

**4<sup>th</sup> May, 2024****GIL/2024-25/033**

To,

The BSE Limited Phiroze Jeejeebhoy Towers Dalal Street, Mumbai- 400 001 Fax No.: 022-22721919 Scrip Code- 533282	The Listing Department The National Stock Exchange of India Ltd. Exchange Plaza, C-1, Block G, Bandra- Kurla Complex, Bandra(east) Mumbai- 400 051 Fax No.: 022-2659 8120 Company Code- GRAVITA
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Dear Sir/Madam,

**Sub: Transcript of the earnings conference call for the quarter and year ended March 31, 2024**

Pursuant to Regulation 30 and 46 read with clause 15 of Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call for the quarter and year ended 31<sup>st</sup> March, 2024 Conducted on 02<sup>nd</sup> May, 2024 for your information and records.

The above information is also available on the website of Company:  
<https://www.gravitaindia.com/investors/financial-details>

This is for your kind information and records.

Thanking you.

Yours Faithfully  
For **Gravita India Limited**

**Nitin Gupta**  
**(Company Secretary)**  
**FCS: 9984**

**Encl: As above****Regd. Office:**

'SAURABH', Chittora Road, Diggi-Malpura Road  
Tehsil: Phagi, JAIPUR- 303 904, Raj. (INDIA)  
Phone: +91-141-2623266, 2622697 FAX : +91-141-2621491  
Email: [companysecretary@gravitaindia.com](mailto:companysecretary@gravitaindia.com)



## “Gravita India Limited Q4 Earnings Conference Call”

**May 02, 2024**



**MANAGEMENT: MR. YOGESH MALHOTRA – WHOLE TIME DIRECTOR  
AND CHIEF EXECUTIVE OFFICER, GRAVITA INDIA  
LIMITED**

**MR. VIJAY PAREEK -- EXECUTIVE DIRECTOR,  
GRAVITA INDIA LIMITED\***

**MR. NAVEEN PRAKASH SHARMA -- EXECUTIVE  
DIRECTOR, GRAVITA INDIA LIMITED\***

**MR. SUNIL KANSAL – CHIEF FINANCIAL OFFICER –  
GRAVITA INDIA LIMITED**

**\*Non-Board Member**

**MODERATOR: MR. MANISH MAHAWAR – ANTIQUE STOCK BROKING**

**Moderator:** Ladies and gentlemen, good day, and welcome to Gravita India Limited Q4 FY'24 Earnings Conference Call hosted by Antique Stockbroking.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” and then “0” on your touch-tone phone. Please note that this call is being recorded.

I now hand the conference over to Mr. Manish Mahawar from Antique Stockbroking. Thank you, and over to you, sir.

**Manish Mahawar:** Thank you, Rishi. On behalf of Antique Stockbroking, I would like to welcome all the participants on the 4Q FY'24 Earnings Call of Gravita India.

From the Management, we have Mr. Yogesh Malhotra – Whole-time Director and CEO; Mr. Vijay Pareek – Executive Director; Mr. Naveen Prakash Sharma – Executive Director; and Mr. Sunil Kansal – CFO on the call.

Without further ado, I would like to hand over the call to Mr. Malhotra for opening remarks post which we will open the floor for Q&A. Thank you, and over to Mr. Malhotra.

**Yogesh Malhotra:** Thank you, Mr. Manish. Good afternoon, ladies and gentlemen, and welcome to our Q4 and Financial Year '24 Earnings Call. I trust you have had the chance to go through the “Earnings Presentation and Financial Results” that were uploaded on the stock exchanges.

I am delighted to announce that Gravita has delivered outstanding performance for the quarter and the Financial Year 2024. We have achieved record high revenue, EBITDA and PAT for the quarter as well as for Financial Year '24 despite some logistics disruption. Before we delve into the results, I would like to share some strategic highlights and project updates.

I am pleased to announce that pure lead produced at Gravitas Mundra, Gujarat has been empanelled as an approved lead brand deliverable against MCX lead futures contract. The pure lead manufactured by Chittoor and Phagi plants of the company are already an MCX empanelled products. The MCX empanelment will provide us with an additional platform for hedging, better inventory management and price transparency in the domestic market.

Gravita's stepped down wholly owned subsidiary situated in Tanzania, Gravita Tanzania Limited, has increased the battery recycling capacity by 5,000 metric ton per annum, bringing the total capacity of battery recycling of this unit to 12,000 metric ton per annum. CAPEX of approximately Rs. 3.5 crore has been done for this capacity expansion, and the same has been facilitated through internal accruals. The Board of Directors have approved an interim dividend of Rs. 5.2 per equity share, making Gravita a consistent dividend player with a 13-year long track record of sustainable dividend payouts.

Our conviction lies in the interdependence of our success with the wellbeing of our employees, the environment and the communities that we engage with. We have created a clear ESG road map, through which we affirm our dedication of sustainable growth and making a positive difference. In our ESG road map, we have clearly outlined our short-term, medium-term and long-term targets that are expected to be met by Financial Year '27, Financial Year '34 and Financial Year '50, respectively. You can find the detailed ESG road map on our website.

Coming to the Operational Performance:

On the capacity expansion front:

Gravita has expanded its total capacity to 3 lakhs plus metric tons per annum in Financial Year '24 compared to 2.34 lakh metric tons per annum in Financial Year '23, which shows an increase of 29%. We aim to increase our capacity to 5 lakh plus metric tons per annum by Financial Year '27.

