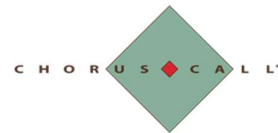




Gravita India Limited
Q2FY27 Earnings Conference Call
October 28, 2026



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LIMITED**
**MR. NAVEEN SHARMA – EXECUTIVE DIRECTOR –
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**MR. ANANT JAIN – INVESTOR RELATIONS – GRAVITA
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***NON-BOARD MEMBER**

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

Moderator: Ladies and gentlemen, good day, and welcome to Gravita India Limited Q2 FY27 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 from Antique Stock Broking Limited. Thank you, and over to you, sir.

Manish Mahawar: Thanks, moderator. Warm welcome to all the participants on the 2QFY27 earnings call of Gravita India. We have with us leadership team represented by Mr. Yogesh Malhotra, Whole-Time Director and CEO; Mr. Sunil Kansal, Whole-Time Director and CFO; Mr. Naveen Sharma, Executive Director, Non-Board member; and Mr. Anant Jain, Investor Relations, on the call.

Without any delay, I would like to hand over the call to Mr. Malhotra for opening remarks. Post which, we'll open the floor for Q&A. Thank you, and over to you, Yogesh ji.

Yogesh Malhotra: Thank you, Mr. Manish. Good afternoon, everyone, and welcome to our Q2 and H1 FY27 earnings call. Thank you for joining us today. I hope you have had the opportunity to review our financial results and investor presentation, which have been uploaded to the stock exchanges.

During today's call, I will take you through the key business developments, strategic initiatives, operational highlights and financial performance for the quarter and half year. Following my remarks, we will be happy to take your questions.

We are pleased to share that Gravita has delivered resilient performance in Q2 and H1 FY27, navigating an evolving global environment and supply chain challenges while continuing to execute its long-term growth strategy. During H1 FY27, our revenue, EBITDA and PAT grew by 40%, 29% and 10%, respectively, supported by an improved product mix, operational efficiencies and contribution from our diversified recycling businesses.

While geopolitical developments and logistic disruptions have impacted the availability and movement of recyclable materials, we have been actively working to diversify our sourcing geographies and strengthen our procurement network.

Alongside sourcing from India and other international markets, we are expanding our presence in developed economies by establishing additional scrap procurement yards. These initiatives are aimed at improving sourcing resilience, reducing dependence on individual geographies and supporting better utilization of our expanded manufacturing capacities over the longer term.

Our performance reflects the strength of our diversified recycling platform and our ability to adapt to challenging market conditions while remaining focused on profitability, operational excellence and disciplined capital allocation.

Going forward, we will continue to strengthen our core businesses, expand our presence across products and geographies and increase the contribution of value-added products as we progress towards Vision 2030.

Before discussing our financial performance in detail, let me first walk you through the key strategic developments during the quarter that continue to strengthen our growth trajectory. Our strategic expansion in copper recycling continues to progress well. The initiatives across Mundra and Mandvi designed to strengthen integration across the copper value chain.

At Mundra, we have announced plans to add 59,200 metric tons per annum of copper recycling capacity with an estimated investment of approximately INR64 crores to be funded through internal accruals. The capacity is expected to be commissioned in phases by March 2029.

This expansion will support raw material sourcing for our proposed Mandvi plant and further strengthen integration across our copper recycling operations, enabling us to cater to growing demand in domestic and international markets.

At Mandvi, Gujarat, work is progressing on our 29,400 metric ton per annum copper recycling facility with an estimated investment of approximately INR160 crores. The project remains on track for commissioning within the next 12 months, as previously guided. Funded through internal accruals, the facility will strengthen backward integration, expand our value-added product portfolio and support long-term profitable growth.

We have approved an additional investment of approximately INR94.42 crores to subscribe to the rights issue of Rashtriya Metal Industries Limited against a total rights issue of approximately INR94.81 crores. The proceeds will support RMIL's strategic initiatives and general corporate purposes, further strengthening our presence in the copper and copper alloy segment.

