

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

12th August 2022

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

Ref: Scrip Code- 532626

Dear Sir/Madam,

Sub: Transcript of the "Earnings Call for Q1 FY 2022-23 held on 12th August 2022

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and with reference to our letter dated 6th August 2022 intimating you about the "Earnings Call for Q1 FY 2022-23" scheduled on 12th August 2022, please find attached the transcript of the aforesaid earnings call.

The video/audio recordings of the said Earnings Call will be available at <https://www.youtube.com/watch?v=ik9jU2OceCc> and the said information will also be available on the website of the Company: <http://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 2023 Earnings Conference Call

August 12, 2022 • 11:00 am (IST)

Final Transcript

Corporate Participants

Ashish Bansal

Managing Director | Pondy Oxides and Chemicals Ltd

Vijay Balakrishnan

Chief Financial Officer | Pondy Oxides and Chemicals Ltd

K. Kumaravel

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

Piyush Dhawan

President Commercial and Strategy | Pondy Oxides and Chemicals Ltd

Conference Call Participants

Radhakrishnan Chonat

Director | AlphaStreet

Rohit Ohri

Analyst | Progressive Share Brokers

Vijay Sarda

Analyst | Crescita Investment

Presentation



Radhakrishnan Chonat

Director | AlphaStreet

Good morning, ladies and gentlemen, and welcome to the Q1 FY '23 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. Ashish Bansal, Managing Director of the Company; Mr. K. Kumaravel, Director of Finance and Company Secretary; Mr. Vijay Balakrishnan, CFO; and Mr. Piyush Dhawan, President of Commercial & Strategy. As a reminder, today's call is being recorded. A replay of this call will be made available on AlphaStreet India's YouTube channel as well as alphastreet.com/India and a final transcript will be available shortly afterwards on AlphaStreet India's website.

May I now request Mr. Ashish Bansal to take you through the presentation. Post that, we can start with the Q&A session. Over to you, Mr. Ashish.



Ashish Bansal

Managing Director | Pondy Oxides and Chemicals Ltd

Good morning, everyone. We wish you a warm welcome to POCL's Q1 FY '22-'23 earnings call. I sincerely hope that you and your family and everyone else is safe and healthy. POCL has delivered a healthy quarterly result with a growth rate of 49.2% year-on-year on topline and has delivered EBITDA of INR17.75 crores for the first quarter 2023 versus INR14.56 crores previous year, showcasing a growth rate of 22% on a year-on-year basis. With respect to prior quarter results in previous financial year, your company has delivered a growth rate in EBITDA of 25.44%. The future outlook of the industry remains relatively positive.

As the company has been performing well over the years and along with increased confidence in the future growth, the Board has recommended that the shareholders must be rewarded for their continuous trust and support towards the company. Your Board has recommended to the shareholders of the company a bonus issue of 1:1 that is issuance of one share of POCL for every one share held by shareholders as on record date, in addition to the dividend payout of 50% for the year -- for the financial year 2022 already declared. I'm delighted to welcome on board Mr. Vijay Balakrishnan as CFO for POCL Group. Vijay has a rich background of 14 years in core

finance and is a Chartered Accountant, Certified Management Accountant, Certified Treasury Professional, and holds various other financial certifications.

The geopolitical issues will be a cause of concern for any industry and ours is not immune to it as well. There is a direct correlation in cross industrial factors as infrastructure, metals, automobiles, agriculture, etc. However, India as a country is proving to be an exception. India's growth rate is higher among all major economies, which is above 7% mark. India is ranked Number 2 in terms of nominal GDP using the purchasing power parity model as per IMF. India has been resilient to recession as compared to our neighbors in Asia-Pacific region and also globally. The global recycled lead market is expected to account for \$19.35 billion by 2027. The global refined lead consumption has also increased substantially as per Wood Mackenzie in their recent projections for the coming quarters.

In order to survive such macroeconomic forces that are now hurting the entire sector not just non-ferrous metals and recycling alone, our core focus going forward will be on portfolio diversification in non-ferrous metals and other recycling materials in the upcoming quarters. We are currently doing a pre-feasibility study in rubber, paper, glass, and oil. In terms of feasibility, we are in the process of setting up R&D in lithium ion. I express my sincere thanks and gratitude to the shareholders and stakeholders on behalf of POCL for having faith in us and we will continue to guide your business towards higher success.

Now I'd request Mr. Vijay, our CFO, to introduce himself to the shareholder community. Over to you, Mr. Vijay.



