GRAVITA

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09th August, 2022

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To, The Listing Department The National Stock Exchange of India Ltd. Exchange Plaza, C-1, Block-G, Bandra-Kurla Complex, Bandra(E) Mumbai-400 051 Fax No.: 022-26598237/38 Company Code: GRAVITA	To The BSE Ltd. Phiroze Jeejeebhoy Towers Dalal Street MUMBAI-400001 Fax No.: 02222723121 Company Code: 533282

Dear Sir,

Sub: Transcript of the earnings conference call for the quarter ended June 30, 2022

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call for the quarter ended June 30, 2022 conducted on 03rd August, 2022 for your information and records.

The above information is also available on the website of Company: *https://www.gravitaindia.com/investor-recordings/*.

This is for your kind information and records.

Thanking you.

Yours Faithfully
For **Gravita India Limited**

Nit Gupta

Nitin Gupta
(Company Secretary)
FCS: 9984

GRAVITA INDIA LIMITED

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“Gravita India Limited
Q1 FY2023 Earnings Conference Call”

August 03, 2022

ANALYST: **MR. SABRI HAZARIKA – EMKAY GLOBAL FINANCIAL SERVICES**

MANAGEMENT: **MR. YOGESH MALHOTRA – CHIEF EXECUTIVE OFFICER & WHOLE TIME DIRECTOR – GRAVITA INDIA LIMITED**
MR. NAVEEN PRAKASH SHARMA – EXECUTIVE DIRECTOR – GRAVITA INDIA LIMITED
MR. SUNIL KANSAL - CHIEF FINANCIAL OFFICER - GRAVITA INDIA LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Gravita India Limited Q1 FY2023 Earnings Conference Call hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference, please signal an operator by pressing "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Sabri Hazarika from Emkay Global Financial Services. Thank you and over to you Sir!

Sabri Hazarika: Good afternoon, ladies and gentlemen. On behalf of Emkay Global, I welcome you all to Q1 FY2023 post-earnings conference call of Gravita India Limited. We have with us the senior management of the company Mr. Yogesh Malhotra, CEO and Whole Time Director Mr. Naveen Prakash Sharma, Executive Director and Mr. Sunil Kansal, Chief Financial Officer. So today's session would be a brief on the company's results and outlook by the management followed by the question and answer round so without any further delay I welcome Mr. Yogesh Malhotra for the opening comments. Over to you Sir!

Yogesh Malhotra: Thank you Mr. Hazarika. Good afternoon everyone. A very warm welcome to Gravita India Q1 FY2023 earnings call. We have already circulated our earnings presentation and I hope you have had the opportunity to go through the presentation and we would be happy to take any question afterwards. We would begin this call with a brief discussion on quarter's performance. I am pleased to report strong start to new fiscal year with company delivering revenue from operations of approximately Rs.630 Crores in Q1 FY2023 registering a growth of 41% on year-to-year basis. The performance was driven by both volumes and improved realization. Our overseas business contributed 42% to the revenues where we enjoy better margins. We have witnessed growth in volumes of lead and aluminum while EBITDA per tonne realizations saw significant jump in lead and plastic segments on year-on-year basis. In terms of volume price mix, topline growth was supported by increase in both volume and prices. Volume growth was 7% on a year-on-year basis to 31,762 metric tonnes. Value added products continued to see healthy increase in its contribution and stood at 41% of total revenues. The company has delivered strong EBITDA of Rs.64.69 Crores, a growth of 73% on a year-on-year basis from Rs.37.40 Crores in same quarter last year. EBITDA margins increased by 90 basis points to 10.29% as compared to 8.38% in Q1 last year. Margins also improved and was driven by strong contribution from the overseas business which has better margin realization and increased share of value added products and economies of scale coming from increased capacity. Net profit for the period was Rs.42.52 Crores compared to Rs.21.78 Crores in the same quarter last year. On the profitability front overseas business contributed 76% of the total profits, leveraging it strength from closer proximity to procurement sides and higher operational efficiencies in the business. Out of 50 Crores of other income, 48 Crores was related to gain from hedging which is part of our operational income coming from the hedging contracts and the other part is reflected in the revenues. During the quarter company has incurred capex of Rs.6 Crores which was funded through internal accruals by installing solar systems which is expected to generate nearly 20 lakh kilo watt hour of energy per year and reduce carbon emission by around 15 tonnes per year. This is in line with our vision to create a sustainable tomorrow. Thank you very much and now I would like to open the floor for question and answer.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Rahul from Lucky Investment Managers. Please go ahead.

