GRAVITA

GRAVITA INDIA LTD.

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3rd November, 2023

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To,

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Dear Sir/Madam,

Sub: Transcript of the earnings conference call for the quarter and half year ended September 30, 2023

Pursuant to Regulation 30 and 46 read with clause 15 of Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call for the quarter and half year ended September 30, 2023 conducted on 1st November, 2023 for your information and records.

The above information is also available on the website of Company: *https://www.gravitaindia.com/investor-recordings/*.

This is for your kind information and records.

Thanking you.

Yours Faithfully
For **Gravita India Limited**

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"Gravita India Limited
Q2 FY2024 Earnings Conference Call"

November 01, 2023

ANALYST:	**MR. SABRI HAZARIKA – EMKAY GLOBAL FINANCIAL SERVICES**
MANAGEMENT:	**MR. YOGESH MALHOTRA – CHIEF EXECUTIVE OFFICER & WHOLE TIME DIRECTOR – GRAVITA INDIA LIMITED** **MR. VIJAY KUMAR PAREEK - EXECUTIVE DIRECTOR – GRAVITA INDIA LIMITED*** **MR. NAVEEN PRAKASH SHARMA – EXECUTIVE DIRECTOR – GRAVITA INDIA LIMITED*** **MR. SUNIL KANSAL - CHIEF FINANCIAL OFFICER - GRAVITA INDIA LIMITED** ***Non-Board Member**

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY2024 Results Conference Call of Gravita India Limited hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Sabri from Emkay Global Financial Services. Thank you and over to you Sir!

Sabri Hazarika: Good morning everyone. On behalf of Emkay Global, I welcome you all to Q2 FY2024 post-earnings conference call of Gravita India. We have with us the senior management of Gravita led Mr. Yogesh Malhotra, Whole Time Director and CEO, Mr. Vijay Kumar Pareek - Executive Director, Mr. Naveen Prakash Sharma, Executive Director and Mr. Sunil Kansal, Chief Financial Officer. So today the management will brief from the result and then we will move on the question answer round. So without any further delay now I invite Mr. Malhotra for the opening comments. Over to you Sir!

Yogesh Malhotra: Thank you Mr. Sabri. Good morning ladies and gentlemen and welcome to our Q2 and H1 FY2024 earnings call. I believe you have had an opportunity to review the earnings presentation and financial results that were uploaded on the stock exchanges. Before opening the floor for questions I will provide a brief overview on the major highlights of the quarter. I am very happy to share that Gravita has delivered stellar performance on both financial and operational fronts for Q2 and H1 FY2024. Before we delve into the results I would like to share some strategic highlights and project updates. I am pleased to announce that ICRA has updated the credit rating for both fund based and non-fund-based facilities long-term rating has been upgraded to A+ stable from a positive for short term rating has been upgraded from A2+ to A1. Gravita subsidiary in Togo West Africa has started commercial production of battery recycling from its existing recycling plant having an annual capacity of 6000 metric tonne per annum. I would want to highlight that the company has been sourcing scrap from Togo yard for the last 3 years and has set up a strong scrap connection network before establishing the plant there. Further the company is already having aluminium recycling plant having an annual capacity of 4000 metric tonne per annum in Togo West Africa and this new facility will enjoy the benefits of economy of scale and will be cost effective due to savings in logistic cost. Now let us discuss the operational performance. Coming to the capacity expansion as on 31st October 2023, Gravita has expanded its total capacity to 2.84 lakh metric tonne per anum compared to 2.33 lakh metric tonne per annum on 31st March 2023. We are strongly progressing towards our target of reaching the existing vertical capacity of 4.25 lakh metric tone per annum by 2026. Gravita is committed to expanding its capacity and hence is expecting to incur a capex of more than Rs.600 Crores by FY2026 for its existing as well as new verticals. Capex expected for existing and new verticals is approximately 350 Crores and Rs.250 Crores respectively. The company has witnessed a volume growth of 1% in Q1 FY2024 on a year-on-year basis and we are seeing major volatility in the commodity place and some demand slow down is also visible globally especially in China because of a strong relationship and OEMs across globe and back-to-back hedging mechanism we are able to generate volume growth along with sustainable margins. In case of plastic and aluminium, we are still in the process of developing OEMs approval and working on hedging options which will stabilize the margins with sustainable volume growth in these verticals also. Moving to financial results let us discuss the half yearly financial results. Consolidated revenue for H1 FY2024 increased by 22% to Rs.1540 Crores and 48% of revenue in H1 FY2024 came from value added products aligning with our vision of achieving 50% revenue from this category Consolidated adjusted EBITDA for the for the half years stood at Rs.160 Crores that is up 23% and consolidated PAT showed an increase of 26% to Rs.110 Crores in H1 FY2024 from H1 FY2023 that margin increased to 7.1%. ROC for H1 FY2024 stood strong at 26% cash and cash equivalents of the company have increased to Rs.118 Crores as liquidity for future capex and working capital. Coming to quarterly financial results at consolidated level revenue for the quarter increased by 22% and 19% to Rs.836 Crores on a year on year and quarter to quarter bases respectively 44% of the revenue in Q2 FY2024 came from value added products and 39% revenue came from overseas business. On a year-on-year basis adjusted EBITDA increased by 23% to Rs.80 Crores. EBITDA margins stood at 99.5%. Gravita reported a consolidated PAT of Rs.8 Crores with a 30% and 11% growth on year-on-ear and quarter on quarter basis respectively PAT margin remained steady at 7% that is all from my end. I would now request to open the floor for questions and answers thank you and over to you Sabri.