Vijay Balakrishnan

Chief Financial Officer | Pondy Oxides and Chemicals Ltd

Thank you, Ashish. Good morning, everyone. I'm Vijay Balakrishnan. I'm a Chartered Accountant by profession having 14 years of course qualification experience. I do hold other qualifications such as Certified Management Accountant, Certified Treasury Professional as part of my academics. I have an extensive area of expertise in corporate finance, treasury and forex management, international business operations, IFRS, strategy, business planning, and various other financial portfolios. I have held various positions in finance domain in the automobile and FMCG verticals. I look forward to interact with you in the upcoming earnings call.

Now I request Mr. Kumaravel, our Director Finance, to run us through the financials of POCL. Mr. Kumaravel?

**K. Kumaravel**

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

Thank you, Vijay. Good morning, everyone. We have already shared Q1 June '22 quarterly results on the BSE with yourselves. Now I would like to summarize the same in this call. We have continued to deliver a healthy performance in spite of challenging market conditions. Our revenue from operations for Q1 was INR364 crore versus INR244 crores for the same quarter previous year, registering a growth rate of 49.2%. Earnings before tax for Q1 was INR15.49 crore versus INR11.60 crore for the same quarter in the previous year, showing a growth rate of 33.59%. On quarter-to-quarter basis, there was an increase in earnings by INR2.91 crore. There has been a reasonable growth in EPS by 35%, that is INR14.75 to INR19.95. There has been a significant increase in the cost of smelting, refining, along with the cost of utilities such as power and fuel; which has further added to the overall cost of production and resulted in marginal decrease in gross margin levels to 11% versus 12.25% in the previous quarter.

The proportion of revenue from operation for Q1 2023 is at 40% for the domestic and 60% for export. On the sourcing of primary raw materials for the quarter, the proportion of imports versus domestic procurement is 78% imports and 22% domestic purchases. We are continuing to increase the domestic supplier base as well. On the volume side, lead quantities have increased by 31% for the same quarter compared to previous year that is 16,138 ton for Q1 2023 versus 12,349 tons for the Q1 2022. Debt to equity has improved from 0.1 to 0.04 in Q1 2023. The foundation of POCL's business strategy is its strong business risk profile, which is supported by company's established customer relationship, a broad base of suppliers, manageable entry barriers, and demonstrated production capabilities.

In order to invest in other sectors that would ultimately benefit the stakeholders, the company has retained its profits. The trend in profitability should remain positive and consistent like financial year 2022 as we remain optimistic and prepared for any market volatility and economic factors. As we remain upbeat and ready for any market turbulence and economic circumstances, we expect growth in volumes as per our previous projections of 18% to 20%.

Now I will hand over to Mr. Piyush, our President Commercial and Strategy, who will run us through the overview of operation and commercials, here to Mr. Piyush.

**Piyush Dhawan**

President Commercial and Strategy | Pandy Oxides and Chemicals Ltd

Thank you Mr. Kumaravel. Good morning, everyone, and welcome to the earnings call. So, I'll be briefing you on the operations and the commercial update. Firstly, I would start by reporting all on the updates from our previous call. We have made good progress on our collaboration with Ace Green Recycling and will start getting deliveries of the modules for operations shortly in this quarter. Post commissioning, we intend to go live in Q3 of FY '23. We see a lot of exciting opportunities in commercializing the green technology process. In addition, without an iota of doubt, given how the current manufacturing industry is shaping up, we are bullish on plastics. As per our market study, there is a shortage of recycled plastics which is the dire need of the hour across the globe and in the coming years we see it eventually becoming a mandate to use a certain proportion of recycled material to be used in the manufacturing process of such finished goods.

These investments will be done through internal accruals and will be part of our subsidiary, POCL Future Tech Private Limited and we will be concentrating on specialized plastics. We will be investing through internal accruals and targeting a production capacity of 24,000 tons per annum in the first phase itself. POCL is optimistic about the future of recycling and believes that India's economy will continue to grow. Based on these opportunities, we are looking at other business areas within the POCL Group including e-waste, lithium ion recycling, rubber, oil, glass, paper, and various other value-added products. We are also looking at mergers and acquisitions and the establishment of an R&D lab for commercialization. Based on the upcoming opportunities, we would see some positive headway into such products.

Recycling and manufacturing is something which the company is familiar with and has it in its core and we will continue to focus on such segments. The progress will be visible in the upcoming quarters for plastics, non-ferrous segment, and other verticals. In lead, we have a finished goods capacity of 132,000 tons per annum, whereas smelting capacities are in excess of 95,000 tons per annum. In addition, POCL is also concentrating in expanding its land bank across India on a pan India basis. The global market in lead is expected to grow at a CAGR of 5% every year and we expect to grow this year at a CAGR of 18% to 20% on volumes. Of course this is a forward-looking statement and based on such market opportunities as it materializes over the next few quarters.

