

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

19th August 2023

National Stock Exchange of India Ltd

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

BSE Limited

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

NSE Symbol : POCL

BSE Scrip Code : 532626

Dear Sir/Madam,

Sub: Transcripts and link for the Audio recordings of the Q1 FY 2023-24 Earnings Call convened on 18th August 2023 – Reg.

With reference to our letter dated 11th August 2023, intimating you about the Q1 FY 2023-24 Earnings call with Analysts/Investors scheduled on 18th August 2023 and in this regard with accordance to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the transcripts of the aforesaid earnings call and the audio recordings for the same shall be available at <https://www.youtube.com/watch?v=C8kabyQTO5E>

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

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

Thanking you,

Yours faithfully

For **Pondy Oxides and Chemicals Limited**

K. Kumaravel

Director Finance & Company Secretary



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Pondy Oxides and Chemicals Ltd (532626)

Q1 2024 Earnings Conference Call

August 18, 2023 • 03:00 pm (IST)

Final Transcript

Corporate Participants

K. Kumaravel

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

Vijay Balakrishnan

Chief Financial Officer | Pondy Oxides and Chemicals Limited

Piyush Dhawan

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

Conference Call Participants

Radhakrishnan Chonat

Director of Business | AlphaStreet

Bhavesh Chauhan

Analyst | IDBI Capital Markets & Securities Ltd.

Rohit Ohri

Analyst | Progressive Share Brokers Pvt. Ltd.

Mustafa Haveliwala

Analyst | S&P Global Market Intelligence

Chirag Fialoke

Analyst | RatnaTraya Capital

Aniket Shah

Analyst | Individual Investor

Anupama Bhootra

Analyst | Arihant Capital

Presentation



Radhakrishnan Chonat

Director of Business | AlphaStreet

Good afternoon, ladies and gentlemen, and welcome to the Q1 FY 2023-2024 Earnings Call of Pondy Oxides and Chemicals Limited hosted by AlphaStreet. This is Radhakrishnan Chonat from AlphaStreet and it's a pleasure to host Pondy Oxides and Chemicals Limited for their quarterly earnings results conference call. From the management, we have Mr. K. Kumaravel, the Director of Finance; Mr. Vijay Balakrishnan, the Chief Financial Officer; and Mr. Piyush Dhawan, President of Commercial.

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

With that, ladies and gentlemen, may I now request Mr. K. Kumaravel to take you through the presentation. Post that, we can start with the Q&A session. Over to you, Mr. Kumaravel.



K. Kumaravel

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

Thank you Mr. Radhakrishnan. Good afternoon to everyone. We wish you a warm welcome to POCL Quarter One FY '23-'24 earnings call. We will briefly discuss the financial performance. As you are aware, we don't provide any specific guidance on our company's revenue or earnings and any communication/discussions on this call shall reflect our outlook for the future and which could be construed as a forward-looking statement, which must be reviewed in conjunction with the risks that the company may face.

With respect to financials, revenue from operations when compared to the previous period quarter was relatively down by 8% in volumes. This minor drop was attributable due to reduction in working hours of smelting operation in one of our units due to high maintenance activities during this period. Consequently, the EBITDA has relatively reduced from 5.2% to 4.5% due to fixed cost absorption. But we still expect the momentum in sales to continue in the near future backed by

customer's order as the required infrastructure is available to cater to larger production volumes.

POCL has direct empanelment with OEMs across the globe. It gives us competitive edge in securing long-term contracts with a certain degree of fixed volumes. We have great expectations and see a positive development in the market penetration for getting value-added products under the brand name of POCL. Our intent in creation of strategic business units will be a positive approach towards realization of results and empowerment to the teams to demonstrate valuable results for the POCL Group. For Q1 '23-'24, our total sales comprised of 65% export and 35% domestic.

In relation to ratios, the current ratio is at the optimum level of 1.56 and debt equity ratio is at 0.68, which is well within the industry standard. For aluminum and plastics division, the initial empanelment and alignment with customers is an essential part of the future production and sales. During Q1 '23-'24 we were successfully getting empanelled with Tier 1 customers for direct sales and it is -- there are sales in the process of completing the empanelment in due course to increase the production and sales level for these verticals. Hence, the fixed overheads including depreciation incurred in such verticals during gestation period will be absorbed at consolidated levels till full capacities are achieved.

As informed in our previous earnings call with respect to the acquisition of Harsha Exito, management has taken a decision to extend its non-ferrous metal operation in this unit and is planning to have a fully automated unit and is in process of procurement of machineries to increase its overall lead metal capacities and other non-ferrous metals of the group and is likely to complete its installation by the end of this financial year. Revenue contribution from this unit will commence from FY '24-'25. Necessary updates on the same will be duly intimated in due course.

