GRAVITA

GRAVITA INDIA LTD.

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7th May, 2025
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Dear Sir/Madam,

Sub: Transcript of the earnings conference call for the Quarter and Year ended March 31st, 2025

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 March 31st, 2025 conducted on 5th May, 2025 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

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"Gravita India Limited

Q4 FY25 Earning's Conference Call"

May 05, 2025

MANAGEMENT:	**MR. YOGESH MALHOTRA – WHOLE TIME DIRECTOR AND CHIEF EXECUTIVE OFFICER – GRAVITA INDIA LIMITED** **MR. VIJAY PAREEK – EXECUTIVE DIRECTOR – GRAVITA INDIA LIMITED*** **MR. NAVEEN SHARMA – EXECUTIVE DIRECTOR – GRAVITA INDIA LIMITED*** **MR. SUNIL KANSAL – WHOLE TIME DIRECTOR & 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 the Gravita India Limited Q4 FY '25 Earnings Conference Call hosted by Antique Stock Broking Limited. 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 star then zero on your touch-tone phone. Please note that this conference is being recorded.

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

Manish Mahawar: Thank you. Thank you. On behalf of Antique Stock Broking, I would like to welcome all the participants on the 4Q FY '25 earnings call of Gravita India. We have Mr. Yogesh Malhotra, Whole Time Director and CEO; Mr. Vijay Pareek, Executive Director; Mr. Naveen Sharma, Executive Director; Mr. Sunil Kansal, Whole Time Director & CFO on the call.

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

Yogesh Malhotra: Yes. Thank you, Mr. Manish. Good morning, ladies and gentlemen, and welcome to our Q4 and FY '25 earnings call. I trust you've had the chance to go through the earnings presentation and financial results that were uploaded on the stock exchanges.

I am delighted to share that FY '25 marked a year of strong operational and financial growth for Gravita, culminating in the highest ever revenue, EBITDA, and PAT. Our 5 year CAGR of 23% in revenue and 57% in PAT underscores the company's strong growth momentum, further strengthened by its net debt free status. Before delving into results, I will briefly discuss the strategic highlights and project updates.

Credit rating agency ICRA Limited has upgraded our rating to ICRA AA- Stable from ICRA A+ Stable. Gravita India Limited has strengthened its global footprint with the strategic acquisition of a waste tire recycling plant in Europe.

A special purpose vehicle in Romania has been formed with Gravita Netherlands holding an 80% equity stake and management control, while local partners hold the remaining shares. With a total investment of INR40 crores of which INR32 crores is contributed by GNBV.

The newly acquired waster tire recycling plant has a capacity of 18,000 metric ton per annum. This strategic move aligns with Gravita's commitment to expanding its recycling operations and advancing sustainability initiatives across Europe.

We are progressing steadily with the setup of a pilot lithium-ion battery recycling project and our inaugural rubber recycling facility in Mundra, India. Both are scheduled to be operational by the first half of FY '26. The Board of Directors has approved an interim dividend of INR6.35 per equity share, reinforcing Gravita's position as a consistent dividend paying company with a 14 years track record of sustainable payouts.

Gravita is meeting strategic strides towards achieving its ESG targets for FY '27, FY '34 and FY '50 as outlined in its long term roadmap. Through the integration of ESG principles, the company aspires to lead in sustainable practices, foster innovation and maintain robust governance to create lasting value and positive community impact.

Coming to the operational performance, on the capacity expansion front, Gravita continues to scale operations having reached 3.34 lakh metric ton per annum in capacity in FY '25 and is aiming for a significant milestone of 700,000 plus MTPA by FY '28.

The company has capex planning totaling INR1,500 crores to be deployed by FY '28. Encompassing both expansion of existing operations and investment in new verticals, including lithium-ion, paper, rubber and steel recycling. Of the total, approximately INR1,000 crores is allocated to existing verticals while the remaining is earmarked for new initiatives.

On the volume front, we saw an overall growth of 20% and 13% in FY '25 and Q4 FY '25 respectively. On quarterly basis, volume for lead and aluminium showed an increase of 12% and 62% on Y-on-Y basis.

Stringent government regulations under BWMR and EPR have driven a significant 60% rise in domestically sourced scrap. 43% of the total scrap was sourced from domestic market as compared to 30% in last year.

Coming to quarterly EBITDA per ton performance. EBITDA per ton of lead and aluminium increased significantly by 6% and 30% on a year-on-year basis. EBITDA per ton of lead was INR20,466, aluminium was INR19,836, and plastic was INR9,882.

