

15<sup>th</sup> November 2022

BSE Limited  
Corporate Relationship Department,  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai – 400001

**Ref: Scrip Code- 532626**

Dear Sir/Madam,

**Sub: Transcript of the “Earnings Call for Q2 FY 2022-23 held on 14<sup>th</sup> November 2022**

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and with reference to our letter dated 8<sup>th</sup> November 2022 intimating you about the "Earnings Call for Q2 FY 2022-23" scheduled on 14<sup>th</sup> November 2022, please find attached the transcript of the aforesaid earnings call.

The video/audio recordings of the said Earnings Call will be available at <https://youtu.be/AFCbzFnXax8> and the said information will also be available on the website of the Company: <http://www.pocl.com>

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

Thanking you,

Yours faithfully

For **Pondy Oxides and Chemicals Limited**

**K. Kumaravel**

**Director Finance & Company Secretary**



# Pondy Oxides and Chemicals Ltd (532626)

Q2 2023 Earnings Conference Call

November 14, 2022 • 12:00 pm (IST)

**Final Transcript**

## Corporate Participants

### Ashish Bansal

Managing Director | Pondy Oxides and Chemicals Ltd.

### Piyush Dhawan

President, Commercial and Strategy | Pondy Oxides and Chemicals Ltd.

### K. Kumaravel

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

### Vijay Balakrishnan

Chief Financial Officer | Pondy Oxides and Chemicals Ltd.

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## Conference Call Participants

### Radhakrishnan Chonat

Director | AlphaStreet

### Deepak Poddar

Analyst | Sapphire Capital

### Vaibhav Badjatya

Analyst | Honesty and Integrity  
Investment

### Devesh Shrimali

Analyst | Individual Investor

### Rohit Ohri

Analyst | Progressive Share Brokers

### Muthukumar R

Analyst | Individual Investor

# Presentation

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**Radhakrishnan Chonat**

Director | AlphaStreet

Good afternoon, ladies and gentlemen, and welcome to the Q2 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. Ashish Bansal, Managing Director of the company; Mr. K. Kumaravel, Director of Finance and Company Secretary; Mr. Vijay Balakrishnan, CFO; and Mr. Piyush Dhawan, President of Commercial. As a reminder, today's call is being recorded. A replay of this call will be made available on AlphaStreet India's YouTube channel as well as [alphastreet.com/India](http://alphastreet.com/India) and a final transcript will be available shortly afterwards on AlphaStreet India's website.

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

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**Ashish Bansal**

Managing Director | Pondy Oxides and Chemicals Ltd.

Good afternoon, everyone. We wish you a warm welcome to POCL's Q2 FY '22-'23 earnings call. I hope that you and your family and everyone else is keeping safe and healthy. We will briefly discuss the results and the events in Q2 and post that, we will have a question-answer session. POCL has delivered a sustainable operating margin result despite the market nuances. In terms of revenue, there is a marginal increase of over 3% in the first half of FY '22-'23 versus the first half of '21-'22 in spite of reduction in average LME by 7% during the said period. In terms of operating margin, the EBITDA we were able to relatively maintain the same levels as previous year. We understand it is important to secure margins and at the same time we maintain economies of scale with respect to volume in the market.

With respect to quarterly results, there has been rational drop in the revenue in this quarter versus Q2 FY '21-'22. This was primarily driven by market factors with respect to volatility in market demand and price fluctuations. However, it is important to note that since POCL has direct empanelment with OEMs across the globe, it gives us competitive edge in securing long-term contracts with a certain degree of fixed volumes. Despite price increases in cost, manufacturing,

and fuel with global geopolitical tensions still prevalent and the forex movement being volatile, we should see a correction in the upcoming quarters to a certain extent. India continues to remain a focal point, which is sustained -- substantiated by maintainable growth rate, GDP, and other micro and macroeconomic factors. I would like to reiterate that our focus going forward will be portfolio diversification and expanding lead recycling and manufacturing footprint.

I'm happy to share with you that the announcement made in our previous earnings call will see the light of the day and we will be the first company in manufacturing space to start with green lead technology, which is not only -- which not only positions us as market leaders in lead recycling and manufacturing, but also gives us the platform to walk the talk with respect to best environmental practices, sustainability, and corporate governance. We are entering different verticals with recycling of non-ferrous metals and plastics to not only diversify the portfolio in various segments in recycling, but also to ensure that the weighted average margins of POCL will drive upwards. We will see the aluminum division going live in Q3, which gives us edge in our product portfolio in the non-ferrous segment. Moving forwards, we will realize consolidated growth both in topline and the bottom line that will evolve over the next few quarters and we will give shape to FY '23 and furthermore to FY 2024.

In respect of our plastic division, we will appreciate the margins once our manufacturing facilities go live by Q4 FY '23. In terms of operational performance, we had increased the smelting capacity in our plants and further have finished goods capacity for the manufacture of lead metal and alloys to the tune of 1,32,000 metric tons per annum. With respect to volume growth, the company has witnessed 20% growth in smelting operations in first half of '22-'23 compared to the same period in the previous year. The import of scrap batteries has increased by 37% in Q2 consequent to which our smelting capacities see better utilization in FY '23 compared to the previous year. We believe that redefining of battery waste management rules, extended producer responsibility, and stricter implementation of GST; the availability for these raw materials will increase further in the domestic segment as well.

We have managed to have better control of our net working capital in September 2022. This improvement has been possible due to solid procurement in domestic markets, which reduces transit inventory. POCL has achieved a return on capital ROCE of 34% in the first half of FY '22-'23 and it is strongly in line with expectations for the entire financial year. I would also like to inform you all that we have reduced our debt to around INR72 crores in the first half of FY '23. This has happened because of our focus on reducing our working capital cycle. Solid business profile of POCL, which is supported by the firm's existing customer relationship, wide range of suppliers, reasonable entry hurdles, and proven production capabilities forms the basis of this

business strategy. Our fully-owned subsidiary POCL Future Tech will be looking into plastics as a segment and we will concentrate on specialized plastics as finished goods.

