

# PONDY OXIDES AND CHEMICALS LIMITED **POCL**<sup>®</sup>

31<sup>st</sup> May 2023

**National Stock Exchange of India Ltd**

Exchange Plaza, 5<sup>th</sup> 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 Q4 FY 2022-23 Earnings Call held on 30<sup>th</sup> May 2023**

With reference to our letter dated 25<sup>th</sup> May 2023, intimating you about the Q4 FY 2022-23 Earnings call with Analysts/Investors scheduled on 30<sup>th</sup> May 2023, please find attached the transcript of the aforesaid Earnings call and the audio recordings for the same shall be available at <https://www.youtube.com/watch?v=HL4S77nRqzg>.

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)

Q4 2023 Earnings Conference Call

**Final Transcript**

## Corporate Participants

### **K. Kumaravel**

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

### **Vijay Balakrishnan**

Chief Financial Officer | Pandy Oxides and Chemicals Ltd

### **Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Ltd

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## Conference Call Participants

### **Radhakrishnan Chonat**

Director of Business | AlphaStreet

### **Muthukumar R**

Analyst | Individual Investor

### **Rohit Ohri**

Analyst | Progressive Share Brokers

### **Gokul Maheshwari**

Analyst | Awriga Capital Advisors LLP

### **Aman Vishwakarma**

Analyst | RoboCapital.in

### **Devesh Shrimali**

Analyst | DS Investment

# Presentation

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**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Good afternoon, ladies and gentlemen, and welcome to the Q4 FY 2023 Earnings Call of Pondy Oxides and Chemicals Limited hosted by AlphaStreet. This is Radhakrishnan Chonat from AlphaStreet and it's a pleasure to host Pondy Oxides and Chemicals Limited for their quarterly earnings results conference call. From the management, we have Mr. K. Kumaravel, Director of Finance and Company Secretary; and Mr. Vijay Balakrishnan, the Chief Financial Officer joining us today.

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 available shortly afterwards on AlphaStreet's platforms as well as at [alphastreet.com/india](http://alphastreet.com/india).

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

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**K. Kumaravel**

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

Thank you, Mr. Radhakrishnan. Good afternoon, everyone. We wish you a warm welcome to POCL Q4 FY '23 earnings call. We will briefly discuss the financial performance and I shall give you the update on the overview results and the strategic acquisition mentioned in our last announcement along with other project updates.

Pertaining to the financial results, POCL has delivered a stable result for Q4 of FY 2023 with a total revenue of INR435 crore, a growth of 17% from the previous quarter of Q3 2023, that is INR372 crore. With respect to volumes, the company has been relatively similar for FY '22-'23 from the previous year '21-'22. This puts the company in a strong position to expand into other non-ferrous metals like aluminum, copper, etc.

POCL has recommended a final dividend of 50% this year and it continues to be a consistent

dividend-paying company since the inception. We are also happy to share that substantially for this financial year '22-'23 also, we have crossed a turnover of 100 million in exports. Further, based on the earlier intimations to stock exchanges, we would like to reiterate that equity shares of the company are listed and traded in the National Stock Exchange Capital Markets segment from 6 March, 2023.

In relation to ratios, our EBITDA, net profit margin are relatively same as previous year. With respect to the current ratio, we are at the optimum level of 1.6. Our sales composition is 55% export and 45% domestic proportion and for the procurement, we are around 25% domestic and 75% imports proportion. There has been a reasonable growth in EPS by 22% in INR12.24 to INR10.01 from the previous quarter. There has been a significant increase in the cost of smelting, refining along with the cost of utility such as power, fuel, which has further added to the overall cost of production. Despite increase in the overheads, there is increase in the gross margin levels to 12% compared to the previous year.

Further, in continuation to our discussion from previous earnings call, post-acquisition, the company of Harsha Exito Engineering Private Limited, the management is working on viable business opportunities in both short-term and long-term, which will yield in positive strategic growth in correlation with our existing portfolio. Necessary updates on the same shall be duly intimated in due course.

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

Over to Mr. Radhakrishnan.

## Questions and Answers

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**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Mr. Kumaravel. We'll now move into our question-and-answer session. Today, as you all know, we have participants joining via the Zoom platform as well as via our tele calling platform. Participants who have joined us and connected with us through the Zoom platform can also pose their questions directly to me on the chat box and we will ask the questions on your behalf. If you wish to ask a question directly, please do use the Raise Hand functionality.

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

I'll start with the questions that we have received via email as well as chat boxes first, and then we'll let you ask questions directly, if any.

The first question. Recently, Germany has officially entered into recession and other developed economies are also bound to follow the same. What effect will the global recession have on your company's performance?



**K. Kumaravel**

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

I, Kumaravel, will give this answer to this question. We feel that the Asian economies, specifically India, are going to perform better than their peers in Europe and U.S. We will see slowdowns in certain economies but nothing major so that it will affect our company's performance since our business affiliation and transaction with Europe is calculated and does not attract risk since we have multi sourcing strategy and our customer concentration is spread across the globe.

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**Radhakrishnan Chonat**  
Director of Business | AlphaStreet

Thank you, sir. The next question, how do you perceive the current industry landscape and what do you think are the key trends affecting the industry?