Rahul: Thank you for taking my question. Sir, three questions I had first one is the other income that you have just kind of given a breakup of 48 Crores came because of hedging gain that you run for your inventory. How much of this is realized and how much of this is M2M.

Yogesh Malhotra: So everything in the hedging contracts would be M2M only but the other part of losses as against this income is realized in the actual transaction so you see one leg of the total transaction is the physical purchases and sales and the other part is reflected in the other income. At the same time it is already realized in the current month, so of June 30 it was unrealized but now it is realized.

Rahul: The reason I was asking this was Sir because the gross margins that we generally report is of the order of 21 to 22% that has been your average for the last few quarters but this quarter you are at 25% because it has moved up from 21 to 22% to 25%, I was just wondering if there is M2M number here for which the loses in the inventory have still not been realized which will be realized losses in the turnover have not been realized. They will come in July, August maybe but you have to realize the M2M on derivative so that bid has flown through into the gross margins and that is why the gross margins are higher that is what I am trying to understand.

Yogesh Malhotra: The higher gross margins are basically for two reasons; one as already mentioned that 72% of the total revenue profit has come from overseas businesses which definitely give us higher margins. At the same time there was some arbitrage opportunity has Indian market was higher as compared to the global markets so we took advantage of that arbitrage and brought some international scrap and then sold it in India so that also contributed to some additional gross margin for India business as well.

Rahul: So what should we take as a normal steady state gross margins for your business?

Yogesh Malhotra: Sir normal steady state gross margins remain around Rs.16 to Rs.17 in lead. That is EBITDA margin Rs.16 to Rs.17 per kg for lead and around Rs.18 to Rs.19 for aluminium and similarly Rs.12 to Rs.13 for plastic. In terms of gross margin it is approximately 22%.

Rahul: So we should work with 22% as gross margins. This 25% is abnormality which may not return.

Yogesh Malhotra: This is because of some arbitrage advantage we took in this quarter.

Rahul: Okay so that was the first question. Second is the volume growth seems to be far lower than what you would have yourself projected or kind of in discussion with investors what you would have told them so what should we look forward, 7% is almost anemic.

Yogesh Malhotra: I mean a part of it is because of certain disruptions in the Sri Lanka plant and it was not running efficiently in the last quarter like the Mundra project as of now completely stabilized so hopefully in the next quarter we would compensate for lack of growth in this quarter itself, but overall we are going to achieve this 25% volume growth on annual basis so that is whatever we have planned so that we are going to achieve.

Rahul: So last year let us say you had about 1 lakh tonnes of lead so are we saying that at least 1.2 to 1.25 lakh tonnes of lead you will do this year.

Yogesh Malhotra: In addition to 1.25 lakh.

Rahul: You will do more than 1.25 lakh but in that run rate or that visibility you are pretty clear about is it. I am asking repeatedly because the first quarter has been really slow that is why.

Yogesh Malhotra: I mean on quarter to quarter basis there could be certain logistics issues also but overall our capacities have increased and some of the capacities came midway in the first quarter also, like the Ghana plant increase and then Togo plant is going to come up in the next quarter so the capacity increase are in line with the gross numbers.

Rahul: Is that already visible Sir. First month of this quarter is already over.

Yogesh Malhotra: Already in line with targets.

Rahul: Okay so are we doing more than 10,000 tonnes which is what you will require to do more than 10,000 tonnes. Okay so that was the second. Third question on your P&L other expenses while your volume growth is of the order of 7% you other expenses has grown much master more than 15% so if you could give a sense of what has happened there.

Yogesh Malhotra: So basically one thing is this is line with upcoming business so we have started some new business also like we have started in Togo also so part of that all expenses they have started but their contribution has not yet started and second is the expenses which is increased on account of slightly higher logistic cost so that is on outward logistic so that is also part of that and also some part is higher fuel and power cost so these are the three things which is benefited us, but we have coverage. We are going to cover this additional expenses by economy of scale and the value added prices.

Rahul: Okay I will come back in the queue Sir but just one final question. We talked about lead volumes but aluminum and plastic we did not touch. There also you are pretty confident of growing 25 to 30% because again this quarter has been bad for both of them.

Yogesh Malhotra: So basically what we are seeing is so 25% volume growth is all three ticking together so lead may be approximately 20% but the other business plastic and aluminium will be slightly higher it can go up to 30% so considering all together the 25% volume growth will be achieved.