We will be shortly rolling out our extension of the current brand POCL, which will be the output of the brand architecture exercise we just conducted last month. We have completed project R&Ds and evaluation stages and will see positive progress and movements in the coming months itself.

In terms of execution, plastics and green lead project shall commercialize in Q3 of this financial year itself. POCL is embracing diversified opportunities in manufacturing and recycling with responsibility and commitment.

Over to you, Radhakrishnan.

Questions and Answers



Radhakrishnan Chonat
Director | AlphaStreet

Thank you, Piyush. We'll now move into our question-and-answer session. Today, we have participants joining via the Zoom video platform and also via our tele-calling platform. Participants who have joined us and connected with us through the Zoom video platform can also post their questions directly to me on the chat box and we'll ask the question on your behalf. If you wish to ask a question directly, please use the raise hand functionality. I'll take the first few questions from the chat box as well as questions we 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. I'll start with the questions that we have received via email first.

Both revenue and net profit are significantly higher than year-ago quarter. What drove this improvement? What is the outlook for the remaining quarters of FY '23?



Ashish Bansal
Managing Director | Pandy Oxides and Chemicals Ltd

I'll take this one. As a strategic decision, we increased our portfolio on value-added products. With better procurement opportunities, working efficiencies in plant operations, there has been control on cost through operational efficiencies. For remaining quarters with the current market scenario, the geopolitical tensions, and almost all central banks taking a rigid stance on monetary tightening due to inflation; we would not like to give an extremely rosy picture. However, your company is well equipped to withstand and mitigate risks to a larger extent.



Radhakrishnan Chonat
Director | AlphaStreet

Okay. Thank you, Mr. Ashish. The next question is what are the key indicators of the results in Q1 FY 2023?

**Piyush Dhawan**

President Commercial and Strategy | Pandy Oxides and Chemicals Ltd

I'll take that one. So there has been an increasing trend of cost of additives and chemicals across various processes in lead recycling and the cost of utilities has also resulted in marginal decrease in gross margin levels to 11% versus 12.25% previous quarter, which is also in line with our current industrial benchmarks. We expect the correction in such costs in the coming quarters as part of the business cycle, which is a regular phenomenon every year. In our efforts to reduce the operating costs, we have installed a new furnace in this quarter and added some smelting capacities, which has contributed to increased and balanced margins. Further, certain level of automation has been introduced at the plant level, which will further be studied and increased to attain higher level of automation in the coming years translating to higher efficiencies.

**Radhakrishnan Chonat**

Director | AlphaStreet

Okay. Thank you, Piyush. The next question is do you think the bonus issue will further boost the liquidity of the stock?

**K. Kumaravel**

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

Yes. I Kumaravel will take this question. With the issue of bonus, the current number of shares are directly being doubled in quantum. And as a general belief with higher supply comes, our liquidity will be higher. However, we cannot comment and substantiate and we leave the outcome of the liquidity to the good sense of and judgment of the market. Nevertheless, we wish to reiterate that the issue of bonus is to reward the shareholders.

**Radhakrishnan Chonat**

Director | AlphaStreet

Thank you, Mr. Kumaravel. The next question, what is the roadmap for expansion that the company is looking at? Is there any M&A activity on the horizon?

**Piyush Dhawan**

President Commercial and Strategy | Pandy Oxides and Chemicals Ltd

So, I'll take that one. See, given the current market scenario, diversification is the need of the hour. We have been discussing time and again since the last couple of earnings call and now the subsidiary POCL Future Tech is operational and is in trial stage of production. The products are being sent to various large customers both domestically and internationally for approvals. We are extremely confident that plastics as a vertical will contribute significantly to both the top and bottom line of the company on a consolidated basis. Also we are currently in the process of studying other verticals in post execution -- I mean in post feasibility stages, which should be completed by Q3 2023 and hopefully translate into commercial stages. We may also look at, but not limited to, acquiring companies in the field of our interest as a part of the inorganic growth strategy, both domestic and in the overseas front.

**Radhakrishnan Chonat**

Director | AlphaStreet

Thank you, Piyush. The next question is how do you plan to fund your capex?

**K. Kumaravel**

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

Yes, I take this question. Currently your company is totally debt free. We have strong internal accruals over INR200 crore. POCL plans to invest INR90 crores to INR120 crore in different projects greenfield and brownfield over the next two to three years through internal accruals and depending on the market scenario, a combination of various debt instruments may be used from the domestic and international markets as may be appropriate.

