

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

10th November 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: Transcript of the Q2 FY 2023-24 Investor Call held on 9th November 2023 - Reg

With reference to our letter dated 9th November 2023, intimating you about the link of audio recordings of the Investor call held at 03.00 PM IST on Thursday, 9th November 2023, and in this regard with accordance to Regulation 30 read with Schedule III of the SEBI (LODR) Regulations, 2015, please find enclosed the transcripts of the aforesaid Investor call.

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

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

Thanking you,

Yours faithfully

For **Pondy Oxides and Chemicals Limited**

K. Kumaravel

Director Finance & Company Secretary



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Pondy Oxides and Chemicals Ltd (532626)

Q2 2024 Earnings Conference Call

November 09, 2023 • 03:00 pm (IST)

Final Transcript

Corporate Participants

Ashish Bansal

Managing Director | Pondy Oxides and Chemicals Limited

K. Kumaravel

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

Vijay Balakrishnan

Chief Financial Officer | Pondy Oxides and Chemicals Limited

Piyush Dhawan

President, Commercial and Strategy | Pondy Oxides and Chemicals Limited

Conference Call Participants

Radhakrishnan Chonat

Director of Business | AlphaStreet

Vaibhav Badjatiya

Analyst | HNI Investment

Bhavesh Chauhan

Analyst | IDBI Capital Markets and Securities Ltd.

Gokul Maheshwari

Analyst | Awriga Capital Advisors LLP

Mustafa Haveliwala

Analyst | S&P Global Market Intelligence

Rohit Ohri

Analyst | Progressive Share Brokers Pvt. Ltd.

Presentation



Radhakrishnan Chonat

Director of Business | AlphaStreet

Good afternoon, ladies and gentlemen, and welcome to the Q2 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 for their quarterly earnings results conference call.

From the management, we have Mr. Ashish Bansal, Managing Director; Mr. K. Kumaravel, Director of Finance; Mr. Vijay Balakrishnan, Chief Financial Officer; and Mr. Piyush Dhawan, President, 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 transcripts on our alphastreet.com platform. A replay audio of this call will be made available on alphastreet.com platform as well as on our AlphaStreet India YouTube channel. A final transcript will be made available shortly afterwards on alphastreet.com.

With that, 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 Limited

Thank you, Mr. Radhakrishnan. Good afternoon, everyone. We wish you a warm welcome to POCL's Quarter Two Earnings Call. We will briefly discuss on 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 which reflects our outlook for the future, and which could be construed as a forward-looking statement and must be reviewed in conjunction with the risks that the company may face.

With respect to the revenue growth, POCL has delivered a stable result for quarter two of financial year 2024 with a total revenue of INR392 crores with a substantial growth of 22% from the

previous quarter amount of INR321 crores. With respect to the volumes, the company has registered a growth of 18%, as compared to previous quarter, in the current year. Revenue from operations when compared to corresponding quarter of last year, financial year 2023, increased by 31% in terms of value and 20% higher in terms of volumes.

With respect to revenue growth of first half current year, POCL has reported sales amounting to INR714 crores. The increase in value terms is about 7.4% when compared to H1 FY 2023. Our EBITDA levels in lead vertical were in the range of 5.8% which is at par when compared with H1 FY 2023 which was at about 5.7%. Overall, the company has reported EBITDA amounting to INR32 crores when compared to INR38 crores in the previous H1 FY 2023. This is on account of lower realization in Aluminum division and increase in other operational expenses when compared to last year.

In relation to ratios, the current ratio is at optimum level of 1.56 and debt equity ratio is at 0.71, which is well within the industry standards. The return on capital employed for H1 FY 2024 stood at 24% and our sales mix comprise about 45% domestic and 55% exports. The Aluminum division is in the process of stabilization as OEM empanelment is currently ongoing and expansion of customer base.

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 new endeavors and more verticals. We will use this as a solid foundation to increase our global reach.

Over to you, Radhakrishnan.

Questions and Answers



Radhakrishnan Chonat
Director of Business | AlphaStreet

Thank you, Mr. Ashish. We'll now move into our question-and-answer session. Today, we have participants joining via the Zoom platform, as well as through our AlphaStreet Intelligence platform. Now, participants who have joined us and connected with us through the Zoom video platform can post their questions directly to me on the chat box and we'll ask the question on your behalf. Alternatively, if you wish to ask a question directly, please, I request you to use the Raise Hand functionality.

As usual, I'll take the first few questions from the chat box as well as questions we have received via email and through our AlphaStreet platform, and then we'll open it up for the participants to ask questions directly.

Once again ladies and gentlemen, please use the Raise Hand functionality if you would want to ask a question directly to POCL management or the chat functionality.

I'll start with the questions that we have received via email and through our platform and as well as the chat. The first question, can you share some insights on the challenges or improvements in production and operations during the second quarter?



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

Good afternoon, all. I'm Kumaravel taking this question. During the first quarter of 2024 fiscal year, we had difficulties in utilizing smelting capacities due to breakdown of rotary in one of our units. This has resulted in lesser value addition in finished products, thereby decreasing the profit margins. We were able to resume our smelting operations in the second quarter of FY 2024 and able to cope up with sales in the current quarter. The pricing mechanism of aluminum which are primarily driven by OEMs pose significant difficulties in protecting the profit margins, since a sizeable amount of inventories needs to be stocked for catering to customer orders.

