

**“Gravita India Limited  
Q4 FY2022 Earnings Conference Call”**

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**Moderator:** Ladies and gentlemen, welcome to the Gravita India Limited Q4 FY2022 Earnings Conference Call hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sabri Hazarika from Emkay Global Financial Services. Thank you and over to you Sir!

**Sabri Hazarika:** Thanks. Good afternoon, ladies and gentlemen. I welcome on behalf of Emkay Global. I welcome everyone to this Q4 FY2022 post-earnings conference call of Gravita India Limited. So, we have us the top management of Gravita, Mr. Yogesh Malhotra, CEO and Whole Time Director, Mr. Sunil Kansal, CFO. So, today's session will be a brief on the results by the management and then we will be moving over to the question and answer around. So, without any further delay, now I request Mr. Malhotra for his opening remarks. Over to you, Sir!

**Yogesh Malhotra:** Thank you, Sabri. Good afternoon, everyone. Thank you for joining our earnings call for Q4 and financial year 2022 results. We have already circulated our earnings presentation and I hope you had an opportunity to go through the presentation and we would be happy to take any questions afterwards. We would begin this call with a brief discussion on performance and financial results for quarter and year. In the fourth quarter of the fiscal year, Gravita continues to maintain the growth momentum as the overall economy saw reduced impact of as others and improving business environment and broad base increase in consumption.

I am pleased to report that we have delivered strong financial performance supported by healthy growth in production volumes and higher realization across business segments. Our revenue from operations stood at 666 Crores registering a growth of 52% from Rs.438 Crores in Q4 last year. Domestic business continues to lead revenue growth with 64% share while overseas business contributed 36%. Business segments have delivered strong growth on a year-on-year basis, net revenues were up by 47% and aluminium revenues were up 104% and plastic revenue were up by 49%. In terms of volume price mix the ongoing geopolitical tensions have resulted in broad base increase in commodity prices, which has a favorable effect for revenue growth.

For the quarter, volume growth was 23% on a year-on-year basis and total tonnage was 37000 metric tons, EBITDA per ton also improving in all three segments. Company has delivered an adjusted EBITDA of Rs.73 Crores, a growth of 102% on a year-on-year basis from Rs.36 Crores in same quarter last year. EBITDA margins have increased by 273 basis points to 11% compared to 8% in Q4 financial year 2021. Margins improvement was

delivered by improving operational efficiency, increased share of value added products, higher volumes and higher contribution from our overseas business. Reported net profit for the quarter was 41.34 Crores compared to 21.35 Crores in same quarter last year. On a full year basis, the company reported revenue and operations of Rs.2216 Crores, a growth of 57% on a year-on-year basis.

EBITDA stood at Rs.215 Crores, an increase of 83% on a year-on-year basis with margins of 9.7%. Reported net profit for the year was Rs.139 Crores. We continue to generate strong return for our shareholders in the financial year 2022. ROC stood at 29% as compared to 18% in financial year 2021, this is in line with our target and with a result of a well defined growth strategy supported by improving industry dynamics with working capital and improving product portfolio. I would now like to update you on some important developments for the quarter. In February we redefined that 99.99% purity and above produced by Gravita has been impaneled a group led brand at MCX, this allows us to hedge on the Indian land markets as well as gives us additional opportunities to work in the domestic land market.

In May 2022, step down subsidiary Recyclers Ghana Limited based out of West Africa got into operations into a rubber recycling plant the company has incurred capital expenditure of Rs.3.8 Crores for setting up this 6000 metric ton per annum capacity, which has been funded through internal accruals.

Commercial production has started end of March to augment our strategy of diversification in different business segments. Reduction in cost of production has helped us to improve carbon footprint of the company. We will be utilizing our learning from this plant to establish similar rubber recycling facilities at our other manufacturing locations as well. We also faced certain challenges, power and fuel costs has seen unprecedented increase also with some global disruptions in logistics, so the finished goods and target inventory has piled up, also due to slow down the economy in Sri Lanka, there are having certain operational issues due to which the volumes have been slightly lower.

We expect the Sri Lanka volumes to continue to operate at lower volumes in the next quarter as well; however, they will not have major impact on the group as we are fairly geographically diversified and our capacity growth and technology some improvements keeps us in a better position to manage any disruptions arising at any specific location. I would also like to mention that the consistent growth to deliver by Gravita is a reflection of our commitment to shipping a sustainable one. Our focus on developing new researching verticals and better technology has resulted in improving product portfolio, higher operational efficiencies and expanding business, which is creating value for all stakeholders and shareholders. We are optimistic for the year ahead and look forward to a

transformational growth phase for Gravita India. Thank you very much and now I would like to open the floor for question and answer.