With respect to announcements made in the stock exchange in the subject quarter, as committed, the team is working on proposal to list the equity shares in NSE and in addition to the existing listing in the BSE. Bonus shares allotment has been successfully concluded. The business cycles specific to our industry and the overall industries in India and globally is undeniably operating in its own mysterious ways with respect to market demand and increase in prices of manufacturing. POCL continues to embrace such diversified opportunities in manufacturing and recycling with responsibility and commitment.

Thank you, everyone, for joining us for this call. As you all know, given the past record of the company and the futuristic vision, we have a clear direction for future as we're optimizing the existing operations and venture into new opportunities and additional verticals. This will be strong platform for us to expand our footprint across the globe.

Over to you, Radhakrishnan.

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## Questions and Answers

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**Radhakrishnan Chonat**  
Director | AlphaStreet

Thank you, Ashish. We'll now move into our question-and-answer session. Today, we have participants joining via Zoom video platform and also via our tele-calling platform. Participants who have joined us and connected with us through Zoom video platform can also post your questions on the chat box, and we'll ask the questions on your behalf. If you wish to ask a question directly, please use the raise hand functionality.

I'll take a few questions from the chat box as well as questions we have received via email first and then we'll open it up for the 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 first.

First question is we are seeing a lot of headwinds in the global economy like fear of recession. Amid these global cues, what is driving the improvement in revenue and profits consistently?



**Ashish Bansal**  
Managing Director | Pandy Oxides and Chemicals Ltd.

Radhakrishnan, yes. Most of our exports are to the Asia-Pacific region, Europe, and USA with strong focus on Southeast Asia. All the countries that are dependent on the region in and around the conflict have become more reliant on emerging markets or emerging countries like India and hence increasing dependability on this region. Currently the countries under conflict are not part of our addressable markets. Hence this does not affect our business directly, but yes, indirectly it has a strong impact in driving economic factors.



**Radhakrishnan Chonat**  
Director | AlphaStreet

Thank you, Ashish. The next question we have received is can you share the roadmap about how the company intends to grow in the future? Is the company planning to diversify into other

recycling products?



**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Ltd.

So I'll take that question, RC. Lead is our core vertical as of today and will remain an integral part forever, but diversification in other verticals is required to ensure that our business risk is mitigated and spread across to take on the volatility and demand-supply effect overall. We have started sales in plastics and full-fledged production will only commence from Q4 financial year '23. This will get added to our consolidated sales numbers in the financials. We are also looking to get into other verticals on a gradual basis and this will definitely happen over a period of time increasing our topline numbers.



**Radhakrishnan Chonat**

Director | AlphaStreet

Thank you, Piyush. Next question how does the company plan to fund its capex?



**K. Kumaravel**

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

I, Kumaravel, will take this question. POCL almost a debt-free company as on today. This gives you a strong platform for the investments in project for a better return on investments and the equity basis our weighted average cost of capital. We are planning to have a judicious mix of debt and equity, which is determined based on our payback period of respective project typically 18 to 24 months, return on investment and quantum of funding required for each project. We have strong internal accruals over INR200 crore. POCL plans to invest INR90 crore to INR100 crore in different projects, greenfield and brownfield in different phases, through internal accruals and depending on the market scenario, a combination of various debt instruments may be used from the domestic and international markets as may be deemed fit.





**Radhakrishnan Chonat**  
Director | AlphaStreet

Thank you, Mr. Kumaravel. The next question is, does the company have plans to be debt-free in the near future as the debt-to-equity ratio is reducing consistently?

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

We do not have any such plan to reduce our debt level drastically. Short-term debt levels will increase if we get new orders for which we have adequate working capital limits, which are the banks. Long-term debts will be availed based on the future requirements for the new products and accordingly judicious mix of debt and equity will be decided in future based on setup of new verticals.

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**Radhakrishnan Chonat**  
Director | AlphaStreet

Okay. Thank you, Mr. Kumaravel. The next question, what are the steps taken to control costs and improve margins?

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

I will take that question, RC. Vijay here. Our majority of costs comprise of material and factory overheads. Material margins are protected with appropriate hedging strategies. Continuous process improvements are done at factories in all profit centers to ensure optimum derivation from appropriate mix of materials. We are also in the process of implementing a new ERP to integrate and monitor the operational efficiency at all locations and monitoring optimum mix of materials and such products, especially alloys. This project is expected to go live by 1st April, 2023.

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**Radhakrishnan Chonat**  
Director | AlphaStreet

Thank you, Mr. Vijay. Next question we have received via email is over the years the cost of smelting and refining along with utilities like electricity has increased quite a bit. Does the company have any plans to reduce them in the near future?

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

Costs are increasing due to supply chain disruptions and general increase in price levels due to inflation. Unlike commodities, these type of costs cannot be hedged. Such costs are being passed on to customers as and when our contracts are being renewed. Further, process improvements are also made at units to reduce the power cost by utilizing alternative sources of energy. We expect a correction in such costs in the coming quarters as part of business cycles. Furthermore, we are evaluating the impact of certain levels of automation that shall be increased in the upcoming quarters too.

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**Radhakrishnan Chonat**  
Director | AlphaStreet

Thank you, Mr. Vijay. We have a couple of questions that we received via chat. The first one, what are the projects in the pipeline for the year?

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

RC, aluminium division is expected to go live by the end of this month and it will only shape up in the upcoming quarters as part of our phased strategy. Full-fledged production of plastics and the green lead project is expected to commence from the beginning of the fourth quarter for this year.