Moderator: Thank you very much. We will now begin the question-and-answer session. We take the first question from the line of Mr. Rahul Bhangadia from Lucky Investment Manager. Please go-ahead Sir.

Rahul Bhangadia: Thank you for taking my question Sir and congratulations on good set of numbers. Two questions one is on the lead side things seem to be on track and they seem to be trending towards what we had guided for but aluminium and plastic volumes seem to be struggling while you touched upon it in the initial remarks but if you could just give us a better insight into what is happening there and what do you think you will do to kind of improve the trends that are visible right now.

Yogesh Malhotra: Sure Rahul so as I mentioned in the comments also that there is huge volatility in the metals or commodity market. I mean it has come down drastically especially in aluminium in the last year and because we are not hedging, there is no hedging mechanism currently so you could see the effect on the bottom-line numbers of aluminium and also because of this huge volatility and also there is some slowdown in demand as I mentioned in China especially so our Indian operation is not running optimally so that is why you see some issues in aluminium EBITDA margins and aluminium volumes also. I mean there is a possibility that that this will continue for another quarter but by the next quarter or at the most by year end we will see some stability in these markets also and we are also working on some mechanism for hedging for aluminium as well as I mentioned earlier in my earlier calls as well so hopefully that will be also in place by the end of this year so once these two things happen I think we will be in line to grow in aluminium also in the same manner as we are doing in lead.

Rahul Bhangadia: And plastic Sir.

Yogesh Malhotra: Because we closed down our plant in Karago last year so the effect is primarily because of that but we are increasing the capacities in wherever other plants are there because that was one of the major plants that we sold off so you could see some negative growth there but otherwise if you look at the existing verticals we are at par with last year.

Rahul Bhangadia: So maybe the existing sites are working at par with last year how much would have the shutdown plant contribute to the volumes in plastic.

Yogesh Malhotra: It is around 1000 tonnes in this quarter sorry.

Rahul Bhangadia: So 1000 tonnes per quarter is that shutdown site used to contribute.

Yogesh Malhotra: Yes.

Rahul Bhangadia: And besides that you are saying essentially then we are flattish.

Yogesh Malhotra: Yes we are flattish.

Rahul Bhangadia: But then Sir besides lead we need other guys also to start growing and if you could touch upon what is the developments in the newer verticals on rubber and other places.

Yogesh Malhotra: So rubber is doing well. We have increased our capacities in Ghana. We have also increased capacities in Tanzania. Senegal plant is also coming but it does not reflect on the bottom line per say because all the consumption from the material is in house only so it gets reflected in the profitability of other verticals wherever we are using rubber as raw material so apart from that we have already applied for consent to establish a plant for lithium-ion battery recycling at Mundra. We are waiting for the approvals once that comes through we will start setting of plants there, paper also hopefully in next quarter or a quarter next to that you will hear something where we will start setting up a plant in central America for paper also so these two verticals we are very confident that we will start putting up plant, we will start establishing plants in this year itself.

Rahul Bhangadia: Okay I will come back for more questions Sir just a final one. Given the slight challenges that you are witnessing in aluminium and plastic for varied reasons do you still think you will be able to go by your guidance that you have of course redirected in your presentation.