To offset the increase in chemicals and flux cost in our production operations, we are in the process of testing various combinations of material mix to get optimum yield and reduce the

waste. This involves substituting materials, a reduction in process time and investing in energy efficient equipments, thereby contributing to reduced costs, which in turn will improve margin going forward.



Radhakrishnan Chonat
Director of Business | AlphaStreet

Thank you, Mr. Kumaravel. The next question is, what is the outlook that management is expecting for the margins in the second half of FY 2024?



Vijay Balakrishnan
Chief Financial Officer | Pondy Oxides and Chemicals Limited

Hi, Radhakrishnan. This is Vijay. So I'll take this question. So POCL has been consistent in achieving its EBITDA margins for the last couple of years. This shows the resilience of the company in terms of maintaining its profits despite volatile markets and geopolitical issues across the globe. We would be able to maintain our margins in our lead vertical business, but the uncertainty in market prices in other verticals might pose some challenges, which will eventually be reduced when volumes surge in the near future.



Radhakrishnan Chonat
Director of Business | AlphaStreet

Thank you, Mr. Vijay. The next question we have is, can you provide an updated breakdown of your sales between exports and domestic markets for Q2 FY '24?



Vijay Balakrishnan
Chief Financial Officer | Pondy Oxides and Chemicals Limited

I will take this question, Mr. Radhakrishnan. So if you see, the geographical sales mix of POCL is about 45% domestic and about 55% export sales. The company supplies products to OEMs across the globe, thereby reducing the customer concentration risk.



Radhakrishnan Chonat
Director of Business | AlphaStreet

Thank you, Mr. Vijay. The next question is how do Battery Waste Management Rules 2022 affect the recycling industry?



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

Hi, RC. This is Piyush here. I'll take this question. So recycling as a concept is rapidly growing in India and it's being driven by government bodies, private players and other stakeholders as well. As a result, this will increase usage and application of recycled materials through OEMs, which will also be reinforced by the government bodies. These would be a game-changer for the industry and POCL, being in the forefront, will benefit from the same. Proposed concepts of EPR credits being issued by R3 levels, which is an organized recycler will benefit the industry.



Radhakrishnan Chonat
Director of Business | AlphaStreet

Thank you, Piyush. The next question is, can you share some insights about the current market share in lead recycling that POCL has?



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

I, Kumaravel, will answer this question. POCL holds around 10% of market share in the lead recycling industry in India.



Radhakrishnan Chonat
Director of Business | AlphaStreet

Okay, thank you, Mr. Kumaravel. Now I'm going to open it up for the participants who have joined us via the Zoom platform to ask any questions directly. I once again request you to use the Raise Hand functionality to let us know of your interest. As usual, I'll call out your name and I request you to unmute and announce your affiliation. Operators, please allow those who have raised their

hands to ask a question.

The first question, I would request, Vaibhav Badjatiya. Go ahead, Vaibhav, please unmute yourself.



Vaibhav Badjatiya
Analyst | HNI Investment

Yeah. Thanks for providing the opportunity. So two questions on the raw material side. So if we see the gross margin, since last two quarters, gross margin has been hit by 1%, 1.5%. Obviously, with the shutdown -- shutdown will -- does not have that much impact on the gross margin as such it will for sure have the impact on the EBITDA margin. So gross margin, I just wanted to understand why that has been impacted since last two quarters.



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

Hi, Vaibhav. So, as far as the gross margin is concerned, I mean these are affected by couple of reasons. One is the initial smelting, the rotary issue which we had in the first quarter, also the Aluminum realizations has been quite low for the entire half year -- the first half of the year, which is why the gross margin has specifically been low.



Vaibhav Badjatiya
Analyst | HNI Investment

Got it, I understand. And secondly, I think last quarter you spoke about furnace oil prices being very high. So just wanted to confirm, is this still continuing and does furnace oil also go into raw material cost or it goes into other expenses in the line item?



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

So these are the overall operational costs which, I mean, get subsumed. So like you said, even the furnace oil and the other ancillary costs for smelting, for both lead and aluminum, these are costs which have been a little higher, but over the next few quarters, we will see a lot of stability in

these costs, and a lot of operational efficiency, which will be realized. And these will even out in the coming quarters.



Vaibhav Badjatiya
Analyst | HNI Investment

Yeah, but the furnace oil go into raw material cost in terms of accounting or it goes into other expense?



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

It will go to other expenses, not raw materials.



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

It goes to the overall processing costs.



Vaibhav Badjatiya
Analyst | HNI Investment

Yeah. So it goes into other expenses not to the raw material costs. And lastly, we have decided to enter into newer vertical, kind of recycling and we've evaluated various vertical. So, apart from opportunity, which is obviously there in all kind of recycling, have we decided that what kind of recycling we will for sure not get into, based on the synergies that we can see with our existing operations? Or we just want to enter into any recycling where we see the market is there without any relationship with our synergy?

**Ashish Bansal**

Managing Director | Ponds Oxides and Chemicals Limited

Vaibhav, this is Ashish here. Basically, currently, as you are aware, lead definitely is our forte and we definitely are looking at more of non-ferrous metals. What we will not get into, we are definitely clear. We will not get into the ferrous industry; that is iron and steel; that is not our focus. But however, looking at the market opportunities, definitely we are also looking at other verticals, but few of the required requisites that we're looking at is the business or any recycling business that we get into needs to be scalable, has to have decent volumes that will help us to grow in terms of both topline and bottom line. And the requirement for Indian industry, I mean, the generation of those kind of waste within the country, apart from being able to import, should be available. And kind of the market fragmentation also would play a role, what kind of -- how many unorganized players are in the market and so on.