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**Radhakrishnan Chonat**  
Director | AlphaStreet

Thank you, Piyush. The next question via chat we received is from Devesh Shrimali. The question is, our contracts being long term, how is RM escalations price pass-through negotiations coming through? Can you please comment on H2 '23 versus H1 '23 performance expectations on revenue/margins?

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**Ashish Bansal**  
Managing Director | Pandy Oxides and Chemicals Ltd.

RC, basically our RM cost to the customers are on variable basis because these work on LME-based contracts and the average price of the month is factored over for the next month's supply. The fixed part is the premium part and the complete part of the RM that goes -- raw material cost that goes up in terms of how the LME moves or fluctuates or volatile is factored in into the contract's pricing.

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**Radhakrishnan Chonat**  
Director | AlphaStreet

Thank you, Ashish. Next is from Keshav Kumar, he has two questions. The first one is what would be the levers of growth on a broad level for the next three years?

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

So, we've already emphasized on the fact that product diversification is the need of the hour and also we are kind of planning to expand lead recycling and manufacturing footprint globally and in India. So, product diversification with a combination of non-ferrous plastics and other verticals where we are doing the pre-feasibility, feasibility studies and other segments would give us leeway into the growth strategy for the next three years.

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**Radhakrishnan Chonat**  
Director | AlphaStreet

Thank you, Piyush. Keshav Kumar's the second question is, would the new EU waste shipment rules affect the business going-forward?

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

This is with regard to the plastics and lead, right? Can I get some more clarity on this question?

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**Radhakrishnan Chonat**  
Director | AlphaStreet

Yeah, sure. Keshav, if you can give us more clarity on the question, that'll be great. Meanwhile, ladies and gentlemen, if you would like to ask a question directly with the management, please raise your hand or leave a question in the chat box. While we wait for clarity from Keshav Kumar, let's take a question directly from Deepak Poddar. Deepak, please unmute and you can ask the question directly.

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**Deepak Poddar**  
Analyst | Sapphire Capital

Hello. Am I audible?

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**Radhakrishnan Chonat**  
Director | AlphaStreet

Yeah, Deepak. Go ahead.

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**Deepak Poddar**  
Analyst | Sapphire Capital

Okay. Thank you very much, sir for the opportunity. Sir, now in your remarks you have been quite vocal about the product diversification. So, anything on the lithium-ion battery recycling front we are looking at because that would be a big market over next 10 to 15 years if I look at? That's my first question.



**Ashish Bansal**  
Managing Director | Pody Oxides and Chemicals Ltd.

Yes. Deepak, thank you for your question. Looking to the lithium-ion space, currently we are in some kind of a pre-feasibility study and some R&D stage, because right now currently there is no specific technology that is sustainable for recycling lithium-ion batteries and any company that is doing the recycling is also just able to just break open and reach the black mass level and not down to the element structure. So, this needs little more of R&D to have a sustainable process going on. So in fact most of the companies in this space are still looking for sustainable processes, including us. And we are doing our internal R&D on the same along with some partners.



**Deepak Poddar**  
Analyst | Sapphire Capital

Okay, understood. Fair enough. And my second question is related to your recent AGM speech, I mean in which you mentioned that we are looking at in the plastics recycling business INR500 crores plus revenue with 12% to 15% margin in FY '24, right? Can you elaborate more on that? I mean is that what exactly we are looking at and how we'll be able to achieve that?



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

So Deepak, what we're doing in plastics is going to be in a very phased manner. We are first concentrating there different kinds of plastic waste; PPPE, ABS, and other different forms. So what we are looking into is expanding our capacities right now from 1,000 ton per month to an increased capacity of 3,000 tons per month. The question that needs to be asked here is about the procurement and sales. Sales is not, I would say, a significant part of it because we already

have a set customer base who wants to kind of cater to our manufacturing capacities. On the procurement side, we are looking at partners in India and across the globe to ensure that the plastic -- I mean the lignins and all the other raw materials can actually be manufactured through pellets and the entire concept of circular economy can be achieved.

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**Deepak Poddar**

Analyst | Sapphire Capital

Okay. That's all understood. But are we looking at INR500 crores kind of revenue next year from this plastic only?

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**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Ltd.

Yes. That will evolve only in the next three to four years. I mean based on basically -- so by '24 we are looking at say between INR200 crores to INR300 crores.

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**Deepak Poddar**

Analyst | Sapphire Capital

FY '24 we are looking at INR200 crore.

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**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Ltd.

No, not '24. The next two years we are looking at INR200 crores to INR300 crores.

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**Deepak Poddar**

Analyst | Sapphire Capital

Okay. That's what. Next two years we're looking at INR200 crores to INR300 crores kind of a topline from the plastic division. And this 12% to 15% EBITDA margin in plastic division, that will kick in at what kind of revenue level?

**Ashish Bansal**

Managing Director | Ponds Oxides and Chemicals Ltd.

Can you repeat that question? Sorry.

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**Deepak Poddar**

Analyst | Sapphire Capital

This 12% to 15% EBITDA margin in this business will kick in at what kind of revenue level? Will it kick in at this INR300 crores level or once we reach INR500 crores plus, that's when we can see these kind of margin levels?

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**Ashish Bansal**

Managing Director | Ponds Oxides and Chemicals Ltd.

No. Anywhere over about INR100 crores, INR150 crores plus revenues will kick in those margins.

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**Deepak Poddar**

Analyst | Sapphire Capital

Okay. Fair enough. Understood. And my last query is related to your, in general, company level, I think we have been talking about EBITDA margin of 9% blended level by FY '24, FY '25, right?

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**Ashish Bansal**

Managing Director | Ponds Oxides and Chemicals Ltd.

Yes, that's right.