Discussing about the volumes:

Sales volumes saw a sequential increase of 9% in Financial Year '24 and 14% in Q4 Financial Year '24. Lead and plastic volume increased by 25% and 8% to 40,634 tons and 3,540 tons on a year-on-year basis, whereas aluminum volume dropped to approximately 3,200 tons. The reason for drop in aluminum volume is to avoid high risk of metal price fluctuations during transit period for imports in India.

As you are aware that we are in process of finding solution for hedging of aluminum, we are pleased to inform you that aluminum alloy has been notified under Securities Contracts, Regulation Act 1956 by Ministry of Finance. And we are expecting launch of this aluminum alloy commodity derivative of MCX by next quarter. This will help us in managing the risk of price volatility and, in turn, help us in scaling our aluminum business.

Coming to quarterly EBITDA per ton performance:

EBITDA per ton for plastic is Rs. 11,176 per ton, lead is Rs. 19,252 per metric ton and aluminum is Rs. 15,308 per metric ton in Q4 Financial Year '24. This is in line with the company's target.

Moving to Financial Results:

I am delighted to share that we have achieved a record high financial performance quarterly as well as annually.

Gravita has achieved an outstanding 5-year revenue CAGR and PAT CAGR of 21% and 74%, respectively. Revenue for Financial Year '24 increased by 13% to Rs. 3,161 crores. 45% of revenue in Financial Year '24 came from value-added products, which is in line with our vision of achieving 50% revenues from this category. India contributed 62% and the balance contribution of 38% is from overseas business.

Adjusted EBITDA for Financial Year '24 increased to Rs. 331 crores, up 16%. PAT showed a significant increase of 19% to Rs. 239 crores in Financial Year '24. PAT margin increased to 7.6%. ROCE for Financial Year is standing strong at 25%, which is in line with our Vision 2028.

Coming to Q4 Financial Year '24:

Revenue for the quarter increased by 15% to Rs. 863 crores on a year-on-year basis. 44% of revenue in Q4 FY'24 came from value-added products in line with our target to reach 50% of overall revenue from value-added products.

On a year-on-year and quarter-on-quarter basis, adjusted EBITDA increased by 9% and 4%, respectively, to Rs. 93 crores. EBITDA margin stood strong at 11%. Gravita reported a PAT of Rs. 69 crores, with 8% and 14% growth on year-on-year and quarter-on-quarter basis, respectively. PAT margin remains steady at 8%.

Further, we would like to also clarify on the qualification of recent financial statements with respect to accounting treatment of sale of shares held by trust for benefit of employees of Gravita. The qualification is just difference of interpretation of accounting standards, which needs to be understood. Gravita Employee Welfare Trust acquired shares of the company in the last few years with an objective to distribute, utilize the gains of the funds for benefits of employees of Gravita.

During the year, 380,500 equity shares held by the Gravita Employee Wealth Trust have been sold, and the capital gain or surplus from the share sale will be utilized for the welfare of the employees of Gravita as per the requirement of the trust deeds. The trust, being an independent entity, has sole responsibility and obligation to utilize the funds for the welfare of employees of Gravita as per the terms of the trust deeds.

Based on the independent legal opinion from reputable law firms, management of the company is of the view that the distribution or the utilization of gains arising on sale of such shares is not an expense. The surplus or gain is considered as other liability in the balance sheet of the trust and the consolidated financial statements. Further, it needs to be noted that it is just an issue of interpretation and has no impact on the net worth of the company, and the accounting treatment has been done appropriately in the financial statements.

In conclusion:

I wish to highlight that Gravita is making significant strides towards realizing its ambitious Clear Vision 2028. Our focus on diversifying into new business verticals like lithium-ion, steel and paper, aiming for revenue CAGR exceeding 25%, profitability growth surpassing 35%, maintaining an ROCE of 25% plus, elevating non-lead business to over 30%, using 30% plus renewable power and reducing energy consumption by 10% underscores our commitment to sustainable development, increasing the proportion of value-added products to 50%. And

proactive risk management through back-to-back hedging will contribute to resilient and sustainable margins.

With our DNA of 31-plus years and plus eco-conscious state-of-art manufacturing facilities across the globe, global footprint in 70-plus countries, integrated supply chain which is backed by 6 government norms of BWMR and EPR, and robust stakeholder support, we are confident in achieving our Vision 2028.

That's all from my end. I would now request to open the floor for question and answers. Thank you, and over to you, Mr. Manish.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from line of Mr. Amit Dixit from ICICI Securities. Please go ahead.

**Amit Dixit:** I have a couple of questions. The first one is on the vision. So, earlier, it was the Vision 2027. But now in this presentation, we see Vision 2028. So, just wanted to understand exactly what has changed in the vision, whether we are thinking of delaying certain CAPEX elements or whether the CAPEX is expected to go up further? Or there are some risks or challenges that we see that has resulted in this delay of 1 year?

**Yogesh Malhotra:** So, actually, what we are doing is we are doing a rolling 4-year vision. So, last year, it was '27. So, going forward, it is Vision 2028. We have incorporated some additional landmark in this vision, especially on ESG front, as I've mentioned. And also, we have increased certain other landmarks also. For example, in Vision 2027, we are mentioning that the non-lead business would be 25%. But in Vision 2028, the non-lead business, we have increased the percentage to around 30% plus. So, it's in line with the Vision 2027, but we are giving visibility for 1 year further.

