



## GRAVITA INDIA LTD.

Corp. Office :Gravita Tower, A-27 B, Shanti Path,  
Tilak Nagar, JAIPUR-302004, Rajasthan (INDIA)  
Phone : +91-141-2623266, 2622697 FAX : +91-141-2621491  
Web : [www.gravitaindia.com](http://www.gravitaindia.com)  
CIN:- L29308RJ1992PLC006870

24<sup>th</sup> July, 2024

GIL/2024-25/102

To,

The BSE Limited Phiroze Jeejeebhoy Towers Dalal Street, Mumbai- 400 001 Fax No.: 022-22721919 Scrip Code- 533282	The Listing Department The National Stock Exchange of India Ltd. Exchange Plaza, C-1, Block G, Bandra- Kurla Complex, Bandra(east) Mumbai- 400 051 Fax No.: 022-2659 8120 Company Code- GRAVITA
---	---

Dear Sir/Madam,

**Sub: Transcript of the earnings conference call for the quarter ended June 30, 2024.**

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 ended 30<sup>th</sup> June, 2024 Conducted on 22<sup>nd</sup> July, 2024 for your information and records.

The above information is also available on the website of Company:  
<https://www.gravitaindia.com/investors/financial-details>

This is for your kind information and records.

Thanking you.

Yours Faithfully  
For **Gravita India Limited**

**Nitin Gupta**  
(Company Secretary)  
FCS: 9984

**Encl: As above**

**Regd. Office:**

'SAURABH', Chittora Road, Diggi-Malpura Road  
Tehsil: Phagi, JAIPUR- 303 904, Raj. (INDIA)  
Phone: +91-141-2623266, 2622697 FAX : +91-141-2621491  
Email: [companysecretary@gravitaindia.com](mailto:companysecretary@gravitaindia.com)



“Gravita India Limited  
Q1FY25 Earnings Conference Call”

July 22, 2024



**MANAGEMENT:** **MR. YOGESH MALHOTRA – WHOLE-TIME DIRECTOR  
AND CHIEF EXECUTIVE OFFICER – GRAVITA INDIA  
LIMITED**  
**MR. VIJAY PAREEK – EXECUTIVE DIRECTOR –  
GRAVITA INDIA LIMITED\***  
**MR. NAVEEN SHARMA – EXECUTIVE DIRECTOR –  
GRAVITA INDIA LIMITED\***  
**MR. SUNIL KANSAL – CHIEF FINANCIAL OFFICER –  
GRAVITA INDIA LIMITED**  
\*Non-Board Member

**MODERATOR:** **MR. MANISH MAHAWAR – ANTIQUE STOCK BROKING**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Gravita India Limited Q1 and FY '25 Conference Call hosted by Antique Stock Broking. As a reminder, all participants' lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

And I'll hand the conference over to Mr. Manish Mahawar from Antique Stock Broking. Thank you, and over to you, sir.

**Manish Mahawar:** Thank you, Neha. On behalf of Antique Stock Broking, I would like to welcome all the participants on the 1Q FY25 Earnings Call of Gravita India. From the management, we have Mr. Yogesh Malhotra, Whole-Time Director and CEO; Mr. Vijay Pareek, Executive Director; Mr. Naveen Sharma, Executive Director; and Mr. Sunil Kansal, CFO on the call.

Without further ado, I would like to hand over the call to Mr. Malhotra for opening remarks, post which we'll open the floor for Q&A. Thank you, over to Mr. Malhotra.

**Yogesh Malhotra:** Thank you, Mr. Manish. Good afternoon, ladies and gentlemen, and welcome to our Q1 FY '25 Earnings Call. I trust you have had the chance to go through the earnings presentation and financial results that were uploaded on the Stock Exchanges. I'm pleased to announce that Gravita has begun the year on a positive note, achieving a strong performance in the first quarter of FY '25. Before we delve into the results, I would like to share some strategic highlights and project updates.

Due to stringent government regulations under BWMR and EPR, the availability of domestic scrap is increasing. And consequently, our sourcing of domestic scrap is also rising. Of the total scrap Gravita has sourced in India in Q1 FY '25, more than 40% is domestic scrap, depicting a growth of more than 50% in volume on a year-on-year basis.

As you are already aware, Gravita engages in back-to-back hedging of lead to mitigate risk and is also working on a hedging mechanism for aluminum. The Ministry of Finance has notified aluminum alloy under the Securities Contracts Regulation Act of 1956. We anticipate the launch of the aluminum alloy commodity derivative on the MCX shortly.

This development will play a crucial role in managing the risk associated with the price volatility. By effectively hedging against price fluctuations, we can ensure more stable and predictable financial outcomes. This stability will ensure that we allocate resources more efficiently, make informed strategic decisions and ultimately scale and expand our aluminum business with resilience.

We are setting up a pilot project for lithium-ion recycling and our first Indian tyre recycling plant at Mundra, which -- both of which are expected to be operational in H1 FY '26. The paper recycling plant and steel recycling plants are anticipated to be operational by financial year FY '27. We are currently in the due diligence phase for both the projects.

Gravita is also advancing strategically to meet its short-term, midterm and long-term goals by FY '27, FY '34 and FY '50, respectively, as outlined in its ESG road map. By amending ESG principles, Gravita demonstrates its dedication to long-term sustainability and value creation.