We appreciate you all participating in today's call. As you are all aware, given the company's track record and forward-looking perspective, we have a clear roadmap for the future as we optimize the current operations and build ahead with the new endeavor and more verticals. We will use this as a solid foundation to increase our global reach.

Over to Mr. Radhakrishnan.

Questions and Answers



Radhakrishnan Chonat

Director of Business | AlphaStreet

Thank you, Mr. Kumaravel. We'll now move into a question-and-answer session. Today, we have participants joining via the Zoom platform and also via our telecalling platform. Participants who have joined us and connected us over the Zoom platform can also pose their questions directly to me on the chat box and we'll ask the question on your behalf. Now if you wish to ask the question directly to POCL management, please use the Raise Hand functionality in the Zoom.

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

As usual, I'll start with the questions that we have received via chat box and emails and through our platform first.

And the first question is could you please provide any updates regarding the advancement of the viable business opportunities that were previously mentioned by the management for Harsha Exito Engineering Pvt. Ltd., specifically in relation to the short and medium-term objectives?



K. Kumaravel

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

I, Kumaravel, take this question. As informed in my opening remarks, the management has taken a decision to extend its non-ferrous metal operation in this Harsha Exito unit and is planning to have a fully automatized unit and is in the process of procurement of machineries from various parts of the globe to increase its overall lead metal capacities and other non-ferrous metals of the group and is likely to be completed by the end of this financial year.

The revenue contribution from this unit will commence only from '24-'25. Necessary updates on the same shall be duly intimated in due course. In parallel, we have started discussions with various experts in the industry, management consultants, market research agencies, and have decided on the optimal utilization of the existing infrastructure, desirable product mix along with

logical advantages in addition to our extension of non-ferrous metals as I defined earlier. Thank you.



Radhakrishnan Chonat

Director of Business | AlphaStreet

Thank you, Mr. Kumaravel. The next question is what is your perspective on the anticipated global market conditions in the near future and how do you foresee these conditions impacting the business operations of Pondy Oxide, particularly in terms of production costs?



Vijay Balakrishnan

Chief Financial Officer | Pondy Oxides and Chemicals Limited

Hi, RC. This is Vijay. I will take this question. See, the global market for lead has been witnessing noticeable growth on account of growing lead acid battery consumption. In addition to it, the global demand is estimated to be significant in the coming years as capacity expansions and new operations boost supply at a faster rate than demand. Lead acid batteries based on modern technologies have also been gaining significant importance in applications where batteries are considered extremely vital for their mechanism as well as in new applications such as grid storage for renewable energy generation, etc.

Further, increasing demand for lead acid batteries for automotive applications on account of flourishing automobile industry is expected to contribute to the growth of the market. So with respect to production cost, we factor this estimated increase while renewing our contracts with customers. So any escalation on the projected cost, if any, will be passed on to the customer during our next contract renewals.



Radhakrishnan Chonat

Director of Business | AlphaStreet

Thank you, Mr. Vijay. The next question is, what progress or developments can you provide regarding the feasibility analysis of e-waste, lithium-ion, rubber, paper, glass that the firm's internal R&D and projects that the teams are working on?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

Hi, RC. This is Piyush this side. I'll take this question. So regarding the R&D activities of the products that you've mentioned, we have continuously been working on both pre and post-feasibility studies of the same and requisite activities are still in progress. Also based on our investments in other non-ferrous metals during the previous financial year, we are currently right now only focused on verticals pertaining to lead, aluminium, copper, and plastics where we are looking to scale up and add value-added products thereby contributing to both the topline and the bottom line of the company.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Piyush. And in plastic recycling, are your clients only limited to the battery segment or are there other synergies as well?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

So, I'll take this question as well. So fortunately, it is a huge industry, plastics, that caters to a wide range of applications like automobile, appliances, furniture, paints, electronics, and the battery segment amongst others as well. And we see a lot of synergy in the mentioned segments as the recycled PP, ABS, nylon, and a lot of other plastic products which are subjected to recycling and compounding can be translated to accommodate the properties of the industrial applications which have been mentioned. And that would kind of result in value-added products primarily as part of our value chain analysis.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Okay. Thank you, Piyush. The next question. In the international market, the recycled products are sold at a premium to the new products. Do you think we can witness this in India as well?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

So, I'll take this one. So in the Indian scenario, customers look at the value proposition of any product in terms of its pricing, durability, and brand. And unlike developed countries where people are aware of the benefits of recycling and its contribution to environment sustainability, recycling as a concept is still kind of developing and awareness is being developed in India specifically. Hence, government is now proposing new regulations and has kind of concentrated a lot over the last couple of years with respect to our BMHR, EPR, waste management, and other notification. So that it gets routed through the organized players in the market like ours and hence likely to get the additional premium from the customers.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Piyush. Once again, ladies and gentlemen, if you would like to ask a question directly to the management, please use the Raise Hand functionality or alternatively you can leave your questions in the chat window. The next question is, can you share a roadmap on how the company intends to grow in the foreseeable future?

