Sector: Diversified Metals **RESULT REVIEW Q4&FY25** **Declared On: 16 May 2025**

Pondy Oxides & Chemicals Limited

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs812	22.8	Accumulate	Rs1025	26%

**as on 20th May, 2025*

About the Company:

Incorporated in 1995, Pondy Oxides & Chemicals Ltd (POCL) is India's leading secondary lead smelter while being a lead, lead alloys and plastic additives producer. POCL has 4 business segments i.e. lead, copper, aluminium and plastics. POCL operations are spread across an extensive product basket that spreads across categories of lead manufacturing, litharge, red lead, zinc oxide, lead sub oxide metallic oxides, PVC stabilizers (solid and liquid), lead metals and alloys that are supplemented with various industrial applications. POCL extracts lead and other metals from scrap batteries and reuses the same after refining. POCL has been able to refine lead to 99.99% purity. The customers list mainly includes battery manufacturers, chemical manufacturers and PVC extruded and moulded products. POCL operates through its state-of-the-art lead manufacturing units in Tamil Nadu and Andhra Pradesh, which are complemented by smart and lean aluminium and plastic manufacturing facilities in Tamil Nadu. The company's products are exported across the globe mostly catering to Asian countries like Japan, South Korea, Thailand and Middle-East. Mr. Anil Kumar Bansal is the Chairman and Whole Time Director and Mr. Ashish Bansal is the Managing Director of the company.

Results: Quick Glance:

- The net sales for the quarter reported growth of 44.2% to Rs5237mn as compared to Rs3631mn in the same quarter last year
- The Ebitda margins for the quarter under review remained flat at 5.3%
- The company reported profit of Rs166mn as compared to Rs120mn in the same quarter last year
- The EPS for the quarter stood at Rs5.91 as compared to Rs5.10 in the corresponding period of last year
- For the full year, the revenues and PAT grew by 33.4% and 82.1% respectively while the Ebitda margins stood at 5.1%
- The Board has recommended a dividend of Rs3.50 per equity share of FV of Rs5 each for FY25

Conference Call Highlights:

- For the quarter under review, the company has witnessed a significant increase in production as well as sales of lead, plastics and copper. The production of lead increased by ~21% on a y-o-y basis and stood at 26,074MT while for FY25 the production stood at 94,115MT; an increase of ~30% on a y-o-y basis. Lead sales for Q4FY25 and FY25 stood at 22,988MT and 90,565MT respectively. Ebitda per ton of lead increased by ~21% on a y-o-y basis to Rs13,848/T and dropped by ~1% on a y-o-y basis for FY25. In addition to that, the company anticipates Ebitda per ton at the new plant to be in the range of ~Rs14,500-Rs15,000
- In FY25, lead remained the primary contributor with a revenue of ~Rs19,420mn. The revenue from copper stood at ~Rs550mn, while plastics contributed ~Rs315mn; there was limited contribution from copper and plastic as commercial operations commenced in the latter part of the previous fiscal year. In FY25, the production of plastics and copper increased by 147% and 818% whereas the sales increased by 170% and 760% respectively
- The sales mix between domestic and export markets stood at ~34% and ~66% respectively for FY25. The percentage of value-added products in the lead segment has been constant. The procurement mix of lead, plastics and copper through imports is 73%, 65% and 100% respectively for FY25. In FY25, the company incurred a capex of ~Rs940mn, primarily directed towards strengthening its core verticals and maintaining existing facilities. For FY26E, the Management has guided for a capex of around ~Rs750mn, with a focus on expanding capacity across various non-ferrous metal recycling segments. POCL is expanding its lead production capacity by 72,000MTPA at its Thervoykandigai plant, to be executed in two phases of 36,000MTPA each. Commercial production for phase 1 has already begun, with a total investment of ~Rs850mn funded through internal accruals and QIP proceeds. Phase 2, investment is estimated at ~Rs200mn and the commissioning is expected by H2FY26. The balance capex of around ~Rs550mn will be directed towards capacity expansion and operational efficiency enhancements in the copper and plastics segments. The planned investments include a mix of brownfield expansions at existing sites and new developments at the TKD plant in Tamil Nadu, incremental volumes from the new lead facility are expected to contribute from Q1FY26, with a significant ramp up anticipated in Q2FY26, potentially reaching utilization levels of ~80-90%
- In the copper division, the company plans to broaden its product offerings and increase capacity from ~6,000TPA to ~9,000-10,000TPA, the Management aims to achieve a revenue target of ~Rs3000mn in FY26E. For the plastics segment, while capacity will remain around 9,000TPA, investments will focus on new equipment and process upgrades to improve efficiency, product quality

Conference Call Highlights (contd.):