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

We see the current industry landscape as extremely positive. Recycling is now an integral part of every economy. As per the International Lead Association, almost 75% of the global lead demand is sourced from recycled lead. We feel that aluminum and plastics will also hold an important place when it will come to raw material substitution or technological advancement in addition to their inherent growth on account of increasing demand. The key trends affecting the industry positively will be: increase in recycled raw material percentage in the manufacturing process, in line with global norms; technological advancement is going to be an important influencer in changing the applications of raw material through either substitution or manufacturing value-added or specialized products.

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**Radhakrishnan Chonat**  
Director of Business | AlphaStreet

Thank you, sir. What are the company's initiatives for getting better rates for purchases on raw materials?

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**Vijay Balakrishnan**  
Chief Financial Officer | Pandy Oxides and Chemicals Ltd

Hi, Radhakrishnan. This is Vijay. I'll take this question. POCL has more than 270-plus overseas supplier base, a team with a very good global outreach, a multi sourcing strategy of procurement from more than 90-plus countries. In addition, the domestic base of sourcing has improved from 85% imports to current 75% with the balance of 25% being sourced domestically, which will only witness to grow further, that is domestic procurement, going forward, it will grow further. Domestic sourcing will also lead to reduction in cost of logistics as well as shipping.

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**Radhakrishnan Chonat**  
Director of Business | AlphaStreet

Thank you, Vijay. The next question is, despite the global cues like recession, how do you intend to keep up with your financials?

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**Vijay Balakrishnan**  
Chief Financial Officer | Pandy Oxides and Chemicals Ltd

Yeah, so in spite of the global cues of recession, it is important to note that Asian economies are more resilient than Europe and U.S. peers. Furthermore, India is an emerging market, consumer-driven, and in a strong position to endure any such cue of recession other than its counterparts. POCL, being part of an industry, that is, nonferrous, which serves as an integral part of construction industry along with automobile and engineering, will always be a catalyst for growth and development for the economy.

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**Radhakrishnan Chonat**  
Director of Business | AlphaStreet

Thank you, Vijay. We have a few more email questions. The next one is talking about the core business of the company, the lead recycling, over the next couple of years, what kind of volume growth are you sort of building in, into your assumptions for the growth of the business?

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**Vijay Balakrishnan**  
Chief Financial Officer | Pandy Oxides and Chemicals Ltd

I'll take that question, RC. So POCL has a current capacity of about 1,32,000 metric tonnes per annum, and we have been consistently utilizing about 60% to 65% year-on-year. This capacity has been built up over the years to cater to the market demand. We will see an improvement in volumes in this financial year, in line with global CAGR of 6% to 7%.

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**Radhakrishnan Chonat**  
Director of Business | AlphaStreet

Okay, thank you, Vijay. And what is your outlook for lead prices in FY '23-'24?

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

The pricing in the nonferrous segment of lead, aluminum and copper is always volatile and sensitive to macroeconomic factors. With the Russia-Ukraine war ongoing and its subsequent impact on Europe resulting in recession in Germany, we may see temporary corrections, but the global market is now mature enough to withstand the impacts on affect only to the short run stand. However, we see lead prices in the range of \$2,000 to \$2,150. There will not be any bullish trend in view of the global cues with respect to Europe and U.S.

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**Radhakrishnan Chonat**  
Director of Business | AlphaStreet

Thank you, KK sir. One additional question, are there any other verticals where the company is trying to expand in?

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

Our focus will be on four verticals in the current financial year, which we have already gone live: lead, which remains our primary product; aluminum, which has gone live in Q4; copper, where we are looking to scale up and add value-added products; plastics, where we see a lot of potential in recycled plastic segment and the compounding segment. Additionally, we have our internal R&D and projects team who are doing feasibility analysis of e-waste, lithium-ion, rubber, paper and glass.

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**Radhakrishnan Chonat**  
Director of Business | AlphaStreet

Okay, great. Couple of questions from the chat, if there are any repetition, sir, please ignore. First question is from the line of Darshil Jhaveri. What kind of revenue growth and operating margins we can expect going forward? What is a sustainable revenue and what other businesses are we diversifying into? I think the second part was already answered.



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

Yeah.



**Radhakrishnan Chonat**  
Director of Business | AlphaStreet

So what kind of revenue growth and operating margins we can expect going forward? And what is a sustainable revenue? Kind of a forward-looking question.



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

Revenue growth, we are expecting additional 10% in the current financial year taking into account this volatility in metal prices. Though, in terms of volume, we may do more, but in terms of value, exactly, it is not quantifiable. But we'll do almost 10% growth in the total turnover. And in terms of profitability, same 6% EBITDA will be maintained in the lead segment. And aluminum and copper, depending upon the contribution from that unit, EBITDA percentage will vary and that will further give the additional growth in EBITDA margin.



**Radhakrishnan Chonat**  
Director of Business | AlphaStreet

Okay, sir. The next is from Bhavesh Chauhan. Do we continue to target INR200 crore sales from plastic in FY '24? And what is the overall volume growth that we target over the coming years, and why our volume growth remained stagnant in FY '23?