**K. Kumaravel**

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

I, Kumaravel, take this question. POCL as a group has a forte in lead for more than three decades and non-ferrous segment to be specific comprising of aluminum, copper, and others in addition to the lead. Consequently, we will continue to add value-added products in the non-ferrous segment, especially in the lead, in the foreseeable future. However, our feasibility studies on other verticals; e-waste, lithium-ion, rubber, paper, and glass; will continue to ensure that any viable value-addition products get added to the portfolio.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Mr. Kumaravel. Ladies and gentlemen, now I'm going to open it up for participants who have joined us via Zoom to ask any questions directly. Please use the Raise Hand functionality to

let us know of your interest. I will call out your name and unmute the participants. I also please request you to announce your name and company affiliation before asking any questions that you have.

Operators, please allow anyone to raise their hand. Alternatively, you can also leave your questions on the chat window. I see that we have Bhavesh Chauhan has raised his hand. Bhavesh, please unmute yourself and go ahead and ask your question.

**Bhavesh Chauhan**

Analyst | IDBI Capital Markets & Securities Ltd.

Yeah, hi. Good afternoon, sir. This is Bhavesh Chauhan from IDBI Capital. And sir, my first question is with regards to our margin. Now that you said everything is recovered so this quarter the margins and everything should recover, right? Running quarter.

**Vijay Balakrishnan**

Chief Financial Officer | Pondy Oxides and Chemicals Limited

Can you be a little specific, Bhavesh, in the sense -- margin in the sense, production cost we were discussing, right?

**Bhavesh Chauhan**

Analyst | IDBI Capital Markets & Securities Ltd.

Yeah. So my question is, sir, in Q1 FY '24 we have seen that our margins have fallen from 5.3% to 3.8%. So I'm talking -- my question is about September 2023 quarter. Should we be able to recover the margin to our historical levels?

**Vijay Balakrishnan**

Chief Financial Officer | Pondy Oxides and Chemicals Limited

See, the drop in margin is -- I will answer this question. The drop in margin, yeah, it is due to -- as we mentioned, it was -- we were -- the smelting capacities we underwent breakdown maintenance. So, that is why we are able to do -- we are not able to do volumes. So lower

volumes, we are not able to absorb the fixed cost. That is the main reason for the reduction in margins. But over a period of next couple of quarters, we see -- we will be able to maintain our margins at the levels what we were doing -- we had in the past. So, this is one quarter that is where we lost our margins.

**Bhavesh Chauhan**

Analyst | IDBI Capital Markets & Securities Ltd.

Yeah. And with regards to our, let's say, aluminum and plastic, the new two verticals, how should they contribute in the coming FY '24 let's say -- in the full of FY '24 in a -- I mean, what kind of sales are we looking forward to?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

So hi, Bhavesh. So as far as aluminum and plastics are concerned, there is a gestation period which is kind of right now undergoing where we are getting empanelled with the Tier 1 customers and directly reaching out to them. Sales have also started, which is a good sign. Margin realizations, we foresee that to happen over the next couple of quarters. The gestation period is quite natural to any project. And aluminum and plastics, which we've been kind of bullish about, will give us the realizations over the next couple of quarters.

**Bhavesh Chauhan**

Analyst | IDBI Capital Markets & Securities Ltd.

Okay. So by let's say in couple of quarters' time, we should have meaningful production and sales, right?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

Yes. So right now, I mean, so there is a certain capacity which is attached to both aluminum and plastics specifically. So right now when we start the production and the entire value chain of procurement, production, your maintenance, your sales, and I mean the entire value chain

analysis; the entire wheel gets rolling. So, we will be able to have that entire production capacities fulfilled over the next couple of quarters and that is when the realizations will kind of start.



Bhavesh Chauhan

Analyst | IDBI Capital Markets & Securities Ltd.

Right. So if my understanding is correct, FY '25 should see very meaningful volumes and sales and everything, right, from these?



K. Kumaravel

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

Yeah. So, to say contribution from aluminum will give good return probably in '24-'25 and plastics also likely.



Bhavesh Chauhan

Analyst | IDBI Capital Markets & Securities Ltd.

Right. And in terms of procurement for these two products, what efforts are we taking and how are we placed?



K. Kumaravel

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

But we are in the recycling market. This is again non-ferrous metal. Aluminum is like how we are procuring the lead scrap from the market, we are importing the metal from foreign country. Our import team is very strong on procurement of all these materials. So, they are fully equipped to handle this aluminum scrap procurement for the project. That is not at all an issue.

**Bhavesh Chauhan**

Analyst | IDBI Capital Markets & Securities Ltd.