Coming to operational performance, we saw a substantial increase in volumes in Q1 FY '25. Overall, we saw a growth of 29% in volumes. Volume of lead, aluminum and plastics stood at 41,900 tons, 2,460 tons and 3,190 tons, respectively. Coming to quarterly EBITDA per ton performance, EBITDA per ton of lead, aluminum and plastic stood at INR19,321 per ton, INR19,414 per ton and INR10,077 per ton, respectively.

Moving to financial results for Q1 FY '25. Revenue for Q1 FY '25 increased by 29% to INR908 crores. 47% of revenue in Q1 FY '25 came from value-added products, which is in line with our vision of achieving 50% revenues from this category. Adjusted EBITDA for Q1 FY '25 increased to INR91.24 crores, up by 33% on a year-on-year basis. EBITDA margin stood at 10.05%.

PAT showed a significant increase of 29% to INR67.33 crores on a year-on-year basis. In Q1 FY '25, PAT margin increased to 7.42%. In conclusion, Gravita is making impressive strides towards its clear Vision 2028. Our strategic focus is on expanding existing verticals, aiming CAGR growth for our volume above 25%, profitability growth over 35% and ROCE exceed 25%.

We are also committed to raising our non-lead business share to over 30% using more than 30% renewable energy and reducing energy consumption by over 10%. These efforts underscore our commitment to sustainable development.

Our successful strategies, including capacity expansion, increasing the proportion of value-added products and managing risk through back-to-back hedging have resulted in robust and sustainable margins with over 31 years of recycling expertise, 12 advanced eco-friendly facilities globally, approved footprint in over 70 countries and integrated supply chain, stringent, BWMR and EPR regulations and strong support from stakeholders, we are poised to achieve our Vision 2028 as well as diversifying into new businesses, new areas like lithium-ion, steel and paper recycling.

That's all from my end. I would now request to open the floor for questions and answers. Thank you, and over to you, Mr. Manish.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Amit Dixit from ICICI Securities.

**Amit Dixit:**

Congratulations for a great performance. I have two questions, sir. The first one is on aluminum. If I look at EBITDA per ton, that has decreased materially, while production is, of course, a little bit subdued, maybe because so far, we have not got that hedging clearance. So just wanted to understand the key driver behind this EBITDA per ton improvement. Is it clearly LME driven? Or LME scrap spread were a little bit more benign? And how do we see it going ahead? So that is the first question, sir.

**Yogesh Malhotra:** Yes, Amit ji. So basically, this improvement in EBITDA definitely came from -- partly came from the LME, which is the metal prices which improved in this quarter. So, as we already discussed that this aluminum because we are not fully hedged on this metal. So always when the prices are higher, we get slightly better on the margins.

And definitely, on the other side when the prices are lower, we get lower margins. So -- but as Yogesh mentioned, that we are going to -- in future, we are going to hedge this metal also as we do in lead. So we are discussing this matter with the MCX and they are coming up with the product. So in future, this will be in the range of INR15 to INR16, which is a stable kind of a margin per ton -- per kg. So INR15,000 per -- INR15,000 to INR16,000 per ton. So that can be a stable margin for future, we can assume, yes.

**Management:** I would also like to add here that we have got some contracts in India, price contracts in India. And therefore, we are shipping some material from our overseas locations into India. Most of these price contracts are on the basis of M minus 1 or M minus 2 pricing. So, kind of giving a natural hedge to our positions -- inventory positions overseas. Because of this, you will see even if the MCX is not there, you will see some stable margins coming in the next quarters.

**Amit Dixit:** Okay. Got it. The second question is on the -- we have closed some subsidiaries, I mean quite recently, Jamaica, Ghana, etcetera. Now we were expecting -- while these -- I mean 2 of them were non-operational at the moment. But can you just clarify the reasons behind closing these subsidiaries? Does it change our business case in any way? I just wanted to understand that.

**Yogesh Malhotra:** So, yes, Amit ji, you're right. We have closed two subsidiaries, one in Costa Rica and one in Jamaica. But these were -- earlier we were into plastic -- PET recycling business in Central America. So, at that point of time, we were having one plant in Jamaica and one scrap yard in Costa Rica. So, we were doing some processing of PET recycling in Nicaragua also, which the subsidiary we sold a few years back while COVID, there were some scrap shortages because of COVID.

So, we exited from those countries. So, these were some operational companies and non-operational companies, which we were trying to close this. And there is no impact on the business that we were -- we sold this equity of Nicaragua entity, and we were in the process of selling this -- closing these subsidiaries in Costa Rica and Jamaica also. So because we exited from this PET recycling business fully.

But now we also plan to have PET recycling business in India, where we are putting -- we are planning to put an independent PET recycling facility for food-grade plastics, for food-grade flakes in India. So that is our upcoming business because we have that experience in Nicaragua.

**Amit Dixit:** Okay. So, I mean the closure of the subsidiaries doesn't mean that our future plans that we have in other geographies of expansion into other verticals also, maybe steel -- there is no impact...

**Yogesh Malhotra:** So, there is no impact because we are coming out of those geographies, have already come out of those geographies. So -- but we have plans in Central America, but in some different geographies. So, it will not impact any future plans, any extension plans in the future.

**Moderator:** The next question is from the line of Bharat Shah from ASK Investment Managers Limited.

**Bharat Shah:** You mentioned certain targets, I couldn't fully catch all of them. What I understood was that ROCE 25%, which we have talked about many a times, growth rate of 25%. Did you mention profit growth of 35% or I think that's what I understood?