So probably all of these combinations put together. And we definitely are sure with all these new norms, the EPR norms coming in, the BMWHR Battery Management Waste Handling Rules and all of these coming in, the market definitely will be more organized in the next coming two to three years and that will also help organized players like POCL to move way forward and give us that specific advantage.

**Vaibhav Badjatiya**

Analyst | HNI Investment

Okay, okay. Got it. Just a small clarification probably -- so, for example, in paper recycling, now it's also a big market. Would you be open to enter into such market?

**Ashish Bansal**

Managing Director | Ponds Oxides and Chemicals Limited

Definitely. Our team is already working on the bit of paper recycling not only now, but for most over six months now, but we have not yet confirmed whether we will be entering the business or not. It's still in the evaluation stage and with our senior management and other Board members as well.



Vaibhav Badjatiya
Analyst | HNI Investment

Okay. Got it. That's it from my side. Thank you.



Ashish Bansal
Managing Director | Pandy Oxides and Chemicals Limited

Thank you.



Radhakrishnan Chonat
Director of Business | AlphaStreet

Thank you, Vaibhav. The next question is from Bhavesh Chauhan of IDBI Capital. Bhavesh, I request you to unmute and ask your question.



Bhavesh Chauhan
Analyst | IDBI Capital Markets and Securities Ltd.

Hi, sir. So my question is -- I have two questions actually. First, sir, in terms of -- for aluminum, when do we get this problem sorted in terms of having the raw material price at lower level when aluminum prices fall so that we can sustain margin? And second one is on plastic division. How -- can you share some progress on that plastic division?



Ashish Bansal
Managing Director | Pandy Oxides and Chemicals Limited

Yes, first starting with aluminum, what we like to highlight here is, aluminum prices are not basis the LME or in absolute which can be hedged directly on the exchange or something of that sort. And second bit being, aluminum as a raw material needs to be mostly imported as domestic availability is insignificant in terms of aluminum scrap. Now these prices, I mean, definitely the pricing on aluminum side poses a big challenge because these prices are market-driven based on supply-demand and multifold but which actually exactly does not translate back into the finished product of what prices the OEMs are setting. So this definitely is posing a big challenge and we are still pretty new to this industry and are also trying to understand, along with our team, what

mechanisms or is there any kind of cross-hedging or any specific kind of a hedge that can be created a model where this can be done. So that probably will take us some time to create a model on hedging.

As far as plastics is concerned, with our increased capacities, as we are going ahead on lead, the internal generation of plastics itself could help good amount of volume in stabilizing our plastic plants. Apart from that, with all these new EPR rules, again, coming in and currently we are in talks with couple of OEMs who want us to do a kind of a contract tolling with them and multiple other options where we are creating certain specific grades of plastics for them is also on the cards. So probably another one or two quarters, the plastic operation should definitely stabilize.

As far as aluminum, we'll have to probably wait and try and develop a good model where the price stability can be ascertained. Until then, probably we'll have to look at replacing a raw material against the sales like how, generally, traders do.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Ashish. Bhavesh, do you have any follow-up questions?

**Bhavesh Chauhan**

Analyst | IDBI Capital Markets and Securities Ltd.

No, that's it, thank you.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Bhavesh. The next question is from the line of Mr. Gokul Maheshwari, Awriga Capital. Gokul, please unmute yourself and go ahead and ask your question.

**Gokul Maheshwari**

Analyst | Awriga Capital Advisors LLP

Thank you. So just when you are scaling -- so your normalized margins on the lead business are more like 5% to 6% at the EBITDA level. And as the expectation was that the plastics business and the aluminum business scales up, these are supposedly higher-margin businesses once they stabilize. Is the broader assumption still valid where once these businesses scale up, your margins on an overall basis should move up or you would want to revisit on those base assumptions?

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Limited

Let me just repeat. If my understanding is right, you're asking if our margins on lead will go up and along with that, will the other verticals that we've entered will stabilize in margins and with the scale and economies of scale, will the margins grow, is that what you're asking?

**Gokul Maheshwari**

Analyst | Awriga Capital Advisors LLP

No, for the newer projects in aluminum and plastics, the understanding was that these businesses, once they scale up, would be more profitable than the core lead business. And once they scale up, will help you improve the overall margins for the company. This was my understanding on the facts. So is that understanding still correct?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

Hi, Gokul, yes the understanding is still correct. So I'll just walk you through both aluminum and plastics. So for both aluminum and plastics, empanelment with the OEMs is ongoing. We are right now able to utilize 25% to 30% of our capacities in both the units. We foresee the stable margins and growth from quarter one '24-'25 onwards. I mean, the positives coming out from both the projects is that we've aligned on both the production processes and the product portfolios. Aluminum, as it is, has seen a tough year with demand from China coming down and also in India, the demand-supply pattern has not been even. With BIS certification coming in from December 1, we've already begun executing the same and we'll have the certifications in place for the

aluminum unit.

For plastics, onboarding with Tier-1 OEMs is ongoing and will be completed soon. We expect both aluminum turnover and plastics turnover to kind of have a level of uniformity from '24 '25 onwards. I hope that answers your question.