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**Deepak Poddar**

Analyst | Sapphire Capital

So, how do we see that trajectory? I mean like per annum from current 6%, 100 basis point to 150 basis point improvement per annum for next two years would be a right kind of trajectory one can envisage for the business, especially with plastic also pitching in with higher margins?

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd.

So Deepak, the way we are looking at it is currently, of course, we have a lead portfolio. Apart from that, as Piyush just told about our subsidiary coming in on consolidated basis with plastics have been adding on and also our aluminum project which is just kicking off in Q3 and will stabilize over the next about two quarters. So all these three portfolios put together, the average should start picking up as the revenues go up. So like you're saying about 150 basis point and so on, the trajectory seems very practical.

**Deepak Poddar**

Analyst | Sapphire Capital

Practical, right. Fair enough. I understood. That's it from my side, sir. All the very best. Thank you.

**Radhakrishnan Chonat**

Director | AlphaStreet

Thank you, Deepak, for your question. Appreciate it. The next direct question is from the line of Vaibhav Badjatya. Vaibhav, please go ahead.

**Vaibhav Badjatya**

Analyst | Honesty and Integrity Investment

I hope I'm audible.

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd.

Yes, you are.



**Vaibhav Badjatya**

Analyst | Honesty and Integrity Investment

Thanks for providing the opportunity. This plastic business that you telling about INR200 crore to INR300 crore revenue with 12% to 15% EBITDA, what is the total investments that we will be doing specifically in plastic business to generate this around INR250 crore, INR300 crore revenue?

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**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd.

So Vaibhav, in the initial first phase we are looking at investment of about INR10 crores to INR12 crores and as it goes on, the total investment would reach up to INR30 crores to INR40 crores over the years -- over the next two years.

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**Vaibhav Badjatya**

Analyst | Honesty and Integrity Investment

Okay. So INR30 crore, INR40 crore investment with kind of 12% to 15% EBITDA is quite a huge amount of money to be very frank. So I'm just trying to understand why the whole recycling market will have -- plastic recycling market will allow this kind of return on equity or return on capital?

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**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd.

Yes, Vaibhav. So basically you can -- the product mix that we are choosing are some specific products, which are not run-of-the mill vanilla products. They are more compounded products and more specialized products and the reason why we need the next two years to scale-up is because getting the right market size to use these products. So we are entering in with some specific products that are high margin products and not just the basic -- the basic products will be a part of the portfolio, but the specific products are what we are targeting on.

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**Vaibhav Badjatya**

Analyst | Honesty and Integrity Investment

Okay. Understood.

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**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd.

So, that is the whole idea here.

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**Vaibhav Badjatya**

Analyst | Honesty and Integrity Investment

And for lithium-ion batteries so is it not -- currently is it not kind of possible even to manufacture lithium carbonate or alloys, salt or cobalt by recycling lithium-ion or do you think that that is possible, but we don't want to enter into that?

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**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd.

Vaibhav, definitely that is possible but that is just a very base process and we are looking at getting to the elemental stage where we can extract lithium and cobalt and nickel, copper, and so on. So, we are interested in getting to the end cycle of the stage and we don't see too much extreme value addition in just recovering the black mass and giving it away and trying to use that or sell that. So, we are definitely looking into the complete process and probably in some time we should have some news on that.

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**Vaibhav Badjatya**

Analyst | Honesty and Integrity Investment

But anywhere -- India is pretty early in the EV space, but China is way ahead and there are other countries which are also very forward in that sense. Anywhere you have not seen any lithium recycling to the element -- to the stage where you want it to be?

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**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd.

No, currently we have not seen at that stage and also the whole supply chain of the lithium-ion business is not yet very mature in India and the whole utilization it is -- I'll say it is still I'll say in the first 25% of its cycle where people are in the adoption stage. So, recycling would really come in once the cycle gets over, the adoption happens, more people start using and end of life and after that it comes into the secondary market for recycling. So, we still have that kind of a little leeway in time to get into the recycling part to have some volumes.

**Vaibhav Badjatya**

Analyst | Honesty and Integrity Investment

Right. Got it, understand. That's it from my side. Thank you.

**Radhakrishnan Chonat**

Director | AlphaStreet

Thank you, Vaibhav, for your question. Appreciate it. The next person, okay, Devesh Shrimali, he raised a hand. Please go ahead ask your question directly, Devesh.

**Devesh Shrimali**

Analyst | Individual Investor

Hi. Can you hear me all right?

**Radhakrishnan Chonat**

Director | AlphaStreet

Audio is little feeble. Can you speak a little louder, please?



**Devesh Shrimali**  
Analyst | Individual Investor

Yes. Is it better? Okay. Hi Ashish. Congratulations for the good bottom line in a tough quarter. I have three questions. First is more around the business model. You sort of explained that there is a RM pass through based on the LME exchange prices every month. Could you help us understand because we are right now...



**Ashish Bansal**  
Managing Director | Pandy Oxides and Chemicals Ltd.

Devesh, sorry to interrupt. It's a little unclear. We are not able to clearly understand what you're speaking.



**Devesh Shrimali**  
Analyst | Individual Investor

Let me try again. Is it better?



**Ashish Bansal**  
Managing Director | Pandy Oxides and Chemicals Ltd.

Little better.



**Devesh Shrimali**  
Analyst | Individual Investor

Yes. So, my first question was around LME-linked price contract pass-through. Can you help me understand that how did our revenue fall when the price through is linked to LME? Is it because volumes were same and the prices sort of came down, that's how we should read it? And how do we see that playing out in H2? That's my first question.

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd.