**Yogesh Malhotra:** Yes, sir. So we've always been saying that although the volume will grow at 25%, but because of various initiatives, the bottom line would grow by more than 35% because there, we are trying to increase the value-added product content. There will be certain economies of scale and also the new verticals of plastic and rubber are a little more profitable as compared to lead and aluminum.

So definitely, the bottom line target to -- the target to increase bottom line growth by around 35% in the next 3 to 4 years. Other reasons are like the fixed cost is remaining same, like the interest cost is also -- we are trying to bring it down by having a more cash flow, better cash flows because of the more business coming in from the domestic part. So there, the improvement in bottom line like profitability will be better than the growth in the volumes.

**Bharat Shah:** Okay. Now that is good to know because all along in many discussions that we have had, my impression on top line growth of about 20%, 25 percentile was well captured, but this is an interesting new addition.

**Moderator:** The next question is from the line of Sumangal from Kotak Securities.

**Sumangal:** Congratulations on a very strong set of numbers. My first question is with regards to the new businesses or new categories which we are entering. Are we looking for any technology tie-up or it will be self-sufficient, especially for lithium-ion and recycling, lithium battery recycling? Number one.

Number two, have you started collecting scrap for these businesses? And once these recycling plants set up, what sort of margin should we expect? During the initial phase, do we expect the initial few quarters to be loss making or some sort of normalized level of margin one can expect given the visibility on the scrap side for these businesses?

**Yogesh Malhotra:** In lithium-ion batteries, it's going to be a pilot project. So in lithium-ion, the first part of the technology of creating black mass is basically over-the-counter technology that we are buying. On the second phase, we will be refining metals or extracting metals out of it, that technology we'll be building in-house. So that is why it's a pilot project. Right now, although we have certain interest to import scrap from other countries also, but all of this has to wait till the time we have set up our own plants.

And battery scrap in India is not currently to the tune that you can buy it currently. So the scrap will start coming probably in a matter of 2 to 3 years, but there is some scrap availability

in some of the developed countries from where we have already seen some interest. As far as rubber is concerned, it will be a profitable business right from the day 1. Of course, there will be some time to sell it, but it's going to be a profitable business.

But lithium-ion batteries recycling is just a pilot project, we want to be there to understand the technology better, to understand the flow of material, to tie up with battery and car manufacturing companies. So that is why this is more of a strategic business currently.

**Sumangal:** Understood. Understood that. Sir, my second question is on the aluminum business. We were talking about a very strong growth this year. Do we expect that to now start reflecting from the second quarter onward. So there is some bit of -- kind of a...

**Yogesh Malhotra:** What I mentioned, also is that we have now got some contract in India, which are stable in nature in the sense that they are based on -- the pricing is based on M minus 1 and M minus 2, that it means 1 or 2 months prior. So based on this, we can now start production at our overseas plants and start shipping it to India.

So, we've already done that. And currently, around 2,500 tons of material is already shipping towards India, for which we have a pricing offer already. So, you will start seeing these results from Q2 onwards -- of the growth.

**Sunil Kansal:** Additionally, there is another plant we are starting in Ghana, which is upcoming shortly. So that will also add up some volumes for aluminum business in overseas.

**Sumangal:** Understood. And when -- from when do we expect the hedging instrument be available?

**Yogesh Malhotra:** We're expecting it in this Q2.

**Sumangal:** Okay. Understood. My next question is on penalties on OEMs for the recycling obligations because we were expecting this to be somewhere around -- I mean, what's the latest time line? And from our interaction with the ministries and with the regulators, can we expect this to be implemented?

**Management:** Yes, that particularly EC is under discussion with the CPCB and the manufacturer and producers of batteries and with consultation with recyclers. So I think they should be finalized within this Q2. Lead acid battery almost finalized between both of them. While in case of lithium-ion batteries, it is still under some discussions, but it will be released together by this quarter itself.

**Moderator:** The next question is from the line of Meet Bharatbhai Rachchh from Anubhuti Advisors.

**Meet Rachchh:** Congrats on very good numbers. My first question is to Sunil sir. So there in this quarter, other income has reduced materially Q-o-Q and Y-o-Y basis. So can you give us the bridge or breakup between the forex gain or loss, the commodity forward contracts gain or loss and the treasury income?

**Sunil Kansal:** Yes. You're right. This quarter, other income is showing slightly lower. So there are 2 components of other income: one is operational other income, and another is a non-operational other income. So operational other income, we consider whatever contribution is coming from the commodity contracts or currency contracts, so that we consider as an operational part. And whatever is coming from other sources like interest or bank interests or something like that, so that is non-operational part of the income.

So, this quarter, approximately INR3.57 crores is the operational part and the rest is the -- INR3.3 crores is the non-operational part. So historically, whatever hedging income is coming from the commodity contracts, so that also fluctuates because whatever we are getting better from the operational side, we lose something on the exchange contract.

So, there is a compensation of a physical contract. So this quarter, it is -- on the exchange part, it is a negative, slightly INR0.86 crores. So that is shown in the other expense part. So that is the reason -- and in the previous quarter, it was on the positive from the exchange part and we were losing on the physical part. So it's a compensation. So that is the reason we consider it as an operational income. So this is the reason -- in this quarter, it is lower.

**Meet Rachchh:** Okay. So INR3.3 crores, which is non-operational -- sorry, INR3.57 crores which is operational, out of that INR0.86 crores is charged through other expenses, right?