**Moderator:** Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We take the first question from the line of Rahul Bhangadia from Lucky Investment Managers. Please go ahead.

**Rahul Bhangadia:** Thank you for taking my question, Sir. Congratulations on a good set of numbers. I have two, three questions, first one on the balance sheet, I can see that the creditors has dropped off quite a bit in the last six months, September took about 230 Crores it was number and now it is down to about 90 Crores odd, this is contradict to the general expectation that as you increase your local sourcing your creditors should be actually in a position to fund your inventory correspondingly because the creditors have gone down that has gone up, so if you could just explain what has happened here?

**Yogesh Malhotra:** Sure, Rahul. So, basically in recycling business practically saying there is no creditors are such because whenever we buy the scrap we need to pay upfront, but as an exception as we are sourcing the scrap from various OEMs like Amara Raja, so they gives us the scrap and we just need to give them the finished goods in turn convert into the metal and supply that to them, so this model we adopted and initially when we started this model so there were some time gap their inventory was lying with us for two to three months, so which has now reduced because they want the inventory back in one and one-and-a-half month, so that their inventory is also dropped and correspondingly their table is also dropped, so basically there are two ways there.

**Rahul Bhangadia:** So, essentially the inventory to that arrangement has gone down, so the 230 Crores kind of creditor number that you had in September balance sheet is now down to about 90 Crores all that is all practically led by the drop of the inventory, is that was correct?

**Yogesh Malhotra:** Correct, so that is the only reason for dropping this inventory of Amara Raja battery.

**Rahul Bhangadia:** So, then how do we incrementally look at this, in the sense that?

**Yogesh Malhotra:** Now, it is more about because now that is cycle is the almost one and one-and-a-half month, so it is already stable, actually initially the problem was that our capacities was not ready to take on any additional inventory from their side, but now as we have ramped up our strategies now we are in position to give them the inventory back within one month itself.



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**Rahul Bhangadia:** So, this is going to be now incrementally the nature of the working capital out here because in one place at the presentation you also mentioned that you want to reduce the number of days down to 60?

**Yogesh Malhotra:** Yes, so proportionately this will be number that is changing according to the size of the business from that segment, so other numbers will not be in the same line so like we are forcing the other telecom companies also, so there is no credit on that site.

**Rahul Bhangadia:** Okay, but you still standby your target of reducing the working capital to 60 days?

**Yogesh Malhotra:** Yes, of course that reducing of working capital is more on an account of more domestic volume, so as such whenever we are reducing the volume or we are sourcing in Mundra, so as you know Mundra is the nearest plant, so we are very close to the port so as far as the source to the Mundra or we source the scrap in overseas plant instead of bringing it to India and India is dependent on the more nomenclature scrap, which is also growing, so we will be reducing the working capital cycle, so working capital cycle will be reducing the import in India.

**Rahul Bhangadia:** Sir, if you could help with the debt number on the balance sheet, I have a rough sense, but if you could give us the exact number?

**Yogesh Malhotra:** So, total net debt after reducing the cash portion it is approximately 350 Crores out of that 110 Crores is the long-term debt and 250 Crores to 240 Crores is the short-term debt, so short-term debt is mainly on an account of the inventory.

**Rahul Bhangadia:** So, this 350 Crores net grows, what was the same number in September and last March, if you have that number handy?

**Yogesh Malhotra:** Yes, it was approximately I think 280 Crores last year.

**Rahul Bhangadia:** 280 Crores last year, so 280 has become 350 March-to-March?

**Yogesh Malhotra:** That is correct.

**Rahul Bhangadia:** Sir second is on the CWIP that we see in the balance sheet, if you could just give us a sense of where all this CWIP, what all the CWIP represents in terms of expansion plans?

**Yogesh Malhotra:** So, various whenever we do some capex like we are doing some new plant like Mundra, we are also expanding the phase 2 so that is one in this CWIP, another thing is that we are also expanding as our Chittoor plant that is also one of the component in this CWIP, another is that we are also coming up one more plant in Africa in Togo, so that it also part of this

CWIP, other than that Senegal is the location where we are expanding with our own location, so with the better bigger size of facility in the same results and along with that we are also adding up aluminium business and rubber recycling in Senegal, so all these things are component of this CWIP, which is significantly higher in this year.

**Rahul Bhangadia:** So, third question is given all these expansion plans and some of the previous expansion plans which would have now come into commissioning and started kind of getting into the numbers, what is the kind of volume that were expecting in FY2023?

**Yogesh Malhotra:** So, now basically as we have mentioned earlier also that we are going to have approximately 25% growth in the volumes every year, so we are stick to that number of our volume growth.