Rahul: Okay Sir. I will come back for more. Thank you so much.

Moderator: Thank you. We have the next question from the line of Deepanshu Jain from Hem Securities Limited. Please go ahead.

Deepanshu Jain: Good evening Sir. First of all congratulations for great set of numbers. My first question is what is EBITDA margin guidance for FY2023 and can you please provide reasons why there is hit on EBITDA margins on Q-on-Q basis.

Yogesh Malhotra: So has we already mentioned that the EBITDA margins are higher in this quarter because of certain arbitrage opportunities that we got in domestic markets. Going forward the EBITDA margins are going to be in line of 9 to 10% on consolidated basis.

Deepanshu Jain: Any capex plan for FY2023? Capex plan.

Yogesh Malhotra: Capex for the next three to years we have a capex plan of around 70 to 80 Crores each year. in expansion of capacities in existing plant as well as putting up new plant in the same segment because we are entering into the new verticals also so we are going to spend some money for bringing this new verticals also so that capex will be additional capex of approximately to 200 to 250 Crores total in the next 3 to 4 years.

Deepanshu Jain: Okay Sir can you please bifurcate this capex domestically as well as out of India.

Yogesh Malhotra: 65 to 70% it is going to be in India and remaining outside India so this is line with the business ratio we have currently 65% and 35% on broadly basis India and overseas so the capex will be in the same ratio. For the upcoming new verticals it should be approximately reverse 40% in India and 60% outside India.

Deepanshu Jain: And Sir my last question is any revenue guidance for FY2023?

Yogesh Malhotra: Volume guidance is similar as we mentioned already that we have a target. We are pretty confident of achieving that target of around 25% growth in volume terms. The new targets will change I mean it will be broadly based on the volume numbers only.

Deepanshu Jain: Thank you so much Sir. That is it from my side.

Moderator: Thank you. We have the next question from the line of Keshav from RakSan Investors. Please go ahead.

Keshav: Ho good afternoon Sir. I wanted to understand the dipropionate difference between bottom line and revenues that come out of international business so what are the enablers is it the labor cost, the supply chain or the capacity utilization rates over there.

Yogesh Malhotra: So basically in recycling business or in scrap business it is basically the source of procurement of the scrap availability and cost of scrap is the key drivers and we get cheaper scrap as compared to India, even in India 50% of the total scrap that we process is coming from those overseas countries it includes all the logistics and everything else so therefore the landed cost of scrap in India is much higher than the landed cost of scrap in those countries that is number one. Other than that most of the economies wherever we have plant have closer access to European and US markets that gives us additional benefit in terms of lower logistic cost and then there are certain tax benefits, custom duty benefits when we export from these countries to the major European or American market so all this gives you a better EBITDA margin from our overseas business as compared to India. And just an addition to this that whenever we bring this scrap from overseas to India so that also attracts the finance cost of brining that scrap to India so that also additional cost so on pan basis it is impacting that way also and the second is that tax in overseas is lower because we are mostly in some of the tax free zones we are operating so the tax is also lower in cases of overseas. These all things makes the margin more profitability in overseas.

Keshav: Understood. Just a follow up to that. So with EPR coming in and we are also projecting that organized share will go up probably a consequence of EPR so does that mean that similar efficiencies we will start seeing in India as well may be to not that level but structure even in the same business we might have better margins going forward 2 to 3 years from now.

Yogesh Malhotra: Basically we see a positive change going forward with this policy framework changes in India with more scrap being available to the organized sector and this repercussions to overseas business is because now our dependence on overseas scrap has gone down for the India business. We are increasing the capacity in overseas and putting up new plants also overseas so it has multiple impact so overall we believe that going forward profitability in India will also improve because of lower cycle and lower inventory requirements as local scarp would be utilized and at the same time we got the scrap that we will be holding in overseas locations also, the profitability there will also increase.

Keshav: Understood Sir. Sir secondly on the plastic side quarter on quarter we have had sharp drop in EBITDA per tonne and as far as I understand the plastic processing data matrix vary drastically by the region and also the geography so for this vertical the externality such as sourcing cost, processing technology be it other like opex as well as the consensus are getting right price on the demand side do all these create sufficient sustainable ROIC even in a scenario where crude goes back to where it was couple of years or settles much more lower from where it is right now?