**Sunil Kansal:** 0.86 crores is a negative, which is already covered in the other expense part. So there is no impact on other income. So other income part, INR3.3 crores is the non-operational part, which is -- which we have not considered in the adjusted EBITDA.

**Meet Rachchh:** Okay. Only INR3.57 crores is considered?

**Sunil Kansal:** Yes.

**Meet Rachchh:** Understood. And the second question is on employee cost. So, Y-o-Y, the increase is only 9%. But if you look at Q-o-Q, it is a material increase of close to 60%. So just wanted to understand whether we have any annual incentive payout in Q1?

**Sunil Kansal:** Yes, you're right. So basically, we are expecting a larger growth in this year, as we were lower in the volume growth in the previous year. So we are targeting it to cover -- we're trying to cover a part of that also in this current year. So we have announced some incentives also, which is close to INR9 crores additional incentive. We have made a provision for this in this Q1. And there is some part of annual increment also, which is 9% to 10% annual increment we do. So that is also -- some provision is taken on that account also.

**Meet Rachchh:** So Q2 should likely witness a dip in employee cost, right?

**Sunil Kansal:** Yes. So slightly maybe -- so I think it should be in this range only.

**Meet Rachchh:** Okay. So, you are expecting another provision of incentive in Q2 as well?



- Yogesh Malhotra:** Because whatever the incentive we have taken in this quarter 1, that is in the proportion of -- in this -- for this quarter only. So, whatever will be for the full year, so 1/4 we've taken in this. So that's where we have. So, if we, if we keep to meeting the projects and definitely, the salary component would be similar. So, you can expect a similar numbers in this.
- Moderator:** The next question is from the line of Keshav from Raksan Investors. Due to no response, we'll move to the next question, which is from the line of Manan Vandur from Wallfort PMS.
- Manan Vandur:** Congratulations on the good set of numbers. Sir, I had three questions. I just wanted to understand when is the rubber plant be operational?
- Yogesh Malhotra:** So, the plant for rubber recycling in India, although we already have plants outside India, but most of those are used for captive consumption. The rubber plant would be operational by H1 FY '25.
- Manan Vandur:** FY '27?
- Yogesh Malhotra:** FY '26. Sorry.
- Manan Vandur:** '26, okay. And sir, the next question is on the capex side of it. In our presentation, it's written around INR600-plus crores of capex until FY '27. So will it be debt funded or internal accruals? And how will it be?
- Yogesh Malhotra:** Yes. So this INR600 crores capex, it will be majorly from the self-funded. We are not taking any incremental debt, except small debt for our working capital for the future. So we have enough cash flow for funding the incremental capex also and part of working capital also. So we are not going for the debt for this capex.
- Manan Vandur:** Okay. Understood. And can you give the capex numbers for current year FY '25?
- Yogesh Malhotra:** Sorry, FY?
- Manan Vandur:** FY '25 capex numbers, can you give, sir?
- Yogesh Malhotra:** So, it is estimated at approximately INR180 crores, which includes INR40 crores of -- which includes INR140 crores for the existing verticals and INR40 crores for new verticals.
- Manan Vandur:** Okay, sir. And the last question, sir, about the profitability side of it, as the presentation mentioned around 35% growth Y-o-Y CAGR until FY '28, so is it safe to assume that the PAT would be around INR800 crores in FY '28?
- Yogesh Malhotra:** So we have not calculated that number, but yes, 35% volume growth -- sorry, PAT growth of 35% on a PAT basis on CAGR basis...
- Sunil Kansal:** It would be around INR750 crores to INR800 crores, yes, you're right target -- if we achieve our targets.
- Manan Vandur:** Congratulations.

- Moderator:** The next question is from Bhuvan from Tigers Assets.
- Bhuvan:** Yes, I just wanted to know what is your sourcing strategy, like how much percentage comes from OEMs, how much from other dealers and how reliable and how stable are the prices?  
Yes.
- Yogesh Malhotra:** Yes. So in India, most of the procurement that we are doing currently, around 80% is through OEMs, where we have a tooling kind of arrangement where we get a fixed margin. So it doesn't matter how much variability there in the prices of those material is because eventually, if you only get processing charges from the OEMs. So it's pretty stable as far as the profitability is concerned for us in that business.
- Bhuvan:** Okay. And I wanted to know in lithium and recycling, which technology you would be using, hydrometallurgy or pyrometallurgy?
- Yogesh Malhotra:** So, hydrometallurgy, definitely, but we would have to develop that technologies on our own. So, it's a little premature to talk about what kind of -- so it's generally hydrometallurgy only, but it will take some time to develop that technology. So maybe next year, we can talk about the technology also.
- Bhuvan:** Okay. Presently, like what is the progress in your R&D?
- Yogesh Malhotra:** Sorry?
- Bhuvan:** What is the progress regarding this technology, which were developing?
- Yogesh Malhotra:** See, we have already decided to set up a plant. As I mentioned that there are 2 phases. The second phase would be where we would do hydrometallurgy and we've already earmarked the capex and the equipment that has to be bought. So we'll be buying that equipment and then we'll do the R&D of refining in those machines or brought-in machines itself. So -- all the equipment is installed, only after that, we will be able to know the development on that phase.
- Bhuvan:** Okay. Any idea how much would be incurring capex for this segment?
- Yogesh Malhotra:** In this year, it will be around INR40 crores -- this year. But overall, around INR70 crores to INR100 crores would be on lithium-ion battery in the next few years.
- Moderator:** The next question is from the line of from Siddharth Mehrotra from Kotak Institutional securities.
- Siddharth Mehrotra:** Congrats on a great set of numbers. Just a quick question. Sir, can you tell me what our net debt level is as of 1Q FY '25?
- Sunil Kansal:** Yes. So, our gross debt is around INR550 crores and net debt is around INR470 crores.
- Siddharth Mehrotra:** INR470 crores. And this was around INR450 crores last quarter. So am I given to understand that our working capital days has remained at a similar level as last quarter because if I recall

correctly, that number was slightly elevated at around 90, 99 days. So has the working capital come down?