**Amit Dixit:** Wonderful. Got it, actually. So, that will be like next year to be Vision 2029, then with some possibly more things added. The second question is that since we are working with MCX, and there has been some kind of circular also being floated on inclusion of ADC12, so that would facilitate hedging. And does this also mean that our aluminum capacity, particularly at India operations, now since we have got a good hedging thing. So, that capacity utilization would also improve. If so, possible to share some numbers what we can see once the hedging is active actually on MCX.

**Management:** Yes, correct. Last year, we had only capacity utilization of 11% in case of ADC12. So, this year, we plan to increase it once these get implemented. And we expect that the derivative should list somewhere in next quarter and then brand empanelment will start. So, maybe in Q4, we have certainly growing volume. And next year further, we foresee the volume growth and capacity utilization to higher levels.

**Yogesh Malhotra:** So, this is basically the capacity utilization of Indian plants, yes. Overall, it was around 37% for the group including the overseas business.

- Amit Dixit:** Yes, sir. Is it possible to give us an idea what could be the exit rate of capacity utilization in FY'25, the exit rate of your aluminum India operations?
- Management:** Aluminum India operations should touch around 65% to 70%.
- Amit Dixit:** That should be the exit rate. And then that would be the broad base going forward.
- Yogesh Malhotra:** And there will be further capacity addition also we are planning, especially for our country in Ghana.
- Moderator:** The next question is from the line of Sumangal Nevatia from Kotak Securities. Please go ahead.
- Sumangal Nevatia:** Thanks for clarifying accounting treatment which was kind of highlighted in the notes. Sir, my first question is the ongoing Red Sea issue. It was good to see some growth despite the logistic issues which are continuing. Is it possible to share what sort of alternate arrangements we are doing, and do we return back to our normal growth of around 20% plus from FY'25 onwards?
- Vijay Pareek:** Yes. This is Vijay Pareek, and I look after the international as well as domestic marketing. So, whatever logistic issues was there with respect to this Suez Canal issue, we addressed that particular issue while we're diverting the volumes to other geographies, although we are having the customer base around the globe. So, wherever we were encountering the problem, we diverted the volumes to other geographies without affecting the volume growth.
- So, there were some impacts on the volumes in the quarter 3, but now we have already started shifting the volumes from quarter 3 onwards. So, now we think the volume level from the base for the quarter 4 is the base for the growth of another 25% in the next year.
- Sumangal Nevatia:** And what are we compromising or sacrificing when we are diverting? Is it at the expenses slightly lower margins?
- Yogesh Malhotra:** So, the margins would be affected but not that much because we also use some arbitrage opportunities. Some of this is getting diverted into India, where the realization is a little better. But of course, the working capital cycle takes a hit whenever you do some diversification. So, it's more towards increasing working capital cycle and less on EBITDA per ton margins.
- Sumangal Nevatia:** And was it completely resolved in fourth quarter? Or it was more of a gradual thing and when you should see further improvement?
- Vijay Pareek:** In times to come, once the situation gets normalized, then we will be, again, using the similar customers. But yes, we have the flexibility also with the customers for diverting the volumes. So, until now, effect is there, although some part of the impact has been nullified, but yes, the issue is going on.
- Yogesh Malhotra:** So, again, working capital part, which we are lacking at this moment, that will be improved further after this situation is further resolved.

**Sumangal Nevatia:** I mean, that was actually the second question. The working capital has increased, whereas our guidance, we should gradually move towards 60, 65 days. So, is it possible to share some more details, why was this increase? And do we see it normalizing in 1Q or in FY'25 overall?

**Yogesh Malhotra:** Yes. So, if you see that, I mean part of the sales that was to happen in Q3 happened in Q4. So, you would see a lot of, I mean, receivables that has gone up. But as we see it right now, there has been a reduction in receivables by around Rs. 100 crores, Rs. 125 crores. So, it's only a temporary thing. I mean the overall inventory levels are in line, although, I mean not exactly as per the targets that we have envisaged. But once these things normalize, I think we'll be back to the same issue, I mean we will be back to the same target of reducing the inventory levels.

Also, there is another thing that has happened is that this year, we have not taken as much domestic scrap simply because the overseas scrap was much cheaper compared to the domestic scrap, and there was some arbitrage opportunities. Overseas markets were lower compared to Indian markets. So, we bought more international scrap as compared to domestic scrap. So, that has also contributed to increased working capital cycles, although it's a more profitable business so we have gone and taken more international scrap.

So, once this arbitrage opportunities, which in this quarter has almost normalizes, then again, the domestic scrap will increase and then the overall inventory cycle would reduce. I hope we have answered your query, Sumangal.

**Moderator:** The next question is from the line of Hemaant, an individual investor.

**Hemaant:** You have provided the revenue number as well as the PAT number. It was under the Vision 2027 program and now under 2028 program. So, it was 25% revenue growth and 35% PAT growth. But if I take a look at the FY'24 number, I don't think that the revenue numbers have grown by 25% and the PAT numbers have grown by 35%. So, any specific reason for that?

**Yogesh Malhotra:** Yes, sir. So, actually, there are 2, 3 reasons. First of all, when we mentioned this 25% CAGR, it's a long-term guidance and it's not a short-term guidance. So, there would be years when we would grow faster than 25%, and then there would be years when the growth would not be in line with 25%. So, if you look at the past 5 years, the revenue growth is 21% and the PAT growth is 74%, CAGR level. This year was also affected by some logistic issues in quarter 3, which has impacted the growth rate to some extent. And we are very confident that going forward, our Vision of 2028 of long-term CAGR growth of 25% and PAT growth of 35% is achievable.

