And there is no seasonality in this business as such.

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**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Limited

Yeah, because since we're also present in multiple geographical locations, even if one particular country has a cyclical thing, the other locations cover up for it. So similarly, it balances out the whole sales.

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**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you. Thank you, Ashish and Kumaravel. The next question is from the line of Navneet Bhaiya. Why are the EBITDA margins of the company lower than its listed peers? And what are the company's growth aspirations in the medium term, three to four years CAGR? And can we do 20% CAGR, given the focus on recycling?

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**K. Kumaravel**

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

Yeah, our EBITDA margin is intact. In fact, it is better than the previous quarter, if you see, already we discussed on that. Anyhow, we don't want to comment on the EBITDA margin of the other players. We can talk about our company on this. Our EBITDA margin is constant, it is on the increasing trend in the Lead division.

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**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Mr. Kumaravel. Follow-up questions from Aniket. Any update on EPR and battery waste management rules? Any concrete steps from the government's end?

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**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

Hi, Aniket. On EPR, I mean, still EPR is at a very nascent stage, and with regard to the battery management handling rules, battery waste management handling rules, the CPCB has put up a dashboard on its portal and most of the recyclers are getting registered. But in a more transitional way, I would say, in the next three to six months, we would see certain amount of opportunities transitioning into commercial viability for EPR. There are a lot of players in the market who approach recyclers like us to kind of exchange raw material and get a finished product in addition to the EPR certifications. Although at a nascent stage, I would still say that, over the next six to nine months, we would see a lot of opportunities progressing in this form of business line.

**K. Kumaravel**

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

To supplement Piyush, here in Tamil Nadu, that software under development in the -- this pollution side. So we are not able to progress much on the EPR registration in Tamil Nadu though it is live in other state of Andhra Pradesh, there already it is in the completion stage. Tamil Nadu will not be able to proceed because of -- they have not developed the software. It will take time, it seems, for EPR registration.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Piyush and Kumaravel. Again, one more follow-up from Aniket. Any update on the green lead manufacturing?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

So, green lead, unfortunately, I would have to comment that it's still under progress. We are again conducting trials and we are in touch with our partners to check the feasibility and the commercial viability. Maybe by the next quarter or so, we'll be able to comment on a detailed level on how the progress has been made and how the yields have kind of recovered. So that's basically all as of now.



**Radhakrishnan Chonat**  
Director of Business | AlphaStreet

Thank you Piyush. Next, we have a question from Prathamesh Dhiwar. What will be our export percent of sales in the coming years?

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

So, as of now, the export is at about 55% and domestic is at 45%. We are concentrating on exports in the coming future as well as expanding our domestic base. So relatively, we foresee similar proportions but the numbers will increase in a transitional way.

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**Radhakrishnan Chonat**  
Director of Business | AlphaStreet

Thank you, Piyush. I'm going to request, if there are any more questions, please use the Raise Hand functionality or use the chat to ask your questions, ladies and gentlemen.

Okay. We have a few more questions coming in via the chat window. Next one is not a question but more like a comment from Harsh Maru. A small feedback to the team, if you can share segmental revenue, EBIT and volumes in a quarterly presentation stock exchange, that will be very helpful.

Thank you, Harsh. We'll see what we can do about it.

Next question is from Chirag Mehta. When the revenue start flowing from MoU with Tamil Nadu government, what will be the asset turnover from that and expected margins? Also, what about the funding of INR300 crores to INR500 crores?

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**Ashish Bansal**  
Managing Director | Pandy Oxides and Chemicals Limited

Regarding the funding part, I think it has already been explained. In terms of the revenue in the first phase, that is the first part of the project, we are looking at about INR750 crores of top line from the first phase of expansion. And going forward, as we add on the next phases, similar

revenue -- top line growth will be there.

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**K. Kumaravel**

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

Asset turnover.