Yogesh Malhotra: Unlike lead in aluminum and plastic currently we are not 100% hedged so if there is any sudden changes in prices in these segment your profitability increases or decreases but as cost on prices as we have mentioned earlier also Rs.12 to Rs.13 per kg margins are basically the right margin before that we got some increase in the last quarter because the prices had gone up last quarter so that was abnormal increase in margins that we saw in aluminum also last year and in plastic also last quarter but we have maintained around Rs.12 to Rs.13 per tonne margins are sustainable going forward also and that is what we have projected in our next year business plan also.

Keshav: What I mean is that one thing is the logistic side of things and the second thing is the price you get the scrap at right and say we look to 3 to 5 years from now and crude settles back to where it was couple of years back so even in that basis the scrap cost, the sourcing cost everything does that sustainably give us this kind of margin or we will still have that vulnerability.

Yogesh Malhotra: I understand your question so there are two things here number one is first of all slowly the secondary market in plastic or the recycling market in plastic is going away from the virgin plastic market especially in the markets that we are working in US and Europe what is happening there is that the price of secondary plastic is breaking away from the virgin plastic and that current level though it is selling at a premium over primary markets because there is certain compliances that has been set there and similar compliances are being set in India also with CPR so as and when the customer also is now becoming more aware and also the companies are becoming more aware about sustainability and that internal targets of these sustainability levels we believe that it will break away from the virgin plastic markets all together so the plastic prices in recycle plastic will not go down with the virgin plastic beyond a point.

Keshav: Understood Sir. I will come back in the queue.

Moderator: Thank you. We have the next question from the line of Hemant Patel from Fin Serv. Please go ahead.

Hemant Patel: We have increase in employee cost quarter to quarter as well as Y-o-Y.

Yogesh Malhotra: So basically as Sunil ji mentioned last time also we are gearing up for the future so employee generally come first and then the capacities later so as we are going at about 25% the set up is now for the capacity from next year also. We are adding also new verticals as we mention that we have already put a pilot project of rubber recycling in Africa which will be then putting up in other territories also. Similarly we are talking about copper recycling also. We are adding capacities also so employee cost is going up but it is line with our future plans.

Hemant Patel: The next question is all vertical volume has decreased from Q4 to Q1?

Yogesh Malhotra: There is certain stickability in this segment also if you see last year also the first quarter was little lower as compared to the next three quarters that is part of it but coming from second quarter almost it will pick up as it generally does on year on year basis.

Hemant Patel: Okay so we are maintaining our earlier guidance of 25% volume growth.

Yogesh Malhotra: Absolutely.

Hemant Patel: Okay thank you and best wishes.

Moderator: Thank you. We have the next question from the line of Mrunal Shah from Axanoun Investment Management. Please go ahead.

Mrunal Shah: Yes thank you for the opportunity Sir. As we know that lead is used maximum in lead acid battery and majorly lead acid battery is used in passenger cars so going forward the demand of lead acid battery is going to increase at diminishing rate due to many factors so what are your views or thoughts on the future of lead and lead as a battery since majority of the company's revenue comes from the processing of lead.

Yogesh Malhotra: First of all we believe that the lead acid battery market is going to grow at a CAGR of around 6 to 8% globally. There is not going to be any reduction in the growth that is number one and secondly we have already set up a plant where we are reducing our overall reliance on lead recycling from current around 85% to 70 to 75% in the next two and half years so we have already diversified into plastic and aluminium and we will increase our shares in these two segments and in addition we are also going into other verticals as I mentioned earlier like rubber and copper and future in steel, e waste, lithium ion batteries and paper so overall we want not to kind of be associated only with one product but we want to be known as through and through recycling company basically.

Mrunal Shah: Okay thank you Sir. One more question so what is the highest selling lead value added product currently.

Yogesh Malhotra: Lead sheet is the highest value added product currently.

Mrunal Shah: Okay thanks a lot for taking my question. Thank you.

Moderator: Thank you. We have the next question from the line of Vaibhav Badjatya from Honesty & Integrity Investments. Please go ahead.

Vaibhav Badjatya: Hi thanks for providing the opportunity so can you give me breakup for the total capacity separately for smelting and refining in India and outside India it is like if you can give us the capacity for lead specifically.

Yogesh Malhotra: The total capacity for lead we have is 168,000 tonnes so this capacity includes wherever we operate it is for the finished goods but in some of the entities some of the location we are not making refined lead or lead alloy so for those locations we have considered only the remelted lead or crude lead as finished good for that capacity purpose but for the India the capacity is approximately 118,000 tonnes out of this 168,000 tonnes and approximately 70% of the capacity is the starting capacity for India out of this 118,000 tonnes.