**Rahul Bhangadia:** Okay, 25% in FY2022?

**Yogesh Malhotra:** Yes, approximately 25% to 30% growth in revenue numbers, that is volume growth, not in revenue numbers year-on-year we are expecting.

**Rahul Bhangadia:** Sir, my final question before I just join back the queue, this gross margin while it is steady at about 21% to 22% on a per tonne basis this has gone up, so you still stand by your initial comment that you used to give where you know EBITDA margin of 8.5% to 9% kind of number, is there a change there, how do we look at this?

**Yogesh Malhotra:** So, as gross margin in the similar kind of range, but the fixed cost is remaining same, so we are making better margins on the EBITDA side also and PAT is also improving, so yes, definitely we are improved and we are in the range of 9% to 10% now, so it is all two, three things is the driver to this, one is more volumes, another is the more value added products and more contribution from the overseas business, so all these things which is helping us from bringing it from 8% to 9% to 9% to 10%.

**Rahul Bhangadia:** So, no element of a higher commodity price is helping you in a per ton gross margin here?

**Yogesh Malhotra:** No, not to that, but to some extent in aluminium we have seen certain improvement in the total of gross margin because of the commodity price.

**Rahul Bhangadia:** Let does not have any element of inventory gain or commodity price gain you are saying?

**Yogesh Malhotra:** No, we are fully hedged.

**Rahul Bhangadia:** Okay, I will come back in the queue, Sir. Thank you very much for answering.

**Moderator:** Thank you. We take the next question from the line of Raj Shah from Statheros Capital LLP. Please go ahead.

**Raj Shah:** Congratulations for good set of numbers. My first question is that the plastic division has seen a substantial increase in margins, so if you could just throw some light on what has led to that increase and is it sustainable or not?

**Yogesh Malhotra:** So, actually plastic business has just started to stabilize for the past one to two years because of the COVID as we have already mentioned sometimes back in our presentation, but because of the COVID, there was overall decrease in the businesses especially our PET, which is dependent on overseas in Central America business, but now that has started stabilizing and we see huge growth in terms of the value we can see in that region, also because there are certain policy changes that have taken place in the markets we supply to like the US and the Europe they have made recycled footwear plastic mandatory for the use in bottle to bottle application, so we are taking advantage of those benefits and we believe that the margins would continue to remain on similar lines around Rs.15000 to Rs.17000 per ton.

**Raj Shah:** Fair enough and the effective tax rate of the consolidated basis fairly lower, so if you could just help me understand that why is that low?

**Yogesh Malhotra:** So, as the overseas business is growing, so we are into certain geographies where still tax is practically zero because we are in zone in certain new geographies like Ghana and Tanzania, which is contributing significantly in this bottom line, so the average tax rate is close to 10% to 11% and we believe that with the coming future growth also we are expanding in overseas and further we are expanding in Senegal also, we are coming up with new plant in Togo, which will also be a tax efficient geography, so we will be continuing to be in the range of 10% to 11% of tax in the future also.

**Raj Shah:** Thanks and I will just come back in the queue if I have any questions, all the best.

**Moderator:** Thank you. We take the next question from the line of Piyush Mehta. Please go ahead.

**Piyush Mehta:** Good afternoon, Mr. Yogesh. Sir, just a couple of questions on I think the finance coast which you have mentioned is actually just to maintain interest cost, is this one off or will be keep seeing it as long as, can you explain the nature of this incremental almost close to 8 Crores cost that plus the forex cost, which we have taken for expensive in groups, the nature of these two cost that have come in?

**Yogesh Malhotra:** So, the one reason of increase in the finance cost is the increase in debt one part is that, but the major part in this quarter is on an account of like we do take some foreign currency

borrowing in the form of PCST and buyers credit and all, so this borrowing there is some one time loss we have, which will be as against inventory so whatever that inventory will be sold off, so we will be getting some operations on that account, but this is one time booked on an interim basis in the finance cost for this quarter, but the corresponding part of this gain will be reflected in the operational income in the P&L.

**Piyush Mehta:** So, now that the books as you said that the gain could come from the sale?

**Yogesh Malhotra:** Yes, and the forex cost of six months is bought on the lower price, we have already take that goods for that goods so this will be whenever this goods is export against our export order we already have so that gain will come.

**Piyush Mehta:** But it still may not be as to the tune of the 7.9 Crores?

**Yogesh Malhotra:** No, that is in the range, so last year we had booked is approximately 6 Crores in this finance cost.

**Piyush Mehta:** Understood and forex cost of 6.7 Crores?

**Yogesh Malhotra:** Forex cost, sorry?

**Piyush Mehta:** In the forex cost if you see in your expenses item that you will be reclassified profit and loss you have shown foreign currency translation reserve?