Moving to consolidated financial results for FY '25. Gravita has reached new milestones posting record performance in revenue, EBITDA and PAT. Revenue increased by 22% to INR3,869 crores. 46% of the revenue came from value-added products which is in line with our Vision 2029 of achieving 50% revenues from this category.

Adjusted EBITDA increased to INR404 crores, up by 22%. EBITDA margins stood strong at 10.43%. PAT showed a significant increase of 31% to INR312 crores. PAT margin increased to 8%. ROIC pre-tax for FY '25 is standing strong at 27%, which is in line with our Vision 2029. The cash flow from operations increased significantly from INR42 crores to INR282 crores.

Coming to consolidated financial results for the quarter, revenue for FY '25 increased by 20% year-on-year and 4% quarter-on-quarter to INR1,037 crores. Adjusted EBITDA increased to INR109 crores, up 17% and 6% on Y-o-Y and Q-on-Q basis respectively. EBITDA margin stood strong at 10.5%. PAT showed significant increase of 38% year-on-year and 22% year-on-year to INR95 crores. PAT margin stood strong at 9%.

In conclusion, Gravita is making strong strides towards achieving its Vision 2029 with a clear strategic focus on scaling existing verticals and expanding into new areas such as lithium-ion, rubber, steel and paper recycling.

The company has set ambitious targets including a volume CAGR of over 25%, profitability growth exceeding 35% and ROIC above 25%. It also aims to increase the contribution of its non-lead business to over 30%. Sourced more than 30% of its energy from renewables and cut energy consumptions by over 10%.

With over 3 decades of experience, 13 environmentally friendly facilities across the globe and a footprint in more than 70 countries, Gravita is well positioned for sustained growth. Its robust capex and capacity expansion plans, compliance with strict regulatory standards, global presence and integrated supply chain form a solid foundation.

This momentum is further reinforced by a commitment to operational excellence, a focus on high margin value-added products, proactive risk management through hedging and experienced leadership team and strong stakeholder support.

That's all from my end. I would now request to open the floor for questions and answers. Thank you, and move over to you moderator.

Moderator: Thank you very much. The first question is from the line of Amit Lahoti from Emkay. Please go ahead.

Amit Lahoti: My first question is on the aluminium business. There is expectation that ADC12 is going to be listed on Shanghai Futures Exchange this month. So would it allow us to hedge on SHFE or we would still have to wait for MCX listing for ADC12?

Naveen Sharma: It's already there on Shanghai Exchange, ADC12. We were discussing that it will be listed on MCX. So that's under the process, because BIS and QCO has been introduced on aluminium alloy in December '24, and now process is on. As soon as this is being listed on MCX, then it will be -- product will be also approved and listed on MCX India only.

Yogesh Malhotra: Yes, Amit, I am Yogesh this side. Actually a substantial part of our aluminium business depends on Indian market. So for that business we were targeting MCX registration. Although, our overseas businesses does not require that hedging right now because as, Mr. Naveen rightly said that it's already there on Chinese exchange, Shanghai Exchange. But we were focusing on MCX registration so that our Indian business can also increase.

Amit Lahoti: So is there any clarity in terms of timeline when it could be listed on MCX?

Naveen Sharma: MCX timeline within this H1 or hopefully maybe Q1 possibility. There already processes on.

Amit Lahoti: And then my second question is on growth guidance. So I appreciate that 25% per annum revenue growth target is over 5 years and it is not going to be linear. But could you indicate a specific guidance range for FY '26 given that there is still some time left before we commission the Mundra project. So in H1 of this year there might be some slowness in volumes growth?

Yogesh Malhotra: No. So as you rightly mentioned that these -- those growth numbers cannot be linear because it all depends on how the capex is being done. So we are planning to do a capex of around INR375-odd crores this year and the overall plan is to do a capex of around INR1,500 crores in the next

3 years. So we are very fairly confident that we will increase the capacities as guided of around 25% to 30% year-on-year for the next 3 years.

Amit Lahoti: So for this particular year FY '26, if you can give any specific range of guidance of volumes growth or revenue growth whichever you're --

Yogesh Malhotra: It will be in line with the overall projections of around 25%. So it can be around 20% also, 30% also depending on how the capex is getting done.

Moderator: The next question is from the line of Bharat Shah from ASK Investment Managers Limited.

Bharat Shah: First question, the guidance that we repeated for 25% ROCE in excess of 25% ROCE, but I thought 2 factors would mean that ROCE should be much higher. One, that as the domestic sourcing improves, I suppose working capital relatively will come down. You can -- I mean, I don't know whether that is a correct assumption, but you can highlight on that.