**K. Kumaravel**

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

For volume growth stagnation I'll give answer. For plastic, my counterpart, Mr. -- he will give answer to that. As I told earlier, in terms of volume, we have grown over to the previous year in '22-'23 itself. But in terms of value, it is flat. Reason being that LME prices average has come down compared to the '21-'22, that is one reason. And the other new products like aluminum and other thing just came live only in the fourth quarter of '23. So if we -- additional whole year contribution if you take, in the next financial year, as I informed, the growth will be reflected in the next financial year.

Now, Piyush will give the answer for that Plastics segment.

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Ltd

Good afternoon, everyone. My name is Piyush Dhawan, I'm President for Commercial and Strategy. So I'll answer the question on Plastics, which was relayed by RC. Regarding the contribution of quantity, we have started Phase 1 with a total capacity of 1,000 metric tonnes per month. And this year we should end up -- I mean, this financial year in question, we should end up with a turnover of close to INR60 crores as contribution from the Plastics division. In terms of capacity, the revenue which translates is about INR96 crores and once we go to Phase 2, which is more into compounding in Phase 2 and Phase 3, we have a target to achieve about 3,000 tonnes a month in the next three to four years. So, which should translate to a turnover of roughly INR300-odd crores from the Plastics division.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Piyush and KK. And the next question is from Aman Vishwakarma. He has asked four questions, so I'll break it down. The first two questions were, what are the revenue and EBITDA guidance for FY '24 as well as what's your capex for FY '24?

**Vijay Balakrishnan**

Chief Financial Officer | Pondy Oxides and Chemicals Ltd

RC, I'll take that question. So as Mr. Kumaravel said, the revenue -- we cannot give number -- absolute numbers, but in terms of percentages we can project approximately 10% increase in revenue for the financial year 2024. And with respect to operating margins also we are seeing in the lead segment, it will be more or less the same, but in aluminum and plastic division, we can see a slight increase of 2% in our operating margins. In terms of this year, yeah, with respect to POCL, we are projecting a capex of about INR10 crores to INR15 crores this year.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Vijay. Aman has two more follow-up questions, so I'll try to put that into one question. Capacity utilization is at 60% to 70%, so what is the optimal capacity utilization, and when can we reach it?

And the second part of the question is, you have guided good growth on margins, but according to industry reports that he has read, top players like Amara Raja Batteries, they have received only 26% of batteries they sell. So what is the strategy to grow the revenues when most of the revenues is eaten up by unorganized players?

**K. Kumaravel**

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

The capacity utilization in Tamil Nadu unit is almost 100%. But in Andhra Pradesh, due to the merger of Meloy Metals with Pondy Oxides unit, that capacity has increased -- become double almost from 44% to 84% now. Because of that only, the overall capacity utilization, it comes to around 65%. Now, we want to increase the capacity utilization from 65% to 70% or 75% max. Beyond that, then we have to look into it for the additional -- if we stretch the additional capacity utilization, probably maybe turnover will achieve -- that EBITDA margin probably will come down because of that only, we are not increasing the capacity utilization, otherwise we'll look for 75% utilization in the current financial year, subject to availability of raw materials and metal scrap.



**Radhakrishnan Chonat**  
Director of Business | AlphaStreet

Thank you, Mr. Kumaravel. As a reminder, if anyone wants to ask a question directly you can use the Raise Hand functionality. I have a few more questions received via chat.

Next question is from Darshil -- okay, Darshil I already answered. The next question is from Devesh Shrimali. What's our growth and margin guidance for lead and non-lead segments in FY '24?



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

This is contrary to -- out of the total turnover, 90% of the turnover from the lead segment only. That 10% is from the aluminum, copper and the plastics for the current financial year at least. So the 90% of the turnover will give a EBITDA margin of 6% and the 10% contribution will slightly give more EBITDA margin of 8%.



**Radhakrishnan Chonat**  
Director of Business | AlphaStreet

Got it, sir. Let's jump into -- I think we have one person who wants to ask a question directly. Mr. Muthukumar, please unmute yourself and you can ask the question directly. Please identify your full name and company affiliation also. Thanks. Operator, can you please unmute? Yeah, Mr. Muthukumar, go ahead.



**Muthukumar R**  
Analyst | Individual Investor

Yeah, good afternoon, sir. Thanks for the opportunity. I just want to know whether -- what is the EV R&D stage. I just want [Technical Issues] you have done for lithium-ion batteries. I just want to know about that. That's the thing here, that's the only...

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Ltd

So Mr. Muthukumar, with regard to your lithium-ion batteries, it is -- right now the industry is at a very nascent stage. It will take time to kind of mature in the coming -- maybe couple of years of R&D will be required and plus the automobile segment, which will give us the lithium-ion batteries will probably start giving me inputs in the next five or six years. So right now, it's at a very nascent stage and commenting on it won't probably be reasonable. However, with regard to the R&D, what we have done, I mean what POCL has done right now is that we've kind of evaluated our options and we'll be ready to kind of cater to the supply and demand when it comes to the appropriate time period.

**Muthukumar R**

Analyst | Individual Investor

Okay, sir, okay. Thank you.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Mr. Muthukumar. 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, either use the Raise Hand functionality to ask the question directly or do send us your questions via the chat box.