Gokul Maheshwari

Analyst | Awriga Capital Advisors LLP

Yeah, this is very helpful. Just on the EPR credits, if you can please explain how does this work and how would this help us from a financial sense?



Piyush Dhawan

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

So EPR credits has evolved, both for the lead and the plastics segment. So it is -- I mean, I'll first point out to the plastics portfolio. For the plastics portfolio, EPR credits are evolving still. So various notifications are being updated to us by the stakeholders in the government bodies, whether, be it CPCB or the state pollution control bodies and the government authorities. The recycling association as well has put up a lot of efforts in terms of enlightening the government on how the EPR credits will work and vis-a-vis the government has also supported a lot to us.

Now, how the EPR credits is going to work is going to be very similar to how the work is done in Europe and U.S. We'll have EPR credits generated based on the scrap we receive from the OEM and vis-a-vis we will generate a certain amount of finished good and give them back and accordingly, the credits will be evaluated and given back to them. But again, it is at a very nascent stage and we will see some breakthrough in terms of commercialization on the same in the first quarter of '24-'25. We will keep you all posted on that as well, because this is a very exciting opportunity as far as EPR is concerned.

As far as EPR in lead is concerned, under the battery management handling rules, there also are three-level -- the Recycler 3, which is the organized, one of us, POCL, we will have that level of issuing EPR credits to the OEMs and the institutions, I mean, through which we deal. So that will also evolve over a period of time, it is still very nascent, but yes, we see some breakthrough happening in the next year.

**Gokul Maheshwari**

Analyst | Awriga Capital Advisors LLP

And this will be -- partially the benefits of this would be shared with the OEMs as well?

**Ashish Bansal**

Managing Director | Ponds Oxides and Chemicals Limited

So basically what will happen as how we look at it at this point in time is that there will be a specific requirement which will be levied upon the OEMs or the manufacturers of primary goods, wherein a certain percentage of recycled material has to be compulsorily used in their end product. Once that compulsion is there, they will be required to specifically use these materials and produce the documentation for the same. So I mean, it's more of a -- it will become more of a compliance for them. And hence, in fact, maximum benefit will be to the recyclers more than the OEMs, because they have to use this material.

At times, if there is any shortage of recycled material, that could even go at par with the virgin material, which has happened a couple of times in the western world like -- and also U.S. and other countries wherein even the recycled material has sold equivalent to the virgin prices or even slightly higher to them. So that's how the scenario could look like at. But like Piyush just mentioned, we're in the nascent stage and what could be the degree of compliance and how much they can be enforced to follow these norms is what will drive this whole aspect.

**Gokul Maheshwari**

Analyst | Awriga Capital Advisors LLP

Last question. So on the -- I'm just referring to the earlier comment on the margins. The EPR credit benefits would be over and above the expected margin improvement on account of stabilization or scale-up of our plastics and aluminum business, is that correct?

**Ashish Bansal**

Managing Director | Ponds Oxides and Chemicals Limited

Yes. As we look at -- like how I explained on those terms, yes, that should be it. And also being a compulsion for them to use this kind of material, they would want to only buy from such

companies who can generate such credits.



Gokul Maheshwari

Analyst | Awriga Capital Advisors LLP

Great, sir. Thank you and all the best.



Ashish Bansal

Managing Director | Ponds Oxides and Chemicals Limited

[Speech Overlap] business volumes along with these benefits.



Gokul Maheshwari

Analyst | Awriga Capital Advisors LLP

Greg. Great. Thank you so much. Really appreciate it. Thank you.



Ashish Bansal

Managing Director | Ponds Oxides and Chemicals Limited

Thank you.



Radhakrishnan Chonat

Director of Business | AlphaStreet

Thank you, Mr. Gokul. Ladies and gentlemen, as a reminder, please use the chat functionality, or alternatively, use the Raise Hand functionality if you want to ask any questions directly to the management. I'll give a few seconds to see if there are any chat questions or additional questions. Yes, we have. The next question is from the line of Mr. Mustafa Haveliwala of S&P Global. Mustafa, please unmute yourself and go ahead and ask your question.

**Mustafa Haveliwala**

Analyst | S&P Global Market Intelligence

Hi, management. Hi everyone, thank you for this opportunity. My question was around the finance cost for the remaining part of the second half and the next year. Any outlook on that, debt -- peak debt, finance cost? And the second question was more concerning the nature of the business. So in the last call, I heard someone say that -- is there an oversupply thing in your business? So for example, someone said that you cannot operate at 100% capacity, you're operating at 70%, 75% capacity, because that would then affect -- start affecting your yields on the lead business. So if you could just explain that, that would be great.

**K. Kumaravel**

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

First I give answer to this first question on finance cost. Finance cost more or less at the similar level for the second quarter. As you know, this is the trend here, rate of interest is not coming down in the near future. But to the extent of profit earned in the first quarter, that was, to some extent, substitute my borrowing to some level. Otherwise, it is going to be similar level for the second quarter.

And for the second part, Ashish, can you...

**Ashish Bansal**

Managing Director | Pondy Oxides and Chemicals Limited

So you want to know about the roadmap for our -- for the expansions?