**Sunil Kansal:** Yes. Working capital because, as Yogesh mentioned in his opening remarks that we have sourced more scrap from the domestic market. So that brings more working capital for us. So definitely, proportion to the business, the working capital days is lower.

**Siddharth Mehrotra:** And any chance you could just break it down into inventories, receivables and payables for me or perhaps give me some number on the working capital days versus, say, 4Q FY '24?

**Sunil Kansal:** So working capital days was close to 85 days, which came down to around 80 days in this quarter.

**Siddharth Mehrotra:** And we are talking Q-o-Q, right?

**Sunil Kansal:** Yes. So I'm talking about Q4 to Q1.

**Moderator:** The question is from the line of Jenish Karia from Antique Stock Broking.

**Jenish Karia:** So out of the FY '25 capex target, how much has been incurred till date in the first quarter?

**Yogesh Malhotra:** Actually, it's very difficult to give you an update on capex on a year-on-year basis, but probably it's around INR15 crores to INR20 crores so far.

**Jenish Karia:** And towards the existing vertical...

**Yogesh Malhotra:** Sorry?

**Jenish Karia:** This INR15 crores, INR20 crores will be incurred towards the existing vertical?

**Yogesh Malhotra:** Yes. Yes.

**Jenish Karia:** Okay. And like we see that there is no significant capacity addition on a sequential basis, the capacity has remained at 291,000 tons. And so when will be the new capacities be added during FY '25. So around 50,000 tons is the target. So when can we expect it?

**Yogesh Malhotra:** So you can expect in this quarter itself. As we speak now, our aluminum capacity in Ghana is being installed. So hopefully, in a couple of days, you'll get a news about that new capacity also. And then we have various new capacities lined up. We have increase in capacities at Mundra and other plants also. So it's in line with the total capex plan. So hopefully, the next quarter, you'll hear some capacity increases.

**Jenish Karia:** Okay. Sir, next is that our capacity guidance for the next 3 years, the capacity is growing at a 19% CAGR. However, we are guiding for a 25% volume CAGR. So if I assume the guidance to be achieved, our capacity utilization at that level would have been around -- would be around 70% to 75%. So is it possible for us to operate our plants at that peak utilization levels? Or what is the peak utilization level that we will be comfortable with?

- Yogesh Malhotra:** Yes, peak utilization level should be close to 75% to 80%. So even we should be close to 70%, 75% -- between 70%, 75% even after this growth of 25%.
- Jenish Karia:** Yes. Okay. And I guess you have answered my next question earlier. But if you could just repeat the aluminum EBITDA per ton, which is around INR19,000 in this quarter. Is that sustainable for the year?
- Yogesh Malhotra:** Actually, the sustainable number for aluminum recycling is around INR14 to INR16 per kg. So you will have some deviation till the time that hedging mechanism is in place. So you will see some quarters where you will get more EBITDA numbers -- higher EBITDA per ton numbers. And if you will have some quarters where you will have some lower EBITDA per ton numbers. But hopefully, in this quarter itself, we'll have this mechanism in place. On the other hand, we also -- as I mentioned, we also have this agreement in India now, which we work as a natural hedging mechanism for us. So you can see some stability in these numbers going forward.
- Jenish Karia:** Okay, sir. And just last one question. On the lead margin. So lead, we have always been saying that INR17 to INR18 per kg is the sustainable EBITDA for the lead segment. However, if I see the last 3 to 4 quarters, we have been delivering around INR19 to INR20 per kg. So is that a sustainable change? Or is this just the hedging gains which are playing out and the cycle can reverse and we can go back to INR17, INR18 per kg?
- Sunil Kansal:** So basically, yes, you are right, earlier, we used to have INR17 to INR18 kind of EBITDA margin for lead, but which we have improved because of the more volumes coming in, and we have improved from INR18 to INR19. So now we can say that the stable margins for lead is in the range of INR18 to INR19 instead of INR17 to INR18 earlier. So there is no impact of metal pricing in this lead piece.
- Moderator:** The next question is from the line of Khush Nahar from Electrum PMS.
- Khush Nahar:** Sir, I just wanted the percentage of domestic scrap collection that you have done for the Indian plants for this quarter.
- Sunil Kansal:** Sorry, can you come again, please?
- Khush Nahar:** The percentage of domestic scrap collection from our Indian plants for this quarter?
- Yogesh Malhotra:** Around 42% of the total procurement that we did was domestic scrap. But in terms of volume, it's around 50% year-on-year basis -- increase of more than 50% year-on-year basis -- absolute numbers.
- Moderator:** Next question is from the line of Chetan Thacker from ASK Investment Managers LLP.
- Chetan Thacker:** Yes. Sir, I have just 2 questions. One, primarily was on what is the underlying volume driver for lead in this quarter? And how should we see that going forward for the remaining of FY '25?