The next question is from the line of Rohit Ohri. Rohit. Please go ahead, unmute yourself and ask the question.

**Rohit Ohri**

Analyst | Progressive Share Brokers

Hi, sir, just one question related to Harsha Exito and any developments or have you made any decision as to what you intend to do with this property of 25 acres with a ready shed as well?

**K. Kumaravel**

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

Yeah. That legal compliance just we completed that you know about that NCLT acquisition and the compliance -- legal compliance, just we completed one month back and now the detailed discussion is going on in the Board and committee about the products to be dealt with, probably the second quarter of this financial year, we'll come out with a concrete plan on Harsha Exito.

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**Rohit Ohri**

Analyst | Progressive Share Brokers

But will you be working on the LME batteries or will you be going for chopped strand mat manufacturing?

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**K. Kumaravel**

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

That's what, with so many propositions, discussion is going on within the Board.

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**Rohit Ohri**

Analyst | Progressive Share Brokers

Okay.

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**K. Kumaravel**

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

And still we have not taken any final conclusion on that. But Piyush also will want to add something on this. Please hear from him also.

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**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Ltd

Hi, Rohit.

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**Rohit Ohri**

Analyst | Progressive Share Brokers

Hi.

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**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Ltd

So one important thing to realize is that with the acquisition, we would like to first reiterate that we have access to a reasonably sizable land parcel, which is 25 acres and it also has a ready building, close to a 160,000 square feet and a lot of other value propositions in terms of the effluent treatment, the sewage treatment and road construction. Now when it comes to the portfolio which we would like to kind of compile for the coming years, we should note that we already have lead, aluminum, copper and plastics, which have more or less gone live and lead is our primary forte status quo. And the glass, we have kind of added because of the acquisition.

Now if you realize, our investments in aluminum and plastics since the last year and the kind of contributions which they will start giving in this subject financial year, we've already mentioned that Phase 2 of investments and realization of contribution on the turnover, the top line segment will start. So we will like to concentrate on the current portfolio, primarily, which is pure aluminum and plastics in this subject plant.

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**K. Kumaravel**

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

In addition to the lead.

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**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Ltd

In addition to the lead unit. That's correct.

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**Rohit Ohri**

Analyst | Progressive Share Brokers

So the plan is to utilize the property, right? You won't be going ahead and selling it off, right?

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**K. Kumaravel**

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

No, no, no. Why should we acquire when we want to sell it?

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**Rohit Ohri**

Analyst | Progressive Share Brokers

Okay, okay.

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**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Ltd

I mean, we should understand one fact that we've got a ready building and time value of money is extremely critical here. So by paying the amount what we've paid for Harsha Exito, we have almost seven to eight months or maybe a year of savings in the construction cost. So right now, even if we give maybe a month or two to kind of frame the portfolio, we would like to compile that it's nothing in kind of the larger scheme of things.

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**K. Kumaravel**

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

Mr. Rohit, actually this -- since we've acquired through the NCLT acquisition, that unit was closed for more than three years. So now everything has to be revived, take from the power or local

panchayat approval and everything has to be revived and it is totally -- it is in a different shape. Now we have to bring it and everything we've to legal compliance -- my immediate priority is bringing on legal compliance which almost we have done it, we have done it. Now only we are concentrating when it is -- plant is ready for products, then only we can now think -- we have taken to the Board and -- to get the approval.

**Rohit Ohri**

Analyst | Progressive Share Brokers

Okay.

**K. Kumaravel**

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

That stage, now only it has reached.

**Rohit Ohri**

Analyst | Progressive Share Brokers

Okay. So for you to have commercial production, it would take you another year or so, is it?

**K. Kumaravel**

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

No, no. It will not take another year.

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Ltd

See, we've already saved one year in terms of construction cost. So probably only the ordering of machinery and commissioning is what we require. So maybe two quarters -- two to three quarters would be required to kind of go live with the product portfolio, which we intend to.

**Rohit Ohri**

Analyst | Progressive Share Brokers

And what sort of capex will be required for this -- for the machine additions and the maintenance and other things?

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**K. Kumaravel**

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

Probably around INR10 crore is required to bring it on live as per the present discussion. That is to be discussed in full to bring the exact numbers.

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**Rohit Ohri**

Analyst | Progressive Share Brokers

Okay. And would you like to share any developments in terms of the green lead that we were working for?

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**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Ltd

Okay, so green lead has gone live in terms of the entire commissioning and we are doing trials as of now. I mean -- and we continue to do. It's a new technology that we have to understand and ensure that the commercial production which we realize is concrete, is futuristic and will give us the required output for the years to come. So right now, it's more at the trial stage and maybe in the coming couple of months, we will go live with commercial production.

Now when it comes to commercial production and with the technology being completely okay, we kind of have the valuation options to realize the additional premiums because of the fact that it saves the greenhouse gases and because of the green technology involved. So once we are through with the commissioning in terms of the commercial production, we will intimate and we will announce accordingly.

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**Rohit Ohri**

Analyst | Progressive Share Brokers

Approximately by when? I mean like the second half or early first half or by when do you expect that to start rolling out and the revenue will start hitting?