And secondly, you also mentioned about 9% net profit margin. Of course, it is for this quarter, not for the year. And it is the highest net profit margin in the history of Gravita in any quarter. So if this is somewhat like a benchmark, then given the fact that margins would improve as well as working capital investment will reduce given the strong growth, should it not mean that ROIC should be much higher? Because we've already reached 27% in the year gone by.

Yogesh Malhotra: So, sir, first of all, when we give this ROCE of 25% plus, that is a benchmark that we have created that any business that we go into, whether it is existing business in a new geography or a new business in some other vertical, that is going to be the benchmark ROCE for us, 25%. So any business that come across that is not giving 25% ROCE we would not be going into that. So that is a benchmark ROCE.

As far as Indian business is concerned, sir, you are right that the inventory cost would come down, but at the same time what will happen is that the margin or the EBITDA per ton or per kilogram for Indian scrap is lower than what we get from the overseas market. So the overall ROCE is also going to be above 25%, but this is what we are talking about is the consolidated ROCE coming from all the verticals across all the plants and including new businesses also. So it will not drop down below 25%. So definitely it can go above 25% also.

Bharat Shah: So it would be prudent to assume ROCE in the range of 25% to 30% over the period of time.

Yogesh Malhotra: Yes, sir.

Bharat Shah: Secondly, just wanted to understand the expected tax rate, which so far has been in the range of 11% to 13% or 14%. But going ahead, how do we see the tax rate per se?

Sunil Kansal: Yes, sir. It should be in the range of 12% to 13% only, because there was some treasury income in this quarter, so it was slightly higher. But otherwise if we remove that part -- even the treasury part, which will be removed gradually as we will be using this money for the business purposes, so it should be in the range of 12% to 13% only.

Bharat Shah: And one last thing, when you set up a new facility, either within the country or outside, typically what is the kind of time it takes for you to set up a new facility? If it is a greenfield or if it is a brownfield, what is the kind of time it takes?

Sunil Kansal: Sir, when we talk about India, then it is -- for a greenfield project, it takes anywhere between 1 to 1.5 years. In a brownfield, we can increase capacity within 6 to 9 months. The only issue overseas is that in some countries it takes a long period to get the initial licenses, so everything depends on this.

For example, in Dominican Republic, the licenses are taking longer than we had presented. So it all depends on licenses. Otherwise, just putting up a plant is not at all an issue for us, because as you know that we also make our own plant and machinery equipments, so that can be done very easily. The only time that sometimes get delayed is because of these licenses that are to be taken from the government.

Bharat Shah: And if I'm permitted, just one last question. On the project side, turnkey projects, are we kind of winding down that activity or it is just that the year gone by it has been a muted one?

Sunil Kansal: Yes, yes. So it all depends on where people are putting in more projects or whether they are putting more projects or not, so it all depends on that. In fact, we are trying to include other verticals also in our project division like rubber and plastic recycling also we are trying to make plant and machinery for these verticals also. So we, in any case, are going to increase volumes from our turnkey projects.

But the fact remains that it becomes a strategic part of our business because it also gives you the benefit in terms of understanding the operational issues and then making plant and equipment that supports those operational issues or that can take care of those operational issues. So it's kind of a R&D facility for us. So in any case, the volumes may go down on a year-on-year basis because of whether people are putting in more capex or not. But this is definitely going to increase in years to come.

Moderator: The next question is from the line of Nikhil Agrawal from Kotak PMS.

Nikhil Agrawal: Just wanted to understand when any time of you realizing your EPR credit, and how much would that be, approximately?

Sunil Kansal: Sir, so the EPR that comes from battery procurement, so most of the procurement, as you know, we are doing bit -- our kind of tolling business where we are procuring it on behalf of the major OEMs. So the EPR that we generate we pass it on to the battery manufacturers.

But there is also some local procurement that we do and currently those EPRs are with us. In future, of course, the quantities of EPR because of local procurement will increase, but that will depend basically on this reverse charge mechanism coming into picture for battery scrap also which is currently not there. So once that starts then the EPR generation from local supplies would also increase.

Nikhil Agrawal: So any timeline of realizing the credits? I mean, when will it start flowing into the revenues going forward?

Sunil Kansal: So, it will not impact the bottom line. We are very clear that -- because it's a tool that will enable you to give higher price for the scrap and then collect those scrap from the local market which currently goes to the unorganized sector. So we are not taking any revenues from these EPRs going forward. It is going to be profit neutral. Any profit that will come would be incremental only and we are not considering those profits in our future growth plan.

Naveen Sharma: Informal to some extent.

Moderator: The next question is from the line of Amit Dixit from ICICI Securities.