**Yogesh Malhotra:** So, this is only cost 6 Crores approximately we have booked on in this finance cost, this is the only loss.

**Piyush Mehta:** Understood and in one of the slide I think it is slide #19 for that the value added products from FY2021-FY2022 has fallen from 45% to 42% revenue, but during the same time our margins have moved much higher, can you explain the anomaly?

**Yogesh Malhotra:** So, this basically onetime because as we mentioned that there has been some logistic disruption, so some of the finished goods is lying there in the plants and also because we could not get or sell it to the OEMs who has diverted some of the material to the traders, but this is just a onetime, otherwise we are all inline with some to increase the value added product.

**Piyush Mehta:** So, that it is, in this quarter what we are referring is that there were some logistic disruption so we were not able to bring the good for value added to India and we have to sell some of the goods directly from the subsidiary before we do undertake some valued addition so we





have to sell that to some other countries to the traders, so which will be long-term in touch and we will continue to increase this number.

**Yogesh Malhotra:** So, do you mean to say that the revenue growth could have been much higher if things were okay?

**Piyush Mehta:** To some extent, yes.

**Yogesh Malhotra:** In terms of volume guidance we mentioned with the 25% to 30% growth in volume that is last years numbers, like how much will Mundra contribute for FY2023 in Mundra-Chittoor, Chittoor also we indicated that we are investing 20 Crores of capex and that could result in a large revenue addition, so Mundra plus Chittoor international, what is the overall volume number that we could see, international could be tricky, but Mundra and Chittoor volumes for FY2023 that we can see?

**Piyush Mehta:** So, Mundra we have a capacity of approximately 20000 tons at this moment and we are also increasing the capacity by mid of the year or by third quarter, so the total volume number from Mundra should be close to approximately 22000 tons and we are also planning to have aluminium recycling also in Mundra, so that whatever we import and export for aluminium also that can be done from Mundra itself and for Chittoor, the capacity of Chittoor is approximately 44000 tons including plastic and led part so this year we did approximately 36000 tons from Chittoor, but going forward we are planning to increase this number form 36000 tons to approximately 45000 tons to 47000 tons, so overall if you talk about India business would again grow similarly by around 25% in volume terms and the overseas business also grow at the same level, so there is no change in the mix in terms of growth from all these three segments.

**Yogesh Malhotra:** So, how much would have Mundra contributed in this quarter?

**Piyush Mehta:** As we first started initially only approximately 4500 tons come so this was the only quarter because it started somewhere around November so 4500 tons is the volume number.

**Yogesh Malhotra:** So, quarterly we could do anything between 5000 tons to 5500 tons rate?

**Piyush Mehta:** Yes.

**Yogesh Malhotra:** And how much is the Sri Lanka subsidiary contributed the overall revenues?

**Piyush Mehta:** So, Sri Lanka overall revenue contribution is somewhere around 5% to 7% only, it will not impact us that much because we have not stopped completely, we are still doing certain business, it has only fallen down to some extent and we will build that probably in one

quarter we will be back to normal, but even then we are increasing our capacities in Ghana or Senegal Toho plant is coming up, so we believe that we are in a good position to manage whatever disruptions Sir Lanka brings.

**Yogesh Malhotra:** So, over the next year as we scale up Ghana-Senegal to go, what is your capex that we envisage?

**Piyush Mehta:** It is around 70 Crores to 80 Crores in the next year the total capex including the capex in India as well as overseas.

**Yogesh Malhotra:** This is all fresh capex, right?

**Piyush Mehta:** This is all fresh capex in the industrial verticals.

**Yogesh Malhotra:** Right and what is the asset turn on this capex because I know the Chittoor I has an assistance but on an average if we are doing such capex international or domestic, what is the asset turn?

**Piyush Mehta:** So, asset turn is approximately 8X to 9X mostly achieve normally.

**Yogesh Malhotra:** In terms of the EBITDA per ton you said plastic will keep getting better and if that is the case for of course drop in aluminium, what was the reason that you said drop in EBITDA per ton in aluminum in this quarter?

**Yogesh Malhotra:** In aluminium we do have hedging strategy as of now because the volumes are lower and also because we are into alloys 100% hedge aluminium because we are not getting into pure aluminium, so it has gained certain EBITDA margins because of the improvement in the purchase of aluminium, although we try to make it a neutral in the sense that we try to oversell whenever the markets are going up because we do not want to take into consideration the volatility of the markets and we believe that we still makes certain EBITDA margin because of the increase in the commodity prices so if the commodity prices remain stable I think there will be around Rs.2 reduction in the total EBITDA margins.