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**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Ltd

So I think in the second quarter, we will see some commercial production, but the actual realizations will only come when we start installing further modules. So once we kind of go live with the commercial production, we'll kind of also expand in terms of the installation of modules.

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**Rohit Ohri**

Analyst | Progressive Share Brokers

Okay. And...

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**K. Kumaravel**

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

Mr. Rohit, it is only a substitution for our smelting. Maybe this will not give additional turnover to the company probably. Yeah, this is a different technology and give carbon credit and additional value.

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**Rohit Ohri**

Analyst | Progressive Share Brokers

Yes, KK, I understand that. So just on the total capex for the year, you're saying in the range of -- if KK, you can share that?

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**K. Kumaravel**

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

Yeah, capex for the POCL is INR15 crore, Mr. Vijay already told, for this financial year. Then apart from that, whatever to be invested in the subsidiary companies.

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**Rohit Ohri**

Analyst | Progressive Share Brokers

If I break this into growth capex and maintenance capex, that would be?

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**K. Kumaravel**

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

All are mainly growth capex only. Maintenance capex is very minimal.

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**Rohit Ohri**

Analyst | Progressive Share Brokers

Okay, sir. Okay sir, that helps, sir. Thank you. Thanks a lot.

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**K. Kumaravel**

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

Thank you, Rohit.

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**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Rohit. The next question is from the line of Gokul Maheshwari. Gokul, please identify your company and go ahead and ask your question.

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**Gokul Maheshwari**

Analyst | Awriga Capital Advisors LLP

Yeah, hi, my name is Gokul, I'm from Awriga Capital. Sir, two questions. So you mentioned about the fact that you are moving from lead, aluminum, copper, plastics. So I mean, there, as the product portfolio is expanding, could you comment on the synergies which you get from the sourcing and the customer side? Are there any sourcing or these are vertical units which don't [Technical Issues].

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Ltd

Hi, Gokul. So basically in terms of the product portfolio, if you look at it, we have non-ferrous comprising of lead, copper and aluminum, and then we have plastics, status quo. So if you look at the non-ferrous segment, in terms of sourcing, there is a natural advantage for us when we source the raw material and when we import it in particular because the non-ferrous suppliers are more or less common and since POCL holds a great competitive advantage in sourcing lead, lead scrap, aluminum and copper are again a natural inherent advantage for us.

Now if you look at the copper scrap, when it comes to druids or cables, they have got layers of lead, they've got layers of aluminum and that's also kind of used as a synergy when it comes to giving inputs through the production line of lead and aluminum. So we have advantages. That's a good question when it comes to synergy point of view in terms of the portfolio, what we have created.

**Gokul Maheshwari**

Analyst | Awriga Capital Advisors LLP

But are we having synergies also via selling, is the customer base also similar or it's very different?

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Ltd

No, the customer bases will be -- will definitely be different. So if I'm selling lead, I'm selling lead alloys to the -- more or less to the automobile sector. When I'm selling copper or maybe when we

start selling billets and wires, it will be an entirely different -- we'll be catering to an entirely different industry. When we sell aluminum, that's again automobile industry, but then it's more or less on the die-cast segment. When it comes to plastics, we've got again a great range in terms of the granules being utilized as compounds in the automobile segment, in the electronic appliances segment. So we have a wide range of industries now to cater and the product portfolio couldn't have been better, what we have created in the last one, one and a half years, in addition to lead and copper.

**Gokul Maheshwari**

Analyst | Awriga Capital Advisors LLP

Just on the plastics front, my understanding initially was that this was primarily for the lead-acid battery segment where they utilize the battery -- sorry, plastics also for the battery. Is my understanding correct or is the portfolio beyond that segment also?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Ltd

So your understanding is definitely correct. What happens is when we process -- when we break the batteries, I mean in our battery breaking and separating unit, we get about 6% to 7% of the PP or the polypropylene or the ABS scrap, right? And that we use internally to -- we basically wash it further and then we extrude it to make pellets or granules and that we kind of use it for the industry -- industrial application. Now again, recycling these has got multifold advantages and gives us also an option to start compounding, which is where the value addition lies when it comes to treating the engineering and industrial plastics.

**Gokul Maheshwari**

Analyst | Awriga Capital Advisors LLP

Okay. Lastly, and maybe I am repeating, you might have to repeat on this, the plastics business in the division, when does it go online and when is the expected scale-up happening in that business?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Ltd

So we've kind of started plastics, I would say, about a month back and in commercial production about a quarter back basically. And what has happened is, we're going to scale up to about 600 tonnes to 700 tonnes a month from June-July and then -- because the commissioning of the washing line and the other ancillary machines was also happening. So we'll start scaling up and we'll reach an optimum level of about 700 tonnes to 800 tonnes a month starting from July -- June to July onwards.

**Gokul Maheshwari**

Analyst | Awriga Capital Advisors LLP

And what would be the capacity for this?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Ltd

So Phase 1 is 1,000 metric tonnes per month, and then we start scaling up to additional -- incremental values of 1,000 metric tonnes.