So Devesh, here I'll explain. See, the LME by itself in terms -- basically the formula works in the way wherein after the contract is made on a month-on month the average price of the LME that is achieved is taken for the next month's supply. And if you notice, LME by itself has almost dropped by 10%. And apart from that, we have also -- specifically in terms of volume, we are more or less at the same levels of the previous quarter but due to the drop in the LME, that also is reflected in a little drop in the revenues. Apart from this, also we have been little selective about certain products where we have the option to sell or not to sell on those products where the margins were slightly lower. Being a little tighter market in terms of raw materials and in terms of still having some shipping line issues and all of those, we chose those specific products which had a better margin and only shipped those out. So I'll say about most of the drop in revenue is due to the LME price drop, but we've been able to maintain our margins by compensating by having the better value-added products.

**Devesh Shrimali**

Analyst | Individual Investor

Okay, great. That's quite helpful. And Ashish, you sort of also called out that Q4 onwards we would have aluminum coming in and uptick in the FY '24. But between now till that point, how should we read H2 versus H1 assuming -- with the assumption that lead prices stay and don't fall further from here? How should H2 look like compared to H1 if you can tell?

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd.

H2 and H1 in more probability will look very similar, but we are hoping the H2 would be marginally better than the H1. In terms of aluminum as you asked, since the plant is just starting, there will be a little stabilization period I say about three to four months and we will really be able to see good numbers on aluminum maybe from the first quarter of next financial year.



**Devesh Shrimali**  
Analyst | Individual Investor

Okay. Makes sense. And last is more around the plastic part. There is another peer of yours called Ganesha Eco Recycling who does plastic and primarily supplies to textile. Are we in the similar space with our end-user industry? Little bit more qualitative comments would be useful.

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**Ashish Bansal**  
Managing Director | Pandy Oxides and Chemicals Ltd.

No, we are not into technical textiles. We are more into extruded molded products and those kind of products. Our end customers will be more who make extruded and molded products.

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**Devesh Shrimali**  
Analyst | Individual Investor

So, which industry it would go to, if you can help us?

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**Ashish Bansal**  
Managing Director | Pandy Oxides and Chemicals Ltd.

It can go to various industry. One primary industry could be our own industry where we're supplying our lead, which is the battery industry, furniture manufacturing, you have lot of your flooring sheets, even customers like, for example, there are many paint manufacturers who make -- who use those paint boxes where the paint is packed, and all these box packaging industry and all of those.

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**Devesh Shrimali**  
Analyst | Individual Investor

Great. So it would mean that the initial ramp-up could happen to our existing client base and relationship, we don't need to scout completely new set of customers. Is that right understanding?

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**Ashish Bansal**

Managing Director | Ponds Oxides and Chemicals Ltd.

Definitely, this gives us the basic -- how do I say, the basic stability because our existing customers will be customers for plastic as well. So, this gives us a basic stability to start achieving little more of economies and then fresh customers will be added on to them. Like for example, right now we have battery OEMs who are already our customers. Then further automobile industry would be our customer, appliance manufacturers, furniture manufacturers, some electrical and electronics companies, and so on and so forth.

**Devesh Shrimali**

Analyst | Individual Investor

Okay. Thanks so much, Ashish. All the best. Thank you.

**Radhakrishnan Chonat**

Director | AlphaStreet

Thank you, Devesh, for your questions. Once again, ladies and gentlemen, if you would like to ask a question directly to the management, please use the raise hand functionality. We have a couple of questions left from the chat box from Mr. Keshav Kumar. His question is could you help draw plastics recycling supply chains going forward? Would the bottle manufacturers be responsible to source with EPR mandates and then we'll come in as a converter and would that have materially shrunk working capital requirement as well?

**Ashish Bansal**

Managing Director | Ponds Oxides and Chemicals Ltd.

Yes. Currently in India the EPR guidelines are being formulated and EPR is getting stronger by the day. Going forward we see that in the next two to three years, these guidelines will be pretty much stronger and all the companies that need to use plastics for their packaging or in their products primarily will have a compulsion to use certain percentage of recycled material to suffice their EPR requirements and so on. And once this comes in as a more stronger rule and things, companies will reach out and this will definitely create a new supply chain and will create a complete new cycle and that definitely will be beneficial to the plastic industry.



**Radhakrishnan Chonat**  
Director | AlphaStreet

Thank you, Ashish, Keshav Kumar's other question is could you help segregate in percentage terms how much scrap is sourced domestically versus internationally and would ERP help reduce the working capital stuck in supply chains to bring overall days down?

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**Ashish Bansal**  
Managing Director | Pandy Oxides and Chemicals Ltd.

RC, are you referring to plastics now, lead now, or overall as a portfolio?

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**Radhakrishnan Chonat**  
Director | AlphaStreet

Yeah. That clarity is not there, so I'll again ask Keshav to...

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**Ashish Bansal**  
Managing Director | Pandy Oxides and Chemicals Ltd.

I can just give out a brief understanding. Currently on the lead segment, about close to 70% of our raw material is sourced internationally and 30% from the domestic market and apart from that, we also do some tolling for some of our clients. And in terms of plastics, currently 70% is procured domestically and 30% is from various other sources. And going forward in aluminum to start with, more material I'll say about 90% -- or 85% to 90% should be imported and the balance will be domestic and slowly we will convert that cycle and try and drop down by 20%, 25% addition year-on year for domestic procurement.

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**Radhakrishnan Chonat**  
Director | AlphaStreet

Thank you, Ashish. Appreciate that. We have a direct question from Rohit Ohri. Rohit, please go ahead and ask your question.

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**Rohit Ohri**

Analyst | Progressive Share Brokers

Yes, sir. Am I audible?

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**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd.

Yes.

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**Rohit Ohri**

Analyst | Progressive Share Brokers

Hi Ashish, KK, Piyush, RC. Quite a lot of questions that I have, I'll ask them one by one. You did mention, Ashish, that 60% of the turnover is coming from the exports. I wanted to understand a bit more about the next round of price hikes that might happen or in terms of the price negotiations that you might already be indulged in or are you looking at the next month or the month after that?