Yogesh Malhotra: So these are only short-term setbacks actually if you look at the prices of aluminium once they stabilize I think we have good to go. Our capacities have increased and in the long term if you if look at it and we are very confident because the overall recycling space is growing very fast and we see a very good ecosystems in both these plastic especially and in aluminium also and that is why we are increasing our capacities. These are only short-term setbacks and especially because currently there is no mechanism for hedging you would see these effects on a quarter-to-quarter basis but if you look at the same time last year would have seen some increase in EBITDA margins in aluminium also because the prices are going up so once these prices stabilizes we will come back to the same EBITDA numbers.

Rahul Bhangadia: Great Sir I will come back for more. Thank you so much. Thank you.

Moderator: Thank you Sir. The next question is from the line of Dhruv from JMFL. Please go-ahead Sir.

Dhruv: Good morning Sir. Sir my question is related to the long-term debt part. The long-term debt has increased from approximately 90 Crores to almost 325 Crores so what is the reason for this increase in debt.

Sunil Kansal: So basically we have taken some long-term loan uh in the overseas subsidiary in Netherlands which is we have taken it from some ESG European funds where the working capital and the capex needs of the overseas business is planned to met by these ESG funds so that is the reason where we have increased the long-term debt and reduced the short-term debt so earlier overseas business was being funded for the working capital from the Indian facilities but since we have taken this facility for the overseas business in overseas itself now Indian working capital debt is slightly reduced and some part of this long-term loan is already kept as a cash and cash equivalent in the overseas where it will be used for future capex and the working capital needs.

Dhruv: Sir from which entity you have taken this loan.

Sunil Kansal: Netherlands. So we have taken it is the Netherland subsidiary and the overseas lender is Proparco and OED these are the two overseas lenders, ESG funds. Their mandate is to fund the African business in the recycling space.

Dhruv: Okay and what is the rate of interest on these loans.

Sunil Kansal: Rate of interest is slightly lower than the current working capital loan facility we have taken in India so the Indian facility we are taking at around 8 and this facility comes at around 7 currently.

Dhruv: Okay overseas are at 7. Okay Sir thank you so much. I will come back in the queue.

Moderator: We take the next question from the line of Satadru Chakraborty from Chakraborty Family Office. Please go-ahead Sir.

Satadru Chakraborty: Hello good morning congratulations on a good quarter. My first question revolves around the net working capital cycle so I think the inventories payables look good. My question really is on the receivables so there is a sharp jump and I see that cash flow cooperation is significantly down because of that. Can you give me a bit more insight on what exactly is happening is this one or two large customers who are not paying or is this going on credit so what exactly is causing this jump.

Sunil Kansal: So yes on 30th September 2023 this number was exceptionally higher just because of some additional volume dispatches in the last few just before the quarter end and this money is already realized in the current month so it was exceptionally high just at the quarter end but it is already at the normal level at this point of time, so normal level is close to 150 Crores but yes it was higher on the 30th September.

Satadru Chakraborty: Okay any notional idea on how many days this is in terms of receivables or this quarter versus the last.

Sunil Kansal: Yes normally it is in the range of 18 to 20 days but exceptionally higher as I explained so it was around 25 days slightly more than 25 days.

Satadru Chakraborty: Okay understood my second question is a bit more nuanced in the results sheet that you have presented there is a point number six which says there is an appeal received by the commissioner of customs Jodhpur of around 70 Crores you are saying for the moment being you have a good case. There is no provisioning and there is just one line which mentions that in case any liability comes from the company, the company is entitled to take credit of the tax amount so I am not very sure I understand this last line correctly so what you are trying to say is if the liability comes then our revenues will go down and then the tax that we have paid is more so we can get a credit of that tax amount is this what the strategy is so far.

Sunil Kansal: As mentioned this is a pre-imposed condition where we need to deposit the demand which is in the form of GST so whenever we deposit this amount in the form of GST it is available as a credit also for us to be taken for the future GST payments. It can be adjusted for the future GST payments so still we are under appeal. We are saying this case is not applicable on us but if as mentioned if the case is not in our favor we have to deposit this amount and we can take a credit off in the future GST payments for this amount.

Company Speaker: In other words it may affect the cash flows for the time being but it will not have any financial impacts in the longer terms.

Sunil Kansal: So that is the reason where we have not taken any provision on the company's financial.

Company Speaker: And to further add to this the judgment was given before the guidelines came from CBIC. The CBIC guidelines says that only the cases where this pre-import condition was violated, the GST has to be deposited while the honorable commissioner considered the entire period as a violation, one part is this so this number will reduce to less than 10% and second thing is that when we have gone to the appeal for the tribunal so there we are telling this is a bonafide case not wherein this cannot be raised on us after a period of two years so these are two other scenario which are already there.