**Hemaant:** So, sir, can we expect that the growth number in terms of percentage FY'25 over FY'24, should be higher than the growth in terms of percentage in FY'24 compared to FY '23?

**Yogesh Malhotra:** Yes, I mean, we are optimistic of achieving higher growth, but we would stick to the 25% CAGR growth for the next 4 years. So, that is the bottom line. So, maybe this year probably would grow maybe 30% also, it can grow at 25% also, but definitely 25% is the minimum growth rate that we can expect in the next year. It would be probably above 25%, but that is the bottom line.



- Moderator:** The next question is from line of Rahul Bhangadia from Lucky Investment Management. Please go ahead.
- Rahul Bhangadia:** Congratulations on a good set of numbers in somewhat difficult circumstances. Two questions on the P&L. One is if you could just give us a sense of the drop in the employee cost that we have seen on a quarter-on-quarter or even a year-on-year basis?
- Yogesh Malhotra:** Yes. So, basically, the employee cost includes some part of incentives also, so we make provisions for incentives on a YTD basis. So, whatever targets we have achieved, that has been already provisioned for in Q3. So, there was a higher number for Q3 because we have provisioned slightly higher and expecting some better numbers in Q4. But because we could not achieve the growth, so then the incentive part is reduced. So, this incentive is a variable factor which keeps on changing every quarter. So, that is the only reason where employee cost is lower in quarter 4 as compared to quarter 3 because the provision for incentive are higher in the quarter 3.
- Rahul Bhangadia:** And sir, the second question was on the tax rate from what you can see in the presentation, the contribution of the Indian operations to the overall PAT is now much higher. In fact, it is almost 3x of what it used to be in 2 years back. FY '22, Indian operations were 25% of PAT. Now this year, we're spending almost 75% of PAT. But actually, it seems to be low to my limited understanding, the tax rates were low because of the contribution of the African operations to the PAT. So, some sense there, please.
- Yogesh Malhotra:** So, I mean if you look at the total numbers, because there were some arbitrage opportunities in India, because of which we have diverted some of the materials from the African operations into India. And also because of this Red Sea situation also some of the material from the East African operations were diverted into India. And so, the overall increase in EBITDA margins in that if you see that as against Rs. 19 per ton, we have increased EBITDA numbers, and that has contributed to the increase in the overall profitability from India.
- Rahul Bhangadia:** No sir, my question was more related to tax rate and assuming India works at a nominal tax rate and Africa works at a much more subsidized or probably very, very low tax rate. If the profit contribution from India is this high, I would have agreed that the tax rate should have been higher, but the tax rates have not gone higher. They remain in the 10%, 12% range. So, that's what I am asking.
- Yogesh Malhotra:** Yes. So, basically, in India, also, we have tax advantage in Chittoor, where we are enjoying 100% tax exemption. So, whatever profit contribution is from Chittoor, that is 100% tax-free. So, because whenever we are importing certain goods from Africa to India, that is majorly processed in Chittoor itself. So, that's the reason we have the higher margins in Chittoor and which is tax-free entity. So, that percentage has not gone up because of this issue.
- Rahul Bhangadia:** But Chittoor has some special tax exemption under some government.

- Yogesh Malhotra:** Yes, 80IA exemption for Chittoor.
- Moderator:** The next question is from the line of Sabri from Emkay Global. Please go ahead.
- Sabri H.:** So, I have 2 questions. Firstly, regarding this BWMR regulations, so it's been like 1 year now. So, how has been the experience? Have you seen share of organized volumes in the industry going up? And what is the expectation for the next 1 year in terms of implementation of this?
- Vijay Pareek:** Yes. EPR was the additional thing, which was created under this regulation. So, now the central portal has started working. The producers have been registered. And recyclers are also getting registered, and the EPR certificate for the Financial Year '22, '23 are also in the process of generation by various recyclers.
- The next stage is the EPR penalty. So, for noncompliances, those numbers are yet to be released. So, there are meetings going between the producers and recyclers. So, we hope by next quarter, the EPR penalties will come. So, that will create a financial model. So, that is the second stage. So, certainly, the numbers are growing. The producers are getting them registered, and they will be diverting more materials to former sector.
- Yogesh Malhotra:** So, some of the manufacturers and the brand owners are basically waiting and watching. But once these penalties are decided, then probably those who are watching also will start implementing this waste management. So, overall, we believe that after this first quarter, when the penalties are decided, there will be even further increase from the current levels also.
- Sabri H.:** Right now, is that 35% or is it like higher or lower?
- Yogesh Malhotra:** There is definitely some increase. So, it would be around 40% currently, the organized sector would have increased.
- Sabri H.:** 40% versus, say, 35% a couple of years back, right?
- Yogesh Malhotra:** Yes. But you must understand that, overall, in the first year, the requirement is also only 30%. So, it will only gain traction once the 50% or 70% and the 90% of the total volume that has to be recycled would come into play. So, 30% is not that difficult. But now from 30% to 50%, if they want to do it in the second year, I mean, people will start going from the retail.
- Sabri H.:** Right, sir. And the second question is on this depreciation. So, it has increased. So, which are the plants or CAPEX, which has been expensed this quarter?
- Yogesh Malhotra:** Yes, basically, major expansion we did it in Mundra and Togo. Togo was a new facility. So, these are the 2 new plants. Also, we have shifted the new facility in Senegal. So, although the capacity is not changed significantly, but yes, the plant was totally new. So, that is the reason there is a higher depreciation in this year.
- Sabri H.:** Was there any working capital impact from this also?