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**Ashish Bansal**

Managing Director | Pondy Oxides and Chemicals Limited

Yeah, asset turnover would -- asset turnover should be around 8 times.

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**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Ashish. Ladies and gentlemen, once again, I'm going to give a few seconds to see if there are any follow-up questions on the line. And as a reminder, if you have any questions, please use the Raise Hand functionality or use the chat functionality to ask questions directly to the Pondy management.

There is a follow-up question from Chirag Mehta. It's too brief, but I'll still go ahead and ask. Sir, about expected margins? So his question is about expected margins.

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**Ashish Bansal**

Managing Director | Pondy Oxides and Chemicals Limited

Like Mr. Kumaravel spoke just a while back, the expected margins from this specific plant should drive up a little bit and the overall margin should be in the range of 7%, which is currently now in the range of 6%.

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**Radhakrishnan Chonat**  
Director of Business | AlphaStreet

Thank you, Ashish. There's a follow-up question from Mit Masalia. What is the progress on lithium-ion recycling unit?



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

So, Mit, on the lithium-ion recycling, it is right now at again feasibility stage. We have made some progress with respect to R&D on the same, and we are kind of evaluating the techno-commercial feasibility of this particular form of recycling. It is still, I would say, at a very nascent stage. But what happens is the procurement is the key -- a continuous procurement, I would say, is the key to have the entire business model in place. Probably in the next two to three years, we will see a lot of potential happening. But I mean notwithstanding that, the fact is that we need to develop the form of recycling, the technology on the recycling front today. And we are working towards that and we are getting prepared because we know it is eventually going to happen maybe today, maybe in the next three, four months or within the next two, three years. So we are at a pretty advanced R&D stage, I would say. And you will see some progress and announcements on the same maybe in a couple of quarters as such.



**Radhakrishnan Chonat**  
Director of Business | AlphaStreet

Thank you, Piyush. It's a follow-up question again from Darshil Jhaveri. When will capex of first phase be completed and how will elections impact us?



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

We are -- our expected arrival of the machineries from foreign country is in April or May. So by that time, election in South India will be over. That's what we presume. So that will not affect our implementation or erection of machineries. Probably, it will [Technical Issues]. And our team is -- separately, they are working on it and that has nothing to do with the India general election.



**Radhakrishnan Chonat**  
Director of Business | AlphaStreet

Thank you, KK. There's one more follow-up from Chirag Mehta. What are the expected margins from MoU with TN government you are talking about?

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**Ashish Bansal**  
Managing Director | Pandy Oxides and Chemicals Limited

I think the question is a little vague. I mean expected margins from the MoU with TN government?

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**Radhakrishnan Chonat**  
Director of Business | AlphaStreet

Yeah, we'll give it a pass.

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

We can bifurcate into two, three segment. The Lead segment, already we have given profit margin segment -- answers, already were given by both of us and other products like paper and this thing, that is -- we cannot comment on it right now. Only at the time of implementation, maybe after one and a half year, two year only, we can comment about it.

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**Radhakrishnan Chonat**  
Director of Business | AlphaStreet

Thank you. Ladies and gentlemen, I request you to either raise your hand where you can ask the question directly or through the chat window. Please make sure the questions are legible. Thank you.

The next follow-up question is from Aniket Gada. Any updates on the lead recyclers? Any consolidation happening in terms of number of players in the lead recycling? Also, at what capacity utilizations do Aluminum and Plastics division break even?

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**Ashish Bansal**

Managing Director | Pondy Oxides and Chemicals Limited

Regarding the lead part, let me answer. So definitely, with the thrust from the government in terms of the complete circular economy and lot of other environmental factors, they're getting a little more firm in the processes of collection, the EPR process and all of it. It has to finally boil down and boil down to more stable players who can manage the operations in a more organized manner. So in the due course, we are already seeing couple of smaller players facing the heat on this front and unable to manage. So we definitely presume that maybe in a year or two, there could be a good cleanup on this space and the strong players will evolve further on -- in terms of, not only on lead, in any kind of recycling.