**Gokul Maheshwari**

Analyst | Awriga Capital Advisors LLP

Great, sir. Thank you so much.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Gokul. The next question we have from Aman Vishwakarma. Aman, please identify yourself and go ahead and ask your question.



**Aman Vishwakarma**  
Analyst | RoboCapital.in

Yeah, thanks for taking my questions. So I am Aman Vishwakarma from RoboCapital. My question is on the battery sourcing side of your business, right? So from what I understand, after reading the industry reports, I can see very few -- like a small percentage of the batteries are returned to the manufacturers. So lot of our revenue is being eaten up by the unorganized players. So what is our strategy to grow the revenues when lot of our revenue is being lost? So just your thought on that?



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

First part, I'll give answer, second part, Mr. Piyush will give. Now unorganized sector procurement is restricted since it requires MOEF approval to import this plastic scrap from the foreign countries. Without Ministry of Environment and Forest approval, we cannot bring this battery scrap to India. So to that extent, that protection is there. Unorganized sector can buy the material -- only indigenous, whatever available, they can buy. Beyond that, they cannot buy.

And other part, Mr. Piyush also will add something on this.



**Piyush Dhawan**  
President, Commercial and Strategy | Pondy Oxides and Chemicals Ltd

Hi, Aman. So basically, I mean there is definitely an issue and we understand that there is a parallel unorganized recycling space spread across India, specifically, when we're talking about the lead-acid batteries. And we've been kind of making representations through Material Recycling Association of India, where Mr. Ashish Bansal is also a Director. And also when we meet the government officials, we have to kind of reiterate the fact that whether it is the Battery Management Handling Rules or the environmental impact, so the notifications and various other waste management rules, laws and notifications.

There are multiple lead recycling units with very small capacities and they have been kind of authorized by the pollution control boards. So we do make representations to kind of have a minimum quantity, maybe 36,000 or 50,000, so that the organized sector kind of gains momentum and also gains -- so the kind of capacities we manufacture, about 70,000 tonnes, 80,000 tonnes

per annum, that kind of gives us the leverage when it comes to investments in the pollution equipments, whether it is the effluent treatment plant and so on.

So we've been kind of making representations to the government to kind of curtail the unorganized sector and that's also the future, the unorganized sector will obviously, over a period of time, tend towards being organized.

**K. Kumaravel**

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

And the government is also...

**Aman Vishwakarma**

Analyst | RoboCapital.in

Just one -- yeah, you were saying something?

**K. Kumaravel**

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

Government is also taking steps based on our representation. Now, they are giving that MOEF permission not based on the capacity, based on the actual production made by the company in the previous year and the quantity of metal exported to the foreign countries. Earlier, they used to give permission based on your capacity creation. Now, they are not giving permission, they are giving based on your previous year, how much you produced, how much you exported. Based on that, they are giving weightage and giving permission to import. That become a big advantage to the organized player like us and we are not facing any problem on procurement because of this issue and we are getting sufficient material for our operations.

**Aman Vishwakarma**

Analyst | RoboCapital.in

Okay, fair enough. So just one last, like a follow-up on this one. So do we see any major change coming in the next two to three years with regards to the government regulations and the

separation of the unorganized players?

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**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Ltd

Definitely. I mean, to answer that question, the Government of India, right now, is moving towards a lot of being organized. So whether it is the GST issues or it is getting the licenses, so we see a lot of change happening, positive changes happening which will definitely help the organized sector in procurement for sure.

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**Aman Vishwakarma**

Analyst | RoboCapital.in

Okay. So that's it from my end, thank you.

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**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Aman. Once again ladies and gentlemen, if you have any questions, either use the chat functionality or please use Raise Hand. I just see that Gokul has raised his hand. Gokul, please go ahead with your follow-up question.

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**Gokul Maheshwari**

Analyst | Awriga Capital Advisors LLP

Yeah, just a basic question. Internationally, recycled products sell at a premium to the new products, given the consciousness of the environment, etc. How is that situation in India and do you see that thing happening in the foreseeable future?

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**K. Kumaravel**

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

Already Government of India introduced the Battery Management Handling Rules. Now they're -- that is already in force from September '22 onwards. So they are insisting all the -- for recycling of or buying back of old batteries by the battery manufacturers. And similarly, for recyclers also, lot of regulations are there to report it on quarterly basis to the Pollution Control Board and the CPCB and other thing. So over the years, it is getting tightened and they are bringing everything on a regulated basis.

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Ltd

So I'll just add on to what sir is saying. In addition, if you look at the manufacturing using recycled materials globally, almost 25% to 30% material -- recycled material is used to kind of manufacture the end products. And the Government of India, if you look at India's commitment to reduce the greenhouse gases emissions as per the Paris climate accord or establishing India as a leading player, we have seen rules coming up and looking at the battery management rules or the waste management rules, we definitely foresee in the next three or five years that the minimum utilization of 25% to 40% recycled material will be there to manufacture the end products.

**Gokul Maheshwari**

Analyst | Awriga Capital Advisors LLP

And what would be the current usage?

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Ltd

What would be the current application you're saying? So it depends on the product portfolio, I would say. So if you look at the Boeing aircraft, back in 2000s --early 2000s, only 3% to 5% recycled material was allowed to be used vis-a-vis current of about 10% to 15%. So it depends on the application of the product right now, I mean, and it depends from product to product.