Right. Got it. That's quite helpful. Thanks, sir, and all the best.

**K. Kumaravel**

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

Thank you very much.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Bhavesh, for your questions. Ladies and gentlemen, if you have a question, please raise your hand or alternatively use the chat functionality. We have a couple of questions from the chat window that I'm going to start now. We have a question from Deepa Agrawal. Can you please elaborate on reasons of lower EBITDA margins and guidance on the same going forward?

**K. Kumaravel**

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

Yeah. As informed by Mr. Vijay, EBITDA margin is slightly reduced from 5.2% to 4.5% and this is due to little reduction in volume by 8% to 10% only, nothing else. If the same volume maintained or increased volume, automatically fixed overhead is absorbed for the higher units and EBITDA margin would have been higher. This is only one time, then probably again EBITDA margin will come to the normal state.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, KK. The next question is from Chirag Fialoke. Could you please help us with volume numbers for 1Q FY '24, 1Q FY '23, and 4Q FY '23 and what is our current lead capacity overall?

**Vijay Balakrishnan**

Chief Financial Officer | Pandy Oxides and Chemicals Limited

So in terms of -- I'm Vijay, I will take this question. For this quarter Q1 FY '23-'24, the volumes were about -- sales volume of lead is about 14,880 metric ton. This when compared to June 2022 quarter, it was about 16,200 metric ton and for March quarter it is about 19,870 metric ton. So as we said, the drop is about 8% of your overall volumes.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Yeah. There was a follow-up question, lead capacity overall?

**Vijay Balakrishnan**

Chief Financial Officer | Pandy Oxides and Chemicals Limited

The overall capacity of lead will be at around 62 -- 60%, overall capacity utilization.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Mr. Vijay. Once again, ladies and gentlemen, if you have any further questions, please use the Raise Hand functionality or use the chat functionality. We'll pause for a few seconds to see if we have any more questions. We have Rohit Ohri. Rohit, please unmute and go ahead and ask your questions.

**Rohit Ohri**

Analyst | Progressive Share Brokers Pvt. Ltd.

Hi sir. Couple of questions. The first one being with the competition. So, some of the players are looking at rubber recycling. So do you think that we'll be venturing into this business as well with time, maybe after one year, two years, or so?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

Hi Rohit. So like we said in the beginning, there's a lot of pre-feasibility analysis which goes into a project. So, rubber recycling is also part of it. But then in the short term, we are only going to concentrate on the verticals that have been established since the last one year. And then maybe in the foreseeable future after a year, year-and-a-half, we may look at rubber recycling as an option for sure.

**Rohit Ohri**

Analyst | Progressive Share Brokers Pvt. Ltd.

Okay. In terms of the supply chain partners, would you like to share if there were some additions or deletions during the quarter under review?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

So in terms of the supply chain for lead, we've kind of consistently maintained the same partners and these are partners and stakeholders which have been long associated with the company for a good time and so that we've maintained buying from them. And when it comes to aluminum and plastics; aluminum, yes, we've kind of added a lot of suppliers. We've tried and tested a lot of different types of materials, whether it's tensile [Phonetic], TTs, orba, and so many others. And when it comes to plastics, I mean those are internally generated from the batteries we recycle so that's also relatively maintained at the same levels.

**Rohit Ohri**

Analyst | Progressive Share Brokers Pvt. Ltd.

Is it possible to put a number to these? How many in terms of numbers if you wish to share that?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

So, there'll be a good -- so in terms of lead, I would say we are importing from almost more than 70 countries, to be precise 78 would be the number. But then when it comes to suppliers, there'll be a good 25 to 30 strong supplier bases amongst the smaller ones as well. And when it comes to aluminum so that also is quite diverse in terms of our global footprint. We import regularly from different parts of the globe and plastics as it is, is inherent in the batteries we import. So yeah, I hope that answers the question.

**Rohit Ohri**

Analyst | Progressive Share Brokers Pvt. Ltd.

Yeah. KK, in terms of the net working capital cycle, is it possible to share the numbers for this quarter as well as to the comparative quarter last year?

**Vijay Balakrishnan**

Chief Financial Officer | Pandy Oxides and Chemicals Limited

Hi Rohit. Vijay here. I will take this question. So in terms of the cash conversion cycle, there is a slight increase in the cash conversion cycle. Last March it was about 60 days. Now it has increased to 68 days. Some 8 days there is an increase because primarily as we said, we are doing aluminum sales, there is a slight increase in credit period over there. And even in terms of inventory levels also, it is a little bit high when compared to previous quarter. So, that is the reason for the 9 days increase.

**Rohit Ohri**

Analyst | Progressive Share Brokers Pvt. Ltd.

Okay. Vijay, is it possible to share what percentage of revenue comes from the value-added products?