- Yogesh Malhotra:** Not that much. Actually, CAPEX is only a small part. Most of the working capital cycle is affected with higher inventories and payables and receivables, et cetera.
- Sabri H.:** I mean this new plant is having new inventories or anything of that stuff?
- Yogesh Malhotra:** No, no. Not that much.
- Sabri H.:** So, this was basically due to new markets only and Red Sea disruption why the working capital is up?
- Yogesh Malhotra:** Yes.
- Moderator:** The next question is from the line of Jenish Karia from Antique Stockbroking. Please go ahead.
- Jenish Karia:** Sir, my question is again on the depreciation part. So, on a sequential basis also, like the earlier participant mentioned, there is a very sharp jump in depreciation. And also on the annual basis, the average rate of depreciation turns out to be around 7.5% to 8% of the gross block, compared to around 6%, 6.5% in the last year. So, what should be the annual depreciation rate we should be seeing going forward? And is there any change in depreciation policy that we have taken?
- Yogesh Malhotra:** Yes, slightly, there was higher depreciation because as we discussed that the new facility, especially in Africa, there the depreciation rates are slightly higher. So, we started 2 new facilities in Africa, Senegal and Togo. But going forward, the depreciation rate, as we do more CAPEX in India, so that the depreciation rate will come down to same levels as we were earlier.
- Jenish Karia:** That's helpful. Secondly is on the EBITDA per ton for the aluminum segment. So, currently, we are doing approximately Rs. 12 to Rs. 13 per kg of EBITDA for aluminum segment. Going forward, once the MCX hedging is in place, what do we see those stabilized EBITDA for aluminum segment?
- Yogesh Malhotra:** So, in this quarter, the annual number for aluminum per ton is around Rs. 12,000. But for this quarter 4, we realized around Rs. 15 per kg. So, that Rs. 15 to Rs. 16 per kg is a fair estimate of going forward EBITDA per ton for aluminum.
- Jenish Karia:** And this is at the current utilization levels, Rs. 15, Rs. 16. So, as utilization levels improve, is there a possibility of per kg EBITDA improving or Rs. 15, Rs. 16 will remain constant?
- Yogesh Malhotra:** So, Rs. 15 to Rs. 16 is a range. So, we can reach to slightly towards Rs. 16, if the capacity utilization improved in this year.
- Jenish Karia:** Sir, next is if you can just help us with the domestic scrap collection for India plants for the fourth quarter?
- Yogesh Malhotra:** So, domestic scrap collection for India fourth quarter is approximately 40% for the Indian scrap requirement.

- Moderator:** The next question is from the line of Praful Siddharth from Shravas Capital. Please go ahead.
- Praful Siddharth:** Sir, could you please throw more light on your interpretation of IndAS 19 with regard to auditors' qualifications? Because based on our understanding of IndAS 19, this expense is something which needs to be taken to the P&L and not on equity.
- Yogesh Malhotra:** Okay. So, basically, first, we need to understand the transaction, which we did and then in light of the IndAS. So, 1) I think we mentioned that there were some equity shares, which were held by the trust and the scheme was that the appreciation will be distributed or utilized for the benefit of the employees of the Gravita Group. So, this was a scheme. So, when we sold those shares, there was some gain. And so, because it is a treasury share, so we were not supposed to book the gains in the P&L. It was supposed to go to the equity part, directly to the reserve.
- And when it came to the distribution or utilization of that amount for the employee benefit, so auditor has suggested it to be provisioned for in the employee benefit expenses. But our contention was that since it is a distribution of the income, which is gained from the shares held, so that it was not a share-based payment according to our estimate and the legal opinion we have taken from various law firms. So, the distribution was supposed to go to the reserve only, as it was the treatment for the income also.
- So, what we did is we have considered the income also in the other equity and the provision also in the other equity. So, there is a liability standing on the balance sheet, and there is an investment which is lying on. So, in future, there will be distribution of this amount gained to the employees. And then both of the legs will be squared off. But auditor was having a different opinion or interpretation of the accounting standard. And we took our own opinion, including some opinion from EY also. Based on that, we concluded this.
- Praful Siddharth:** So, we took the opinion from EY, sir?
- Yogesh Malhotra:** Yes.
- Praful Siddharth:** Sir, just one more accounting question. So, in FY '23, we recognized a forward contract gain in other income. And in FY '22, we recognized a forward contract loss in other expenses. So, considering the accounting policy in FY '22, don't you think we should have directed the gains from other expenses in FY '23 instead of taking into other income? So, why has there been a change in accounting policy here?
- Yogesh Malhotra:** So, what we do is whenever there is a loss on the hedging, it goes to the other expense. Whenever there is a gain on the commodity hedging, it goes to the other income. So, this is as per accounting standard. But because the hedging is part of the operational transactions or is in back-to-back against the physical transaction, so other expense is always part of EBITDA.

But other income, normally, it is to be excluded from the EBITDA part. But since it is part of our operational income, we consider adjusted EBITDA, and we reported in that way so that we can consider this as the operational income.

**Moderator:** The next question is from the line of Parikshit Kabra from Pkeday Advisors. Please go ahead.

**Parikshit Kabra:** I wanted to understand that last quarter, our EBITDA margins rose up to 11% because we were diverting to new customers and using the cheaper raw materials. This time, it's come down to 8%. Can you explain that, how that has happened? And what should we expect in the next couple of quarters from an EBITDA margin perspective?