**Radhakrishnan Chonat**

Director | AlphaStreet

Okay. Thank you, Mr. Kumaravel. As a reminder, ladies and gentlemen, if you want to ask a question directly, please use the raise hand functionality. After we are done with the questions from the email and the questions that we have directly received, we will open up the floor for questions. Please use the raise hand functionality. Thank you.

The next question I have received is, in the face of geopolitical issues, how are exports shaping up? Do you see any impact?



Ashish Bansal

Managing Director | Pandy Oxides and Chemicals Ltd

Let me take this one, Ashish here. See, most of our exports are to the Asia-Pacific region and the Middle East and currently due to freight factors marginally to Europe and US. All the countries that are dependent on the region in and around the conflict have become more reliant on emerging markets or emerging countries like India and hence increasing dependability on this region. Currently, the countries under conflict are not part of our addressable markets. So currently this does not affect much to our business, yes.



Radhakrishnan Chonat

Director | AlphaStreet

Okay. Thank you, Mr. Ashish. Can you update on your plans of getting listed on the NSE?



K. Kumaravel

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

Yes, we are in the process of listing the shares in NSE and the same should be completed before Q3 subject to the procedural timelines of the government authorities.



Radhakrishnan Chonat

Director | AlphaStreet

Great. Thank you, Mr. Kumaravel. Once again ladies and gentlemen, if you have any questions, please do raise your hand. The functionality is there in the Zoom platform that we have.

The next question that I have received via the chat box is what could go wrong in the projections based on the geopolitical situation, cost of raw materials, etc.?

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd

I'll take this one too. This is Ashish here. In such times of unrest where markets are extremely volatile without any specific underlying principles and they plunge to historical lows, there is definitely a pressure on the complete supply chain. Notwithstanding the aforesaid, the company is well equipped to withstand and mitigate risks to a large extent, in view of POCL's competitive advantage in procurement, logistics, and a widespread network of suppliers and customers across the globe further help us to balance our risk of geographical concentration. We reaffirm that our growth targets envisioned shall be achieved and are in line with the expectations of all stakeholders.

**Radhakrishnan Chonat**

Director | AlphaStreet

Great. Thank you, Mr. Ashish. I'm done with the questions we have received directly via chat box. Now I'm going to open it up for the participants who are joined with Zoom to ask any questions directly. Please use the raise hand functionality to let us know of your interest. I'll call out your name and unmute the participant. Please, I request you to announce your name and company affiliation before asking any questions that you have. Operators, please allow anyone to raise their hand.

I believe we don't have any direct questions this time. Once again, ladies and gentlemen, if you have any questions and are unable to ask at this point, please do reach out to us directly via email. Once again, ladies and gentlemen, if you have any questions, please use the raise hand functionality.

Rohit Ohri has raised his hand. Mr. Rohit Ohri, please unmute yourself and go ahead and ask your question.

**Rohit Ohri**

Analyst | Progressive Share Brokers

Yes, sir. Am I audible?



Radhakrishnan Chonat
Director | AlphaStreet

Yes, you are. Go ahead.



Rohit Ohri
Analyst | Progressive Share Brokers

Hi. Ashish, KK, and Piyush. Sir, couple of questions. You did touch upon the capex, KK. So if you can just give a breakup of the capex in terms of the brownfield as well as the greenfield? You did mention it is around INR90 crores to INR120 crore, but then if you can give a breakup.



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

Yeah. Mr. Piyush in his talk, he clearly mentioned we are going ahead on this plastic expansion. That is one major cost. And already the greenfield technology, we already signed the contract for the huge sum. That is also coming in the coming financial year.



Piyush Dhawan
President Commercial and Strategy | Pandy Oxides and Chemicals Ltd

So hi Rohit, Piyush here So on the plastics segment, we will be ending up investing close to INR30 crores over the -- in phases basically. We've also, in terms of the collaboration of Ace Green Recycling, given a 12 million investment over the next 10 years. And in other non-ferrous segment, which we will obviously roll out shortly to all the shareholders and the other stakeholders, we plan to invest about INR40 crores to INR50 crores. And we've also earmarked a certain amount of funds for acquisition and lithium ion R&D centers.



Rohit Ohri
Analyst | Progressive Share Brokers

So out of this, you're talking that your maintenance capex would be somewhere around INR20 crore, is it?

**Piyush Dhawan**

President Commercial and Strategy | Pandy Oxides and Chemicals Ltd

So, our maintenance capex should be around INR10 crores to INR20 crores every year for our current projects. For expansion, yes. As I mentioned just a short while ago, plastics is something which will be interesting for us and we plan to invest about INR30 crores therein. And again, the non-ferrous segment about INR40 crores to INR50 crores, which is a different non-ferrous segment altogether. And we plan to set up R&D centers for lithium ion and e-waste. And yeah, basically that's about taking care of INR90 crores to INR120 crores.