**Vijay Balakrishnan**

Chief Financial Officer | Pandy Oxides and Chemicals Limited

It's about -- so in lead, about 50% to 55% is the general pure lead and 45% to 50% is the alloys that we make. The alloys will form a significant part of the portfolio in lead primarily as we move forward. That will be scaled to about 70% to 75%. When it comes to aluminum, the standard alloy that we are making currently would be your aluminum die-cast alloy 12 and a couple of series in the LM market and that we'll continue to develop further as we kind of penetrate the aluminum market. So, basically that's about it. In plastics, we are doing both recycling and compounding so most of it is -- all of the portfolio in plastics would be value added.

**Rohit Ohri**

Analyst | Progressive Share Brokers Pvt. Ltd.

Okay. Sir, there are these giants in the battery business and they are looking at expanding some LAB businesses abroad and they are also looking at some green lithium-ion battery capacities. Do you think that these kind of developments from players like Amara Raja would have issues for us?

**K. Kumaravel**

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

No. But Amara Raja may not be the issue. Even if they start the recycling unit, it is not tough -- they will not have any much impact to us. Already we have 65% of exports we are doing to various countries. And our order book is almost full for the -- even for the current year also, we have order book position from the indigenous and export customers. It will not be a problem. Based on our strength and quality and the name in the market, it will be continuous orders.

**Rohit Ohri**

Analyst | Progressive Share Brokers Pvt. Ltd.

Okay. KK, last con call you mentioned that we were exploring some opportunities in the international soil. Would you like to share some insights over there, take us through the developments or do you think that the project...

**K. Kumaravel**

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

But this year, as I told you earlier, already we have acquired a lot of unit. Harsha Exito is there, FutureTech is there. This year we want to consolidate the entire thing. At the time, we don't want to expand in five, six units and we want to consolidate in the current financial year. Maybe in the next financial year only we look into it -- all this international business.

**Rohit Ohri**

Analyst | Progressive Share Brokers Pvt. Ltd.

Okay. So KK, when we say consolidating, you think that the volumes and the topline would also be somewhere in the current range of maybe like 12% or 15% kind of growth? Is it fair to assume that? Because some of the players are talking about 23%, 25% CAGR growth over the next three, four years. Do you think that POCL will be having like 12%, 15% kind of a range?

**K. Kumaravel**

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

Yeah. Piyush will give reply.

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

So Rohit, basically by consolidation what we meant was, so we have developed quite a number of platforms in terms of the product portfolio when it comes to POCL as an entire group. So you look at lead, which is and has been our heritage product and will continue to grow at the market CAGR as per the global markets or the Indian markets whatever be the number, and we look at a growth rate of 6% to 7% in lead primarily. Now when it comes to the other platforms or verticals that we've created over the last year or so; namely your aluminium, your plastics, and copper as well; the base number would be zero. So what we will grow and what we create in aluminium and plastics will be a good number and that will obviously add to the topline.

When it comes to the addition of value-added products amongst the entire portfolio, so like we mentioned in lead, we will be increasing our value-added alloys which we have a forte in and that

will kind of represent a substantial part of the topline and also add value to the bottom line as well. And furthermore, aluminum and plastics will kind of continue to formulate your value-added products along with copper.

**Rohit Ohri**

Analyst | Progressive Share Brokers Pvt. Ltd.

Okay. Vijay, KK, is it possible to share the -- if I go into granular data for the other expenses, how are you seeing the cost related to probably three or four major items; that is power and fuel, freight cost, contract wages, as well as environment expenses; that we are making?

**Vijay Balakrishnan**

Chief Financial Officer | Pandy Oxides and Chemicals Limited

So, I will take this question. So in terms of power and fuel, there is a slight increase in terms of your furnace oil which is our major fuel, which is used for smelting and refining operations. So, there is an increase in that particular cost. So the second thing is in power, unless and until the government changes the rate, we will not see any change in the power cost.

In terms of environmental expenses also, that is being fixed for a particular year, so annually, so that also doesn't change much. We can see some savings in the freight cost moving forward because the supply chain disruptions, which we had in the last year, this year we may not be foreseeing it. In terms of -- these are the major costs which we incur in terms of your EBITDA levels.

**Rohit Ohri**

Analyst | Progressive Share Brokers Pvt. Ltd.

Okay. And these are fixed -- sorry, you said that these are fixed charges for the environment expenses, right?

**Vijay Balakrishnan**

Chief Financial Officer | Pandy Oxides and Chemicals Limited

Yes. Yes.

**Rohit Ohri**

Analyst | Progressive Share Brokers Pvt. Ltd.