**Raj Shah:** And with say Mundra scaling up completely, Chittoor scaling up completely so in terms of slide so Chittoor and Mundra would be coming up so the EBITDA per ton will only increase here as slide?

**Yogesh Malhotra:** Not EBITDA per ton increase will not happen for the Indian business going forward because most of the additional business would come from kind of buying and selling arrangements with the OEMs, so this will not increase the EBITDA margins, but because

that inventory zero working capital business , so overall return on capital will increase, but the EBITDA margins would be a little lower than the overall EBITDA margins of incremental business, but overall the EBITDA margins per ton for led bu will remain in the similar range.

**Raj Shah:** Thank you so much and have a good day.

**Moderator:** Thank you. We take the next question from the line of Nitin A an Investor. Please go ahead.

**Nitin A:** Mr. Kansal good evening. I like to cash from operations and poor HCF have impact reduced in the head of robust revenue growth during the year, which is somewhat under whelming, could you share some advantage to the managements guidance for OCF and HCF for FY2023 and FY2026, thank you?

**Sunil Kansal:** So, this negative free cash flow is because of as we mentioned that there was some inventory pileup because of some logistic disruptions, so going forward as we are reducing the working capital cycle so there will be free cash flow positive generation even considering the capex for 70 Crores to 80 Crores every year, so we will be generating some free cash flow from FY2023 onwards.

**Nitin A:** Secondly, as per your investor materials, which points out most of your sales are in India, the most of your profit instead come from your overseas operations, this is also evident from the difference between consolidated and standalone numbers and Y-o-Y changes in the same, so could you please share some light on this and how could the picture change over the next few years, thanks?

**Sunil Kansal:** I mean going forward also this will remains similar in the sense that we need more margins from overseas business because the procurement cost because we have a very vast network of our own procurement yards in various countries, so our overall procurement cost is quite low as compared to the procurement cost in India, so that gives us a better margins in our overseas businesses, so it will continue to remain on the similar lines because in India what we do is we import all the material from the similar locations, so the logistic costs ESOP most of the gross margin from the business, but as we have now increased our capacity overseas and also as we have increased the capacity in Mundra, so that will also add onto certain gross margin numbers from the Indian business as well.

**Nitin A:** Yes, do not you think that the increase in crude oil prices could partially upset the advantages given of us and therefore our margins?

**Yogesh Malhotra:** See, eventually it is shorten, yes, you could see sudden disruption because of the increased fuel or power cost that eventually we are only a company that is into processing, so in the

end either from the wire side or from the channel side there will be certain changes, we are already discussing in terms of increase in premiums from the seller side also because the overall number for everybody will increase or decrease whereas in our case are going to be at constantly finding new ways to take care of these increase in power cost as Mr. Sunil already mentioned that we have put our recycling unit and we are getting fuel oil from this unit for all consumption and slowly we want to build up these practices also in all our plants, so that will take care of the increase or decrease in the power cost in the future for us also.

**Sunil Kansal:** And in addition to this we are also focusing on increase use of solar power so which is also a certain reducing the power costs.

**Nitin A:** Thank you, Mr. Sunil and Mr. Yogesh.

**Moderator:** Thank you. We take the next question from the line of Shanti Patel from Shanti Patel Investment. Please go ahead. As the line is on hold, we will move on to the next question, the next question is from the line of Faisal Hawa from H.G Hawa & Company. Please go ahead.

**Faisal Hawa:** This is looking like a very interesting space with the entire effect coming into so much focus, so we will also go more multi location or multi country or our strategy would be to more spread out in India itself and what would our breakdown between the metal, plastic and paper, etc., in our entire revenue?

**Yogesh Malhotra:** So, the current businesses that we are in we believe that we will grow both in India as well as overseas, we see a huge opportunities both in India because of the change in the foresee mechanism of the government, they already talks about EPRs and we have management rules coming into picture, so we see a huge growth in India itself because we believe now that the recycling would start happening in organized sector, which was earlier happening only in the unorganized sector, so there also there is a huge opportunity, but overseas also we are very because most of our operations are in Africa and to some extent in Central America and both these economies are growing at double digits, so we see huge opportunities in these countries as well, so in both these cases we will be growing, so in the hand we believe that the number is currently at around 35% to 40% of overall revenue would continue to now from overseas whereas India would continue to remain at 60% to 65% going forward also.

**Faisal Hawa:** So, what is fair statement to make that our company will grow like 15% to 17% in terms of tonnage for the next seven to eight years at least even if we do that in more geographies?

**Yogesh Malhotra:** So, for the next three to four years definitely we are targeting a growth rate of 25% and going forward because we are also trying to enter into other verticals like tea waste, lithium, copper, paper, steel, so we can both number is doing even better going forward.