Yogesh Malhotra: I hope we have answered your question or do you need some further clarification on this.

Satadru Chakraborty: No I think this is quite good thanks for this. The last question I have really is on the upcoming diversifications so any sense on what exactly is the company and the management trying to do with the lithium-ion recycling because I know there is a lot of scope for this in the market.

Yogesh Malhotra: So as I mentioned earlier answering some question that have plans to put up a lithium-ion recycling plant a pilot project in Mundra and we have already applied for consent to establish a plant in Mundra. We are waiting for the concerned authorities to approve that plan for us to start putting up plant there so hopefully we will get that consent in the next quarter and then we will start putting up plant for lithium-ion recycling in Mudra in this year itself.

Satadru Chakraborty: Okay one additional followup just taking this further I do not think there is any hedging mechanism in place that you can afford to do with the lithium metal, the way it stands now right.

Yogesh Malhotra: For all metals there is a hedging mechanism it can be traded on exchanges. There is LME London Metal Exchange.

Company Speaker: Lithium ion is getting formation because SSFE China is a major lithium supplier so there is some mechanism which is being developed but since these batteries availability is very low and we expect that more volumes to come by FY2026-2027 then this particular hedging will also evolve over a period of time.

Satadru Chakraborty: Right thank you gentlemen all the very best.

Moderator: The next question is from the line of Mr. Parikshit Kabra from Pkeday Advisors. Please go-ahead Sir.

Parikshit Kabra: Hi thanks so much. Congratulations on your results. Great set of numbers. I wanted to touch upon something that other people have already touched upon is basically the lithium opportunity but not from the angle of recycling lithium but this is obviously going to impact the lead market as well maybe not in the next couple of years but maybe in five years, six years so I just wanted to get a sense from the management over the next five to six years how do you see the lead market total addressable market evolving and Gravita's market share within that.

Yogesh Malhotra: So I think although it may affect the lead market it will not affect in a big way because lead acid battery is used for lighting ignition and starting so it is a SLI battery that we use whereas a lithium-ion battery is a traction battery which is used to drive the car so even in a electric vehicle you would require a lead acid battery although the size of the battery is smaller. The lithium battery replaces the IC engine part.

Parikshit Kabra: It is not there. If I know this has been the line for a while but we know that the consumption will significantly drop right.

Yogesh Malhotra: I mean the size of the battery would be say around 70% of the size of the battery that is getting used currently in IC engines but at the same time, I mean it will take some time. I think what you were mentioning about in the next 3, 4 years it will replace lead acid battery or the EVS will replace the IC engines that would happen probably in the developed countries but in countries where we are present I think most of the applications would still run on IC engine is our take but we have mentioned earlier also that it does not matter whether lithium ion battery comes in place or maybe some other technology comes in place our business is recycling business where the ecosystem is more important, procurement is more important than the technology, technology can be bought but the whole ecosystem of procuring material, processing it, and then supplying to the OEMs that ecosystem is much more important so although the lead acid battery may come down in future we believe that recycling of lithium battery will present a much larger opportunity for us to go into.

Parikshit Kabra: Absolutely and that makes sense right when we diversify we can go into other segments and I completely appreciate so this is not a this is not a take on Gravita as a whole I am just trying to understand the lead market as a vertical how we see the lead vertical evolving over the next five to six years, Gravita may obviously create multiple new businesses and that is great but how will the lead business evolve over the next five to six years in your opinion.

Company Speaker: Yogesh rightly said that lithium-ion batteries are upcoming market and undoubtedly it is going to take some space out of the Gravita's recycling diagram but if you see in lead space also we have hardly 2% of the global market share. Because in case of Gravita's perspective uh we see that we will position our self more in global market to sustain the volumes of lead but yes in times to come as soon as the lithium ion increases it will take the space from the lead space.

Yogesh Malhotra: Yes so to answer your question Sir definitely there will be a hit on lead acid battery manufacturing. I mean all the IC engines would get converted to EVS but then there are other opportunities also coming stationary batteries. I mean like this battery power storage is also another application that is there so overall probably in the mobility business or in the cars or I mean like automobile batteries section lead acid battery may go down but there are other application for lead that are still growing. I mean like we are talking about a cable industry which is using lead as a sheathing mechanism which is also growing then there is radiation industry, x-ray machines and nuclear power plants. There are various other application for lead which are also growing at the same time so overall we are very confident that the lead as a commodity there is very little chance of it going down because of the other opportunities that are available for this.