We remain very optimistic on lithium-ion battery recycling space, a segment poised to grow alongside the rapid rise in electric vehicles. As battery feedstock availability increases, we will scale towards higher value recovery and processing, positioning this business as a key contributor to Gravita's future growth.

In line with our long-term expansion strategy, we have embarked total capital expenditure of INR1,680 crores through FY29. Of this, INR815 crores will be allocated towards strengthening and expanding our existing businesses with the balance directed towards entering new recycling verticals, including lithium-ion battery and copper.

The 57th GST Council has recommended bringing electrical and electronic waste scrap under the reverse charge mechanism for procurement from unregistered suppliers. This will exponentially enhance our domestic procurement and fast track the shift from formal to informal.

We are also strengthening our international sourcing capabilities. The Board will -- the Board has approved the incorporation of a wholly owned subsidiary in the United States proposed to be named Gravita Recyclers USA, Inc. with an initial capital of US\$50,000. The proposed entity will focus on setting up scrap procurement network in the U.S. and other neighbouring countries.

It is expected to support our international procurement network, broaden sourcing options and improved supply chain across our recycling businesses.

Reinforcing financial stability, RMIL has received an ICRA stable AA rating for its long-term facilities and an ICRA A1+ rating for its short-term facilities, underscoring its strong credit profile.

Coming to operational performance. Our overall operating performance during Q2 and H1 FY27 reflected the contribution of our expanded manufacturing base, improved operating efficiencies and continued focus on product mix. Total volumes increased by 3% year-on-year to 52,199 metric ton per annum in Q2 FY27.

While the availability and movement of scrap continued to influence operating levels in certain businesses, we remain focused on optimizing production, maintaining profitability and improving the utilization of our manufacturing facilities.

Production and sales also recorded sequential growth during Q2 FY27. Value-added products contributed 64% of total sales in H1 FY27, reflecting continued progress in improving the product mix. The Plastics segment continued its strong growth momentum in Q2 FY27, driven by sustained demand and improved operational performance.

The Copper segment operated at 50% capacity utilization during H1 FY27 with sales increasing by 12%, following our strategic entry into copper through RMIL. We are focused on improving operational integration, leveraging procurement and manufacturing synergies and progressively scaling the business.

Our capacity utilization -- as capacity utilization improves and our planned recycling infrastructure comes on stream, we expect copper to become an increasingly important contributor to our consolidated performance. In terms of profitability, EBITDA per ton for the lead, aluminum, plastic and copper segment stood at INR22,620, INR22,664, INR10,334 and INR84,671, respectively, during Q2 FY27.

Moving to the consolidated financial performance for Q2 FY27, revenue grew by 38% year-on-year to INR1,427 crores, supported by the contribution from our diversified businesses, higher capacity utilization across key segments and continued operational efficiencies. Value-added products contributed 64% of consolidated revenue during the period, marking further progress towards our Vision 2030 target and deriving approximately 60% plus of revenue from value-added offerings.

RMIL contributed INR420 crores to consolidated revenue during Q2 FY27 with an EBITDA margin of 8.5%. Its contribution strengthens our presence in the copper and copper alloy segment and further diversifies our revenue base beyond our traditional recycling businesses. Adjusted EBITDA increased 28% year-on-year to INR143.37 crores, with EBITDA margin remaining healthy at over 10%. Consolidated PAT grew 6% year-on-year to INR102 crores, while PAT margin remained over 7%.

Looking ahead, we remain confident in our ability to deliver on Vision 2030 and sustain our long-term growth trajectory. Our priorities remain clear, strengthening our leadership in core recycling businesses, expanding into high-growth verticals, increasing the contribution of value-added products and building a more resilient international sourcing network.