Amit Dixit: Congratulations for a record performance for the year-end the quarter. Couple of questions from my side. The first one is, if I turn Slide #8, where you have mentioned that the profitability of overseas operations in Q4 is 25% of overall. Now if I compare it with Q3, the profitability of overseas operations was 53%. So just wanted to understand the reason behind this drop.

And, if on long-term basis until FY '29 as you have sounded your key tenets, if we can have a similar aspiration for overseas business profitability?

Sunil Kansal: So, you will have to look at our profit on a consolidated basis because what happens is sometimes we import a lot of materials from our own plants into India and sometimes we select directly depending on what the market is globally. So during those times you'll see some reduction in profits from overseas center whereas in Indian plants you'll see higher profits and vice versa also. So this is a very dynamic situation.

We look at every quarter on which market is better and whether we should import those material into India or we export directly to other countries, so that is one part. And slightly also there was some hiccup in our Mozambique operations because there was elections and after elections there was certain unrest in that geography.

So part of the profits got diluted because the operations were hit in Mozambique. But now as we speak it's in perfectly normal conditions again. So these 2 things that contributed. But major part of that increase or decrease in overseas volume or profitability is because we sometimes bring that material into India and realize the profits in India.

Sunil Kansal: And another reason to this was because India, we got some treasury income. So because of that the contribution from Indian bottom line was slightly higher. That's also one of the reason for this.

Amit Dixit: But on a -- let us say on a -- I mean, steady basis, what kind of profitability, I mean, do we target? If you can give a broad range that also would be great.

Yogesh Malhotra: So on a sustainable basis, around 40% to 50% of the total profitability you can expect to come from overseas and around 50% to 60% would come from India.

Amit Dixit: The second question is again on Slide 9 where we have detailed the capex. So while I won't go into '27-'28. But on '26 where the capex is jumping up sharply, if you can just break it in -- I mean, where it is being done for FY '26, the $375 crores?

Sunil Kansal: Yes, one second. So basically it includes the capex which is in the existing verticals like lead. So we are increasing some capacities in Mundra also, in Jaipur also for the existing plant and we are planning one more plant in India to have more coverage of some locations where we don't have presence at this moment. And that is the part for India.

But other than that, we are also increasing capacities in plastic and rubber in India. So that is also covered. And we are putting up some facilities outside India like Dominican Republic is the country where we are putting capacities for recycling including lead recycling. And we are also increasing capacity in existing plant in Romania which we recently acquired. So expansion of Romania is also covered in this.

And so we are very aggressive on Rubber. So we may have one or 2 plants -- more plants in Rubber in India. So we have also considered that in this capex plan. And yes, that's all. So these are the things.

Amit Dixit: So just 2 follow-ups from this. One is Romania. So are we going to expand in rubber only in Romania? Or is it in a new vertical in Romania?

Yogesh Malhotra: So initially, we will expand in Rubber in this year. And we are also looking at opportunities not only in Romania, but in the entire Eastern Europe -- European countries to look for other opportunities in other recycling verticals also.

Sunil Kansal: But maybe next year, that part.

Yogesh Malhotra: But that may materialize in next year only, not this year.

Amit Dixit: And the second follow-up is that in -- will there be any expansion in Eastern India this year?

Yogesh Malhotra: So Mr. Sunil mentioned that we are putting up a plant in India and that could be in Eastern India also or some other location also, geographies. So we are still finalizing the location. We'll convey whenever we finalize the location exactly to the investors.

Moderator: The next question is from the line of Srinath V. from Bellwether Capital.

Srinath V.: I would like to understand what are our plans in the rubber space? What are the kind of products that we are working on, what are the -- is it like a basket of products or is it only pyrolysis? So wanted to understand what are we doing in rubber, especially in India?

Naveen Sharma: So this will be all product together. Some places we will be doing pyrolysis. Some places, we will be making value added products like sheets or crumb rubber. And also we are working to make reclaimed carbon black from char which is generated from rubber and one of the byproduct is steel. So as of now steel will be selling and we may see that we can further do recycling for that product as well. So it will be all market, sheets, pyrolysis, rCB, tough rubber, even road construction and all.

Srinath V.: And sir, can you basically go a little more nuanced in each of these products to understand what is the kind of scale that we are looking at in? And these products, if sold into the tire universe, they all would require validations and the process, from my understanding, takes a bit of time. So where are we, say, in a carbon black? Are the carbon black producers started sampling our product? Just to get an understanding of where we are in the evolution, sir?

Yogesh Malhotra: So currently, we are not producing anything in reclaimed carbon rubber or carbon black. So what we are currently doing is only pyrolysis oil in the locations wherever we are present. The plant that we acquired in Romania has the capability to develop reclaimed carbon black also, but it's still not under production.