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

So on the second part of the question where you've mentioned at what levels will Plastic and Aluminum break even. So I'll first touch upon the plastic part. So plastic, we have a capacity of 9,000 tonnes per annum. That translates to 750 tonnes a month. The breakeven would be within the range of 400 metric tonnes to 450 metric tonnes per month. And right now, what we are -- I mean, have been successful would be the fact that the empanelment with the major -- the OEMs are more or less done and dusted. The only part is that we need to kind of scale up to those numbers to 450-plus, 500-plus, where we will eventually see the profit margins coming in and the margin of sales also showing in the financials.

With respect to the Aluminum division, again, we have similar capacities. Unfortunately, what the aluminum industry is right now going through is a very downward trend. It's probably at a trough stage of a business cycle where you see the aluminum prices have a lot of volatility. I mean, it's a good place to be for die casters, but not for the aluminum recyclers. But then that's not something which will be static. It will kind of eventually improve in the coming months, as we understand. And for us to break even, we would -- I mean, since our capacities are almost at par with what the manufacturers also say, say around a number of 500 tonnes to 600 tonnes a month would translate to breakeven and also generating a good margin for the shareholders here.



**Radhakrishnan Chonat**  
Director of Business | AlphaStreet

Thank you, Ashish and Piyush, for answering that question. Ladies and gentlemen, I'm going to give a few seconds to see if there are any more questions or comments from the audience.

Darshil Jhaveri has raised his hand. Operator, please allow him to ask a question directly. Hi, Darshil, please unmute and go ahead and ask your question.



**Darshil Jhaveri**  
Analyst | Institutional Shareholder Services

Hi, sir. Hopefully I'm audible?



**Radhakrishnan Chonat**  
Director of Business | AlphaStreet

Yes, go ahead.



**Darshil Jhaveri**  
Analyst | Institutional Shareholder Services

Yeah. Hi. Firstly, sir, thank you so much for answering all the questions with such clarity. And as you know, most of my questions have been answered. Just a small question that relates to our capex. So just clarify what you've said or summarize maybe. Our first phase, we are starting right now and we've already ordered the machineries. That would get completed in 18 months, and after that, we'll use our remaining preferential issue shares, the money that we have, and that would start the second phase. Is that right, sir?



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

No, no. Actually, these two parts we raised the issue now. One is preferential issue of INR51 crore coming immediately and balance of the INR80 crore -- 25% of that INR80 crore will come immediately from the warrant account. That 75% of the warrant only will come after 18 months. So



we are going to utilize this INR70 crore for our immediate project coming up in Thervoykandigai. Apart from that, in the corrigendum given to the shareholders, one portion we are going to utilize for the working capital purposes as well as general corporate purposes. That breakup also we have given in the corrigendum communicated to the shareholders. So we cannot raise fund -- we cannot wait for 18 months to come, then after that raising funds, not possible. Funds is coming in two phases. And SEBI approval, we are getting immediately for the entire amount. That balance amount will be utilized for the second phase of expansion.

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Limited

So the first phase of expansion, the machines will be arriving somewhere around April, April end and the commissioning will start. So we are targeting, as said earlier, to start the production by first week of September to do the trial productions.

**Darshil Jhaveri**

Analyst | Institutional Shareholder Services

And sir, after trial production starts, so it would take around how much time for testing? And commercial operations would start maybe in three months? Or how much time...

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Limited

Commercial operations would start -- I mean hoping everything goes well in the trial production, within a month's time, the commercial operations can start in full swing.

**Darshil Jhaveri**

Analyst | Institutional Shareholder Services

Perfect, perfect, sir. And sir, so, as we said, I think around INR40 crores we have earmarked for plant and machinery and rest -- a lot of it for working capital. So total capex on just the new plant, how much are we spending currently, like the first phase as we are speaking about? And that would be how much, sir?