With a strong pipeline of capacity additions, deeper integration across the copper value chain, the development of lithium-ion battery recycling capabilities and continued emphasis on operational excellence and capital discipline, we believe Gravita is well positioned to capitalize on the growing global circular economy opportunity and create sustainable long-term value for our stakeholders.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Amit Dixit from GS.

Amit Dixit: First of all, sir, congratulations for a good set of numbers in a very testing operating environment. Two questions from my side. The first one is on the West Asia crisis and the impact that we have on sourcing of scrap or maybe the exports. So what kind of impact do you see? Has it reduced compared to the last quarter since we might have taken some steps to navigate that? And how we are thinking of navigating it or mitigating some of that impact?

Yogesh Malhotra: Thank you. So basically, of course, what we have done is that we have expanded our procurement network internationally. And we've gone to geographies from where we were not earlier picking up material because for various reasons. One of them is because it's a little costlier proposition compared to the territories where we were present. And establishing new areas, new geographies take some time.

But the good news is that now, that part is over. So although as far as the Gulf region is concerned, we are still not getting much scrap or raw material from these areas, but we are developing new areas. And some of the material will start coming in Q3, but major -- I mean, so there may be some delay in those material reaching to us in our factory, but the bookings have started in last quarter itself.

But another good news is that even in the domestic market, if you see, the reverse charge mechanism has -- although it's not been notified, but it has come through for a battery scrap also. And we have seen a good reaction to that in the domestic market. And we hope that in Q3, Q4 and in the next year itself, we will see a huge volume coming from domestic market also because now the disparity between the unorganized sector and the organized sector is not there.

So we are very confident that we'll turn around this issue in the next couple of quarters. So -- but what I can say is that the worst is over. Now there will be some improvement in the overall volumes from lead also going forward.

Amit Dixit: Sir, the second question is essentially on lead volumes. So if I look at lead volumes, I mean, for Q2, it is lowest since last several quarters, 11% down Y-o-Y, Q-o-Q. So just wanted to

understand if this is a onetime blip that we are seeing or there is some -- in short term, we might see lead volumes at these low levels?

Yogesh Malhotra: No. So as I mentioned that these -- basically, these volumes -- the worst is over. So even when you -- our working capital cycle is around -- in lead is around 80 to 90 days. So even if you book something today, it will reach you in 90 days. So -- but you have to develop new territories, new geographies. So generally, that material takes time for you to reach. So that is why -- I mean, you cannot just turn it around in a couple of quarters itself.

But as I mentioned earlier that we have booked some quantities for new geographies also. And it is taking some time to reach us in India. But once those volumes will start coming to India, the volumes will start improving. And also, the domestic market has also responded well to the reverse mechanism. So we will get substantial volumes from the domestic market also in the coming quarters. So this is probably a one-off quarters where the lead volumes have gone down. In future, we expect the growth to come in lead also.

Moderator: The next question is from the line of Shreya Masalia from Ashika.

Shreya Masalia: So my first question has already been answered like on the scrap sourcing. My second question was on EBITDA per ton. So this quarter, the EBITDA per ton of quarter for the copper has gone substantially high, like around INR80,000 above. So just wanted to ask like what is the sustainable amount of EBITDA per ton on copper terms?

Yogesh Malhotra: Yes, definitely, the copper EBITDA has gone up, partially because we have changed the raw material mix, changed the sales mix also. And to some extent, the economies of scale have also helped us because the capacity utilization has improved in copper. So it has partially come from that. But -- and also, we got some order of high-value products in this quarter. So that also contributed to some extent to the higher EBITDA.

In copper, we expect that for the next few quarters, you will have a sustainable number of around INR65 to INR70 per kg. But going forward in the next 2 to 3 years, once our recycling facility is there as backward integration to the RMIL business, the EBITDA would grow to around INR80 to INR90.

Shreya Masalia: Okay. And so I saw that your stand-alone profit has fall sharply like around 50%. But at the same time, the consol has gone up by 6%. So like from where is majorly the revenue coming in?