So in the coming quarters, we will be putting -- starting the plant line that is currently not under production. And eventually by the end of this year, we'll be probably getting some of those material sold to the tire companies, but not before that.

In India, we are setting up the rubber plant right now. So as I mentioned that it will be coming in H1 of this year. So any sampling would only happen after that plant is in production, not before that.

Srinath V.: Just last one, sir. What is the size of our capacity we are putting, sir, in the H1 plant?

Yogesh Malhotra: So it's around -- the total capacity in this year would be around 60,000 metric ton per annum. Part of it will come in H1 and part of it will come in H2.

Srinath V.: So there are basically 2 pyrolysis reactors?

Yogesh Malhotra: It's not only pyrolysis reactor. It is pyrolysis reactor also and our reclaimed -- sorry, another crumb rubber or a rubber sheet plant also.

Srinath V.: And we'll be able to do micronized rubber sheets also, sir, like 180 mesh, the slightly more finer variety?

Yogesh Malhotra: Yes. Yes, we are planning on that also.

Moderator: The next question is from the line of Parikshit Kabra from Pkeday Advisors LLP.

Parikshit Kabra: Congratulations on a great quarter. The results were fantastic, so congratulations. First, a quick question, you mentioned that this time around there is also treasury income. Can you give the breakup about what was the other income, how much of it was treasury income and how much of it was the hedging income that you have generated?

Sunil Kansal: Yes, so there were 2 part of that. One is the treasury income, So in this quarter it was around INR9 crores. And another part was that we saved some interest cost which we -- because we reduced our debt. So approximately INR7-odd crores we reduced the debt cost. So overall, impact of -- in this quarter on the bottom-line approximately INR15 crores to INR16 crores because of this additional liquidity.

Parikshit Kabra: INR15 crores to INR16 crores pre-tax?

Sunil Kansal: Pre-tax, yes.

Parikshit Kabra: Pretax, got it. The other question that I have is that, we set our guidance for 5 years and we've been doing that every single year. And since 2022, at least that's when the last I could find the documented evidence. And 2022 5-year guidance is now going to be coming to an end in this financial year. Right? So going back to that guidance, are we going to be achieving those numbers in FY '26? Are you guys confident of that?

Yogesh Malhotra: So the guidance that we keep giving is around 25% revenue growth and around 30% profit growth, right?

Parikshit Kabra: Yes, 35%. 35% profit growth, yes.

Yogesh Malhotra: So if you look at it we've grown in the last five years by 22% in revenue numbers and 57% in profitability numbers. So we have surpassed those targets that we set up for ourselves.

Parikshit Kabra: So that's -- I understand. But if I look at FY '22 numbers and I take your guidance for FY '26 for both revenue and profit, then based on today's numbers in FY '26 you will require to meet that guidance a revenue growth of 40% and a profit growth of 57%.

Sunil Kansal: So you're saying that okay -- so I understood your question. So basically when you see that from 2026 to 2027, right?

Parikshit Kabra: '26. You have given Vision '26?

Sunil Kansal: So in one year it could be lower but in another it could be higher. So gradually yes we are targeting those numbers.

Parikshit Kabra: Then next, I'm just wondering here that -- I understand that we don't really do that much business in The U.S. so Trump tariffs are not a concern for us in that manner. But are there any indirect concerns because of shift in how trade happens? Can there be any indirect issues that affect our business, one?

And number two, are we worried about those ship logistics costs, the shipping cost? Because right now from what I understand, there has been a cut down in demand of shipping, but eventually if and when the tariffs come off, there can be again excess demand in shipping and so at that time again our logistics cost may rise, is that a concern for us?

Yogesh Malhotra: Yes. So definitely because what will happen is that a lot of containers would get stuck in China because -- so that definitely on a short term basis, logistic cost could go up and would impact the profits if -- but right now it's not having any impact right now as we speak. But there may be in future something like that, that can impact.

But fortunately for Gravita it's only going to be a short term issue if it is going to be. Because eventually the scrap prices from these countries would come down. It will accommodate the increase in freight prices also. So anything that can happen globally would only have a short term impact and not a long term impact. And we also have this advantage of having global operations, so we can ship from any country to any country. So the impact on Gravita would be comparatively less than the competitors.

Moderator: The next question is from the line of Basanth Patil N P, from TCG AMC.

Basanth Patil N P: Sir, just wanted to understand on the left out MAT credit. So still our tax rates are under 15%, so will this continue for how many years? Can you please throw some light on this? What is the left out MAT credit still?