**K. Kumaravel**

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

Total capital expenditure on this project is INR70 crore.

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**Darshil Jhaveri**

Analyst | Institutional Shareholder Services

Okay. INR70 crore, then for that, we expect an 8 times asset turnover, correct?

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**K. Kumaravel**

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

Yeah, yeah. Yes.

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**Darshil Jhaveri**

Analyst | Institutional Shareholder Services

Okay, perfect, perfect. So that helps. That clarifies everything...

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**K. Kumaravel**

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

Yeah. Because of that only we arranged the preferential amount in such a way to meet out the immediate requirement of capex.

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**Darshil Jhaveri**

Analyst | Institutional Shareholder Services

Perfect, perfect, sir. So sir, H2, maybe we should see a turnover coming from this -- hello?

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**K. Kumaravel**

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

Your question is not clear, sir.

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**Darshil Jhaveri**

Analyst | Institutional Shareholder Services

Yeah, yeah, sorry, sorry, sir. So sir, H2 should see around, revenue coming from our new plant...

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**K. Kumaravel**

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

Yeah, yeah, H2 of '24-'25, we get revenue generation from the new unit.

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**Darshil Jhaveri**

Analyst | Institutional Shareholder Services

Correct, correct, sir. And roughly that would be like -- we could expect maybe around INR100 crores, INR150 crores because even capacity utilization would take some time. Right, sir? Or the new plant, we could expect around that much to come in?

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**K. Kumaravel**

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

Yeah. Yes, yes, definitely. Definitely, we'll get around INR150 crore, INR200 crore turnover from there.

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**Darshil Jhaveri**

Analyst | Institutional Shareholder Services

Perfect, perfect, sir. And it would take how much time to reach optimum capacity?

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**K. Kumaravel**

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

If everything goes well, maybe after 12 months, probably we'll achieve that.

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**Darshil Jhaveri**

Analyst | Institutional Shareholder Services

Okay, okay, okay. Perfect, perfect, sir. Thank you so much sir. Thank you.

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**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

Probably the first half of FY '26, first two quarters of FY '26 would when the -- I mean optimum production capacities will be attained.

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**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Limited

He's talking about full utilization.

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**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

Full utilization.

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**Darshil Jhaveri**

Analyst | Institutional Shareholder Services

Yeah. And the full utilization would be around 80%, right? Or we could do 100% also, right?

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**K. Kumaravel**

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

Yeah. We can go up to 100% theoretically and technically also. Generally, we keep it at the 90% level.

**Darshil Jhaveri**

Analyst | Institutional Shareholder Services

Perfect, perfect, sir. Thank you so much for answering all my questions. Thank you so much, sir. All the best for the next call.

**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. Thank you, Darshil. As a reminder, ladies and gentlemen, if you would like to ask a question, you have two options: use the Raise Hand functionality to ask a question directly or the chat function. All right, ladies and gentlemen, that's all the time we have allocated for today. Please do send in your additional follow-up questions by email to us and we'll follow up to get those answered by the POCL management. Thank you all for joining us for the Pandy Oxides and Chemicals Limited Q3 FY 2023-2024 earnings call. And as a reminder, today's call was recorded. A replay of this call will be made available on AlphaStreet India's YouTube channel as well as our alphastreet.com platform. A final transcript will be made available shortly on alphastreet.com. Thank you everyone for joining us today. And thank you, Pandy Oxides and management team for the call. Appreciate it.

**Ashish Bansal**

Managing Director | Ponds Oxides and Chemicals Limited

Thank you. Thank you, Radhakrishnan.

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**K. Kumaravel**

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

Thank you.

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**Piyush Dhawan**

President, Commercial and Strategy | Ponds Oxides and Chemicals Limited

Thank you, everyone.

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**Ashish Bansal**

Managing Director | Ponds Oxides and Chemicals Limited

Thank you all.

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