Yogesh Malhotra: It's partially from RMIL, the copper business and also from our overseas subsidiaries.

Moderator: The next question is from the line of Vikash Singh from ICICI Securities.

Vikash Singh: Sir, just wanted to understand while FY27 seems to be a little bit low on the volume due to geopolitical issues, how should we -- but our capex plan has been intact. So how should we look at the volume growth going forward? And also U.S. subsidiary, which we have created basically for -- I believe it was scrap sourcing.

If you could give us some more highlight that whether we would be kind of act as an accumulator there or we would buy some dump yards basically to become the source material for ourselves? What is our thought process on those lines?

Yogesh Malhotra: So definitely, whatever we are going to source in U.S. is going to be raw material for us, for our India operations, both for copper and to some extent, for lead also. Because generally, most of our yards so far that we have been let are from the developing economies. But in copper, the generation of copper scrap happens mostly in the developed nations. So therefore, if we want to -- and we always believed that to be successful in the recycling business, you have to have control over the sourcing.

So that is why we believe in not buying from aggregators. We want to put up our own scraps wherever we are so that it gives us a delta while buying from the aggregators. So we are putting up -- going to put up yards in U.S. so that we can control sourcing and go to the last mile for sourcing. And that product will import into India and then do the recycling in India.

Vikash Singh: Currently, what percentage of our overall material is sourced from U.S. and how it would shape up as per you?

Yogesh Malhotra: See, in lead, we are hardly getting anything from U.S. so far, although we've started doing some bookings in this last quarter. But in copper, even now most of the scrap that comes to India comes from U.S. for us also. But the biggest difference is that it comes through aggregators.

And so there is a huge difference in pricing once you source from small scrap yard owners and then consolidate it and bring it to India compared to what you do it with the aggregators. So the idea is to not depend on the aggregators and then start doing sourcing on your own, which we've been doing successfully in other geographies.

Vikash Singh: And just one more question. I see that our sequential utilizations in RMIL had been stagnant at -- so the problem -- where was the problem in terms of ramping it up?

Yogesh Malhotra: So, first of all, there are two issues in RMIL. One is that you need to debottleneck the manufacturing process because the overall capacity is based on the overall capacities of all the finished goods. But there are certain bottlenecks within the systems for which you need to have additional capex done. You need to install new plants and machinery so as to increase the utility. So that will take some time.

We've already ordered some machines. We are already doing -- I mean, to improve -- increasing the operational utilization. So it will take maybe 2 to 3 quarters to improve it to around 65% to 70%. But beyond that, if we want to go, then we have to do capex to increase the overall capacity of the system, which will take probably around 3 years.

Vikash Singh: Sir as of now -- there could be 75%.

Yogesh Malhotra: Yes, 65%, 70%.

Moderator: The next question is from the line of Netra Deshpande from Mirae Asset.