Vaibhav Badjatya: Okay so out of 118,000 you are saying 70% is your smelting capacity.

Yogesh Malhotra: Smelting capacity for India.

Vaibhav Badjatya: And for outside India then what would be the breakup.

Yogesh Malhotra: Approximately out of 50,000 tonnes of capacity approximately 90% you can say is the smelting capacity.

Vaibhav Badjatya: So basically we smelt lead outside and import of India operation or we do not do that.

Yogesh Malhotra: There is opportunity sometimes when the lead prices like in Q1 it was there so the lead prices in India is better even if we pay the logistic cost of bringing that scrap to India and considering the finance cost also for bringing that scrap metal to India so then we bring that scrap to India and sell it in India after doing, of course but sometimes when the lead prices are better in international markets we do sell it in international market so we have both opportunities so we try to optimize both the things.

Vaibhav Badjatya: Okay got it and in terms of the plastic business so you said in US and Europe the situation is that the secondary plastic is now expensive than virgin plastic that is what you said earlier so in India is it the same of it is different.

Yogesh Malhotra: In India it is different currently but going forward the policy on EPR will be drafted finalized we believe that India will also follow on similar steps.

Vaibhav Badjatya: Given the fact you expect the secondary plastic to be expensive than virgin.

Yogesh Malhotra: It may not be expensive than primary market. I said it will not link to the primary plastic. There will be a separate market for secondary plastics as compared to the primary market so there will be no linking which is currently there in India, so it means different supply and demand for both the market.

Vaibhav Badjatya: That you are saying the delinking will happen because of the responsibilities that will be imposed by the government.

Yogesh Malhotra: There will be demand for recycle plastic because of this EPR, so if the demand is higher than the supply the prices will go up so on and so forth so it will not link to the primary which is currently the case.

Vaibhav Badjatya: I understand that. There is slightly a longer term question in the sense that the end customer is always worried about the price and the cost implication associated with procuring secondary plastic. Suppose secondary plastic is always generating a premium because of this artificial responsibilities on the consumer so the increase in price of virgin plastic will increase the margin for secondary plastic would it be right to say that because our cost of secondary plastic has nothing to do with the oil prices or something will virgin plastic price has everything to do with cost of oil right.

Yogesh Malhotra: During the times when the fuel prices were higher probably during those time because cost of procurement of scrap is the major cost center when you talk about secondary markets so it is kind of constant. You cannot go beyond a particular price because then people will stop procuring that scrap or collecting that scrap so there is a limit so if the fuel prices go down during those time secondary plastic would be higher than the primary plastic and during the times when fuel prices up probably during those time because it is going to be efficient market. If there is too much margins to many players will come into the secondary market also so it will work like any other industry. There would not be any major hiccups, it is not necessary that if the fuel prices goes up the secondary prices for plastic will also go up similarly if the fuel prices go down beyond a point the secondary prices may not follow the fuel prices or the primary plastic prices. It will be a separate industry catering to a separate requirement of customer which is more from the compliances point of view which is more from the sustainability point of view.

Yogesh Malhotra: Got it. That is it from my side.

Moderator: Thank you. We have the next question from the line of Manav Singh from Auralis Capital. Please go ahead.

Manav Singh: I wanted to understand domestic demand supply scenario. How much competition will be there and what is the scrap availability.

Yogesh Malhotra: You are talking about lead right.

Manav Singh: Yes lead right.

Yogesh Malhotra: So domestic total demand or you can production is around million tonnes out of which 200,000 tonnes is done in terms of exports and primary production is hardly 1.8 lakh tonnes and is bigger by importing some refined lead and remelted lead or through domestic scrap or imported scrap so in domestic scrap scenario the current situation the batteries which are generated from post industrial they are coming to formal sector or institutional battery also coming through formal sector. The retail batteries mostly going to informal sector so this way we are finding that domestic collection from institutional or industrial sector is higher and retial sector it is lesser and that scenario is going to change in times to come where we mentioned that this informal sector will reduce and formal sector will grow. As of now in formal it is 65% and 35% in formal and next 2 to 3 years as the EPR regulation that will be reversed almost so there we will see a steep growth of formal sector batteries coming and the scarp sector will behave like that.

Manav Singh: How much tonne comes from domestic sources.

Yogesh Malhotra: If you talk about our current capacity I mean 50% of the capacities are through domestic market and we only cater to less than 10% of the total scrap in the domestic market so even if we go and utilize entire capacity with the domestic segment almost you will only require probably double the overall capacity requirement so we still have to increase our capacity if we want to cater to even substantial part of this scrap that is going to be available domestically.