**Yogesh Malhotra:** So, basically, last year, we had mentioned that there were some arbitrage opportunities present in India, because of which, the EBITDA margins were higher. But this quarter, it's not 8%, it's 10.76%. So, there was some increase in EBITDA percentage in last quarter. The EBITDA margins were 11.83%, which was abnormally high because there were some arbitrage opportunities in India, and we had diverted that material into India. But you can expect a 9% to 10% EBITDA margin on a sustainable basis going forward.

**Management:** So, maybe in your calculation, as we mentioned that we are considering this hedging income also as the operational income, which is part of the EBITDA. So, if you include that, which is for this quarter 4, it is approximately Rs. 21 crores. And for the entire full year, it is Rs. 47 crores.

**Yogesh Malhotra:** This EBITDA percentage is approximately 10.76% for quarter 4 and 10.47% for the full year.

**Parikshit Kabra:** So, the second question that I had was that I understand that Red Sea issue has created some level of issues for us, and we have missed our long-term guidance. But divided into shorter term, we have missed it this year. And next year, you have given a guidance on a top line of 25%. But can you break this down, like in the sense like what are we expecting next quarter? Or is this 25% growth is also going to be backloaded towards the third and fourth quarter? Or can we start expecting that from the first quarter itself?

**Yogesh Malhotra:** Part of this growth, you can start expecting from first quarter itself. So, it will not be too much towards the last quarter. So, on a quarter-on-quarter basis, generally, it's very difficult to give you any guidance. But definitely, it's between 20% to 30% throughout the year, unless something strange happens again. I mean like if everything remains normal, you can expect a 20% to 30% growth rate on a quarter-to-quarter basis.

**Parikshit Kabra:** But even for quarter 1, it is too difficult to give guidance because we're sitting in quarter 1, right?

**Yogesh Malhotra:** Yes. As I mentioned, you can expect 20% to 30% growth rate in the first quarter also.

**Parikshit Kabra:** And aluminium business, from what I understand that we were holding back only because of inability to do hedge. Now that the hedging is going to be possible in Q1, what kind of volume

growth or top line growth are you expecting for the aluminum business in this quarter or the next quarter?

**Management:** So, the benefit should arrive somewhere around next quarter because it has been notified in the month of March, but the effective contract should start somewhere in the next quarter. And the physical delivery thing should happen in for Q3. So, we should expect this advantage of hedging somewhere around Q3 onwards. So, as we mentioned, that Indian utilization was lower, that was only 11%. That should go to 60% after Q3 and Q4.

So, that number will come. Certainly, whatever we did last year in aluminum business, that will grow at least by 60% to 70% in terms of volumes because we are also adding capacity at certain location, at Ghana, that should be operational in beginning of the Q2.

**Parikshit Kabra:** So, just to repeat and make sure I understood currently, from last year to this year in volume terms, aluminum business should see a 60% to 70% growth?

**Yogesh Malhotra:** Yes.

**Moderator:** The next question from the line of from Ankit from Marketcord Research Private Limited. Private Limited.

**Ankit:** So, my question is what is the EPR certificate which we're generated in the India already, which is ready for sales?

**Management:** We have generated EPR certificate for lead-acid batteries, for plastics. So, these data are already available on the portal. So, you want the number, the quantity?

**Ankit:** Yes. I want the number and quantity, and what is the sales we realize on that?

**Management:** See, the realization will take place later once we start trading them. So, we have generated. And wherever we took material from the producer in that case, those will be given in turn because the materials being given by that particular battery manufacturer to us. So, that will be traded in lieu of the material given.

For the rest of the producers, whenever they come to fulfill their liability of EPR, then this will be traded. So, the fair price will come out whenever a penalty is finalized. So, that we foresee in next quarter. So, as of now, the financial numbers is not available because let us see what number it comes.

**Ankit:** Sir, what is the volume against which we have EPR generated?

**Management:** I think 24,000 tons for '22/'23. '23 is around 25,000 tons.

**Ankit:** And what percentage also this is for lead?

- Management:** That is for lead only. And plastics numbers are different. It's not readily available, but we can certainly share.
- Moderator:** The next question is from the line of Vikas Mistri from Moon Shot Venture. Please go ahead.
- Vikas Mistri:** Yogesh, I have a couple of questions. Last quarter, we are losing some of the tooling business. So, can you quantify in this quarter how much we are losing on tolling business? And how we can be so sure that there will be a strong rebound in the next quarter?
- Yogesh Malhotra:** I would like to just correct you a little bit that we are not losing the tooling business, but we fully have decided to rely more on international battery, because there were some arbitrage opportunities in last quarter where Indian prices were higher. So, it was more beneficial for the company to import batteries instead of using the domestic batteries. But in this quarter, we have increased the total quantity that has come up.
- So, overall, if you talk about in the Indian import and domestic procurement, we have increased the procurement by 22% last year. But we have improved more than we have used the domestic battery. But in the last quarter, if you look it, we have, I mean, again, started using domestic batteries. And it's around 12,000 tons of domestic batteries that we have bought this year. So, if you compare it with the Q3, which was around 10,000 tons, so it's around 20% growth over Q3, in the last quarter for domestic batteries.
- Vikas Mistri:** You want to say that whatever the Red Sea issue is there, you are not materially impacted from hereon. That you want to say?
- Yogesh Malhotra:** No, no, Red Sea is basically an impact on the sales of our products from India and East Africa to Europe. It has not impacted the import of battery scrap into India because we are importing from Americas and from Africa. There is no impact of Red Sea on import of battery scrap into India. We've got very little impact of battery scarp into India.
- Vikas Mistri:** So, you are fairly confident that the volume drop will come back in Q1?
- Yogesh Malhotra:** Yes. So, as I mentioned, the total procurement growth in India is 22% last year. So, whether it comes from domestic or it comes from international, the overall growth in battery scrap is 22%. So, we always look at the best option to buy it. So, if the import prices are lower, then we buy international battery and if the domestic prices are more viable, then we increase the battery procurement locally.
- Vikas Mistri:** My last question is that we have said that we are going through MCX with this aluminum alloy. So, still after doing this, how much of the portfolio is still unhedged?
- Yogesh Malhotra:** So, if we start hedging on aluminum, only plastic remains unhedged, but otherwise, lead and aluminum would be 100% hedged.
- Vikas Mistri:** Aluminum, all other alloys will be hedged, but only through ADC12 will be hedged?