**Mustafa Haveliwala**

Analyst | S&P Global Market Intelligence

No, actually my question will start -- I heard someone say in the last call that you were operating at 70%, 75% capacity for lead business. And you said something like you cannot operate at full capacity because then you start losing lead -- losing yields on your lead business. So is there an oversupply element in your business or something like that?

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Limited

No. I don't get it, you're saying that if we operate at a higher capacity, we'll lose yields. I think there's some misunderstanding here. No, currently, we are operating at about 70%, 75% and that has got nothing to do with the yields will be lost or any of such per se. However, we are targeting to double our capacities in the next two years. And that is what we are looking at in terms of our smelting capacities, our refining capacities on the overall quantum of lead.

**K. Kumaravel**

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

And to answer this, I'll put it this way also. We are looking for lot of value-added products. If we sell the plain vanilla we can achieve 100% capacity utilization also at total level. That will not give much profit margin. That's why we are concentrating more on value-added products to give additional EBITDA margin for the company.

**Mustafa Haveliwala**

Analyst | S&P Global Market Intelligence

Okay, got it.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Mustafa. I believe that answers your questions. We have a follow-up question from Bhavesh Chauhan of IDBI Capital via our chat. So the question is, what is the capex likely for FY '24, '26 and would this be towards -- and this would be towards what purpose?

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Limited

See, I'll go back a little and say, in the last two years, we have, like I say, successfully added two verticals, which is aluminum and plastic and which will stabilize over a period of time as capacities are met, as we have been discussing over this call. Furthermore, we have as well been acquiring

some land parcels and basic infrastructure, additional land parcels and in the last two years, we have spent close to about INR100 crores in total. And further, in the next two years, including our expansion or some lead capacities and so on, we would be looking at investing close to -- in the next one, one-and-half years, close to about INR100 crores in plant and machinery, which will double our capacity -- almost double our capacity of lead, reaching close to about 200,000 tonnes. And this would be -- these capacities and enhancements that we are going are more modern in nature in terms of automation, in terms of technology, in terms of efficiencies and processes. So that also definitely will give us a little better operating margins.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Ashish. We have a couple of questions from Aniket Shah. I'll ask one by one. He has identified himself as an investor. Has the company decided how to use the Harsha Exito land?

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Limited

So basically, Harsha Exito land is where the company is looking at adding the new verticals and also the current expansion on the lead capacity will be done at this specific site and which is ongoing at the moment.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Ashish. His next question is, can you enlighten us with the revenue breakup, segment-wise?

**Vijay Balakrishnan**

Chief Financial Officer | Pandy Oxides and Chemicals Limited

I will answer this question, RC.



Radhakrishnan Chonat
Director of Business | AlphaStreet

Yes.



Vijay Balakrishnan
Chief Financial Officer | Pandy Oxides and Chemicals Limited

So in terms of lead, it is about 90% -- 93% of the total revenue comes from lead division and balance 7% comes from both aluminum and plastic division.



Radhakrishnan Chonat
Director of Business | AlphaStreet

Thank you. Mr. Vijay. His last question is, any update on the green lead production?



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

Yeah. So I'll take that question, RC. So green lead technology is different and also innovative versus the traditional smelting practices. And it is but natural that there will be an investment of time as well for this to stabilize first in the pilot stage, and then transitioning to commercial stages. The operational costs are relatively higher versus the traditional processes and hence, will take time to align with our processes as well. And we will continue to kind of keep you posted on further updates as we move forward in this green lead technology.



Radhakrishnan Chonat
Director of Business | AlphaStreet

Thank you, Piyush. Ladies and gentlemen, I'm going to give a few seconds to see if there are any more questions. Yes, Rohit Ohri, please unmute yourself and go ahead and ask your question.

**Rohit Ohri**

Analyst | Progressive Share Brokers Pvt. Ltd.

Yes, so a couple of questions, the first one being, if you can take us through the demand scenario in the domestic market as well as in the international market for both lead and aluminum, if you would like to share on that.

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Limited

You mean demand scenario in the sense of what -- basis which our company is performing?

**Rohit Ohri**

Analyst | Progressive Share Brokers Pvt. Ltd.

Yes.

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Limited

So basically, as I said earlier during our conversations about -- the company is doing about 45% of the sales in the domestic market and 55% in the international market on lead. And currently, on aluminum, whatever we are doing is more in the domestic market. But as the markets open up, we will be looking at some international -- I mean, some export sales in aluminum as well. Plastics, currently, we are focusing on the domestic market and we -- our unit in plastic is located in the automobile hub and in the hub where lot of these plastic products are manufactured. So initially, we would like to cater to all the companies which will also give us good logistic reasons and for them to collaborate with us. And then, going-forward, we will look into the international market depending on all the EPR terms, norms, all of those.

**Rohit Ohri**

Analyst | Progressive Share Brokers Pvt. Ltd.

If we see the number for the export, it has kind of reduced, if you compare with last quarter which was around 65%. So what could be the probable reason? Is it the demand that is low or is it the

competition shaping up strongly or is it the geopolitical issues?



Ashish Bansal

Managing Director | Pandy Oxides and Chemicals Limited

No. I would rather put it this way that on the realization front, we were looking at slightly better margins on the domestic side and hence, it was a conscious call taken by the management to increase little more of the domestic sales and export sales specifically was limited to these numbers. Demand is still available. But as realizations are a little lower, so we look at this thing. But the way it looks forward, in Q2, probably the exports will again come back a little higher than the -- what do you call -- sorry, H2 than H1. Exports would be higher.