**Rohit Ohri**

Analyst | Progressive Share Brokers

Okay. Some follow-ups on this. Sir, if you can just explain what exactly are we trying to do with the plastic business and do we require some sort of registrations or something related to EPR or something? You can just -- for a layman as to what exactly is the process that you might follow in terms of the procurement also as how -- what exactly is the business.

**Piyush Dhawan**

President Commercial and Strategy | Pandy Oxides and Chemicals Ltd

Okay. So in the plastic project, see, being in the battery recycling segment, we have an inherent capacity to process 300 tons to 400 tons of material every month. Since the platform is already there, we have leveraged it and are kind of now planning to scale it up to 2,000 tons per month. The target products will be PPCP, which is polypropylene co-polymer, ABS, and much of the industrial plastics in the segment. That is what we are going to target. As far as the registrations is concerned, yes, since we had already registered with battery BMHR and the other MOEF guidelines in terms of recyclers, so we have a natural inclination towards processing plastics as well. So to answer your question for registrations, we already have the registrations in place to process plastics.

**Rohit Ohri**

Analyst | Progressive Share Brokers

So in the long run, are you going to go and make ahead your own battery unit, is it fair to assume

maybe five, seven years from here? But do you intend to become like the market leaders who are manufacturing batteries?



Piyush Dhawan

President Commercial and Strategy | Pandy Oxides and Chemicals Ltd

So, we'll be very clear. We are going to be manufacturers, we are going to be recyclers. Our sub-class will always be recycling and that will be our core domain. Lead has been our hero product ever since the last three decades and will continue to remain. Since diversification is the need of the hour, we are venturing into other non-ferrous metals, plastics, and we see a lot of -- we are going to go bullish on plastics. If that basically answers your question.



Ashish Bansal

Managing Director | Pandy Oxides and Chemicals Ltd

And Rohit, just to add on to this. To your specific question, whether we will be getting into manufacturing of batteries. Definitely not as an end product as a battery, but yes, we will get into other chemicals or other things that might be used in future for lithium ion technology or whatever technology the battery industry comes in with. So maybe raw material like a B2B to the companies who manufacture batteries. We will be in that space.



Rohit Ohri

Analyst | Progressive Share Brokers

Okay. You did mention non-ferrous so non-ferrous assuming it is aluminum or copper or any other metal that you are interested in?



Piyush Dhawan

President Commercial and Strategy | Pandy Oxides and Chemicals Ltd

So if you look at our portfolio right now, Rohit, we have most of the non-ferrous metals apart from the one which you just mentioned. So yes, we are looking into aluminum aggressively and we are into closing stages of rolling out some information shortly.

**Rohit Ohri**

Analyst | Progressive Share Brokers

And as an add-on, look at venturing into tin as well.

**Piyush Dhawan**

President Commercial and Strategy | Pandy Oxides and Chemicals Ltd

Tin not currently, but -- tin definitely not currently. But then it is again a part of the portfolio, which the team will decide as and when the opportunity arises. And if you notice our portfolio in terms of lead, we already have alloys wherein there is a combination of lead tin, lead antimony, lead calcium. So, tin is inherently part of our portfolio already.

**Rohit Ohri**

Analyst | Progressive Share Brokers

Okay. When we talk about value-added products, can you give us some more color as to what exactly are we talking about and which segments are we targeting with these value-added products?

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd

Yes. Rohit, when we talk about value-added products here within the lead industry, we specifically are referring to some specific or specialized alloys that certain battery manufacturers across Japan, South Korea, and few other countries like Thailand, Vietnam they use. These are for their specific industrial batteries and special-purpose batteries, which are again lead acid batteries. So, these specific alloys are not manufactured by many across the globe. We are one of the very few who manufacture these alloys. So, we have concentrated little more on those specific alloys to increase the portfolio on that side.

**Rohit Ohri**

Analyst | Progressive Share Brokers

Okay. Are you looking at any tie-up with these Southeast Asian players?

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd

Can you be little more explicit on your question because I'm not able to...?

**Rohit Ohri**

Analyst | Progressive Share Brokers

Any more tie-ups with some Japanese, South Korean kind of players? Are you looking at tie-up with them as a long-term supplier to these battery manufacturers?

**Piyush Dhawan**

President Commercial and Strategy | Pandy Oxides and Chemicals Ltd

Rohit, to scale up operations, the answer yes, we are obviously open to such tie-ups. And when we have shown our interest in joint ventures and all of the other domains, we obviously are open for such tie-ups.