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**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd.

You want us to reply one by one?

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**Rohit Ohri**

Analyst | Progressive Share Brokers

Yeah, please.

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**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd.

So, basically we are already in negotiation with our customers internationally on price negotiations and we have -- I mean of course most of the customers or rather I'll say all of them do understand the price increase and the cost of -- how the costs have escalated over the last one year. But

definitely as you know every buyer customer, there's always a negotiation where the customer tries to justify the cost not to be increased as much and the seller will always want the best cost to be increased. So right now we are in the negotiation phase and probably by end of this month, our negotiations should be completed. But whatever increase we are asking, we are definitely confident that at least 80% of that price increase will be achievable and balance 20% will again depend on the market scenario because at the point of conclusion how volatile the market is or where at those point in time whether energy or fuel or other additive costs remain.

**Rohit Ohri**

Analyst | Progressive Share Brokers

Okay. So, these -- generally the cycle is from -- is it quarterly basis or half yearly or do you see the new price revisions in Jan. then?

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd.

So, basically a typical contract with -- I'll say about 60% of our clients are calendar year which is Jan. to Dec. and there are the Indian customers that we have are from June to March or I mean rather July to June and there are certain customers in Southeast Asia where the contracts are from April to March. So, it's a mix of overlapping contracts.

**Rohit Ohri**

Analyst | Progressive Share Brokers

You did mention that there has been some change in the product mix and then you were shifting more towards the value-added products. So, if you can just take us through value-added products. When you say value-added, you are talking about the LME business or are you talking about the plastic business?

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd.

On this, we are right now -- because the plastic business is just taking off. Right now what we referred to was the lead business specifically. So when I say value-added products, I'm saying apart from the pure lead which is the base commodity product, there are other specific alloys that we make which go into specific applications and markets like in Japan and in South Korea and Thailand and so on. There, in those alloys also there are certain alloys, which are little more technical to make and not every company can manufacture those alloys and those alloys were pushed in terms of volume as well.

**Rohit Ohri**

Analyst | Progressive Share Brokers

Okay. So from the vanilla products as well as the value-added products, what sort of delta difference is there? If you can share something -- like if you can just share that number the difference in the prices between vanilla and VAP?

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd.

I will say somewhere in the range of -- depending on the product, it can be anywhere between 200 basis points to 300 basis points.

**Rohit Ohri**

Analyst | Progressive Share Brokers

Okay. You did mention about future tech. By when do you think that the numbers will start rolling and start hitting the P&L?

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd.

A good level of numbers start hitting the P&L would be in the first quarter of FY -- the first quarter of the next financial year and this will -- on a continual basis, this will scale up. You will see little bit

-- I mean you will see some decent numbers, I won't say something very extraordinary. But in the fourth quarter of this year as well, you will see some numbers adding on.

**Rohit Ohri**

Analyst | Progressive Share Brokers

Okay. Ashish, nobody spoke about the copper operations. Do you think that there will be some more uptick that can come in the future in the copper business or are you happy with the current capacity that you have?

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd.

Definitely we are not happy with the current level of copper business and right now we were focusing little more on aluminum and plastics. And in the next financial year is when we are looking at taking up and pushing the copper business as well and as we do that, we'll keep you posted because there are certain products that we wish to add in the copper portfolio.

**Rohit Ohri**

Analyst | Progressive Share Brokers

Okay. Any guidelines on what sort of investment you might do or what sort of capacity addition you intend to do?

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd.

Right now we are little bit in the discussion stages with certain experts and industry stalwarts. So once we are on that, we should be able to announce something good on that.

**Rohit Ohri**

Analyst | Progressive Share Brokers

Okay. With this green lead battery processing, by when do you think that these productions will start kicking in and then the benefits will start rolling out for us?

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**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd.

The equipments, that is the modules will be installed in this coming month that is by December and the first phase of trials should happen by December-end and first half of January. So I presume on a very positive note that second half of January to first half of February we should have some green lead products rolling out of those equipments. And once those are stabilized, we will be adding on more modules and slowly converting more of our furnaces to green lead technology.

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**Rohit Ohri**

Analyst | Progressive Share Brokers

You did touch up on LME prices seeing a correction of 10% or so. Would you like to give any more guidance or outlook for the next two quarters? How do you see the industry panning out according to your estimates?

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**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd.

I'm looking at, on an average basis of overall six months, we are looking because what happens during December and winter the demand kicks in a little bit more European side and so on and so forth and also over there with the energy costs and everything, the production costs are so high. So, it is a little mix and match of market emotions right now. So, I would say more or less on a safer note that the H2 in terms of demand should be very similar to H1.

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**Rohit Ohri**

Analyst | Progressive Share Brokers

Okay. Next few questions, KK, if you can chip in. You did mention that the debt burden has been reducing. We can see that the interest cost has also come down and you are inching more towards the debt-free status considering that you are working out with the working capital as well. But with all these expansions that are lined up, do you think that your debt levels will increase from here on or are you happy with the kind of numbers that you are showing right now?

**K. Kumaravel**

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

No, probably as mentioned, mix of both debt and equity we are planning. And for fixed assets, we are planning to go for some debt in different form; INR, foreign currency loans, something like that. And for working capital loan, whatever the existing limit is just enough based on the turnover, we utilize the working capital limit wherever required. So Rohit, it was not mentioned that we are working towards debt free. We are currently almost debt free and that gives us a leverage to utilize our internal accruals and our reserves for projects in a much better manner. Hence the debt can probably could be little lesser than what usually any other company would take and that will be funded by a mix of debt and internal accruals is what was highlighted. Definitely we don't want to be debt free, otherwise business cannot improve further.