Rohit Ohri

Analyst | Progressive Share Brokers Pvt. Ltd.

Okay. Since we touched on the upcoming quarters, historically, if you see, that December and March has been a stronger quarter for us, and you generally do the price reset for the international guys in the month of December. So, would you like to share anything on the bottom line per se, if you'll be able to match the numbers of the previous financial year?



Ashish Bansal

Managing Director | Pandy Oxides and Chemicals Limited

In terms of contracts, yes, you have observed the business right. And yes, we are currently in negotiation and resetting our contracts for the next calendar year and with some companies for the next financial year. And it is, currently, a little challenging because of general international market. But -- and in terms of the last two quarters, I'll say, in comparison with the earlier quarters, these last two quarters will be better than our Q1 and Q2 of the current financial year. We will have better margins and better top lines.

**Rohit Ohri**

Analyst | Progressive Share Brokers Pvt. Ltd.

Okay. So you've been piling up some inventories if we see the balance sheet when you compare to March quarter of the current year. So is it possible to break it down into the lead, aluminum, oil, plastics and so on?

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Limited

The maximum inventory is on the lead side, and this, as earlier Piyush also said, we had -- in the first quarter, we had some breakdown on furnaces, but our supply contracts are intact, and we did not want to disturb our supply chain. So definitely we did pile up those inventories, which are now slowly coming back into stream and probably by this December quarter, quite a bit of it should be realigned back to good inventory -- I mean, managed levels.

**Rohit Ohri**

Analyst | Progressive Share Brokers Pvt. Ltd.

Okay. You did touch upon Harsha Exito. Last time when we spoke, you were working on adding some machinery over there and there were some initial work that was happening. So can you take us through the current scenario, what exactly is happening at Harsha Exito and anything on the revenue, by when will you start showing revenue from this site?

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Limited

Yeah. So as spoken earlier, I think Mr. Bhavesh or Mr. Mustafa, I think, had asked this question. We are currently in the process of installing machines and the machines are being manufactured and the site is under construction in terms of the civil construction on sheds and other requirements. Utilities, road laying and all of that is in process. And the targeted time to complete the installation of these machines should be about July end, the trials to happen in September. So from October; that is H2 of the next year -- next financial year; you will start seeing revenues coming out of this plant.

**Rohit Ohri**

Analyst | Progressive Share Brokers Pvt. Ltd.

And anything on the volumes or the capacity addition, would you like to share that for Harsha?

**Ashish Bansal**

Managing Director | Ponds Oxides and Chemicals Limited

I'll put it this way, in total, POCL targets to reach a volume of 2 lakh tonnes; that's 200,000 metric tonnes per annum; in the next two years.

**Rohit Ohri**

Analyst | Progressive Share Brokers Pvt. Ltd.

Okay, sir.

**Ashish Bansal**

Managing Director | Ponds Oxides and Chemicals Limited

Probably from Harsha should be somewhere around about 70,000 to another 100,000 should be added there.

**Rohit Ohri**

Analyst | Progressive Share Brokers Pvt. Ltd.

Okay, sir, that's all from my side. Thank you. Thanks a lot.

**Ashish Bansal**

Managing Director | Ponds Oxides and Chemicals Limited

Thank you, Mr. Rohit.



Radhakrishnan Chonat
Director of Business | AlphaStreet

Thank you, Rohit. The next question is a follow-up from Bhavesh Chauhan from IDBI. Bhavesh, please unmute yourself and go ahead and ask your question.



Bhavesh Chauhan
Analyst | IDBI Capital Markets and Securities Ltd.

Yeah, hi, thanks for the opportunity again, sir. Sir, just a follow-up on your answer to my capex question earlier that we are kind of almost doubling our capacity of lead in coming two years. So in coming two, three years, should we expect our top line also to double to INR3,200 crores or something?



Ashish Bansal
Managing Director | Pandy Oxides and Chemicals Limited

So, normally we don't give forward-looking statements but since you're specifically asking, we are looking at a top line of -- in FY '25 our targeted top line is around INR1,800 crores to INR2,000 crores, and in FY '26, in excess of INR2,700 crores.



Bhavesh Chauhan
Analyst | IDBI Capital Markets and Securities Ltd.

Okay. And -- that's quite helpful. And also you said that we'll be adding value-added products. So margin should be better than compared to current levels, right?



Ashish Bansal
Managing Director | Pandy Oxides and Chemicals Limited

We are definitely concentrating on value-added products. But as you know, every business will have a mix of products and only as much as a certain percentage can be value-added products. However, we thrive to push that percentage higher. And if we are able to achieve the higher percentage on our value-added products, the margins will be definitely better. And also with the addition of this new plant in Harsha Exito with all our experience of over a decade in recycling

lead, definitely, our efficiencies and processes will be much more efficient, much more environment-friendly and the plant will be much more greener than any of the plants right now in India.

**Bhavesh Chauhan**

Analyst | IDBI Capital Markets and Securities Ltd.

Okay. And we were also doing some pilot project on rubber and lithium-ion. So any update on that?