Okay. In terms of green lead, have we commenced the production since we were looking at maybe like quarter two or quarter three? So, any progress you would like to share on green lead?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

Yeah. So as far as green lead is concerned, we are continuing right now with our trials and it will -- like we had also mentioned in the last call, the trials are ongoing and it will take a couple of months for the going live of commercial production. The reason and rational for the same is that there are various stages involved in the entire process of the electrolysis, which is the new technology, whether it be metal processing, separation unit, and a couple of other modules inside the entire larger gambit of things.

So, right now the team is kind of concentrating more on trials and then having it foolproof so that once we go live with commercial production, which will kind of give us the additional premium also, we want -- we don't want any stone unturned when it comes to the commercial production. So, right now we are at the trial stage still and we should have some data for you in our next earnings call for sure.

**Rohit Ohri**

Analyst | Progressive Share Brokers Pvt. Ltd.

Okay. That was the next question. So, last two questions. You said that this maintenance issue that we had is a one-off right and there are no further mishap that we might see in future.

**K. Kumaravel**

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

Okay.

**Rohit Ohri**

Analyst | Progressive Share Brokers Pvt. Ltd.

So it is a one-off, right? With dispensing capacity, the maintenance breakdown that happened, that is only the one-off.

**K. Kumaravel**

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

Yeah, this is only the one-off. It's not the regular. This one time it happened. Because of that, we have sufficient orders. Because of this, we are not able to complete it. That's all otherwise you would have achieved that.

**Rohit Ohri**

Analyst | Progressive Share Brokers Pvt. Ltd.

Okay. And these escalation of the contract renewals, what is the tenure? Like how does it happen, quarterly basis or half yearly or yearly basis?

**K. Kumaravel**

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

This is annual basis, based on the annual. This is maybe January to December for international contracts and local is financial year pattern.

**Rohit Ohri**

Analyst | Progressive Share Brokers Pvt. Ltd.

Okay, team. Thank you. Thanks a lot for answering my question. Thank you.

**K. Kumaravel**

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

Thank you very much.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Rohit, for your questions. Next we have Mustafa Haveliwala. Mustafa, please go ahead and ask your question.

**Mustafa Haveliwala**

Analyst | S&P Global Market Intelligence

Hi team. Thanks for the opportunity. So I was just going through your 2022 year-end annual report and I see that there is a mission which company talks about giving a topline of \$1 billion by the end of this decade. Talking plainly numbers, that translates to a 27% CAGR for your -- at least 25% to 30% CAGR for the rest of the whole decade. When you say your legacy business is growing by 6% to 7%, how confident are you in achieving these numbers and what gives you the confidence that you would be achieving these numbers and then if you could just talk about your strategy as a whole? I understand that you are going into the value-added products where the margin trajectory would be improving, but what about the topline? Just wanted to understand this.

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

Okay. I'll take that question. See, the mission that we've set I mean previously in our annual report and moving forwards is a long-term mission and obviously that had -- that has a vision attached to it and it will happen over the next few years and the numbers will start getting reflected soon. Now the idea of having this entire mission or vision, whatever be the word, is to kind of also cater to

building up a portfolio for POCL Group as a whole because we've predominantly been into the lead segment for the last three decades and adding non-ferrous metals to the entire portfolio was a natural inclination for us; whether it is -- whether it was zinc before or whether we added aluminum, copper in the last one year, and plastics also.

So now having these entire verticals right now as we kind of go about further, it has created a relatively strong platform to kind of achieve these numbers. Adding further, I mean when we have also discussed about the pre-feasibility/feasibility analysis of a lot of other segments; whether it is your e-waste, whether it is your lithium-ion; because a lot of it is going to change in the near future when it comes to recycling and recycling, manufacturing and the value-addition products is undergoing a huge phenomenal growth or I mean circular economy as we speak. I mean only walking the talk will really help and that is what we've started in our journey for over the next six to eight years. I hope that answers your question, Mustafa.

**Mustafa Haveliwala**

Analyst | S&P Global Market Intelligence

Will walk the talk. That would be it for me.

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

I'm sorry, we couldn't hear probably for the last couple of seconds. Can you please repeat?

**Mustafa Haveliwala**

Analyst | S&P Global Market Intelligence

I'm hopeful that the management will walk the talk. That would be it. Thank you.

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

For sure because I'll reiterate a couple of things again. So walking the talk. I mean we've started the green lead or the plastics or our intent on expanding lead, which has been our primary forte.

So, definitely the walk the talk will happen. It's ongoing.



Mustafa Haveliwala

Analyst | S&P Global Market Intelligence

Thanks. Those were my questions. All the best for the future.



Piyush Dhawan

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

Thank you so much.



Radhakrishnan Chonat

Director of Business | AlphaStreet

Sorry, gentlemen, I had a technical issue. I'll take a couple of questions from the chat window now. The next question is from. Aniket Shah. Is the company looking at inorganic growth for any of the segments?