- Yogesh Malhotra:** So basically, the basic underlying factor is the overall procurement of scrap, availability of Indian scrap in India. So that is the basic underlying factor. And as I mentioned that our overall scrap availability has increased and it continues to increase because of battery-based management rules. So you can expect the similar growth numbers going forward also.
- Chetan Thacker:** So the number is primarily from our anchor clients that is driving this volume growth?
- Yogesh Malhotra:** In India, yes.
- Chetan Thacker:** In India.
- Yogesh Malhotra:** There is a growth in overseas numbers also. So there is an organic growth in each of the territories we are available, and some part of it in India is coming from these new battery-based management rules -- regulations also.
- Chetan Thacker:** Possible, sir, to break out what would be the difference between 2 in terms of contribution to growth? Or difficult to do that in terms of volume?
- Yogesh Malhotra:** So you can expect around 8% to 10% growth coming from organic increase. And balance is coming from increase in domestic scrap availability.
- Chetan Thacker:** Got it. And sir, in terms of the situation from volumes moving from Africa to Europe where we are facing the Red Sea issue, how should we look at that from an FY '25 perspective? Is that resolved and we should now assume volumes will start to inch up?
- Yogesh Malhotra:** So we've already mentioned earlier also that these remain some temporary issues. Generally, what happens is that either you shift to a new customer that we've done. And in some cases, the price of scrap in those geographies come down. So it's a combination of both of these and now there is no problem for us going forward as far as Red Sea issue is concerned.
- Chetan Thacker:** Understood. And sir, second question was on the depreciation line item. That has been a little volatile. So it moved up from INR7 crores quarterly to INR12 crores last quarter and it's back to INR7 crores. So what is the factor that drives this volatility? And how should we look at this?
- Sunil Kansal:** So yes, in this last year, in the quarter 4, there was some additional depreciation on account of some -- we have a plant in Ghana, where the currency was moving significantly. So because of that, there was an additional index, which was applicable on this. So it can increase the value of the assets of the company and also consequently increase the value of depreciation also. So that was the reason of higher that depreciation in that Q4 of last year. So -- but sustainably if you see, now whatever depreciation is there in this quarter, so that -- at the current level of assets, it is going to be similar. So in the future, we will not see any significant volatility in case of depreciation.
- Chetan Thacker:** And in case that inflation persists, then probably Q4 end will be generally the revisiting period in terms of what would be the asset value and hence, consequent impact on depreciation. That would be a fair understanding.

- Sunil Kansal:** So there was one-off case of approximately INR3 crores to INR4 crores that came in Q4 of last year. So I don't think anything coming in this year because -- but yes, you're right. Definitely, we revisit every end -- last -- quarter 4 of every year, but we don't see anything now coming up.
- Chetan Thacker:** Got it. And sir, last question on the rubber plant, what will be the capacity in terms of TPD that we are setting up and the capex for that in Mundra?
- Sunil Kansal:** For rubber plant, we are expecting to start with -- for this first plant, we are expecting a capacity of 9,000 tons in India.
- Chetan Thacker:** This is annual 9,000 tons.
- Sunil Kansal:** Yes.
- Chetan Thacker:** And the capex for this?
- Sunil Kansal:** Capex for this is approximately -- I can give you the number -- approximately INR30 crores.
- Moderator:** The next question is from the line of Keshav from Raksan Investors.
- Keshav:** What should be the volume growth this year?
- Sunil Kansal:** Yes. So volume growth should be this year, we are targeting -- again, we cannot say exactly growth for this year. But yes, on a 3-year basis, we are targeting 25% on a CAGR basis.
- Keshav:** Okay. But this year should be better than FY '24?
- Sunil Kansal:** Yes, should be better.
- Keshav:** Okay. And sir, lastly, what should be the tax rate for the year, if you could give a range?
- Sunil Kansal:** Tax rate should be close to again 10% to 11%, which we -- normally, we have certain exemptions in overseas and India also. So for the next 2 to 3 years, it is .
- Moderator:** The next question is from the line of Aastha from Pkeday Advisors.
- Aastha:** I just wanted to ask the management 1 question. Firstly, from which quarter can we see the volumes to start rising for plastic and aluminum segment?
- Yogesh Malhotra:** So in aluminum, you can see the rise in volumes coming from Q2, at the max next from Q3.
- Aastha:** Okay. Q2 to Q3. And for plastic, sir?
- Yogesh Malhotra:** Volume from next quarter itself. Plastic is going to take a little longer because it's a little different in the sense that still the implementation of EPR is going to take some time as far as consumption of recycled plastic is concerned. So -- and development of plastic products also in the organized sector is going to take some time because it's not like metals where you can

produce it and you can use it as a recycled product. Plastic is going to take some time longer. Probably by the end of this year, you will see the growth coming in plastics also.

**Moderator:** The next question is from the line of Rishab Gang from Sacheti Family Office.

**Rishab Gang:** I -- like your capacity utilization range hover between 55% to 67%. And this quarter, it was very good. So I wanted to understand first, how much of that was because of the pent-up demand which was not executed maybe in the next -- previous quarter because of geopolitical reasons? Also, a long-term vision you mentioned around 70%, 75%. So like, do we face any constraints in achieving a 100% capacity utilization because of any bottleneck in that process? Like what do you think about that?