Manav Singh: My second question is little bit of this the same thing, Exide is also having lead recycling capacities of about 108,000 metric tonnes so I wanted to understand what sets us apart from them and what is stopping Amara Raja and other main players to take away market share from us.

Yogesh Malhotra: They are not in the business of recycling lead they are in the business if and when these companies are going to come in this lead recycling would primarily be because of statutory compliances because they have to get that much lead recycle so if they do not find any solution in the organized sector probably they will go and do battery recycling themselves also but it is very difficult in the sense that the scrap is generated throughout India. It is not at one point that the scrap gets generated and they have final battery factory in one location so for all the scrap to move to that location would be very difficult so that is why companies like which have pan India presence which has factories all across India are a better solution to this so what we can do is we can collect all the batteries from all across India. We have a very good network of collection centre in India so we can help doing that so even if they do it as I mentioned earlier also it is only 35% so nothing of the retail sector is going to the organized sector, if we start collecting that sector 1% would not be enough. We need them to put up factories also we need to increase our capacities also and still there would be some share left.

Manav Singh: I wanted to understand what is the pricing mechanism in lead. We do back to back so that locks in our margin but what I wanted to understand is what happens to the absolute figures do they fluctuate in time with LME or could you just explain to me of what happens to the absolute figure.

Yogesh Malhotra: So basically what happens is that generally battery scrap or lead scrap sells at a percentage of LME so if today if I want to buy battery scrap, the scrap dealer would know the LME prices and there will be share on 40% or 45% depending on which area you are buying that battery scrap from, so suppose today 2000 dollar is the LME so I would get that scrap at around 800 dollars so tomorrow if the LME goes to 2500 that will change to 1000 dollars so you can sell me the scraps linking to LME and similarly when I go and sell that product to the customer there is generally a premium over LME so depending again on which customer do you want to sell it to whether it is to trader or to OEM and what product you are selling, generally there is a premium over LME so therefore you lock the margins because you buy at LME prices and then you sell premum over LME.

Manav Singh: Thank you so much Sir. Thank you for the opportunity.

Moderator: Thank you. We have the next question from the line of Rishikesh from RoboCapital. Please go ahead.

Rishikesh: Hi Sir. Just previously you mentioned that you buy from LME and you are selling at LME plus premium so with lead prices coming down that would have a positive impact if I am not wrong.

Yogesh Malhotra: Not it will not have any positive or negative impact. Definitely if the LME goes down you are at a disadvantage and if LME goes up you tend to gain more because but as in our case we are held generally the margins remain similar because at lower LME generally the premiums are a little higher, at higher LME the premium tend to come down a little but in the end the overall margins in between remain similar.

Rishikesh: If lead prices let us say go further down would I realization will be impacted right.

Yogesh Malhotra: Because the impact on whatever we are doing or processing charges which will lead to LME that is the only cost so that may impact you but it is a very small impact that is going to happen if the LME goes down further.

Yogesh Malhotra: Yes, realization will go down but at the same time scrap cost will also go down so the gross margins will remain same.

Rishikesh: In that case revenue growth would that be vis-à-vis volume growth that you said 25%.

Yogesh Malhotra: We are only targeting the volume growth. The revenue growth may go up or go down based on the metal prices.

Rishikesh: So if the metal prices are down revenue growth in numbers might go down right.

Yogesh Malhotra: Yes.

Rishikesh: And Sir my second question was on value added products which is currently 40% around so how are we looking at in two to three years?

Yogesh Malhotra: In the next two to three years we want to go up to 50% on value added products.

Rishikesh: Okay got it. Thank you very much Sir.

Moderator: Thank you. We have the next question from the line of Rahul from Lucky Investment Managers. Please go ahead.

Rahul: Sir if you could just help us with your net debt numbers as of June.

Yogesh Malhotra: So net debt is approximately 330 Crores at this moment which is slightly reduced from March 22 number which was approximately 360 Crores.

Rahul: So 360 has come down to 330.

Yogesh Malhotra: Correct.

Rahul: Okay thank you so much.

Moderator: Thank you. We have the next question from the line of Sharan Nandikur from Investor. Please go ahead.

Sharan Nandikur: My first question is regarding the partnership like Indian government to scrape the commercial vehicle right and they are also planing for scrap centers across India so do you have any plan to make partnership with those scrap centers to collect the scrap from there various material like copper, steel, and plastic whatever in fact even the battery so just wanted to know on that part what is your approach.