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd

And specifically in terms of contracts, we've been having long-term contracts with these large OE manufacturers and it's been over decades that we've been having continuous contracts with them. So in terms of supply contracts, yes, there are ongoing contracts with everybody renewed year-on-year.

**Rohit Ohri**

Analyst | Progressive Share Brokers

Okay. Sir, in this total capex, what sort of a return ratio are you looking at that even if we invest assuming INR100 crores over the next two years or three years, what sort of returns are you expecting?

**Piyush Dhawan**

President Commercial and Strategy | Pandy Oxides and Chemicals Ltd

So in terms of returns, the portfolio mix is a little diverse again. If you look at the non-ferrous segment, we are looking at returns of 8% to 10% and in terms of plastics, we are obviously looking at a higher return. When we say -- when we are planning to invest in e-waste technology, lithium ion technology, or even plastics as a matter of fact; we'll not be targeting anything less than 15% because that is how we are kind of shaping up the business. It's been a strategic call taken by the management that when you look at our portfolio, we will have a diverse portfolio in terms of volumes and in terms of returns as well so that there is a balanced approach towards the market.

**Rohit Ohri**

Analyst | Progressive Share Brokers

When we say 8% to 10% so we are trying to be slightly ahead of the market of the lead which grows at 6% to 8%.

**Piyush Dhawan**

President Commercial and Strategy | Pandy Oxides and Chemicals Ltd

See, not all non-ferrous metals give a 6% to 8% or a 5% to 6.5% return. So, there are market opportunities where you can tap 8% to 10%. There are opportunities available. We have done a lot of pre-feasibility, feasibility studies over the last six months and we see 8% to 10% materializing in some of the non-ferrous segments, which we are planning to roll out in the ensuing quarters. But yes, when we talk about plastics, we will target more than 15% returns.

**Rohit Ohri**

Analyst | Progressive Share Brokers

Okay. Some of the other players in the market, they are looking at around 25% kind of a growth on CAGR basis. So Ashish and KK, do you think you're slightly more conservative with your guidance of 18% to 20%?

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd

See Rohit, generally we like to give -- give out little conservative numbers. We don't like to overpromise and then under-deliver to the market. It would be better if we are conservative and then overdeliver, the reception would be little better. So probably historically also, that's what we have done and we intend to be little conservative always in our futuristic numbers.

**Rohit Ohri**

Analyst | Progressive Share Brokers

That makes sense. I'll fall back in the queue. If I have more queries, then I'll come back. Thank you.

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd

Thank you, Rohit, for your time.

**Radhakrishnan Chonat**

Director | AlphaStreet

Thank you, Rohit. Once again, ladies and gentlemen, please use the raise hand functionality if you would like to ask a question directly to the POCL management. The question next in line is from Mr. Vijay Sarada. Mr. Vijay Sarada, please go ahead and unmute yourself and ask the question.

**Vijay Sarda**

Analyst | Crescita Investment

Hi Ashish, hi Piyush. Good morning.

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd

Hello Mr. Vijay. Good morning.

**Vijay Sarda**

Analyst | Crescita Investment

I have two questions. Firstly, to continue with what Rohit was asking. So Rohit was asking one on the margin side. But if I just assume we are looking at investing in plastic or any other material for that matter, what is the kind ROE or ROCE we are looking at? So suppose we are investing INR20 crore, how much is the payback time that we are expecting for that kind of project?

**Piyush Dhawan**

President Commercial and Strategy | Pandy Oxides and Chemicals Ltd

Okay. So when we talk about plastics, we are looking at a payback period of 18 months -- 18 to 24 months basically and when we are looking at non-ferrous segments, we are looking at a payback period again of 18 to 24 months as well. And when we talk about R&D centers, so there will be a certain amount of research and development happening say for a period of a year or a 1.5 year and then we go for commercialization with a payback period of the same amount.

**Vijay Sarda**

Analyst | Crescita Investment

So when we look at plastic, are we at a final stage of now putting up the project and what will be the initial quantum of capex that we will -- we are looking at for plastic?

**Piyush Dhawan**

President Commercial and Strategy | Pandy Oxides and Chemicals Ltd

The initial quantum of investment will be around INR12 crores to INR15 crores generated through internal accruals. And yes, to answer your question, we are not -- I won't say finalization stages. We're just about to go live or rather we have. Since Vijay, we were already into plastics. Basically there is not such of a paradigm shift as to deep diving into plastic. Plastics was always there, it's only that now another vertical has been added up in terms of the extrusion.