**Yogesh Malhotra:** No, actually, it all depends on where the -- because scrap is not something that comes in a constant manner in a linear manner. So there are some problems in achieving more than 70%, 80% operational this thing. But with more Indian scrap availability, the total capacity utilization in India is definitely going to go up. So that is what is going to be the factor in the long term, where we expect the domestic scrap to be to the tune of around 70% to 80% of the total Indian business. That is one area where we would get higher capacity utilization.

And then in other verticals like plastic and aluminum, the capacity utilization is still at a very low percentage. It will also increase going forward. For example, in aluminum, we are not going in for 100% capacity utilization because of no mechanism for hedging for that product. So it will take some time. But as and when these things -- the hedging mechanism comes up, you will see increasing capacity utilization of aluminum also. So in the longer run, definitely 75% to 80% capacity utilization is something that is very achievable.

**Rishab Gang:** So the supply of enough scrap is a constraint, right, for us achieving a higher capacity utilization and not the demand from the manufacturer, right?

**Yogesh Malhotra:** See, so what happens is that because our is not a very capex-intensive business model. So we keep higher capacities because as I mentioned that it's not a linear flow of material. So generally, to make sure that if there is additional quantities of scrap available, we can process that also, so we keep higher activity always there. But the domestic scrap and with long-term agreements with the OEMs, we can increase the -- we don't have to increase the capacities in the same ratios as we used to do earlier.

**Rishab Gang:** Okay. Got it. Also, sir, how do you calculate the utilization rate because I understand it's a blended utilization rate? So can you give some idea on how is the utilization rate across lead, aluminum, plastic and other commodities?

**Sunil Kansal:** Yes. So lead is close to 70% at this moment for this quarter. And aluminum is close to 45%; plastic is, again, 40%. So blended comes to around 65%, 66%.

**Rishab Gang:** And copper?

**Sunil Kansal:** We don't do copper.

- Rishab Gang:** All right, sorry. Also, I wanted to understand what the lead capacity utilization of Chittoor plant? If any idea on that front? Because OEMs are also coming up with the capacity. So what are you seeing on that front?
- Sunil Kansal:** Yes, Chittoor plant capacity utilizing is close to 67% to 68%.
- Rishab Gang:** And it has always been like that in the past as well? And do you expect the same in the future?
- Sunil Kansal:** Yes, on an leverage, it is in the range of 65% to 70% for lead.
- Rishab Gang:** Okay. Sir, also on the lithium-ion front, right, so what is the typical scrap rate for battery from EVs and what is the lead acid battery? And what is the kind of regulation on lithium-ion battery recycling? And the kind of recycling which is happening in terms of tonnage for lithium-ion across India and globally right now, and maybe 5 years down the lane?
- Management:** Actually, the prices of these battery depends on the what type of batteries are the lithium-ion battery. They do -- they are one thing called LFP batteries and another is nickel-molybdenum-cobalt battery. So the price varies. So as low as from INR90 kg to INR250 a kg. So as of now, in India, the battery generated is mostly from the mobile battery or laptop batteries, which are still not able to collect it, they're lying with the consumers only. So once the EV battery start coming up, then we will have certain price. As I mentioned, LFP should be somewhere around INR100 and NMC should be somewhere around INR250 a kg.
- Rishab Gang:** Also, like what are the kind of recycling happening, right, in terms of tonnage across India and globally for lithium-ion at the moment?
- Management:** Indian recycling happening mostly in terms of black mass conversion, and this black mass is being exported to the country where they are converting to metal for hydrometallurgy process after. Because India, nobody is producing cells. We are importing cells in India and the batteries are being assembled through cells. So as of now, China, Korea, other European consumers are there who are making cells. So the volumes are at pilot stage, not big commercial level. Maybe, maybe you can say -- maybe a few thousand tons per month...
- Rishab Gang:** In India?
- Management:** 3,000 tons, 4,000 tons maximum.
- Rishab Gang:** India, right?
- Management:** In India.
- Rishab Gang:** And globally, what do you think is, like number of tons lithium-ion recycling?
- Yogesh Malhotra:** See, you must understand the actual volume of lithium-ion battery even globally would start coming in the next 3 to 4 years. It's too early to -- because the actual usage of these EVs have started only -- just 2 years. Before that, it was only probably Tesla and some companies in China that have started. So even if those capacities are there currently, in future, those



capacities will fall short. But I mean, just looking at the numbers of the overall growth that has taken place in EVs in the past 3, 4 years.

**Rishab Gang:**

Also on the -- like what is the recycling demand across commodities, like you mentioned you have lead, aluminum and plastic. So recycling demand across commodities in India? And how much recycling needs to happen in organized sector as per the regulations for each commodity? I want to understand what is the market, especially for the aluminum and plastics?

**Management:**

Yes, if we talk about aluminum, India is net import dependent because the Indian generation is hardly 5% of our total requirement of aluminum scrap. Country imports around 1.7 million tons of aluminum scrap and rest is being met through domestic. So you can say, import dependent industry. So it's quite fragmented.

We have a lot of people are importing and converting them to alloy and other material for second industry. When it comes to battery, particularly lead acid battery. So the recycling happening because it's generated from the post-consumer. So most of the recycling is happening through informal sector of when we say formal, informal sector, so that is around 55% to 60%.