Parikshit Kabra: Okay great thank you so much. Thank you for taking my question.

Moderator: Thank you Sir. The next question is from the line of Mr. Rahul Soni from ICICI Bank limited. Please go-ahead Sir.

Rahul Soni: Yes thanks for giving me an opportunity. Sir my question is on the procurement side. Sir I want to know what percentage of your raw material requirement like scraps for lead and aluminium you procure from globally and at what discount to the prevailing LME prices, thirdly I want to know what is the power cost for smelting of lead and aluminium compared to the recycling of the same. As compared to recycling what is the power consumption.

Yogesh Malhotra: If you mine the metal as compared to recycling right.

Rahul Soni: Yes.

Yogesh Malhotra: So to answer your first question you were asking about the price of battery that we buy.

Rahul Soni: Percentage of your total raw material procurement.

Yogesh Malhotra: I will give you ballpark figure that whatever batteries we are importing in India is somewhere in the vicinity of 50 to 55% of the LME prices right so but the lead content in that battery is around 60 to 65% so you will probably get the picture so it is around 80% of the total lead available. Te price of the battery is around 80% of the total lead metal available in that battery when you import that battery. Whereas in India it is somewhere around 58 to 60% so it is around 90% of the total lead available in that battery if you buy it in India. We have our own yards in Africa where we get this lead acid battery at around 40% of the LME prices also so it varies a lot depending on which geography you are in where you are buying it from either you are buying it from your own yards or you are going to aggregators and buying it from there so the prices would change drastically depending on the geographies and the mechanism. Coming to the energy cost of recycling business in mining it is approximately 1/4 of the total energy cost is used if you are smelting it by recycling as compared to mining and in case of aluminium it is 120, it is only 5% of the energy that you consume when you recycle aluminium as compared to when you do mining of aluminium so it is very energy efficient.

Rahul Soni: So in terms of units what is the power consumption for lead smelting?

Yogesh Malhotra: So in recycling generally it is not the power it is the fuel that is important because for smelting you use fuel and not power is very minuscule. A major part of energy that is consumed is through in way of furnace oil or gas or coal or any other such thing. To give you a picture I think for every tonne of lead that we produce we use around 50 liters of furnace oil.

Rahul Soni: Okay so that is the main fuel component.

Yogesh Malhotra: Yes that is a major component and for that also we are using rubber and tire recycling and we are kind of replacing the fossil fuel and using tire instead of fossil fuel so we using pyrolysis oil to replace fossil fuel for our smelting processes.

Rahul Soni: Okay.

Moderator: Thank you Sir. We take the next question from the line of Mr. Khush Nahar from Electrum PMS. Please go-ahead Sir.

Khush Nahar: Thank you for the opportunity Sir so I just have two questions one what would be the percentage of domestic sourcing this quarter.

Company Speaker: So domestic sourcing percentage is close to 20% in this quarter but on H1 basis it is approximately 27%.

Khush Nahar: Okay and Sir just want to know that are we maintaining on the volume guidance as said earlier on 20-25% for FY2024 and going ahead for the next two, three years seeing the demand slow down.

Company Speaker: Yes correct so that guidance is given for till FY2027 so that guidance is continued of 25%.

Yogesh Malhotra: so as I mentioned earlier also we are not affected by slowdown that much in lead business because we already have and also as Vijay mentioned earlier that the total capacity that we have is hardly 2% of the total global requirement so the slowdown will not affect us that is one part, the second part as Sunil also mentioned this is only temporary setback in the longer terms I think in aluminium and plastic will come back to the same position that was there last year so in the longer run in the next 3 years 25% growth rate is not at all a problem.

Khush Nahar: Okay Sir thank you.

Moderator: Thank you. We take the next question from the line of Ketan Athavale from RoboCapital. Please go-ahead Sir with your question.

Ketan Athavale: **H**ello thank you for the opportunity Sir. I wanted to know what revenue growth can we get in this year FY2024 will it be slightly lower than 25% and also what is your EBITDA margin guidance for FY2024-2025 and 2026 thank you.

Sunil Kansal: So revenue growth in H1 is approximately 22% so we are giving it volume guidance of 25% growth on a longer-term basis so which is the target for us so there may be some fluctuation in the prices so that may vary from year to year or quarter to quarter but yes we are confident for taking a volume growth of 25% on a longer-term basis.