Piyush Dhawan

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

Yes. So inorganic, yes, I would say. So, we've been kind of trying to look at other -- I mean within the portfolio, we've been also trying to look at other products within the same segment if I may say so. So when it comes to aluminium, there's a lot of work which kind of goes into your building up. I mean right now we are manufacturing our die cast alloys. So whether we add a couple of other products into wheels and LM series or whether it comes to plastic where we add more of compounding products which kind of formulate and become a part of the entire value-added product or when it comes to lead, the kind of alloys which we've created in our field. I mean more than 100 alloys we have manufactured in the past and we continue to do so. So, there will be a lot of inorganic growth as well when it comes to the entire Group and the portfolio -- the platform that has been created.



Radhakrishnan Chonat
Director of Business | AlphaStreet

Thank you, Piyush. The next question is from Rajesh Mangal. What is the order book in hand in various segments?



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

So, when it comes to lead -- I'll take this answer vertical by vertical. So when it comes to lead, most of our contracts are fixed. Q1 primarily was affected due to the maintenance breakdown part. But then since Mr. Kumaravel and Mr. Vijay have already mentioned, the order books are completely in line with what we've kind of forecasted for the year vis-a-vis last year and we see a growth therein. So, our order book for this year is intact as far as lead is concerned and as far as our contracts obligations go.

When it comes to aluminium, the empanelment like we've mentioned has started and right now we are in a stage of kind of formulating those contracts, fixed contracts as well vis-a-vis the spot contracts that we have right now because the fixed contracts give us a sense of security for the products that we manufacture and that will be kind of taken care of in the coming quarters. When it comes to plastics, again we have an order book. The only thing right now that remains is that we kind of have the economies of scale to kind of enhance the production vis-a-vis the capacities that we have in hand. And then we'll kind of have the synergies or the margins developing in the coming quarters.



Radhakrishnan Chonat
Director of Business | AlphaStreet

Thank you Piyush. The next question is from Bhavya Nahar. A guidance growth of 15% was given earlier. Will the company be able to meet the guidance for FY '24?



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

Hopefully whatever the shortfall is there, that we will cope up in the rest of the quarters. Nearer to

that, we'll achieve -- definitely we'll achieve that forecast.



Radhakrishnan Chonat
Director of Business | AlphaStreet

Thank you, KK. Next question again from Aniket Shah. Could you give us segment-wise revenue for the quarter and what is the current long-term debt on the balance sheet?



Vijay Balakrishnan
Chief Financial Officer | Pandy Oxides and Chemicals Limited

I will answer this question. So in terms of plastics, we have done about INR6.5 crores and odd in terms of plastics. In terms of aluminum, we have done about INR14 crores for this quarter. In terms of the long-term debt, we don't have any long-term --. In terms of lead -- we have the balance of INR324 crores. In terms of lead, we have done about INR303 crores so far this quarter. With respect to long-term debt, we don't have any long-term debt in our books. We have only short-term debt.



Radhakrishnan Chonat
Director of Business | AlphaStreet

Thank you, Vijay. We have Chirag who has raised his hand. Chirag, please go ahead and ask your question. Unmute yourself, please.



Chirag Fialoke
Analyst | RatnaTraya Capital

Hi. Thank you so much for the opportunity. Just wanted to know a little bit more about what the management thinks about the overall market opportunity specifically in lead. I understand there is a lot of other verticals that are also added as well as value additions on the base metal that will lead to growth. But my question is specifically just on the base metal lead, what do you think is the outlook for the overall market given that the end consumption of lead is not growing probably more than mid-single-digit sort of a number overall? Where do you think for the next two to five years the base metal volume growth or value growth will be for us?

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

Hi Chirag. So like you rightly pointed out for the base metal, the numbers are in single digit undoubtedly. But our approach is basically to kind of enhance our footprint in recycling lead and this year will be more on kind of having the entire value chain from battery recycling to the refining stage and then we kind of enhance those numbers for us. Instead of the single digit, we do a double digit. So lead as a market globally is also improving. I would say we are again -- the company as a whole is quite bullish on lead since it's our forte. And in addition to that, domestically I would say still the next three or four years is going to be quite good for the segment lead as a vertical.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Chirag, do you have a follow-up?

**Chirag Fialoke**

Analyst | RatnaTraya Capital

Hello. Sorry, I will unmute myself. No, that was all. Thank you so much. Just follow-up on the domestic side. What makes you feel more bullish on the domestic market? Because even domestic consumption overall of lead is probably again high single digits. What am I missing there?

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

No. So, high single digits will be there. So, we are just trying to expand our footprint so obviously it will be kind of -- I mean the expansion or the double digit for us would obviously cater to the competition and taking away -- I mean adding to the contracts further. So, that's what I'm talking about.