**Rohit Ohri**

Analyst | Progressive Share Brokers

True, KK. But any ballpark number you would like to share that you will scale it up to INR20 crores or INR30 crores or INR40 crores for the expansion?

**K. Kumaravel**

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

Yeah, definitely that range will come, INR30 crore to INR40 crore debt definitely we take for long term and the balance depending upon the internal accruals, we decide the ratio.

**Rohit Ohri**

Analyst | Progressive Share Brokers

Okay. And any plans to raise money via QIP or rights issue so that shareholders like us can chip in and kind of contribute towards the growth of the company?

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**K. Kumaravel**

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

Right now no such plan and anyhow Board has to decide on this. Just now we completed the bonus share allotment. These type of rights and further IPOs we are not immediately looking at. But anyhow this is Board's call to decide based on the expansion plan in future.

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**Rohit Ohri**

Analyst | Progressive Share Brokers

KK, has there been any spillover of turnover, which was supposed to be for quarter two and moved on to quarter three? If you would like to share that.

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**K. Kumaravel**

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

See, it is a continuous affair. Sometime that month-end if we do some exports, as far as accounting standard we cannot recognize that particular sale as a sale in the books. That will be pushed on to the next quarter. This is a continuous affair. It's almost in the same range of around INR20 crore similar in every quarter.

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**Rohit Ohri**

Analyst | Progressive Share Brokers

Okay. And KK, any thoughts on JV or tie-up maybe in the plastic or LME or maybe aluminum segment that you would like to share?

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**K. Kumaravel**

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

Definitely that will be shared at the appropriate time after placing before the Board if any such news, don't worry.

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**Rohit Ohri**

Analyst | Progressive Share Brokers

Any pre-feasibility testing that we have done if you'd like to share with the shareholders?

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**K. Kumaravel**

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

No. A lot of informal discussions are going on, but official decision not taken.

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**Rohit Ohri**

Analyst | Progressive Share Brokers

Okay. I understand that, KK. You mentioned that this plant for aluminum in Tamil Nadu and you've made an investment of somewhere like INR5 crores or something. What sort of returns are you expecting from this investment of INR5 crores and what sort sustainable margin do you feel that you can come? And this 14,750 metric ton, by when do you think that the entire capacity will be utilized?

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**K. Kumaravel**

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

The trial run we are planning in this quarter. Now before December, the trial run will be over. Commercial production will commence from the fourth quarter of this financial year and after seeing that only, exact quantum of return on investments and EBITDA margin we can say. But it's similar to the lead only probably, but anyhow we have to wait and see after the end of this financial year.

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**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd.

So I'll put it currently the aluminum margins can be like, Mr. Kumaravel said, in very similar levels to the lead margin because the metal recycling business currently entails only those levels of margins.

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**Rohit Ohri**

Analyst | Progressive Share Brokers

Okay. So Piyush, lastly what I -- what I understand is that going forward, whatever POCL might do, that probably would be only profitable volumes growth that we should be factoring in, right?

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**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Ltd.

Yes, Rohit. So what we expect to do is we are starting off with a pilot project for aluminum. There will be economies of scale wherein the margins will kind of pitch in similar to plastics and similar for our green lead project. So, that is how we'll shape up and evolve over the next few quarters.

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**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd.

So Rohit, is your question that apart from these, are we looking at other verticals? Is that your question?

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**Rohit Ohri**

Analyst | Progressive Share Brokers

Yes, that is what. I mean like see that the topline is not moving anywhere, but you're maintaining consistent margin or whatever 5%, 6% and without growth in topline, it's indicating that the product mix that you are moving towards is giving you more bottom line. So with the vertical additions that might come in or maybe with the current product mix that you are shifting or you're playing with so that is the question.

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**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd.

Rohit, I'll put it this way. I mean there cannot be a continuous vertical trajectory for any company per se we see and once you reach a particular level and then you consolidate those levels, keep your margins intact, and meanwhile you're also working on other projects that are being added and doing a feasibility study on other verticals to be added. So, there is always that little bit of that one year of consolidation where you stabilize and then have a stronger foothold to move ahead in a stronger manner. And for your question whether we're looking at other verticals. Definitely yes, we are looking at multiple verticals and we are doing a lot of feasibility study and that is going on in the background and at appropriate times each of those verticals will be kicked off.

**Rohit Ohri**

Analyst | Progressive Share Brokers

Last question is on guidance if you'd like to share because some of the other competitors were looking at 20%, 25% kind of a growth and they have scaled it down to 18%, 20%. So, do you think that the same will apply to us as well? I know you are conservative in terms of the guidance and you would like to outperform whatever you will say. But then anything on the uptake or maybe on the same lines or will you maintain your guidance for 20% or so?

**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd.

I'll put it this way, Rohit. Currently the markets are -- the overall markets not only the Indian economy, but the global economy is also in a very confused state of mind and every single economy is looking for direction. And amidst these turbulent times, I will not give a very extremely positive outlook. But definitely I will say that whatever we have committed, definitely we will achieve those growth numbers. But if you say are you going to perform extraordinary over and above, I definitely will not be able to comment on that because that has got lot to do with the macroeconomic factors and lot of external factors which are beyond control.

**Rohit Ohri**

Analyst | Progressive Share Brokers

Ashish, you seem to be slightly cautiously bullish, I'll take it with that. Thank you for answering the questions. Thanks a lot. Thank you, guys. Thanks.

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**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd.

Thank you, Rohit.

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**Radhakrishnan Chonat**

Director | AlphaStreet

Thank you, Rohit, for all your questions. Appreciate it. Once again, ladies and gentlemen, if you have any questions do raise your hand. And yeah, I see a couple of more raised hands. Vaibhav, looks like he has additional questions. Vaibhav, go ahead.