Yogesh Malhotra: I will just elaborate it a little bit more in the sense that our focus is more on the bottom line rather than the volume growth in revenue numbers because there are various factors that are important in the volumes. As I mentioned that sometimes we also have arbitrage opportunities where we bring in some of the material that we source outside into India and therefore it does not get reflected when you consolidate the numbers so the volume growth shows a little lesser than the total production that we have done so that way the volume growth may not be the right reflection on how much production we have done or how much volumes we have done overall because it gets eliminated when you bring it to India and then sell it from India that is only because we want to increase the bottom line so those numbers can change but our guidance on the bottom line of 30 to 35% growth on the PAT numbers are intact and we are very confident of achieving that in longer run also.

Sunil Kansal: And in addition to that we are also focused on taking the minimum ROC of 25% because uh there is different kind of businesses and different kind of businesses involved, different kind of working capital also so to be more precise on the bottom line that ROC return on capital is a more precise number we follow and the target is minimum achieve 25%.

Sunil Kansal: Okay thank you Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Jenish Karia from Antique Stock Broking. Please go-ahead Sir.

Jenish Karia: Thank you Sir. The first question is with regards to the capex so first half we have done around 54 Crores of capex as per the cash flow statement. We are guiding for around 205 Crores of capex in FY2024 so will second half be capex free or do we see some slippages in the next year.

Sunil Kansal: So approximately 54 Crores we have done in the H1 but H2 may have another 100 Crores and part of plan of H2 May carry forward to the next year maybe first half of next year so that will be incurred in that one, so maybe 50 odd Crores will carry forward to the next year.

Jenish Karia: And the 100 Crores that we plan to spend in the second half will it be majorly for the lead overseas business or which vertical will it be.

Yogesh Malhotra: So basically it is for the existing vertical capital we are talking about and it is not 205 Crores per annum because it is around 150 Crores per annum for the existing verticals we were talking about so we would be completing that 150 Crores for current verticals in this year apart from that in another vertical we are expecting to incur around 45 Crores this year and then 100 Crores next year and the 100 Crores next year so in the existing verticals we are in line, it is the new vertical we are talking about. We are talking about lithium and so we are completing our feasibility for paper and steel plant in Africa and Central America that may get postponed to the next year. I mean some of the capex in those two lines may get postponed to next year spill over to next year but the existing vertical in line with the total 150 Crores that we are talking about.

Jenish Karia: Okay that is helpful. The second question is uh why is the domestic sourcing for India plants uh declining over last four to five quarters.

Yogesh Malhotra: I have talked about this earlier also sometimes there is an arbitrage opportunity where the overseas market is more price I mean effective as compared to the Indian markets. There is a difference between the prevailing prices overseas compared to the Indian markets during those times we import a lot of batteries into India and on other occasions we export a lot of material from India also whenever the prices are the other way around. In last quarter in Q1 there was a huge arbitrage opportunity so we imported a lot of battery into India because of that there was surplus of batteries availability to us so because of that we hold procuring any batteries both from overseas also and in India also so that is one of the reasons otherwise there is availability but when there is availability we choose the scrap that is cheaper to us so it happened in last quarter but from next quarter onwards you will see improvements in the domestic battery scrap also. It is not because of non-availability of battery much because our capacities are limited so it is dependent on the price of battery that is available to us.

Jenish Karia: And just a follow up on that so prior to FY2023 and FY2022 the proportion of domestic sourcing for India plants was upward of 50% with battery waste management rules getting implemented from FY2023 onwards the proportion of sourcing from India has gone down so is it because of the rules being implemented, the domestic sourcing has become costlier and we are finding it economical to import it is that understanding right or am I wrong.

Yogesh Malhotra: Batteries have always been cheaper overseas. We are increasing our capacities because there is huge opportunities in the local space also but at the same time we are increasing our procurement yard capacities overseas. The overall capacities are increasing and the overall battery availability is also increasing for us both from Indian market as well as from overseas market but we pick and choose which is more price efficient for us and that is what we do so at the back of it both prices as well as the ROC is important to us but when you see there is a huge arbitrage between overseas batteries and domestic batteries during those times only we buy more overseas scraps as compared to the Indian scrap having said that we are already increasing our capacities in India. We had increased the capacities in Mundra and are continuing to increase our capacities so that whatever scrap is available we can use that scrap also.

Jenish Karia: Just to summarize that the spreads between the overseas and India battery right now narrows down to yield increase of domestic sourcing right.

Yogesh Malhotra: So if you look at the overall numbers compared to last year we have procured 40% more batteries as compared to last year in India.

Jenish Karia: Earlier we used to report our overseas profit as a percentage in our presentation so that has stopped since the last two quarters.