Yogesh Malhotra: This collection centers will collect mainly commercial vehicles so that they will generate battery, tire and so certainly we will get more battery from them via formal way you can say as of now. We need not to go for scraping center as of now whatever being generated in the quality, battery they have to deliver to authorize recycling only.

Sharan Nandikur: Do you have any timeframe by this year you will make zero debt.

Yogesh Malhotra: We are not going to have the zero debt at this moment up to next 3 to 4 years so what we are doing is the entire capex of the existing vertical we are going to fund from the internal accrual so we are not increasing the debt for the existing verticals so we have kept two three things in mind, one going for a debt so we have kept ourselves in the limit of net debt equity ratio should not be more than one and debt EBITDA should not be more than 1.5 so these are the things which we keep ourselves and the major part of the debt is working capital debt and that is against inventory so we do not consider risky debt because that inventory is already sold and we do not have any increase so it is equivalent to cash so it is already sold and we just need to convert to metal and sell it and get the money back. We are not going to make it zero because it is a lower cost of debt but we are consciously taking the debt for further expansion so we may take some more debt earlier we planned for QIT but now considering the lower price so we are not going for that and we can increase slightly debt whenever we have new vertical coming up so to fund that we can consciously but that should be in the limits of what we mentioned.

Sharan Nandikur: This is already done. QIP is it still pending.

Yogesh Malhotra: QIP initially we planned in the last year but now postponed for another one year we can wait.

Sharan Nandikur: In India you have only listed company which is your competitor that is Pondy Oxide or any other companies you have competition from.

Yogesh Malhotra: Nile Limited is also a competitor for us in lead space.

Yogesh Malhotra: Nile and Pondy Oxide is listed company and there is one more company which is sizeable company that is called Pilot Industries it is not listed in north.

Sharan Nandikur: By when the lithium ion recycling will start as already the passenger vehicles with lithium ion batteries are on the road so when you will start recycling.

Yogesh Malhotra: I think we are still waiting for substantial volumes to start coming in terms of lithium ion battery because life of lithium ion battery is around 7 to 8 years so even if tomorrow you start getting lithium ion battery in car. I am talking in a substantial manner because the capex required for lithium ion battery recycling plant is huge so you need a particular volume of these batteries to be available to you for scrap so it will still take sometime for lithium ion battery recycling to start in India but we are very conscious and we are discussing with some technology partners to put our pilot project but currently we have our hands full with our existing verticals that we have that is lead, aluminium and plastic and we are also thinking of going forward in some other verticals also I mentioned paper and cooper so lithium ion battery is on card but it is not going to happen immediately. It may take 2 to 3 years.

Sharan Nandikur: Thanks for the time and all the best.

Moderator: Thank you. We have the next question from the line of Faisal from Hawa and Co. Please go ahead.

Faisal: Why have we not expanded more aggressively in the americas and Europe where there could be a huge opportunity for you because of the cost which will be inherently much lesser than you than the incumbent players and the volumes there are much more and how are we looking at the recycling opportunity also because lot of the companies themselves are themselves coming into this area so they can supply easily to their existing clients.

Yogesh Malhotra: To answer your first question I think the market in Europe and US is already saturated and it is basically done mostly by the battery company themselves because they have set up a system which is totally different in the systems that are in the developing nations so they control the battery flow in these countries and it is nearly mature market currently so we are looking at other evolving or developing economies where there are much better opportunities and which are also growing at a much faster pace than Europe and US and second thing is that slowly most of the manufacturing is moving away from Europe and US so going forward we believe that it is not the right areas to go into. We are looking for opportunities where growth is going to come from that is first part. What was your second part the BOPP companies etc right.

Faisal: They are also themselves getting into the recycling.

Yogesh Malhotra: Generally the quantum of change that is going to come once EPR comes into place. Whatever capacity are there in India the way people can expand it is going to be difficult to keep up with the opportunities available, so it does not matter and there would be opportunities for each and every person who wants to come into recycling, the second thing is it is not their core business whereas recycling is our core business and it is basically access to scrap that is more important or access to scrap is the key factor here which we have our strength in not only in India but outside India also we have our own yard from where we secure so that is going to be the key factor. I do not know how much strength they would have in this particular sector and then of course how to recycle probably we are in much better position that these companies want to do backward integration and as I mentioned earlier also mostly these companies will have single plant going and procuring from India basis in different area because logistic cost is going to be a major factor also so I think it is good that most of the companies are realizing that recycling is going to be a key factor in future but it is not a threat to us basically it will only increase the awareness or it will also increase the market price.