Sunil Kansal: So MAT credit, we have entire MAT credit, whatever -- because now we are -- already we are very short on this. This MAT credit came up because we are getting some exemption in tax in India, so that was the reason and we have already got some successful assessments of income tax, so we have already got approved all the tax benefits. So we are considering all the MAT credits into the books. So there is nothing left out MAT credit which is not recommended in the books of accounts.

So whatever -- and the total MAT credit which will be used in this next 6 to 7 years is going to be around INR30 crores. So that will reduce the tax outflow. But on the bottom line side, we are considering all the MAT credit.

Basanth Patil N P: So we can expect the taxes to go up for current year and next year going ahead? Or will it remain in the 15% range of the --

Sunil Kansal: As we have already mentioned, the tax rate will be the blended tax rate because we have certain exemptions in overseas. So the blended tax rate should be closer to 12% to 13% on a global basis. So as we are already considering the MAT credit in India also, so the tax rate for India is also going to be same. No change.

Basanth Patil N P: So even in India operations also, 12% to 13% would be the applicable rate?

Sunil Kansal: So India will be currently 30%.

Moderator: The next question is from the line of Parth Shah from Tara Capital Partners.

Parth Shah: I had 2 questions. One was, I had an observation when I compare Vision 28 versus Vision 29. Capacities for financial year '26 are almost the same, while the capex -- the total capex has gone up. And secondly, for financial year '27, our capacities have increased by about 25%, but our capex has substantially gone up, more than 25%, around 40%. So if you could explain that?

Yogesh Malhotra: So the capex would depend on which vertical we are going to enter into. So the capacity can be increased by brownfield projects also, greenfield projects in the same verticals or maybe we'll come up with a new vertical. For example, steel and paper are more capex intensive. So that all should be considered when you look at the total capacities and the capex numbers.

So it could be -- the configuration could be different in this year versus in next year maybe there are more greenfield projects we are planning to bring in. We are also planning to go into some mergers and acquisitions. Definitely that is going to probably have higher capex numbers. So all this depends on what is the configuration of capex that we are planning.

Parth Shah: Just a follow-up. So in FY '26, are we targeting a lot of greenfield capex and would it be in lead or the newer verticals?

Yogesh Malhotra: So in lead and rubber we are planning greenfield capex and in plastic definitely brownfield capex only. But in lead, we are planning to put up a plant in Dominican Republic and then also increasing capex in Romania, which probably is going to be more capex intensive than it is in India. So it all depends on which territory or region, geography that you are planning your capex is in.

Parth Shah: And my second question is on the guidance for the EBITDA per ton -- per kilogram for lead, if you could provide guidance for '26 -- financial year '26?

Yogesh Malhotra: So currently this year as we've been mentioning that we had certain arbitrage opportunities, so the total EBITDA per ton is around INR20 per ton -- or INR20 per kilogram or INR20,000 per ton. But our guidance is that on a sustainable basis, we can expect a INR18 to INR19 per kg in lead with a slight improvement of say around INR0.25 or INR0.50 every year based -- because of better economies of scale and better operational efficiencies that we can expect.

Parth Shah: And this is after considering higher share of domestic sourcing, am I right?

Yogesh Malhotra: Yes, even including that. Even including that. Because although the profitability is lower, but at the same time the operational efficiency improves and the capacity increase or capacity utilization will also increase when you have domestic products in place, so that will also affect the EBITDA per ton.

Moderator: The next question is from the line of Sumangal Nevatia from Kotak Securities.

Sumangal Nevatia: Congratulations on a good set of numbers. The first one is, sir, a question on Slide 24, where we are forecasting the formal segment of the lead recycling industry to sharply increase from 40% to 75% in FY '26. So just want to know, is it, an expectation of it happening over few years gradually or we are expecting something really sharp change in FY '26 itself?

Yogesh Malhotra: Yes. So, what we believe now that reverse charge mechanism has come in other scrap. We are expecting that to come in this year in lead scrap also, in battery scrap also which got delayed because of some omission that government omitted by mistake battery scrap in this. So once that will come into picture, I think the shift over will take faster than we were expecting earlier. So we are expecting some fast shift from unorganized to organized.

But, of course, this -- if that doesn't come or if that does not have any impact on the actual numbers then definitely it is going to take maybe 2 more years for this 75% to come into the organized sector.

Sumangal Nevatia: And sir, when do we expect that RCM to get notified from our interaction and engagement with regulators?

Naveen Sharma: So it is expected that next GST Council meeting this matter should come. So that 55th GST Council meeting should look to be held maybe this month end, so the representation already there.

Even with the overwhelming response on other metal scrap, the industry like plastic and they are also approaching to the ministry, to the Fitment Committee that those scraps should also come under RCM and TDS. So hopefully, we expect that battery should be part of this next committee meeting.