**Faisal Hawa:** Is there any thought process within the company till now go for a cooperative model in order to adopt any technology to really take the unorganized sector also along with it rather than to build up its own organization and try to have a kind a leg in realization of the unorganized sector and to take the volumes through them?

**Yogesh Malhotra:** When we talked about organized or unorganized sector take up definitely the unorganized sector would remain the part of the overall recycling scheme, it is not going to go away, but the only thing is to make them work in a organized manner because in the industry we are specially get in a heaviness material so we want even the unorganized sector to do it in a proper manner so that there is no health hazard to the society wherever they are working at the same time in the unorganized sector they do not pay the GST in the start being that because currently on which match within organized or unorganized sector number one because of the price that the organized sector was remaining sustainable in terms of environmental sustainability and also because being a matter of paying the GST or not paying the GST once that starts coming into picture probably level playing field all I think there is no difference between unorganized and organized sector.

**Faisal Hawa:** And can you give some examples of are we adopting technology to really you know increase our business and making things more simpler?

**Yogesh Malhotra:** I think we have mentioned sometimes back that we also have our own project division where we develop, make, fabricate, design recycling plants and we give turkey solutions to all, not only all over material that we are used on design and development, we also give the solutions to others in terms of led and aluminium recycling, so we continuously keep on doing R&D, we continuously start doing process improvements and we continuously try to find a solutions for better environment friendly processing basically.

**Faisal Hawa:** Thanks a lot.

**Moderator:** Thank you. We take the next question from the line of Pranay Jain from Dealwel Capital. Please go ahead.

**Pranay Jain:** Thank you and congratulations gentlemen on a strong show. A couple of questions, one on the 25% volume CAGR that have been seeing for the next three to four years could you give a sense of the rising contribution from the plastics and rubber at least for the next one to two years?

**Yogesh Malhotra:** Yes, so as we earlier discuss all that we want to decrease the dependency on the led business, although led is also growing so we are trying to increase the higher growth in case of plastic and the aluminium parts and even from the newer device like rubber and we are also coming up with a copper recycling, so the contribution from the plastic and the aluminium is currently approximately 16% to 17%, which will be going to approximately 25% or more in the next two to three years.

**Pranay Jain:** How could the margin profile shape up as our facility is mature and become more efficient not just in processing, but also procurement, what is the EBITDA per ton or EBITDA margin in the next two years?

**Yogesh Malhotra:** So, EBITDA per ton in case plastic we have recently improved significantly from earlier to approximately 17000 to 18000 per ton, so plastic should be in a similar number of 16000 to 17000 per ton, aluminum is also slightly higher it was earlier because of some gains from inventory side because of some partially hedged inventory, but going forward it should be in the range of Rs.18000 to Rs.20000 per ton and led should be similar in the range of Rs. 16000 to Rs.17000 per ton in case of led in overall.

**Pranay Jain:** And lastly for the new segments like lithium and paper by when do you think will be in a position reach our capacity?

**Yogesh Malhotra:** So, we are still working identifying the location at that location where we can put up this facility, so we have already done some homework of steel recycling in Africa and paper recycling in Central America, so we hope that in the next two years one of the pilot project of each of this paper and steel recycling we will be initiating for at least both of one plant each of both the divisions.

**Pranay Jain:** Not considering India strongly for this?

**Yogesh Malhotra:** Not for paper or steel, but definitely for e-waste and lithium-ion we will considering India also, but these two are location specifics because we also look at the overall margins or the availability of raw material whether there are other units competing in both locations and what are the benefit of having those units in those locations, so for example if I talk about steel we are planning our inland location in Africa where generally they send us scrap out to India or China and they import the steel back to those country, so we see huge potential in those countries when we put up a steel recycling in India, similarly for paper in Central America, they buy the paper from US and they send this back to India again, so we see huge opportunities in these two locations for these two projects and even of course we have copper recycling in India.