**Yogesh Malhotra:** Around 90% of the total aluminum alloys are being hedged. And the prices of other alloy also move in tandem with the ADC12 prices. So, you can hedge ADC12 and then still have some amount of hedging for other alloys as well. So, just to clarify, lead is fully hedged at this format, but the aluminum is partly hedged just because at this format, we don't have the hedging mechanism for this. But, as mentioned, whenever we have that platform of MCX, we will be doing 100% hedging for aluminum also.

**Management:** Currently, we do some hedging of aluminum, which are on LME, but that's non-ADC product.

**Moderator:** The next question is from the line of Diya Brijwani from White Whale Partners. Please go ahead.

**Diya Brijwani:** So, my question was on the regulation bit. If I compare the 2001 regulation versus the 2022, 2001 also had some guidelines around, let's say, for the producer, they had the responsibility to collect that, let's say, 50% of the new batteries sold. And things didn't change materially after that in terms of like informal shares still remained high. So, my question is what is fundamentally different in the 2022 regulations, which would basically divert the ULABs from the retailers versus what was there in 2001? So, am I reading this correct? And what is your view on that?

**Management:** Yes. So, you clearly told correctly when it came in 2001, the percentage, they were to collect was 70, 80, 90 and 100 by the next 4 years. But the regulation, which were applicable, was applicable on everyone. All 100,000 retailers were also part of that regulation. They were to file returns. But effectiveness was not there. Because if you apply the regulation on thousands of people or lakhs of people, it will not be effective. So, one more change was brought in 2010, where bulk customers were added. So, slightly from bulk customer side, the battery or scrap was generated, and it was coming in system.

But in this regulation of 2022, 2 things were major. Here, the regulation will be on producers only. So, here, you have to regulate a few people. In the case of lead-acid battery, there are 10 or 15 major producers of batteries. So, it is easy to implement the regulation. Second part, EPR. In the old regulation, there was no responsibility. So, there was no EPR. There is no EPR penalty. So, these 2 things will change the landscape of regulation.

**Diya Brijwani:** So, just a follow-up on that. Let's say I, as a retailer, I am getting a higher price from the informal guys just because they don't follow the compliance, norms or, let's say, GST evasion and stuff. But you're saying that this 2022 regulation, will it enable us to come at par with those prices because retailers were the main point of leakage of these used labs. So, are you alluding to that?

**Yogesh Malhotra:** Yes. So, one of the premise of putting the onus on the brand owners is that they can control the supply chain. So, wherever the new batteries are sold, they are sold, and replacement of the old batteries are done at the same place. So, the premise is that whenever you need a new battery, you will get an old battery in lieu of that new battery. So, if the brand owners, battery manufacturers like Amara Raja and Exide, because they control their supply chain, they can put pressure on these retailers to give that old battery, only then they will give the new batteries to them.



Then they can, to some extent, control and reduce the number of batteries going to the unorganized channel. That is the first part. And once they start doing it, probably the channel will follow. So, hopefully, it will start having an impact in the future. And of course, there are other things also that is happening because GST is being implemented in a proper manner, the government is getting stricter in terms of GST evasion and all those things. So, these are also some of the policies that are helping this shift from unorganized to organized.

**Moderator:** The next question is from the line of Khush Nahar from Electrum Premier. Please go ahead.

**Khush Nahar:** So, my first question was what was the domestic scrap collection for Indian operations as a percentage?

**Yogesh Malhotra:** So, for quarter 4, it was 40%.

**Khush Nahar:** And sir, in the presentation, I see that there is this Australia which has been added in terms of a procurement network. So, what's the strategy there? Are we looking at new products over there? Or is it the existing verticals that we're expanding the network for?

**Yogesh Malhotra:** Yes. So, we have started developing some vendor network in Australia also. And we have started sourcing some battery scrap from Australia. And in future, we are thinking of putting up some our own yards also in Australia.

**Khush Nahar:** And just one last question on the EBITDA margin. After the aluminum hedging, what would be the sustainable EBITDA per kg we can guide across all 3 segments?

**Yogesh Malhotra:** For aluminum, you're talking about, Rs. 15 to Rs. 16.

**Khush Nahar:** Yes, the other 2, lead and plastic also?

**Yogesh Malhotra:** So, lead, we expect Rs. 18 to Rs. 19 per kg and for plastic, Rs. 10 to Rs. 11 per kg.

**Moderator:** The next question is in the line of Basant Patil from TCG AMC. Please go ahead.

**Basant Patil:** Sir, just one question on the domestic front domestic front industry scenario. Even Amara Raja is also getting 1 lakh tons of the lead recycling capacity. So, even if you excise this segment recycling lead capacity, don't you feel the domestic growth would be more pressured to procure the raw materials, battery component standards. So, how do you feel this, sir?