**Gokul Maheshwari**

Analyst | Awriga Capital Advisors LLP

And just to follow up on the plastics business, you mentioned about 1,000 tonnes is the capacity. And as you scale up then you may incrementally expand this thing, but given where you are setting up the capacity, how much can you go in terms of the peak capacity over there?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Ltd

So we have set up the current facility, we have a capacity of 1,000 metric tonne. And beyond that, at that particular place, we don't see any increase. However, with the acquisitions of land and building that we've made in the last couple of months, I would say we have ready land and building, we just need to install machinery to kind of scale from 1,000 -- incremental 1,000 metric tonnes per month to another 2,000 tonnes. But then that entirely kind of depends on how the business fundamentals will shape up in the coming months. But Phase 2 will be activated for both aluminum and plastics in this subject financial year.

**Gokul Maheshwari**

Analyst | Awriga Capital Advisors LLP

But at 700 tonnes, what would be the kind of revenues on an annualized basis you can get on the plastics business?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Ltd

For 700 tonnes -- one second, it would be close to INR60 crores.

**Gokul Maheshwari**

Analyst | Awriga Capital Advisors LLP

INR60 crores, and this is...

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Ltd

One second, at 700 tonnes, it would be close to INR80 crores to INR85 crores, I'm sorry. I mean this year we're anticipating INR60 crores from plastic, but at full capacities, we'll be doing about INR80 crores to INR85 crores.

**Gokul Maheshwari**

Analyst | Awriga Capital Advisors LLP

And this would be higher-margin than your core business, which I believe you mentioned around 8%, 9%?

**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Ltd

No. So what happens in plastics is we have a multifold strategy, there are two fundamentals to operate here. There is a recycling segment and a compounding segment. Recycling segment, we see typically margins between 7% to 9%, and whereas in the compounding segment, which is where we, kind of, are going to concentrate in this financial year, we see -- we typically see a margin of 10% to 12% in that particular segment.

**Gokul Maheshwari**

Analyst | Awriga Capital Advisors LLP

Okay, so the mix could be anywhere between 8% to 12%.

**K. Kumaravel**

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

Yeah, yeah.

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Ltd

For plastics, yes.

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**Gokul Maheshwari**

Analyst | Awriga Capital Advisors LLP

Okay, great, thank you.

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**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Gokul. We have a follow-up question from Rohit Ohri. Rohit, please go ahead. Rohit, please unmute.

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**Rohit Ohri**

Analyst | Progressive Share Brokers

Am I audible now?

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**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Yes, go ahead.

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**Rohit Ohri**

Analyst | Progressive Share Brokers

Sir, I was asking, if any plans of expansion in copper or value-added products in copper segment?

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**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Ltd

Hi, Rohit. So yes, we have kind of reiterated that we more or less concentrated on copper by doing CLOVE, COBRA and the BERRY segment. But in the subject financial year, we would be transitioning to alloying, which is our key forte, if you look at the lead segment. And by alloying, we mean, either making billets or the regular ingots. So we see that happening in the subject financial year, but then that kind of entirely depends on how the business fundamentals operate, because we have, right now, four verticals to operate and lead being the primary forte, we'll continue to operate and see the steady growth, what we've kind of mentioned in the beginning of the call. And aluminum and plastics is again a lot of concentration is being done to first stabilize and then penetrate the market further. Copper, yes, we will see some improvement in terms of the margin -- in terms of our priorities this year. We've reiterated last year that copper was not -- I mean, was not shaping up to give us the required revenues, but we will see a definite change this financial year, in terms of our copper outputs.

**Rohit Ohri**

Analyst | Progressive Share Brokers

But, do we have the capacity for that, whether it is alloying or making billets? Do we have excess capacity or will you be probably doubling the capacity going-forward with copper business?

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Ltd

Okay, so in terms of the machinery requirement, we have the machineries in place. We only need to add a furnace to kind of evolve into billets or an ingot manufacturing, which will not require much capex.

**Rohit Ohri**

Analyst | Progressive Share Brokers

And this furnace would be like -- is it gas fired or is it...

**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Ltd

It's an electric induction furnace.

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**Rohit Ohri**

Analyst | Progressive Share Brokers

KK, if at all, you would like to share on the meet that you'll had with the Board, and has the Board decided or is in discussion of increasing the promoter shareholding from 48.88% to probably 51% or so, maybe in next one year or two years' time? If anything of this sort has been discussed in the Board meetings?

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**K. Kumaravel**

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

No, not yet, not yet. This -- present promoters holding is as it is only. Right now, there is no immediate plan, to my knowledge, to take it further.

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**Rohit Ohri**

Analyst | Progressive Share Brokers

No discussion at all from Ashish saying that, oh, let us increase it to 51% or so?

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**K. Kumaravel**

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

Yeah, that is the long term -- our this thing -- plan. There is no immediate plan to do that. Probably we'll do it after one year or something like that.

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**Rohit Ohri**

Analyst | Progressive Share Brokers

Okay, KK. Thank you, thanks a lot.