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**Vaibhav Badjatya**

Analyst | Honesty and Integrity Investment

Yeah. Thanks for providing the follow-up. So in earlier discussion, you talked about some revenue spillover. So just wanted to understand is it like what is the point of time where we will decide that revenue will be booked? Is it like moving out of factory gate or generation of shipping bill -- particularly for exports, generation of shipping bill or what is the point when we decide that now the revenue has to be booked?

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**K. Kumaravel**

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

Based on the bill of lading date, we decide the recognition of sale in case of exports.

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**Vaibhav Badjatya**

Analyst | Honesty and Integrity Investment

Okay. Bill of lading. And I don't know if I'm wrong I read somewhere or I'm wrong in my memory, are you also considering to establish some operations overseas where you can smelt or sort out batteries and then import? Are you considering those operations or not yet?

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**K. Kumaravel**

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

Yeah. We are looking for it, but still our Board has not decided on those areas. Definitely we are looking for overseas operation on effective cost of procurement of raw materials that means still Board has not taken any decision on that matter.

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**Vaibhav Badjatya**

Analyst | Honesty and Integrity Investment

Okay, got it. That's it from my side. Thank you.

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**Radhakrishnan Chonat**

Director | AlphaStreet

Thank you, Vaibhav, for your question. Next question is from Muthukumar R. Muthukumar R, please go ahead.

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**Muthukumar R**

Analyst | Individual Investor

Good afternoon, sir. This is Muthukumar.

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**Ashish Bansal**

Managing Director | Pondy Oxides and Chemicals Ltd.

Good afternoon, Muthu.

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**Muthukumar R**

Analyst | Individual Investor

Hello. Sir, Am I audible, sir?

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**Ashish Bansal**

Managing Director | Pondy Oxides and Chemicals Ltd.

Yeah, you are audible.

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**Muthukumar R**

Analyst | Individual Investor

Okay. I have two questions, sir. First thing, you have already stated in your annual report that you have embarked on lithium-ion, e-waste, and industrial waste plan. I just wanted to know what is the CAGR [Phonetic] expected in these three; that is lithium-ion pent-up demand for replacement and e-waste and industrial growth CAGR? That's also, sir. And next thing what is the topline and bottom line expectation for the next two years?" That's all, sir. Thank you, sir.

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**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Ltd.

For the first part of the question where we discuss about lithium-ion and ewaste. Lithium-ion will start off as a pilot project. Along with that, we will have an R&D as a separate cost center in the coming two years. And as far as the ewaste is concerned, typically ewaste we have segregated into copper, aluminum, and the other different materials that come out of it and India being the third largest ewaste generator and growing year-on year with an organized capacity of 12%. We see that in phase one we will set up a pilot plant next year after doing a proper analysis and an operational breakeven path of the payback period between 18 to 24 months. So right now it will be too premature, but yes, we are looking at those options to start at next two -- next year onwards.

**Muthukumar R**

Analyst | Individual Investor

Okay. What is the earnings contribution we can expect from these three?

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**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Ltd.

See, the pilot plans are going to be very small. I mean if you look at the Phase 1 ewaste plant what we're looking at, that's going to be 2,000 tons per annum so that's going to be relatively small. As far as the lithium ion concerned, like Ashish had mentioned previously, shredding it up to the black mass level doesn't really make sense for us now. So we would like to kind of penetrate further into segregating the copper, cobalt, and other various metals. So as of now I think over the next earnings calls, we would start elaborating more on the lithium ion and ewaste segments because that will move from a pre-feasibility, feasibility stage to probably a stage where we can discuss more on this.

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**Muthukumar R**

Analyst | Individual Investor

Okay. And with ewaste and industrial waste, what is the capex expected?

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**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Ltd.

So for the pilot project, it will be about three to -- between INR3 crores to INR5 crores.

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**Muthukumar R**

Analyst | Individual Investor

Okay, sir.

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**Ashish Bansal**

Managing Director | Pondy Oxides and Chemicals Ltd.

Because that's more of R&D facility, the pilot project, yes.

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**Muthukumar R**

Analyst | Individual Investor

Okay, sir. Thank you. That's all.

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**Radhakrishnan Chonat**

Director | AlphaStreet

Thank you, Muthukumar, for your question. Ladies and gentlemen, I'm going to give a few seconds to see if there are any more questions on the line. Again if you have any questions, please use the raise hand functionality or leave a question on the chat box. I have one follow-up question from Deepak Poddar via chat. Any sense on revenue CAGR the management is looking at over the next two years?

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**Piyush Dhawan**

President, Commercial and Strategy | Pondy Oxides and Chemicals Ltd.

So CAGR, we're looking at between 15% -- whatever we have kind of promised in terms of the annual report and have commitment on the same, we are looking at a CAGR between 15% to 20% on the overall portfolio.

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**Radhakrishnan Chonat**

Director | AlphaStreet

Thank you, Piyush, for answering that question. Ladies and gentlemen, that's all the time we have allocated for today. Please do send in your questions by email to us and we will follow-up to get those answered by the POCL management. Thank you all for joining us for the Pondy Oxides & Chemicals Limited Q2 FY '23 earnings call. As a reminder, today's call was recorded. A replay of the call will be available on AlphaStreet India's YouTube channel as well as [alphastreet.com/India](http://alphastreet.com/India). A final transcript will be made available shortly on AlphaStreet India's website.

Thank you, POCL management and thank you all for participating.

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**Ashish Bansal**

Managing Director | Pandy Oxides and Chemicals Ltd.

Thank you, RC, and thank you, everybody, for participating.

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**Piyush Dhawan**

President, Commercial and Strategy | Pandy Oxides and Chemicals Ltd.

Thank you all.

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**K. Kumaravel**

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

Thank you, everyone.

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**Radhakrishnan Chonat**

Director | AlphaStreet

Thank you and you may all now disconnect.

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