Sumangal Nevatia: Sir, my second question is with respect to our tolling business. Is it possible to share the volumes or mix of tolling as a proportion of our overall India recycling business, number one? And number two, if you look at Slide 18, I think for the first time, we've included Exide among our customer list. So can you just apprise us with respect to what sort of development is this and what sort of volumes and business we are doing with Exide?

Yogesh Malhotra: So in terms of numbers from tolling, around 85% of the total volume is coming from tolling itself right now. And for Exide, I think I will ask Mr. Vijay Pareek to comment on this.

Vijay Pareek: Yes. In fact, as in before reply, we are mentioning that this RCM and BWMR, we are focusing on that. So Amara Raja we are also increasing our volumes. Exide we initiated the developments and trials and everything from January onwards and we are expecting a substantial increase into the volumes.

Besides Exide other OEMs also we are working with them. So the tolling volume we'll be going to continue. And that's why Mr. Yogesh said that the formality into this segment will be there.

Yogesh Malhotra: And we are also increasing our capacities in Phagi and Mundra to accommodate the additional quantities of scrap that is going to come from Exide in the next few quarters.

Sumangal Nevatia: And sir, all these are, I assume, in the tolling arrangement. Can you just remind us what is --

Moderator: Mr. Sumangal, may we request you that you return to the question queue for follow-up questions as there are several participants waiting for the next turn?

Sumangal Nevatia: Sure, sure. I'll do that.

Moderator: The next question is from the line of Pathanjali Srinivasan from Sundaram Mutual Fund.

Pathanjali Srinivasan: So just a couple of questions. So the rubber acquisition and also domestic expansion that we're doing, what could be the asset turns here from this business and what would be your target for the current year?

Yogesh Malhotra: So generally, the asset turnover that we get is around 8x to 10x of our total. In rubber it is going to be almost similar in the same tune of 8x to 10x the revenue would come from rubber because, although the price of rubber is lower or the price of the finished product is lower, but the capex increase is also lower. So the capex is also lower. So it's in the same range of around 8x to 10x. And what was your second question?

Pathanjali Srinivasan: Could you give me some rough cut -- yes, sir. So what could be a target revenue of rubber for the year, combined, the domestic plus Romania put together?

Yogesh Malhotra: See, it's very difficult because as we are going to put up some pyrolysis plants also domestically, which the production for which is going to be consumed in our own plants, so it's basically for captive consumption. So overall revenue numbers may not reflect in the revenue numbers increase -- incremental revenue numbers may not reflect in the actual numbers that we will get from rubber.

So currently we have only this Romania facility where we will be selling the rubber products. Otherwise, which should be close to INR100 crores to INR125 crores, but that's -- but other than that whatever rubber we have -- rubber products we are using it for the other recycling internally like lead recycling and aluminum recycling.

But going forward we will be having growth of around 70 odd percentage in next 3 to 4 years, CGR growth for rubber products which we will be selling to third parties.

Pathanjali Srinivasan: Just one last question. This other expenses seems a bit elevated for the quarter, so can you -- yes, this is my second question. So other expenses seem elevated for the quarter. So could you help me with, this would be the recurring rate or is there any kind of a one off or something in this?

Sunil Kansal: So, it's a -- so on an average it's a same number. Nothing is one off case. It's a recurring case.

Moderator: The next question is from the line of Amit Lahoti from Emkay.

Amit Lahoti: The inventory cycle has improved in the second half of FY '25, so what has led to this, and do we expect it to sustain?

Yogesh Malhotra: Yes. So the local procurement has increased. As we were mentioning that once the local procurement stabilizes then the overall imports in India as a ratio would come down. Currently in last quarter 48% of the total scrap that we procured was domestic scrap. And also the -- because local scrap is more continuous in nature mode, I mean, like -- as compared to when we import, so the capacity utilization is better. So all these contributed to improved inventory cycles for us.

Amit Lahoti: So we expect it to sustain in the coming year as well?

Yogesh Malhotra: Yes.

Amit Lahoti: And, sir, my second question is, if you could remind your EBITDA guidance for aluminium and plastic in case there is any change?

Yogesh Malhotra: So aluminum also would be around INR14 to INR15 per kilogram going forward. And for plastic also it is going to be INR10 to INR11 per kilogram, at least for this year. Any improvements in plastic is going to come either in the second half of this year as the EBITDA margin improvement or from next year onwards.

Moderator: The next question is from the line of Ashish Poddar from Motilal Oswal Institutional Equity.