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**K. Kumaravel**

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

Thank you.

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**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Rohit. Once again ladies and gentlemen, do use chat or Raise Hand functionality. The next question we have from Devesh Shrimali. Devesh, please identify your organization and go ahead and ask your question.

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**Devesh Shrimali**

Analyst | DS Investment

Yeah, hi, good afternoon. I'm Devesh from DS Investment. Congratulations for good numbers. Just wanted to get a little more -- couple of quarters view, right? So is it fair to say that we primarily have three engine, sort of in terms of segments, right? So one is lead, which is core, then we have lot of upcoming which is going to happen in this year and future years, which is outside lead, like plastic, copper, aluminum. And then we have Harsha, which is probably something you'll decide in one, two quarters, right? Number one is, if you can validate that's how you see the segmentation in terms of how we see it as growth pillars. Is that the right way to look at the business?

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**K. Kumaravel**

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

Okay. Can you be little clear Mr. Devesh because we are not able to -- can you just exactly let us know what is the question? Till Harsha, we were able to understand, but subsequently, the exact question, we are not able to...

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**Devesh Shrimali**  
Analyst | DS Investment

Let me repeat. Yeah, let me try to rephrase. So what I'm trying to understand is that lead has been our legacy and traditional and core business, which is 90% as of now, right?

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

Yes.

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**Devesh Shrimali**  
Analyst | DS Investment

Now, that you sort of called out, it would grow as a 10% volume and depending on the rate realization, the margin should be as a baseline of what we got in Q3, Q4, right, that would be a base assumption for lead going-forward, number one. Is that correct?

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

So -- I mean, Devesh, your voice wasn't too audible, but let me -- let us try to answer the question and see if it's correctly answered. So we definitely have four numbers in terms of the portfolio that we have created and lead is our traditional portfolio, lead and copper was there for the last so many years.

Now, coming to aluminum and plastics, what we've done is, we've set up the base, the foundations have been laid. We've kind of invested in the machinery. Lot of, I would say, investment in terms of time and money has gone into it. Now, it will definitely take a couple of months to kind of become stable and then fully operational to kind of fully utilize the capacities to also kind of -- so we've entered the market. Now when it comes to penetration of the market, we'll see that happening only in the next couple of quarters. So like the budget is announced in Feb., it takes six months to kind of see the repercussions or the effects of it.

So likewise, we'll also see and feel the positive impact of adding a portfolio like aluminum, plastics and copper to the traditional lead portfolio in the coming quarters. Does that answer your question,

Devesh?



**Devesh Shrimali**  
Analyst | DS Investment

Yes, it does. Directionally, I wanted to get a sense. The second part of my question would be that the identity that our business right now is 90% lead and 10% all others put together, maybe roughly 6% EBITDA. So not quarters, but let's say, if you look out two years down the line, how do you see this overall mix changing in terms of revenue mix as well as the margin profile, let's say, two years down the line?



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

Yeah, since it is being the first year of operation for these new products like aluminum, plastics and copper, this contribution is 10%. Over the period, this proportion will increase. We are taking -- for the next year, we are planning 30-70, but over the -- to that extent, turnover -- overall turnover also will go up. That doesn't mean the lead contribution will come down. Lead contribution, we'll retain. Apart from that, we'll increase the turnover of aluminum, plastics and copper, then by that time, turnover also will go to INR2,000 crores, something like that. So slowly the percentage will go up to 30%, from 10% to 30% in the next financial year.



**Vijay Balakrishnan**  
Chief Financial Officer | Pondy Oxides and Chemicals Ltd

Next two years.



**Devesh Shrimali**  
Analyst | DS Investment

Great, great. Thank you. That helps. And wish you all the best, yeah.

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**K. Kumaravel**

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

Thank you.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

Thank you, Mr. Devesh, for your question. Once again, ladies and gentlemen, we are almost closing, if you have any questions, either use the chat functionality and ask me directly or you please use the Raise Hand functionally.

We have just one follow-up question from Gokul Maheshwari via chat. What is the expected tax rate for FY '24 and FY '25?

**K. Kumaravel**

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

Same 25% tax rate that continue to be.

**Radhakrishnan Chonat**

Director of Business | AlphaStreet

All right. Thank you, KK sir. Ladies and gentlemen, I believe that's all the time we have for today as there are no follow-up questions. If you do have any follow-up questions, please send in your additional questions by email to us and we'll follow up to get those answered by the POCL management. Once again, thank you all for joining us for the Pondy Oxides and Chemicals Limited Q4 FY 2023 earnings call.

As a reminder, today's call was recorded by AlphaStreet. A replay of the call will be available on alphastreet.com and our India-specific YouTube channel. A final transcript will be available shortly on alphastreet.com for our professional investors. We'll also be making the transcript available at alphastreet.com/india for everyone afterwards.

Thank you, everyone. You can all disconnect at this point.



**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Ltd

Thank you, everyone.

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**K. Kumaravel**

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

Thank you, everyone. Thank you, Radhakrishnan.

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**Vijay Balakrishnan**

Chief Financial Officer | Pandy Oxides and Chemicals Ltd

Thank you, Mr. Radhakrishnan.

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