Yogesh Malhotra: Actually earlier there was a concern about the Indian profits being too low so we were always mentioning that Indian profits but if you want we can start it from next quarter again.

Jenish Karia: That would be helpful Sir and if you can just give me the last two quarter numbers.

Jenish Karia: I probably will share it you offline. I do not have it ready.

Jenish Karia: No problem I will take it offline Sir. Thank you so much for your time.

Moderator: Thank you. We take the next question from the line of Mr. Navneet an individual investor. Please go-ahead Sir.

Navneet: Hi Sir can you tell me the market share that you have in lead recycling right now.

Yogesh Malhotra: So it is a very fragmented market. It all depends on which geography you are present in because we are not present in the developed world where most of the battery gets consumed. We are not there in Europe. We are not there in US so overall global market share would not be available but when we talk about Indian market of the total organized market we have around 15 to 17% market share in India and wherever we are present in Africa whichever country we have more than 50% market share in all the countries that we are in so we are a major player in most of the countries.

Navneet: And Sir organized market would be what proportion in India.

Yogesh Malhotra: Around 30% of the total market would be organized 30 to 35%.

Navneet: Got it. Do you have similar numbers for your plastic and aluminium business as well?

Yogesh Malhotra: For plastic it would be very difficult because most of the plastic business in India is unorganized. Not more than 10% would be in the organized sector more than 90% would be in the unorganized sector. For aluminium I will just hand over to Mr. Naveen.

Naveen Prakash: In aluminium mostly India is importing the scrap because the local generation of scrap is very less so that volume is percentage wise very low you can say our capacity here we have around 15,000 tonnes per annum and alloy market should be somewhere around 7 to 8 lakhs so percentage maybe 2 3%.

Navneet: Right on the aluminium and plastic business before you grow it aggressively would you want to sort of develop that hedging plan or irrespective of whether you can develop the hedging plan or not you would continue to invest heavily in these businesses as well.

Yogesh Malhotra: See there are two aspect of this business when we recycle. One is when you use this EPR like we are doing it in lead recycling also we have tolling business availability so part of the business would be tolling business as we grow especially in plastic more and more because of the EPR extended producer responsibility. There you would not require any hedging so hedging is important but business proposition is more important so I will just give you an example because what happens when you do not hedge is that your quarter-on-quarter variability in profit would be there but that profit does not go anywhere if you keep the same stock even whether there is a heading mechanism there or it is not there it will only affect your quarter-on-quarter profit. If you keep the quantities constant, if you keep on buying regularly throughout the year then whenever there is a change in prices again you will start getting the benefit of the stock that is already there so it will not affect the actual profits it is just a notional profit that gets affected.

Navneet: I understand so currently in terms of profitability at least in this quarter these two businesses contributed quite insignificantly to your overall firm so when do we see these businesses contributing say upwards of 10% at least to your overall business.

Yogesh Malhotra: So definitely with increasing volume if you see in the last year we have increased the capacities of aluminium by more than 100% that is one thing and if you see last year also the profit from aluminium was high because the prices were high. This year you are seeing because the prices have come down so the price of my inventory has gone down. Once there is a reversal in prices again the prices of inventory will go up again and that profit is already intact in the inventory so it has not gone away and despite that on the current business also 11% of the EBITDA comes from aluminium and plastic and another 8% comes from turnkey solutions, so lead is contributing 81% of the total EBITDA currently.

Navneet: We take the next question from the line of Mr. Rohan Vora from Envision Capital. Please go-ahead Sir.

Rohan Vora: Hi thank you for the opportunity. Sir I would like to have your views on how different the sourcing ecosystem would be for lithium, paper, etc the new businesses. How different would be the sourcing ecosystem.

Yogesh Malhotra: The sourcing equipment I think it is very similar to the tolling business that we do where you will have to tie up with the OEMs and collect battery on their behalf from their workshops and also most of the business would be that way when you have relationship with the OEMs either battery manufacturing OEMs or car manufacturing OEMs which is very similar to the Indian business that we are doing and also some part of it will be the retail batteries that are being used by E rickshaw and especially in countries like India and developing countries that would come probably through the retail network only but that would be only a small percentage of the total business available, other business would be the uh very similar to the OEMs relationship that we are having in lead acid battery in India.

Rohan Vora: Okay and across the globe would there be any difference.

Yogesh Malhotra: No it is going to be very similar because generally what happens first of all the life cycle of a lithium ion battery is very high and second thing is because it comes under the warranty for car it will go to the workshops only to get replaced or maybe get changed or things like that so it is going to be especially for passenger car it would be very similar to the lead acid battery system that is in place whereas for three wheelers or e- rickshaws or maybe two wheelers etc probably it will come through retail networks.