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd

So to add on to what Piyush said, Vijay, also I would like to say that until now we were more into the regular PPCP and whatever the other market players are doing. But now with our plastic vertical, we are concentrating more on engineered plastics and specialty plastics. So, that is why we have carved out a separate niche wherein apart from the run of the mill plastics, which is basic PPCP or any other products, we'll be concentrating also on engineered plastics.

**Vijay Sarma**

Analyst | Crescita Investment

Okay. And Ashish, what can be typical asset turn in this kind of recycling project because I understand it's more about the turn than the capex. So as you rightly said, the capex payback is very low. So, what kind of asset turn we are thinking of if we say INR15 crores to INR20 crores -- INR12 crores to INR15 crore capex? How much turnover we can generate out of it? Can it be upward of 5, 6 or more than that.

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd

See, basically we want to invest in two or three tranches. So, initially we have allocated a fund of INR30 crores wherein in the first phase we would like to invest INR12 crores to INR15 crores on plant and machinery. And I would say our turnover on this would add up somewhere to...

**Piyush Dhawan**

President Commercial and Strategy | Pandy Oxides and Chemicals Ltd

Between INR100 crores to INR200 crores.

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd

Depending on -- this will be INR100 crores to INR200 crores. But here our concentration more than topline is more towards the bottom line.

**Vijay Sarda**

Analyst | Crescita Investment

Yes, bottom line exactly.

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd

This will add on to overall bottom line and take the EBITDA levels higher for the overall company.

**Vijay Sarda**

Analyst | Crescita Investment

When can we expect the first one to start, basically any timeline in mind?

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd

We are looking within Q3 to Q4 our initial products will roll out.

**Vijay Sarda**

Analyst | Crescita Investment

This year at least, we will see some...

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd

This year Q3, Q4, our products will roll out.

**Vijay Sarda**

Analyst | Crescita Investment

And any update on the copper thing? Have we announced thinking of ramping up that or are we still going slow in terms of measuring the volatility and all that?

**Piyush Dhawan**

President Commercial and Strategy | Pandy Oxides and Chemicals Ltd

So yes, Vijay. There is obviously a volatility in copper and various other metals non-ferrous in nature and we are -- there will be a change in approach towards copper and we will start scaling up only from next year once we stabilize the plastic operations and the green lead project. But copper will be a primary focus for us next year.

**Vijay Sarda**

Analyst | Crescita Investment

Okay. Just last thing in terms of the margin on the lead, how we operate? Basically are we looking at a spread that we capture in the lead or we look at absolute delta or percentage margin that we look at? Because as discussed last time also basically there is quite a good amount of volatility ranging from 4.5% to 6.5% so which is not good for the kind of business where the margin swing is 2%, which is very high if I look in absolute numbers and all that? So, how you want to get a fair kind of normal call for this kind of this operation over a longer period of time? So, just wanted to understand on that. And any which way once the plastic comes, the overall margin trajectory will improve because that margin will be 10% onwards. So, but I just wanted to understand how this

lead thing happens.



Ashish Bansal

Managing Director | Pandy Oxides and Chemicals Ltd

Mr. Vijay, basically as earlier Piyush also told, think you joined a little late where you missed out the initial part. He has specifically mentioned about the cost of production, which has gone up pretty much in the last one quarter in terms of pricing of your -- costing towards your smelting wherein coal, your soda ash, cast iron, your furnace oil cost, power cost; all of these have gone up and that has impacted almost to 100 bps to 125 bps on the costing side in terms of production. But this -- we don't look at this phenomena continuing forever and this is one of the situations which has arose out of this current conflict and geopolitical tensions. And we are seeing probably in a couple of months, this should again even out and will help back in the margins. In case if these don't even out by the end of the year, eventually those prices and the whole market takes a correction and this will be passed on back to the customers as well.



Vijay Sarda

Analyst | Crescita Investment

Sure. So basically, is it fair to assume that 5% is on the lower side and we can obviously...



Ashish Bansal

Managing Director | Pandy Oxides and Chemicals Ltd

Definitely 5% is on the lower side.



Vijay Sarda

Analyst | Crescita Investment

And for the year, just leave apart the volatility of quarter, we will try to get to around 6% kind of margin for a year as a whole?

**Ashish Bansal**

Managing Director | Pondy Oxides and Chemicals Ltd

Our target for the year is 5% to 6%, yes.

**Vijay Sarda**

Analyst | Crescita Investment

Okay. And just last question. Amara Raja in their recent con call has stated that they are also looking to setup the recycling unit. So, how does that impact our overall operation because we do approximately...?