Moderator: Thank you. We have the next question from the line of Deepak Mehta an investor. Please go ahead.

Deepak Mehta: Thank you Sir. Great set of numbers. Sir my question is right now we have 42% of revenue from value added products so by 2024 what percentage you are looking for value added products.

Yogesh Malhotra: We are looking at 50% from value added products**.** As more and more new plants are coming up it takes some time for you to get it registered for value added products because you have to get OEM approvals so because we have put new plants in Ghana, putting up new plants in Senegal and Tanzania also from where we will be supplying value added products. It may take some time in the next 2 to 3 quarters where we will be settling at 40 to 42% but once approval for these plants should come from OEM it will jump and go to around more than 45% in this year itself.

Deepak Mehta: And what will be margins for value added products sir EBITDA margin.

Yogesh Malhotra: Generally it gives you 2 to 3% more margins after cost for these products, net of additional cost.

Deepak Mehta: Okay. Thank you. Wish you best of luck.

Moderator: We have the next question from the line of Karan Asli from Maximal Capital. Please go ahead.

Karan Asli: Hi good evening and thank you for opportunity. I just wanted to understand our volume charges for this year of 25% now that Q1 is behind us and in lead we have seen 9%, aluminum 7% and plastics negative 3% so to achieve this 25% target we will have to grow significantly higher in the forthcoming nine months so I would assume lead will have to grow 20% plus aluminum in the range of 35% to 40% and plastics in the range of 4o% to 45% so if you could just speak a little bit about the challenges which we say on a more granule level this quarter and what makes you confident of achieving these numbers over the next 9 months.

Yogesh Malhotra: I mean basically there are two things. First is the total capacity that we are going to put up like in aluminium there are no increasing capacity in the last two quarters but our Togo plant is coming up from there we will increase the capacities or increase the total growth going forward and we have also putting up capacities in Mundra for aluminum and our plastic capacity are also going to go up so from there we will get some increase in the next 2 to 3 quarters. As far as on quarter to quarter basis there are many issues or metal elements that sometimes contribute to these things for example whenever there is a sudden drop or increase in metal prices or plastic prices generally people stop buying or selling that is one part. They want the metals to stabilize first at those times generally there is certain impact of procurement also and sometimes on sales also so it is not reflective of the actual market size that is available so there generally is a brief halt in these situations and also in India because as I mentioned earlier also there were certain arbitrage opportunities which means the imported scrap is much cheaper than the Indian scrap so we kind of stopped buying in the Indian market and that has reduced our local procurement in Indian plants also so that also impacted the overall volumes but going forward we do not see any challenge in reaching this 25% growth numbers in the future on annual basis.

Karan Asli: Sure that was helpful and if you can just help me with how much additional capacity is coming up in aluminium including Togo and Mundra and the same for plastics.

Yogesh Malhotra: In Togo we are putting up a capacity of around 5000 tonnes per year. The current capacity for aluminium is 22,000 tonnes and other than Togo which is coming up for 6000 tonnes we are coming for Senegal also, Senegal aluminium also which should be close to again 3000 tonnes. Another 3000 tonnes then we are also coming up with Mundra facility for aluminum where will be done for two phases of approximately 24,000 tonnes for aluminium so taking all this together the capacity of aluminium will be more than double in next 1 year.

Karan Asli: And same for plastic?

Yogesh Malhotra: Plastic will be around 50% more capacity would be put up in the plants in this year itself, so capacity of plastic is approximately 23,000 tonnes with 50% capacity utilization so for the volumes we are increasing the capacity utilization also along with additional capacities.

Karan Asli: All right that was very helpful. Thanks a lot and good luck.

Moderator: Thank you. Ladies and the gentlemen due to time constraint that was the last question. I would now like to hand the conference over to the management for closing comments.

Yogesh Malhotra: Thank you everyone for joining us today for the earnings call. We remain optimistic of the strong trajectory and excited about the opportunities lie ahead of us. We hope that we have answered all your queries. Please feel free to reach us in case any of your queries remain unanswered. Thank you once again.

Moderator: Thank you members of the management and Mr. Hazarika. Ladies and gentlemen on behalf of Emkay Global Financial Services that concludes this conference. Thank you for joining us and you may now disconnect your lines.