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Research Summary

Pondy Oxides and Chemicals Ltd.



Pondy Oxides and Chemicals Limited (“POCL”) is India's leading Lead and Lead alloys producer having its presence in the States of Tamil Nadu and Andhra Pradesh. They recycle Lead, Copper Zinc and Plastic in various forms. POCL is India’s First and only 3N7 Lead Brand to be registered on the London Metal Exchange. Pure Lead and Lead alloys are the speciality of the company’s manufacturing process. The company has its headquarter in Chennai India. The company was incorporated in the year 1995, serving 25+ years of excellence in the Indian market. POCL is one of India’s leading nonferrous recycling companies and India’s largest Secondary Lead Metal Manufacturing Companies.

The stocks trade on BSE. The company has produced 80K+ Metric Tons Metals & Alloys per Year. POCL has entered into a global partnership with 150+ clients. The company has its operation in more than 15 countries. It has overall 3 factories in Tamil Nadu and Andhra Pradesh. The company has 500+ employees. The industrial plants are located in Andhra Pradesh and in the Sriperumbudur in Tamil Nadu. POCL has access to battery manufacturers both in India and across the Globe. POCL has a customer portfolio in most of the renowned battery brands like Amara Raja Batteries in India and other Global Leaders Internationally. It has a customer base in Europe, US, and the Asia Pacific Region. The core values of this company are Excellence, Integrity, Learning & Innovation, Responsibility, Commitment and Zeal. POCL is the only company exporting Lead Alloys to Japan, which itself bears testimonial to the quality of the product. The company's capacities for Lead Division stand at 120,000 MT p.a., for Copper at 30,000 MT p.a. and for Zinc at 12,600 MT per annum respectively.

About	
Scrip code	532626
Exchange	BSE
Founded	1995
Headquarters	India
Employees	500
Market Cap	3.49 Bil INR
Industry	Other Non-Ferrous Metals
52 Wk High	671.30
52 Wk Low	191.50

Our future outlook in the industry remains very positive. Lead Business as it is will continue to grow with a CAGR of 20% – 25% plus and as we have added both Copper and Zinc to our portfolio, we intend to grow the same portfolio in the next financial year. Since Lead Business remains our primary forte, we intend to put special focus on it by improving operational processes and adding new manufacturing processes for a sustainable and green environment.

Mr. K. Kumaravel, Director Finance & Company Secretary



Company Strategies

The foremost strategy of the company is to meet the customer requirement in terms of quality. The company is inclined towards on-time delivery, maintaining a suitable work environment for enhancing customer satisfaction. The company has been successful in maintaining customer relationships, meeting their demands for last 25 years.

Management Team

- Mr. Anil Kumar Bansal -- Executive Chairman and Whole Time Promoter Director
- Ashish Bansal -- Managing Director
- K. Kumaravel -- Director Finance & Company Secretary
- Piyush Dhawan -- VP, Commercial
- R.P. Bansal -- Whole Time Promoter Director
- A. Vijay Anand -- Non-Executive Independent Director
- Shoba Ramakrishnan -- Non-Executive Independent Director
- Dr. M. Ramasubramani -- Non-Executive Independent Director

POCL has delivered a robust result for Quarter 3 with a growth of 50% YoY and 41% on a QoQ Basis on Top Line and has delivered an Earnings Before Tax for INR 19.89 Crores this quarter. The Future outlook of the industry remains very positive. POCL continuously endeavours to emphasize on the importance of a circular economy and to support and focus on environmental sustainability.

Ashish Bansal, Managing Director

Targeted Industry & Product

Targeted Industry	Products
Lead Acid Batteries	Pure Lead
Electrical & Electronics	Lead Calcium Alloy
Chemical & Paints	Lead Antimony Alloy
Plastic Moulders and Extruders	Lead Master Alloy
Ceramics	Lead Tin Alloy
Rubber	Zinc Metal
Pharma & Cosmetics	Zinc Oxides



Key Financial Highlights

In Crores	Q3 FY 2022	Q3 FY 2021
Revenue from Operation	41,365.62	29,256.14
Total Income	41492.57	29,279.09
Total Expense	39,503.33	28,844.79
Profit/Loss	1,989.24	434.3
Diluted EPS	25.85	1.85

Revenue from Operations for Q3 FY 22 is INR 413.65 Crores, increased by 50% on Y-O-Y basis. And 41% on Q-O-Q basis.

Net Revenue from Operation is Rs 41,365.62 crores comprising of Rs 20,947.60 crores from Export Revenue and 20,418.02 from Domestic Revenue.

POCL reported an EBITDA of INR 25.09 Crores this quarter with INR 64.78 Crores, Year to Date. The Earnings before Tax for Q3 FY 2022 is INR 19.89 Crores and Year to Date is INR 51.78 Crores.

The production has grown 18% on Y-O-Y basis. In the Previous Quarter Q2 it has increased by 2%, and on a Quarter-on-Quarter it has grown by 13%.

The Earnings per Share for Q3 FY22 is INR 24.30.

In Crores	Q1 FY22	Q2 FY22	Q3 FY22
Export	12,216.22	21,252.66	20,947.60
Domestic	12,181.21	18,758.19	20,418.02
Total	24,397.43	40,010.85	41,365.62

Outlook

Anticipates that the Lead Business will continue to grow with a CAGR of 20%. The company has added both Copper and Zinc to their portfolio.