**Yogesh Malhotra:** So, the opportunity itself is huge. So, currently if you look at the total capacities in the organized sector, they are not capable to fulfill the entire requirement. So, every battery manufacturer, just because he has to comply with the new regulations, would have to find solutions. So, part of it is going to come from contract manufacturing with companies like us, organized recycler. And part of it is going to come by their own internal capacities. So, I think because the opportunity itself is so huge that even if their capacities come, it will not overall impact growth that we have envisaged for the next 4, 5 years.

- Basant Patil:** So, whatever you procure from Amara Raja battery is going to be lost going ahead?
- Yogesh Malhotra:** So, basically, what is going to happen is that Amara Raja is only putting a plant in south, but they sell this battery everywhere in India. So, we have plants in North. We have plants in Central India. We have plants in West India. So, wherever the battery is getting sold in these regions, they would come to either us or companies like us. The specific benefit that we have is that we can process it in the northern plants and then we can give the finished products to Amara Raja from the south plant itself. So, that gives us the advantage over the competition.
- And similarly, there are other battery manufacturers also. If this gets implemented, only 2 of the big payers like Exide or Amara Raja, other players, who can put up their own plant or who can buy these batteries. The smaller players would also need partners like us. So, there is a huge opportunity there also. Many small players, who do not have that much crowd on the supply chain, they would need a partner like us to collect that battery from the retailers and then process it and then give it back to them. So, that would be other requirements that will come up. So, overall, if you look at the total capacity, the plant that they're putting is not even 20% of the total capacity in India, Exide and Amara Raja currently.
- Basant Patil:** Yes, sir, that's correct. So, industry opportunity is huge largely, so that will not be a threat for us actually?
- Yogesh Malhotra:** Yes.
- Basant Patil:** Sir, one more thing actually. I missed the one part that you were commenting on the lead procurement from India, would be more expensive than lead what you are going to procure from outside for the recycling material outside India? What is that statement, sir?
- Yogesh Malhotra:** It's basically India market moves independent to the international markets. So, sometimes there is a scenario where Indian markets are much higher. During those times, it makes more sense for us to bring international material into India, process it in India and then supply to the Indian market rather than procuring it in India. So, there is an arbitrage opportunities during those time, which was in the Q3 and part of Q4. So, we take benefit of it whenever those arbitrage opportunities arise. So, that is why you will see that our overall EBITDA margin was also higher in Q3 because imported batteries were cheaper.
- But I mean these opportunities are not continuous. So, there will be certain times in the year when you will have these opportunities. Otherwise, the best way to deal is whenever you have Indian requirement, you buy Indian material and give it to Indian buyers. And the international market, you buy international material and supply to the international markets. Am I clear in this?
- Basant Patil:** Clear, yes.
- Moderator:** The next question is from the line of Siddharth Mehrotra from Kotak Institutional Equities.

**Siddharth Mehrotra:** Sir, just a quick question on your CAPEX numbers. So, I was just looking at the CAPEX you had guided for in your previous presentation versus the new presentation, and I see that the FY'24 CAPEX is actually much smaller than we had guided in the past. So, can you just explain what sort of projections we are altering? What is the progress on our new verticals and so on? And how should we look at this CAPEX? Will it be majorly backended towards FY '26, '27? What are your views on that, sir?

**Yogesh Malhotra:** So, yes, you're right, some of the CAPEX that we have planned for the new verticals, especially lithium-ion battery recycling, we were not able to do that in last year, and it spilled over to this year. And you will see that coming up in this year, the lithium-ion facility in Mundra. And from the existing vertical, part of it was to put up a new facility for aluminum recycling in Mundra, which was also delayed because we were not having any hedging mechanism, so we did not want to put a new capacity. Because until the hedging mechanism is there, we did not want to go into putting up a CAPEX. So, we realized that later.

So, we changed our strategy a little bit, and we have started putting up capacities of aluminum recycling overseas. But now once this hedging mechanism is live, then we may start thinking about putting up this capacity again. So, these are 2 major factors that affected the CAPEX plans.

**Siddharth Mehrotra:** And what about the progress on the new divisions, which we were sort of overseeing, the paper and steel parts?

**Yogesh Malhotra:** So, we have also mentioned that paper and steel would probably come in Financial Year '26 and '27. So, we are in line. We are doing our due diligence. It will take some time. Probably, second quarter of this year, the due diligence will be completed and then we'll start on CAPEX for these 2 new verticals.

**Management:** Meanwhile, for this year, we are more focused on rubber, expansion of rubber, and putting up our lithium-ion first plant in India.

**Siddharth Mehrotra:** Focused on expansion in rubber, you mean for the Indian plants or the African plants, sir?

**Yogesh Malhotra:** So, basically, so far, what we have done in rubber is for CAPEX consumption. So, these would be standalone rubber plants in India, both for scrap rubber and for pyrolysis as well.

**Siddharth Mehrotra:** So, we also plan to sell them externally, if my understanding is correct?

**Yogesh Malhotra:** Yes.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I would like to hand the conference over to the management for closing comments. Thank you.

**Yogesh Malhotra:** Thank you, everyone, for participating in this call. We trust that we have addressed all your inquiries during the session. However, if there are any remaining questions, please feel free to



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reach out to our Investor Relations team. Once again, we extend our gratitude to all the participants for joining us today. Thank you and have a great day.

**Moderator:** On behalf of Antique Stockbroking, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.