- In FY25, the plastics division operated at a utilization level of ~40%, while copper utilization remained modest at around 12-13%, with the revenue target of ~Rs500-550mn in FY26E and ~Rs600-700mn in FY27E. On the scrap sourcing front, the company has made notable progress in reducing its import dependency, which declined from ~90% to ~73% in FY25. The company is currently operating with a product mix comprising ~60% value-added products and 40% standard lead products. The Management further indicated an aspiration to gradually increase the share of value-added products to ~70%, reflecting a strategic focus on enhancing margins and strengthening its differentiated product portfolio
- In the aluminium segment, the company has resumed limited production with a revised product mix and expects a gradual increase in volumes beginning Q1FY26
- The company has successfully raised ~Rs1,750mn through QIP, with the proceeds to enhance the operational capabilities, drive expansion plans, and advance its long-term strategic roadmap under Target 2030. Key goals under Target 2030 include achieving over 15%+ volume growth, maintaining a revenue CAGR of 20%+, sustaining Ebitda margins above 8%, delivering ROCE above 20%, and generating over 60% of revenue from value-added products. Furthermore, the company is targeting a reduction of more than 20% in energy consumption to significantly lower its carbon footprint. In addition to that, POCL intends to set up a R&D facility for the creation of value-added products both for the current portfolio and for feasible products which will add overall value to the top and bottom line of the company. Going forward, the company expects to fund its growth primarily through internal accruals, it anticipates to generate an annual cash accrual of over Rs1,000mn, which, along with existing working capital facilities, is expected to sufficiently support its near-term expansion plans
- In line with its strategic roadmap, the Management also indicated plans to diversify into the lithium-ion battery segment. Furthermore, the company is actively exploring inorganic growth opportunities that align with its core business areas; however, any potential acquisitions will be pursued selectively
- The working capital cycle improved from 55 days in FY24 to 50 days in FY25, and the company plans to enhance it further to around 45 days by FY26E. As of 31st March, 2025, capital work-in-progress stood at ~Rs750mn

Financials:

Performance (Q4&FY25)									
Q4&FY25 Result (Rs mn)	**Mar-25**	**Mar-24**	**y-o-y**	**Dec-24**	**q-o-q**	**FY25**	**FY24**	**y-o-y**	**FY26E**
Total Revenue	5237	3631	44.2%	5091	2.9%	20569	15424	33.4%	23037
EBITDA	276	191	44.8%	254	8.6%	1049	721	45.5%	1313
Other Income	(2)	11	-	10	-	23	23	(2.3%)	24
Interest	20	32	(35.9%)	37	(45.5%)	122	172	(29.1%)	91
Depreciation	45	28	60.0%	45	0.3%	166	132	26.2%	185
Exceptional Items	0	0	-	0	-	0	0	-	0
Tax	43	23	85.3%	50	(15.0%)	202	121	66.6%	297
Net Profit	**166**	**120**	**39.0%**	**132**	**25.5%**	**581**	**319**	**82.1%**	**764**

Outlook and Recommendations:

POCL has concluded FY25 with very strong performance, achieving its highest-ever revenue, Ebitda, and PAT, driven by a significant increase in production and sales volumes across lead, copper, and plastic. The company is entering a growth phase backed by the expansion across its lead, copper, and plastics verticals, with the commencement of its new capacities set to unlock both scale and margin expansion. The company's future is supported by strong volume visibility from the new lead facility in TKD, which is expected to reach optimal utilization by H2FY26 and increased blended Ebitda/t, particularly as value-added product contribution gradually moves towards the 70% target. The copper business, though currently running at low capacity, is set for a major boost in FY26E with plans to expand capacity and introduce higher-value products that could significantly grow revenues. The plastics segment, while not expanding in size, is expected to become more profitable through automation and better use of existing assets. On the raw material side, POCL is working to reduce import dependence, which is helping improve cost efficiency. This, along with efforts to save energy and launch new products through an upcoming R&D center, should help maintain healthy profit margins.

Please Turn Over

Outlook and Recommendations (contd.):

The company is investing around ~Rs750mn in FY26E for growth, all funded from its own profits and cash reserves, so there's no pressure on debt. Meanwhile, it is expanding its aluminium business and in lithium-ion batteries; the company is exploring potential opportunities for acquisitions that clearly fit with its business. The Management has provided a revenue guidance of ~30-35% for FY26E, while indicating that both volume and value could potentially surpass this range. Over the next 3-4 years, the company aims to achieve a blended Ebitda margin of ~8% across its lead, copper, and plastics verticals, in line with its long-term profitability targets. The Management anticipates that the copper and plastics segments is anticipated to contribute ~10-20% of total revenues, while lead will continue to be the company's core business. For growth, the Management has maintained a long term volume CAGR target of ~15% and a revenue CAGR of ~20% over the next five years, driven by upcoming capacity expansions across lead, copper, and plastics. With a stronger balance sheet, lower debt, and better working capital, POCL is in a solid financial position. Backed by strong leadership, regulatory compliance, and support from stakeholders, the company is well placed for long-term, sustainable, and profitable growth. The stock has already breached our recent target price of Rs700 and considering the anticipated growth in the quarters to come, we revise the same to Rs1025 with a long term horizon.

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