Rohan Vora: Okay thank you Sir.

Moderator: Thank you Sir. We take the next question from the line of Mr. Shubham Thorat from Perpetual Capital Advisors. Please go-ahead Sir.

Shubham Thorat: Yes thank you for the opportunity. One of the earlier answers you mentioned that even if the lead acid battery share in the space will be declining there will be other applications that can support our lead division so can you tell deeper into what spaces are we looking for.

Company Speaker: Yes the other application will certainly grow as country is growing, per capita income is growing so the storage energy household batteries their life demand will certainly go and telecom towers they will keep growing so alloy cable industry, so smart city storage and solar. As of now solar is mostly used off grid so later on they will be using societies or housing societies will be storing energy in lead acid battery only so those sectors will grow and that demand will be even bigger.

Shubham Thorat: Yes thank you.

Moderator: The next question is from the line of Mr. Hemish an individual investor. Please go-ahead Sir.

Hemish: I just had one question when you mentioned that so the rubber is now being used as a fuel so should it not increase your margins going ahead as you keep adding more capacities for rubber recycle.

Company Speaker: Definitely it will increase the overall profitability for us because it will reduce the cost of fuel wherever we are using it so definitely it will have some marginal impact on the overall profitability or the EBITDA margins as we increase the capacities so far we do not have any rubber recycling unit in India but now we are in discussion of putting up a continuous process which is a state of art process which is currently not used in India to start using that for our Indian plants also.

Yogesh Malhotra: In addition to the margin Improvement it will have better and more impact on the environment side. It will be better for the environment as we are not using fossil fuels as an insight.

Hemish: So when you talk about the new avenues like paper recycling and how much time does it take for the plants to come up on stream. If you start by Q4 how much time does it take for the plant to get set up?

Yogesh Malhotra: So it all depends from country to country how much time would it take for you to take approvals for a particular plant because these categories, especially paper industry is very critical environmentally so sometimes it takes a lot of time for clearances also but generally once you give a go ahead from that point to installing a project would take around one to one and a half years.

Hemish: Okay and Sir Q-on-Q your margins have gone down now is it because of notional loss that you would have on your aluminium business is it partly because of that and if you have the amount if there is any inventory loss that you have there.

Yogesh Malhotra: Yes so some of the notional loss that we have got is part of the notional profits that we got last year so we always stated that the average EBITDA is around Rs.17 rupees in aluminium Rs.16 to 17 per kg in aluminium last year that profit was Rs.20 because the prices were going up regularly. Once the prices came down so whatever we have gained in inventory last year got reflected in the profitability this year but some part of the profit are still in the inventories if the prices go up again we will again start seeing some better EBITDA margins going forward so this is for aluminium but in case of lead we are very stable on the per tonne EBITDA so normal EBITDA margin is in the range of Rs.16 to 17 per kg. Some time we get slightly additional margin on account of arbitrage opportunity by selling more into India when the Indian prices are higher and by selling some more quantities in overseas when the international prices are higher so that with arbitrage because we are present in both the markets where we take the advantage of that so some quarters it is higher but normal margin is Rs.16 to 17 rupees per kg which we are maintaining.

Hemish: Okay no problem. Thank you Sir.

] Moderator: Thank you. Ladies and gentlemen that was the last question for the day. I would now like to hand the conference over to the management for closing comments.

Yogesh Malhotra: Thank you everyone for participating in this call. At the end I would want to mention that Gravtia has made a niche for itself over the last 31 years and our strong performance year on year is a testament to our fully integrated business model which covers all the key aspects of recycling. Our strategic position as one of the few recyclers in the formal sector is supported by strong sector tailwinds like stricter government norms of BWR and EPR. Our pan India and global presence, integrated supply chain, operational excellence, and strong risk management framework makes us a preferred partner of choice for OEMs across India and gives us confidence to meet our vision 2027 of diversifying into new business verticals and achieving revenue CAGR of 25% plus profitability growth of 35% and ROC of 35%. We trust that we have addressed all your inquiries during this session however if there are any remaining questions please feel free to reach to our investor relations team at Go India Advisors. Once again we extend our gratitude to all of the participants for joining us and for your attentiveness to our updates. Thank you and have a great day, thanks.

Moderator: Thank you Sir. On behalf of Emkay Global Financial Services that concludes this conference. Thank you for joining us and you may now disconnect your lines.