And slowly with this regulation, it will shift to formal and organized recycling. That is happening in case of lead. And when it comes to plastics, like MLP or which is going to down for single plastic, that is not the recycling purpose. But other plastic like higher grade plastic of PET, that is being collected, that is being converted into PET flakes. And their rate is quite better as compared to other parts of the country because we are able to collect good amount of plastics in India.

**Moderator:**

Next question is from the line of Shivam Dave: from Prodigy Investment.

**Shivam Dave:**

Yes. Congrats on a great set of numbers. I just wanted one clarity on the aluminum volumes. I think in Q4 call, you were telling about 60% to 70% utilization for FY '25. Is that something that we can achieve this year?

**Yogesh Malhotra:**

Yes, we are targeting around that only. So the capacity utilization will improve if the hedging mechanism is there. So we are expecting that hedging mechanism to happen in this quarter. After that, we can probably take it to the optimal level of capacity utilization also.

**Shivam Dave:**

Okay. And on the depreciation front, can we expect the current run rate for the whole year? Or is there going to be some fluctuations in it?

**Yogesh Malhotra:**

No, no. It is going to be constant from here on. Of course, the more you put in capex, you will see higher depreciation in absolute numbers, but you can expect similar numbers going forward, right?

**Moderator:**

The next follow-up question is from the line of Meet Bharatbhai Rachchh from Anubhuti Advisors.

- Meet Rachhh:** Sir, my question is in terms of working capital cycle. So basically, currently, bulk of the working capital goes to inventory. And the current working capital days is around 80 to 85 and our medium-term target is 65 to maybe 70 days. So just wanted to understand the road map of maybe a reduction in inventory days in next 2 to 3 years, how are we going to achieve that?
- Yogesh Malhotra:** So exactly in the next 3 years, we want to bring it down to around 65 to 70 days. And this is going to happen because of more domestic scrap availability, which is kind of tooling, although the inventory, you would see, the number of days of inventory would be same. But on the other hand, you'll see payables also. So the more tooling business we'll do, the less overall working capital requirements would be there. So it will -- it has already started happening. And in the next 3 years, we'll bring it down to around 65 days.
- Meet Rachhh:** Improvement would come from higher availability of scrap domestically, right?
- Yogesh Malhotra:** Absolutely, yes. Because currently a lot of our material comes from overseas. So there is in-transit inventory, proportionally which is very high. As and when we keep on increasing the domestic scrap, that -- percentage-wise, that will come down. So overall, the number days is reduced.
- Meet Rachhh:** Sorry. Please go ahead. So out of this 80 days of inventory, how much would be from in-transit inventory?
- Sunil Kansal:** So in-transit inventory takes approximately 45 to 60 days, whatever goods are coming from overseas to India, that takes 45 to 60 days. So that proportion of the in-transit inventory will go down.
- Yogesh Malhotra:** And here also, you have to understand that in some cases, you keep that inventory if you're buying from your own yard, you will be keeping our inventory for around 15 to 20 days in those yards. And then also, if you buy from some aggregator sometimes, then you'll have to give them in advance some money. So the overall period would be around 60 to 90 days -- I mean, from advances given to the time it reaches your factory.
- Sunil Kansal:** One more thing I would like to mention here is that because we're into scrap recycling business. So one more theory we have is that we don't say no to the scrap because we -- even if we don't have the enough capacity, we will keep on sourcing the scrap because that will not come back if we lose that. So we'll keep on increasing the capacity wherever required. But yes, on the other side, if we have got more inventory also, we would be happy to increase the capacity. So that is the one more concept we have for the group.
- Moderator:** The next question is from the line of Omkar Mistry from AUM Advisors.
- Omkar Mistry:** Yes. So, my question, can you please explain me about the tyre or the rubber business model? I mean what would be the byproducts and whom we are going to sell? And basic care on the model?
- Yogesh Malhotra:** So in rubber or tyre, we are also currently doing recycling in our overseas plant, where we are making pyrolysis oil out of it primarily and using it to our own tractive consumptions in our

smelting and aluminum refining processes. So that is one part. So we also have a plant of rubber recycling, which is pyrolysis oil based on new technology of continuous pyrolysis in India.

But we are also putting up a plant to make crumb rubber initially and we'll go into value addition in that segment also in future, where we'll try to find out a solution to use the same material in tyres in future. So, it's both, in rubber recycling, we'll be going into tyre-to-tyre or circular economy also and we'll also be going into for pyrolysis oil production simultaneously.

**Omkar Mistry:** Okay. And what's the scenario about the availability of the tyre in India?

**Yogesh Malhotra:** So, the availability of tyre in India is there, but we are also targeting import of tyres from various locations across the globe for our operations in India.

**Sunil Kansal:** Now the EPR concept is also working well for India where they are coming up with the credit mechanism where we can buy the local tyres and there will be some credit generation will be there by the recycler. And the manufacture -- tyre manufacturer have to buy that -- those credits. So that is also working well for giving us more value for the scrap.

**Moderator:** Ladies and gentlemen, we'll take this as the last question. I now hand the conference over to the management for closing comments.

**Yogesh Malhotra:** Yes. Thank you, everyone, for participating in this call. We trust that we've addressed all your queries during the session. However, if there are any remaining questions, please feel free to reach out to our Investor Relations team. Once again, we extend our gratitude to all the participants for joining us today. Thank you, and have a great day.

**Moderator:** Thank you. On behalf of Antique Stock Broking, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.