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Limited

Not a pilot project, we were doing some internal research in terms of numbers, in terms of availability, in terms of raw material, the complete supply chain and the whole cycle of -- lifecycle of the product. And we -- specifically on the lithium-ion side, what we are looking at is, even though we have our technology partners aligned with us, the biggest challenge right now is getting a sizable amount of raw material as a country like us, we are still just in the beginning phase of the lifecycle of any of these EVs or where the battery collection is again in order. So, the main point here being is that being able to collect enough volumes of raw material to justify an investment on the specific project.

**Bhavesh Chauhan**

Analyst | IDBI Capital Markets and Securities Ltd.

Okay. So as of now, we are not going ahead with -- and what about rubber?

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Limited

Rubber, we're just starting to work on it, but definitely, we are looking at only after -- once our lead expansion is completed, is when we'll look into rubber because we do not want to take multiple projects at the same time. We'd like to stabilize the lead project, which is our key vertical and then enter into one more new vertical. And by then also the aluminum and plastics should be stabilized. So it's very important to stabilize the existing new verticals and then jump into another new

vertical instead of going on adding new verticals and keeping multiple verticals unstable.



Bhavesh Chauhan

Analyst | IDBI Capital Markets and Securities Ltd.

Right, right, sir. And sir, last question again coming back to your aluminum thing. So as of now, as I understand, that as of now, we are still not clear how we're going to make aluminum division profitable or we have a game plan in place?



Ashish Bansal

Managing Director | Pandy Oxides and Chemicals Limited

We definitely have a plan in place, the only thing which -- not only me, I think the industry also is still not sure that even after so many years is how can we create a hedge mechanism to having intact margins. That is the key factor. Definitely, there will be margin, there will be sometimes good and sometimes lower margins, but the idea how we look at is, how can we have stable margins through the year and year-on year. That is the challenge what we want to look at.



Bhavesh Chauhan

Analyst | IDBI Capital Markets and Securities Ltd.

Yeah. But sir, you must be having some global company that must be doing it successfully.



Ashish Bansal

Managing Director | Pandy Oxides and Chemicals Limited

Yes, we have observed a lot of companies, but the profitability part is a little inconsistent because these do not specifically have kind of a structured hedging mechanism or a structured mechanism on pricing. So even though they're profitable, but the profits keep swinging up and down.

**Bhavesh Chauhan**

Analyst | IDBI Capital Markets and Securities Ltd.

Yeah, got it. Thanks a lot for answering the questions and all the best.

**Ashish Bansal**

Managing Director | Ponds Oxides and Chemicals Limited

Thank you, Bhavesh.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Bhavesh. We have a couple of follow-up questions from Aniket Shah over chat. So his question is, the lead market is growing at 5% to 8% CAGR. But we are looking to double our capacity in the next two years for lead. Could you explain the rationale behind it? Are we looking to aggressively take market share from our competitors?

**Ashish Bansal**

Managing Director | Ponds Oxides and Chemicals Limited

I'll put it across in a holistic way rather than just talking about grabbing market share. As you're all aware that from the compliance perspective and from the governmental side, there is a lot of push in terms of how any recycling -- not only lead, but how any recycling facility is run on the compliance side, on the environmental factors, in terms of the technology used, and also the whole with all these Battery Management and Handling Rules, along with other EPR coming in. The focus will start moving into more organized players and sizable larger players in the country rather than going down to those unfragmented markets. One of the key reasons would be that, we would be getting a lot of this unorganized, unfragmented market to start converting back into well-organized market. That itself, by itself, will increase a little more demand in the market for organized players.

Apart from that, definitely yes, as we are coming up with higher capacities and better efficiencies, we will be penetrating into newer geographies and other countries also apart from India like Middle East, going a little further across towards Europe. And also, as we are already very strong in

Southeast Asia, where we've been supplying over a decade now, I have very good rapport with our customers. There as well, we are looking at higher shares and quantities.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Ashish. His second question is, have we done any tech or feasibility studies tie-up with any companies or universities for other recycling products, which are not currently in?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Limited

So on the lithium-ion side, we were earlier in talks with a government body. But then, I mean, we also foresee a lot of technological progress happening with respect to either hydrogen being talked about, or the sodium-ion as well. So, I mean, as of now, the answer obviously is not positive. The answer will kind of progress as the lithium-ion or sodium-ion progresses in the coming years.

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Limited

One more important point here to note, RC, here is that, the lithium-ion battery as a technology, by itself, is not 100% mature yet. And the technology on the battery and its construction itself is still evolving on a day-to-day basis. And to get into a specific recycling technology, the market by itself, in terms of its own technology, needs to be mature enough and have a sustainable volume grow -- I mean volume coming back into the end-of-life cycle and so on. So all these factors for us has put us a step back even though we did -- we, like I said, we already have technology partners in place and all of it, but the technology is for as what it is now. As what it is going to be couple of years ahead with the maturity of technology, we have to wait and watch and look at how the whole cycle evolves.



Radhakrishnan Chonat
Director of Business | AlphaStreet

Understood. Thank you, Ashish and Piyush. We have a follow-up question from Vaibhav Badjatiya of HNI Investment. Vaibhav, please unmute and ask your question.



Vaibhav Badjatiya
Analyst | HNI Investment

Yeah, thanks for providing the follow-up. So in terms of aluminum, I understand that there is no hedge mechanism available. So how does it currently work? I mean, we procure -- we import aluminum scrap at whatever spot prices, and then we sell it at particular spot prices or with customers we have some kind of linkage in terms of T minus one month or T minus two month kind of arrangement?