Ashish Poddar: So an observation. On Slide 21, we have mentioned our contribution of value-added products, which improved meaningfully from 42% in FY '22 to 46% in FY '25. But during this period, when I see your EBITDA margin, it's a decline from around 10% to around 8%-8.5%. Now over '25 to '28, we are expecting this 46% mix to improve further to 50%. In this context, what kind of EBITDA margin we are guiding to reach in FY '28?

Yogesh Malhotra: So the EBITDA margins, if you look at it are on the same line, is around 10.43% compared to 10.47% last year. I think you have to include the operational income also which comes from hedging. And so the EBITDA margins are also in the same line. And these EBITDA margins can go up a little up and down depending on domestic scrap material or how much value-added product we have sold, what is the contribution of overseas versus domestic procurement, all this -- and of course value-added content.

So scrap mix makes a lot of difference to the EBITDA margins. But as we mentioned that the EBITDA per ton from various commodities like for lead it is going to be around INR18 to INR20, for aluminium it is going to be around INR14 to INR15 and in plastic it is going to be INR10 to INR11 per kilogram.

Even going forward you can expect slight increases every year because of better operational efficiencies, more value-added products and also because of higher capacity utilizations going forward. But this is going to be the range.

Moderator: The next question is from the line of Shweta Dikshit from Systematix Group.

Shweta Dikshit: Sir, couple of questions. First, on the global perspective in terms of lead, what's your view, how the demand is likely to shape up? Because if you look at the numbers or indicated numbers from International Lead and Zinc Study Group, they say 2025 is likely to be a surplus year in terms of lead. So how do we see this demand and how do we see our market share moving in terms of that? And will this have an impact on prices and eventually our EBITDA per ton guidance?

Second question is on the standalone side, what would be India operations led EBITDA per ton for the quarter? That's the second question.

And last question is what -- any view, any comments from your side on the plastics segment performance this quarter, since we have continued to guide it on a INR10 to INR11 per kilogram, but what led towards EBITDA margin decline this quarter and what can likely help improve it in the subsequent period?

Yogesh Malhotra: Yes. So to answer your first question, I think we are a very small player in lead. And even when you say that it is going to be a surplus year for lead going forward, so the impact would be majorly on mining of lead, whereas recycling of lead would not change at all.

The only impact it would have is the LME prices would go up or down. But it does not impact us because the prices of scrap also comes down. So there is a very minimal impact of any change in the lead prices going for a recycling company like us. So we don't see major changes in terms of our expansion plans going forward, even when there is a chance of slowdown in the economy, because it will majorly impact mining companies and not recycling companies per se.

To answer your second question about EBITDA in India or overseas, I think it's better that you evaluate the company on a consolidated basis only because these numbers would change depending on how much import we have done from our own territories, what is the market price in India compared to what is the global market mix. So these things would impact the numbers of India and overseas.

So these are not -- I mean, sometimes you'll see better numbers in India, but the overseas numbers are not doing well. But these are not sustainable numbers because you take advantage of arbitrage opportunities every now and then and that impact the numbers in standalone basis and overseas or consolidated business. But if you evaluate the company on a consolidated basis, you'll see that there is a clear EBITDA numbers that you can see and which is around INR18 to INR19 per kilogram in terms of lead.

And in plastic, it has not grown the way we wanted it to grow last year and -- because it was a little difficult because we are developing new products, trying to find new markets for value-added products in plastic and that is taking longer than what we expected. But we are very confident that by H1 this year, you will see positive changes in both revenue numbers as well as profitability in plastic.

Shweta Dikshit: Sir, just a follow-up to that question. When we say arbitrage possibilities in the domestic or Indian business, do we talk about cheaper raw material or do we talk -- are we trying to say that our realizations -- better realizations in India kind of help us sustain the EBITDA margin if at all there is some arbitrage?

Yogesh Malhotra: Both things. On one side, Indian market does not follow the global market. So sometimes there are times when Indian market is better than overseas market. During those times you bring in your material from your overseas subsidiaries into India. So that is one way of the Indian overall EBITDA numbers would increase.

The other is it all depends on where we have better realization even when the market prices are same because there are more value-added products that we can sell. If there are more value-added products that we can sell in India getting better realization, during those times also we divert our material into India even though the market prices are same and vice versa also. So that will change -- I mean, the metrics whether standalone is better or whether overseas plants give you better profitability.

Moderator: This was the last question for the day. I would now like to hand the conference over to the management for closing comments.

Yogesh Malhotra: Thank you everyone for participating in this call. We trust that we have addressed all your queries during this session. However, if there are any remaining questions, please feel free to 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 Stock Broking Limited, that concludes this conference. Thank you for joining us and you may now disconnect the lines.