The company expects to achieve operational revenue of Rs 1400 Crores in FY 22 with margins of over 6%, an increase of 39% YoY.

Expects to improve operational processes and add new manufacturing processes for a sustainable and green environment. Anticipates Total capacity of 1,32K MTPA by Q4 2022.

The company expects to increase its business in copper and plastic by 2025.

POCL expects to improve EBITDA by 15-20 basis points through improvement in processes.

POCL believes in Vision 3D i.e. 3 Decades, 3 Dimensional Approach, 3 Dimensional Growth which they would achieve by 2025.

Business Segment Analysis

Domestic Share of Business grew by 22%. The Export market continues to witness a CAGR of 18% - 20% in quantities for all the ranges of Alloys and Pure Lead. The proportion between Domestic and Export Sales are at an even 50% each.



Company Initiatives

POCL has obtained credit ratings from CRISIL for a Long-Term Rating of A- along with the Short-Term Rating of A2+. It is the only holder of 3N7 LME certification in India, which ensures that the Lead metal supplied by POCL can be used for providing delivery for a transaction routed through LME.

Rewards and Recognition

The company is ISO 9001:2015 certified. POCL is India's First and only 3N7 Lead Brand to be registered on the London Metal Exchange. Received T3 certification from Indian Customs, Ministry of Finance. POCL is a Star Export House status holder. Received Gold Trophy from Engineering Exports Promotion Council for being the top Exporter. Received Award from Economic Times for Business Excellence.

Environmental Policies

The company complies with the environmental policies. It adheres with the SOP of Pollution Control Board. It has Implemented 5S in SMD-II. The 5S includes Straighten, Sort, Shine Standardize and Sustain. It is focusing to reduce the metallic waste in the environment the company focuses on recycling and energy conservation.

Corporate Social Responsibility

The company focuses on Woman empowerment. It works with Self Help Group by helping the woman to earn their livelihood. The company has built auditorium for Vidyasagar School (A school for special children). POCL invested in Medical Aid for treatment of patients with cancer and other ailments.

Key Developments

Business development:

The company has made significant investments year over year, which will enhance the current and future technical advancements and environmental standards. The overall capacity is expected to increase to 1,32,000 p.a. for Lead.

"We also see organic growth in Lead segment as well. We foresee an improvement in Quantities for Value Added Lead Alloys which contribute to the top line and better-operating margins of the company and keeping it consistent at 7% plus. Being an LME Registered Brand, POCL has a competitive advantage to serve to its Customers in the International Market."

**Piyush Dhawan, VP
Commercial**

Technological improvements:

Technological implementation has improved cost effectiveness, optimization of raw materials, modernization of consumable goods and conservation of energy.

Future Goals:

The company intends to increase the portfolio in Metals and Associated Alloys which includes Copper, Zinc and Other Non-Ferrous Metals. POCL will create recycling verticals in E Waste, Plastic and Rubber in addition to the status quo of Lead, Zinc, Copper and Plastic. The company emphasizes on Financial Metrics with 25%+ CAGR, 15% ROCE and 7%+ EBITDA Margins. The company expects to achieve a turnover of 1 Billion USD.



Excerpts from the conference call Q&A

Regarding the question on expansion and growth in future, it was answered that POCL has Increase the Portfolio in Metals and Associated Alloys i.e., Copper, Zinc and Other Non-Ferrous Metals. The company emphasized to increase Financial Metrics with 25%+ CAGR, 15% ROCE, 7%+ EBITDA Margins. To focus on recycling verticals in E Waste, Plastic, Paper, Rubber in addition to the status quo of Lead, Zinc, Copper and Plastic. The company targets to create a half a Billion US Dollar Turnover.

Analysts questioned on how to improve your supply chain and build long term relationships with key suppliers. It was answered by Mr Piyush Dhawan that they have partnered with 200 Global Partners and they have increased their domestic supplier base through investments in technology developments i.e. In house Analytical Software and Digitizing of various processes. POCL keeps all stakeholders, Suppliers updated of all the advancements in the Operations and Supply Chain Network. Mr. K. Kumaravel emphasized on the 5 yrs achievement of POCL. He highlighted that POCL is the First Indian 99.97 Lead brand registered on the LME.

Analysts questioned on how Pondy Oxides & Chemicals differentiate itself from the competition. Piyush Dhawan answered that they have explored various verticals in the business and have never been afraid to think the impossible and out of the box and thereby achieve them. They have even entered into joint ventures, Merger & Acquisitions and expanded the Non-Ferrous Base and so on.

Rushit Parekh from Hedge Hunters questioned on sales in terms of tonnes, bifurcation of sales from lead alloys, zinc and the other metals, sales breakup in terms of exports and domestic and working capital cycle for the quarter. Mr Ashish Bansal answered on this question lead metal production in Q1 13,892 tonnes, 18,037 tonnes in Q2 and 18,379 tonnes in Q3. The total production 50,311 tonnes. K. Kumaravel added that they have done INR122 crore in terms of export. In terms of Domestic, in Q1 they have done INR121 crore. In Q2, they have done INR188 crore and Q3 it is INR204 crore. Mr Ashish even emphasized that sales is not only restricted to India or any specific countries internationally. Pondy Oxides exported to about 12 to 15 countries which mostly include Asia and Middle East Region. It was told that the working capital cycles are 30 days, mainly on account of raw material procurement side and on all sales side.



Bay Area, San Francisco, CA