Ashish Bansal
Managing Director | Pandy Oxides and Chemicals Limited

So how we do this is, initial part of the quantity is -- acts like a buffer to us. Let's assume our monthly sale is 100 tonnes and our travel time is 15 days. So, say about 50 tonnes we would keep booking as we sell -- in every 15 days, as we sell those products, based on market price. Every time a product is sold is based on at what price the raw material is available and the same is replaced with the material sold. So right now, we are doing this kind of a practice, but here, definitely, there is a risk involved in terms of time, the timelines when the material would arrive, sometimes it would be plus-minus and all of that. So the time risk is definitely involved here.



Vaibhav Badjatiya
Analyst | HNI Investment

Okay. Got it. I understand. And for plastics, how does it work for plastic?

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Limited

Plastic basically is determined by the primary resin price. There is an X percentage in terms of the resin price and minus that percentage for a scrap price. And like I said, plastics, more or less, we are doing from the domestic market. So the logistics timeline or the time delays, maybe a day two, which is -- that's pretty much workable.

**Vaibhav Badjatiya**

Analyst | HNI Investment

Got it. I understand. That's it for me. Thank you.

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Limited

Thank you.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Vaibhav, for your follow-up. We're just going to give a few seconds to see if there are any more questions. Yes, Rohit, please unmute yourself and go ahead.

**Rohit Ohri**

Analyst | Progressive Share Brokers Pvt. Ltd.

Hi. Thank you for the follow-up. Sir, there are many players in the market who're trying to explore the business related to LAB like Schneider is planning for some new battery and certain new chemicals, and Amara Raja is also looking at certain expansion for the LAB businesses, while we have some players like Exide who are trying to work on lithium-ion battery. So do you think that there could be some sort of threat since these players are trying to go backward integration?

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Limited

You're are talking of on the lithium side or on the lead side?

**Rohit Ohri**

Analyst | Progressive Share Brokers Pvt. Ltd.

So lithium is evolving. On the lead side, if you can share?

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Limited

So basically, I mean, I don't look at it as a threat. I mean the market, by itself, is growing in terms of volumes. And what most of these companies, what they are looking at is trying to have their backward integration more in terms of getting compliant with the battery management handling rules and that is the bit that they want to handle through their plants. But their, what you call, outright purchase of products would still remain in good volumes in the market.

**Rohit Ohri**

Analyst | Progressive Share Brokers Pvt. Ltd.

Okay. Okay. So you also did touch up that there are certain tech players with whom you have a tie-up. Is it possible to share, are they domiciled in India or these are some international players or some MNCs who are doing some operations in India?

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Limited

We are exploring this lithium-ion recycling technology which -- rather, we have explored and they have already done some pilot, which is -- one is an international player. And one of them is a domestic player who's running a small-sized plant and I have personally visited that plant as well. But like I said, again, our interest became low when we look -- when we saw the volumes that are available in the market. So that is what is -- till we are able to get more collection on our raw material volumes, we probably will postpone the decision a little more.

**Rohit Ohri**

Analyst | Progressive Share Brokers Pvt. Ltd.

Okay. Ashish, my last question is, you also did touch upon the part that the unorganized market and the players therein, so my question is that, are there any such stressed assets or unorganized players who you think that they can be acquired or do you think that you will work in -- as a JV with them or maybe kind of absorb them?

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Limited

There are a couple of unorganized players who are stressed. But if -- when they're unorganized and their plant would be also as unorganized as they are. So definitely, we will not look at a plant that is backward in nature and I don't think the way we are looking at our futuristic plants, anybody -- any plant would be available in India currently.

**Rohit Ohri**

Analyst | Progressive Share Brokers Pvt. Ltd.

Okay. But there is no scope to kind of dismantle and then...

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Limited

Then remains only the land and building, which would then -- rather, we would look at our locational benefits and advantages and definitely POCL can acquire wherever land or building is required. So I mean, just for a land or building, it doesn't have to be that it is a lead plant or it is any other plant. And based on locational advantages, we can always acquire where we are looking at. And definitely yes, in the next two years, we are also looking at some international plants and we are doing a feasibility study in various countries.

**Rohit Ohri**

Analyst | Progressive Share Brokers Pvt. Ltd.

Are you looking at the MENA region or are you looking at the African continent?

**Ashish Bansal**

Managing Director | Ponds Oxides and Chemicals Limited

Kind of the similar regions, yes.

**Rohit Ohri**

Analyst | Progressive Share Brokers Pvt. Ltd.

Okay, okay. That helps. Thank you. Thanks a lot.

**Ashish Bansal**

Managing Director | Ponds Oxides and Chemicals Limited

Thank you.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Rohit. Ladies and gentlemen, 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 it answered by the POCL management.

Thank you all for joining us for the Ponds Oxides and Chemical Limited Q2 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 alphastreet.com platform. A final transcript will be made available very shortly on AlphaStreet's platform.

Thank you, everyone, and wishing you all a Happy Diwali in advance and Happy Diwali in advance to POCL team also.

**Ashish Bansal**

Managing Director | Ponds Oxides and Chemicals Limited

Thank you, RC, and thank you and wish you a Happy Diwali to all.

**Vijay Balakrishnan**

Chief Financial Officer | Ponds Oxides and Chemicals Limited

Thank you, RC. Thank you, Happy Diwali.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you all. You may all now disconnect.



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