**Ashish Bansal**

Managing Director | Pondy Oxides and Chemicals Ltd

See, Amara Raja is looking at how we understand and with conversations with them is they are initially looking at setting up the recycling facility predominantly to recycle their own scrap that they're generating and that only works to almost about say about 30% of their consumption. So currently they are doing that with many of the smaller players and also some of the volumes we also do, but that's not our large part of concentration. And eventually I mean the plant also will take about two to three years probably to setup and the direct supply chain will continue to happen.

**Piyush Dhawan**

President Commercial and Strategy | Pondy Oxides and Chemicals Ltd

One thing, Vijay, what I would like to add here is see, what Amara Raja is doing is part of that compliance obligation. It's been a mandate taken by the government to inculcate that even the OEMs needs to recycle and as part of their manufacturing activity a portion, a certain amount for their own recycling process. So like we can offer battery manufacturing, they have a right also for recycling. But then everyone has their own domain. So, we have expertise in recycling and they have their own expertise in manufacturing batteries. So, there will always be an offset and a gap therein.

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd

The biggest challenge in recycling industry is procurement and sourcing of raw material, which is developed over decades and probably what we believe cannot come overnight to any player.

**Vijay Sarda**

Analyst | Crescita Investment

No, no. On the one method I just asking because you also have an arrangement with Amara Raja whereby they also supply you the battery for their recycling.

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd

Yes, that's a very small and marginal part of our business on job work side. We are predominantly more of suppliers to them than job workers.

**Vijay Sarda**

Analyst | Crescita Investment

So, it won't any which way affect your overall. Okay. Thank you very much. All the very best.

**Radhakrishnan Chonat**

Director | AlphaStreet

Thank you, Mr. Vijay Sarda. Ladies and gentlemen, if you have any questions, please use the raise hand functionality available on the Zoom platform. Rohit, do you have any follow-up questions?

**Rohit Ohri**

Analyst | Progressive Share Brokers

Yes. In the opening remark, Piyush touched upon looking at certain land banks and addition of more land. So, can you just highlight as to where which geography are we looking at, whether is it still in South India or some western part of the country?

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd

Rohit, I'll answer this one. Ashish here. So basically currently, see how we look at our business is we are both into the import and export side of the market and currently we are concentrated around South India towards -- in and arounds of Chennai and Andhra. So, our port access from this side to Southeast Asia or even moving up till Australia on that side is pretty strong. And so now the land banks that we're talking about is we are looking at the western region, closer to the port somewhere probably around in the Gujarat and that kind of region to cater more towards the Middle East and the European side of the market, which will be more cost effective in terms of logistics and lot of other factors whether be it the inward material or the outward material. Also will give us a lot of shortage in voyages, timelines, and all of those. And definitely we are also adding up -- some more land bank we'll be adding up in South India region as well because for our expansions like just how we explained on plastics, on other non-ferrous metals, and so on and so forth.

**Rohit Ohri**

Analyst | Progressive Share Brokers

Okay. My one last question is, I think KK can chip in, in this. But currently looking at the issues around and all the issues with the domestic and geopolitical, EBITDA margin is currently in the range of 6% or so. But as per our previous conversation, I think the guidance was to inch more towards 10% kind of an EBITDA margin. So by when do you think you can try and reach the 10% EBITDA margin?

**K. Kumaravel**

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

The 10% EBITDA on the new product line like plastics and other non-ferrous metals we are planning. Overall in the lead segment, it is in the range of 6%, 6.5% EBITDA,. But if we venture into the new product line, there EBITDA margin is little higher compared to these products.

**Rohit Ohri**

Analyst | Progressive Share Brokers

Okay. So if I can reframe, the blended margins, including all the expansions that might be coming up, by when do you think you can reach 10% EBITDA margin?

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd

Maybe 9% EBITDA overall.

**Piyush Dhawan**

President Commercial and Strategy | Pandy Oxides and Chemicals Ltd

I think financial year '24 or '25.

**Rohit Ohri**

Analyst | Progressive Share Brokers

Okay. That is what I was looking for. Thank you, KK. Thanks a lot.

**Radhakrishnan Chonat**

Director | AlphaStreet

Thank you, Rohit, for your question. Ladies and gentlemen, I'm going to give a few seconds to see if there are any more questions on the line. Again, if you have any questions, please use the raise hand functionality. Okay. Ladies and gentlemen, that's all the time we have allocated for today.

Please send in your questions by email to us and we'll follow-up to get those answered by the POCL management. Thank you all for joining us for the Pondy Oxides and Chemical Limited Q1 FY '23 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 alphastreet.com/India. A final transcript will be available shortly on AlphaStreet India. Thank you, everyone. Thank you, Mr. Ashish.

**Ashish Bansal**

Managing Director | Pondy Oxides and Chemicals Ltd

Thank you.



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