**Pranay Jain:** This year or next year?

- Yogesh Malhotra:** This year, we are initiating a pilot project for copper recycling in India.
- Pranay Jain:** So, second half perhaps we will see something coming from, got it, you mentioned competition in other units, just wanted to get your perspective on this how are the other organized players trying to capitalize on this opportunity I mean who are the top two or three that we are watching out for in the organized space and going to be the benchmark ourselves against just so that we have our FY2026 ambition on track?
- Yogesh Malhotra:** First of all, Pranay, it is a very fragmented market as I mentioned around 70% of the total business goes to the unorganized sector and because of logistic issues these are generally region wise, geography wise are fairly fragmented market, so we have yet to come across companies that are really in all geographical location I mean even in India there are very few companies that have multi locational presence, and is the USP that Gravita has currently because even in India we have a plant in west, we have plant in north, we have plant in Central India, we have plant in South India and we are also planning a new plant in the next two years in east also, so it gives us a specific advantage for all of us because we can collect some across India and then send it to the customers directly from the nearest plant, but having said that there are other companies also because there is a huge opportunity currently 70% to 80% of the material goes to unorganized sector, so there is a huge potential in terms of all the organized players that they are waiting the market to come and take advantage of this opportunity, if we talk about plastic also because it is a very fairly big market currently we are not even touching 5% of the total recycling market leader in plastic as well, in terms of competition if you talk about in India we have plenty of size which are doing in led recycling and then we have certain other players in aluminium recycling, and plastic recycling is very fragmented currently.
- Pranay Jain:** Thank you for this perspective and all the best.
- Moderator:** Thank you. We take the next question from the line of Navneet Bhaiya an Individual Investor. Please go ahead.
- Navneet Bhaiya:** Thanks for the opportunity. I have two questions, one you mentioned on the commodity price in led and plastic is indifferent to the commodity prices, however your EBITDA per ton as compared to last year has actually grown just 12500 in Q4 last year and 13500 to now 19000 now, so if you could explain this vary will be helpful, please?
- Yogesh Malhotra:** See, as we mentioned that in plastic basically till last year the overall business was facing us up because of COVID and the collection was also lower and the demand in the market was lower, but now after COVID I think the market has stabilized a lot and we see great demand for recycle products in US and Europe, so because of that the overall margins have increased not only that because now the volume has also grown up, so we are taking that

advantage of economies of scale in plastic also, similarly led as we mentioned that our overseas business has grown up, we have also increased the capacity so here again following the scale is there, the value added products have gone up that has also given us additional gross margin, so all these combined has given us higher margins in inland also compared to last year.

**Sunil Kansal:** We started Mundra plant also, we are saving the logistic because we are very close to the port for imports, so earlier the scrap was moving to Jaipur for processing, now we are processing the scrap in Mundra itself and exporting back to different countries by Mundra, so that is again a saving the logistic costs.

**Navneet Bhaiya:** So, on volume since last year actually your volume growth has been only 1% over Q4 FY2021, so would can only the scale do really a factor because I think as compared to the last quarter 21% growth in plastic?

**Yogesh Malhotra:** Probably you are talking in both?

**Navneet Bhaiya:** I am talking about year to year, so as per your presentation your plastic volume was 4232 in Q4 FY2021 and it is 4272 now so that is about 1% increase whereas the EBITDA per ton has gone from 5895 to 19416 so that is almost 3X?

**Yogesh Malhotra:** I think there is certain issue, the volume, I do not know is it is 1% I think we will have to reveal this 1% again.

**Navneet Bhaiya:** Sure, no worry. Second, on your rubber facilities that are setting up, so what type of rubber are you looking at to recycle, is it cater to the road sector or it is going to cater to the tyre manufacturers?

**Yogesh Malhotra:** It is basically currently for our consumption only, but when we increased the total capacity we will cater to the tyre manufacturers also in the future.