Radhakrishnan Chonat
Director of Business | AlphaStreet

Thank you, Chirag. Thank you, Piyush. Ladies and gentlemen, I'm going to give a few seconds to see if there are any more questions on the line. Aniket Shah has raised his hand. Aniket, please identify and go ahead and ask your question.



Aniket Shah
Analyst | Individual Investor

Hello. So, I just wanted to ask a follow-up on the debt. I heard that there's a short-term debt. So, what's the number exactly for the short-term debt?



Vijay Balakrishnan
Chief Financial Officer | Pandy Oxides and Chemicals Limited

It's about -- right now it is about INR137 crores. As of 30th June, it was about INR137 crores.



Aniket Shah
Analyst | Individual Investor

INR137 crores. And the working capital cycle is around 68 days. So, what kind of working capital are we looking at in number terms?



Vijay Balakrishnan
Chief Financial Officer | Pandy Oxides and Chemicals Limited

It may slightly increase to -- probably INR150 crores to INR170 crores it will increase.



Aniket Shah
Analyst | Individual Investor

Okay. So, the whole short term debt is used for working capital, correct?

**Vijay Balakrishnan**

Chief Financial Officer | Pandy Oxides and Chemicals Limited

Yes, yes, obviously.

**Aniket Shah**

Analyst | Individual Investor

I just wanted to ask a few questions. The employee benefit expense increased around 16.9%. Is it due to net additions in the company and if so, could you quantify it?

**Vijay Balakrishnan**

Chief Financial Officer | Pandy Oxides and Chemicals Limited

So we have -- as you said when compared to last year when you see, we have added new verticals in terms of aluminum as well as plastic. So there is a -- naturally there is an employee addition over there. And moreover if you see the yearly increment, this is about 10% to 12% increase -- the general salary level increase given to employees is that much. So, that is why you can see a increase in the employee benefit expenses.

**Aniket Shah**

Analyst | Individual Investor

So is it not possible to get like in which departments the additions are there? The verticals are there, I get it, the new verticals, new employees; but in which department like say operations, sales, or something? If you can quantify it, if it's possible.

**Vijay Balakrishnan**

Chief Financial Officer | Pandy Oxides and Chemicals Limited

So generally if you see in any new unit wherever, the number of people in the operations will be on the higher side rather than in admin -- or be it finance or admin, there'll be one, one person who will be taking care of that. So the major contribution, about 60% to 65% of manpower addition in the operation side only.

**Aniket Shah**

Analyst | Individual Investor

Just one last question. What is the dividend policy of the company?

**K. Kumaravel**

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

Dividend policy is not mandatory for our company. Anyhow depending upon the profitability, we are keeping the dividend and Board is deciding from time to time.

**Aniket Shah**

Analyst | Individual Investor

So, can I just give my opinion. Like I'm a shareholder...

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Aniket, I will request you to limit yourself to questions not opinions.

**Aniket Shah**

Analyst | Individual Investor

So, can I just ask one more question? So is the company looking for -- because the company has short-term debt of INR137 crores and in case the company in future goes cash rich, is the company looking for anything like share reduction or in case like a buyback or something like that?

**K. Kumaravel**

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

That Board has to take a call. I cannot take anything now. Board has to decide on it.

**Aniket Shah**

Analyst | Individual Investor

Okay. Thanks for taking my questions and best of luck for the future.

**K. Kumaravel**

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

Thank you.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Aniket. I appreciate your questions. The next question is from the line of Anupama Bhootra. Anupama, please go ahead.

**Anupama Bhootra**

Analyst | Arihant Capital

Yeah. So, this is Anupama from Arihant Capital. I just had one question regarding order book. Can you quantify the order book of Q1 FY '24 and Q1 FY '23? Is it possible?

**K. Kumaravel**

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

Yeah. We have the order -- committed order of maybe around 60,000 tons per annum for both years. And in addition to this, we are getting some additional spot orders also from time to time.

**Anupama Bhootra**

Analyst | Arihant Capital

Okay. Thanks.



Radhakrishnan Chonat
Director of Business | AlphaStreet

Thank you, Anupama. Ladies and gentlemen, I think that's all the time we have allocated for today. Please send in your additional questions by email to us and we'll follow up to get those answered by the POCL management team.

Thank you all for joining us for the Pondy Oxides and Chemicals Limited Q1 FY '23-'24 earnings call. As a reminder, today's call was recorded. A replay of the call will be available on AlphaStreet India's YouTube channel as well as on our alphastreet.com platform. A final transcript will be available shortly on AlphaStreet's platform. I once again thank the POCL management and thank you all the participants. You may all now disconnect.



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

Thank you, everyone.



Vijay Balakrishnan
Chief Financial Officer | Pondy Oxides and Chemicals Limited

Thank you, everyone. Thank you, Radhakrishnan.



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