**Navneet Bhaiya:** So this is going to be micro manufacturer level right?

**Yogesh Malhotra:** Sorry?

**Navneet Bhaiya:** Are you going to recycle rubber or it is going to be clamp rubber?

**Yogesh Malhotra:** Currently it is clamp rubber, but we will go into regions later also.

**Navneet Bhaiya:** And what five years liquidity that you are setting up?



- Yogesh Malhotra:** It is only about 600 tons per month capacity as of now.
- Navneet Bhaiya:** Just only 1000 per annum, okay, got it and lastly just an observation as compared to your Q3 presentation you changed your basis gear from 2025 to 2026 while all the matrix are broadly the same but have you pushed your target to achieve 50% value add and 25% non-LED or any particular reason for this shifting in quarter one is it 2025 and it is now 2026?
- Yogesh Malhotra:** Yes, basically it is because we are taking some growth on a CAGR basis so we will see that the similar growth is going forward, the growth of 25% in our top line or volumes or 35% bottom line, so that both will continue till 2026, so that visibility we have so instead of giving the visibility of 2022 to 2025, we are giving the visibility up to 2026.
- Navneet Bhaiya:** But your contributions from value add products?
- Yogesh Malhotra:** No, that will continue to be more than 50%, we have increased, it was 25%, now it is 25% plus for ROC similarly healthy percent plus LED so it should be more than 50% in case of products.
- Navneet Bhaiya:** Understood, and just coming back to EBITDA per ton you had a sustainable gain as you mentioned earlier in the call for led, plastic and aluminum would partly from India basis would be in that range it would not flex it more in that on a full year basis, right?
- Yogesh Malhotra:** It is should be in the range that we whatever we mentioned.
- Navneet Bhaiya:** Sure, thank you so much.
- Moderator:** Thank you. We take the next question from the line of Rahul Bhangadia from Lucky Investment Managers. Please go ahead.
- Rahul Bhangadia:** Sir, you have mentioned about few diversification in rubber, copper and else and I am assuming these business models are different from your basic led, aluminium, plastic that you are get doing, how do you plan to kind of in the bandwidth needed will be different, the models would be different, how do you plant to degrade all that?
- Yogesh Malhotra:** So, some of the verticals are at content of our current operation like for example, rubber is very similar to what we are doing in aluminium and plastics, similarly copper is also very similar, in terms of lithium of course it is a little different and paper also is little different, but we can hire people, it is an overall market dimension remain the same, we also collect scrap from the scrap holders and give it to the OEMs, so sourcing which is a very important part remains core of the total value that we have taken so the core volume of each and every verticals that we are going into so this is a significant synergy on the side, so this is the

biggest thing in this recycling business, so other things like technology and the expertise we can always as we did in case of plastic also, aluminium also, so that can be gained.

**Rahul Bhangadia:** Thank you so much for your answers.

**Moderator:** Thank you. We take the next question from the line of Shanti Patel from Shanti Patel Investments. Please go ahead.

**Shanti Patel:** Good afternoon and thank you very much for a good set of numbers. Sir, looking to your all expansion plants, etc., is it fair to assume that in the next three years our turnover will be more than doubled and consequently the topic also?

**Yogesh Malhotra:** In the last three years we have already doubled the number that we have already demonstrated, so it can be again repeated, so whatever capacity increase we have already setup and whatever capacity increase we are in the process of setup itself will take this forward to do around 3000 to 3500 Crores somewhere in the revenue and we see the profit will grow at a faster rate than the revenue numbers.

**Shanti Patel:** Thank you very much.

**Moderator:** Thank you. We take the next question from the line of Pranay Jain from Dealwel Capital. Please go ahead.

**Pranay Jain:** Just one understanding on the value added products, from the present level what do we see that scaling up to by the end of this year and next year and could you give us a sense of what is our rising name of these value added products that are in the market this year and next?

**Yogesh Malhotra:** So, basically we would take it to around 45% in this current year, 45% to 46% in the current year and eventually taking up to around 50% in another two to three years time, so in terms of what exactly led sheets, led brakes specialized plastic Reynolds for food grades certain customized alloys these all give us higher margin that the main products life plastic sales we find that, so whenever we get additional margin of around more than 2.5% to 3% over and over the cost control in making those products we consider it as value added products.

**Pranay Jain:** I will just rephrase it which are the value added products, which are more in demand now compared to last year and incrementally you see their share is increasing that is what I wanted to understand?

**Yogesh Malhotra:** So, food grade plastic business is one, led sheet for all the depends was already there, we have now started giving it, we are trying to convert it more because it depends on which

segment you sell more to so customers noise is also increasing so we are increasing in all the segments for one and above because if you see the overall volume has also grown, last year around 50% of volume has grown, so we have also increased the overall value added products so in the value added products even in the growth of around 57% from the value added products also in the last year.

**Pranay Jain:** Since you had mentioned that there is R&D and continuous process improvement for new solution is being done, I wanted to get a sense if there are any new products which we will see in the next one to two years?

**Yogesh Malhotra:** In plastic, yes, we are already from the past so many years, we keep on developing new alloy in led as per the requirements from the OEMs from time to time regularly we work with them to develop products, so that is already there, but other products like led sheet, etc., in the market is already there and we have been making this for about three to four years, it is only just now we are focusing more on developing these products, but in terms of plastic definitely we are looking at options to increase the overall offering to the food grade industries so we are looking at other options also in plastic.

**Pranay Jain:** And likewise potential of that in rubber and copper is there anything we can look at?

**Yogesh Malhotra:** Rubber an copper to start we would go initially to just streamline the operation in the current one and one-and-a-half years and once we have streamlined those operations and we have overall increases our capacity we would look into value addition definitely, but at a later state not immediately.

**Pranay Jain:** Got it, thank you.

**Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

**Yogesh Malhotra:** Thank you for participating in the earnings conference call. We have tried to address all your questions, if you have any further inquiries, please connect with our inventors relations team and we will be happy to address the same. Thank you.

**Moderator:** Thank you. On behalf of Emkay Global Financial Services, that concludes this conference. Thank you all for joining us. You may now disconnect your limes.