- Netra Deshpande:** Congratulations for a great set of numbers, especially for copper EBITDA per ton that has extremely jumped after RMIL. So my first question pertaining to the lead volume. And yes, with the lead volume fell around 12%, 11% due to the scrap availability or any weaker demand or any other deliberately shift, which is towards the value-added products like not only specific with any other core business? And what would be the volume growth which is expecting for the H2 FY27 or FY27 like what would be?
- Yogesh Malhotra:** It's primarily because of the raw material availability. If you look at the EBITDA numbers, if you look at the value-added products, so with whatever raw material was available to us, we tried to maximize the value. So it's very clear that the demand is not an issue.
- The major issue for the last quarter was raw material availability. And that also because the disruption took place so suddenly and it takes time for you to develop new geographies. So I think from next quarter onwards, you will start seeing that improvement in lead business for us.
- Netra Deshpande:** Okay. Okay, sir. Okay. So -- and what about this capex for the INR585 crores that has already spent in H1? So the target for that would be for the next contract, which is the remaining about any other products?
- Yogesh Malhotra:** So, overall, capex, we are pretty much in line with the 2030 plan. So there would be -- it's around INR1,680 crores till FY29. So we are right on track in this. And if you are -- so we already spent approximately INR600-odd crores till now on -- out of this INR680 crores of plan, and we are on track of increasing the capacity also. Currently, we are at approximately 480,000 tons, which we are taking it to 800,000 tons by spending this amount. So we are on track on both the sides.
- Netra Deshpande:** Okay. Okay. Got it. And sir, what about the copper operation for the Gujarat, like copper scrap has been secured for the Mandvi start-up or any other plants, how many tons of copper scrap that have contracted over here?
- Yogesh Malhotra:** So ma'am, copper scrap, as I mentioned earlier, also is not an issue. We can always source the scrap from the developed nations through aggregators. So that is not an issue. So the moment the Mandvi plant gets the license to start operations, we will start procuring that material. But the value would not come by just procuring that material.
- The actual value will only come when we set up our own yards in these developed nations. So we are expecting to start the company in U.S. in this quarter itself. But it will take us time to set up our own yards and gradually, we'll probably in the next 1 to 2 years, we'll fully operational on our business there.
- Netra Deshpande:** Okay. And what is the scalability of this recently incorporated newly owned subsidiary of Gravita Recyclers USA that recently you have...?
- Yogesh Malhotra:** Ma'am, we've just incorporated the subsidiary right now. We have -- there is no operations right now there in the U.S. It has only -- we have just set up the -- actually, U.S. company is just a sourcing arm for us. Basically, it will be sourcing scrap from U.S. and it will be shipping the scrap to Indian plant to feed for copper and as well as battery scrap also. So it is not going to generate the revenue directly. But yes, it will help us to reduce the scrap collection costs.

- Netra Deshpande:** Okay. Okay. So there must be scrap yards. So what would be the capex, any other investments like inside...
- Yogesh Malhotra:** So capex is not substantial because mostly these facilities will be on lease model. All the scrap yards will be on the lease model. Only the working capital will be needed. And whenever we start the operations, we'll take the working capital and we start sourcing the scrap and shipping it to India.
- Moderator:** The next question is from the line of Sagar Shah from Spark PWM.
- Sagar Shah:** First of all, congratulations to the management for posting at least a sustainable set of numbers in this kind of uncertain environment. Now my first question has already been answered. I mean it's about the lead volumes deceleration that we saw that was a predominant problem that happened in Q1 and has also continued in Q2.
- So now effectively, it's -- you have diversified -- you are diversifying actually your sourcing actually, and that is why you have set up a subsidiary in U.S.A. So -- and also the RCM mechanism that came in India.
- So now I wanted to understand some quantitative numbers that what is your, sir, import versus domestic scrap ratio actually in this quarter? And going forward, what you actually envisage? How much percentage of scrap are you envisaging from abroad and how much from India? That is my first question, sir.
- Yogesh Malhotra:** So last quarter, it was around 26% of scrap was Indian battery scrap and 74% was imported scrap. So going forward, I think even though we have set up our new geographies overseas, internationally, but we believe that the domestic procurement is going to give us much more volume compared to international volume. So around 50% -- 40% to 50% would come from the domestic sourcing only and balance 50% to 60% would come from overseas sourcing for India.
- Sagar Shah:** Okay. So sir, within the lead segment, do you expect at least our sales, something like sales mix also to improve actually within the domestic and exports?
- Yogesh Malhotra:** Sir, actually, we don't discriminate between domestic and export. It's basically wherever we are getting better realization, we sell in that market. So if the margins are better in Indian market, then we'll sell in Indian market. Otherwise, we'll export it. It will always be a dynamic decision. In some cases, you will see that exports is better in other quarters, you will see domestic sales is better.
- Sagar Shah:** Okay. Got your point. So that's a tactical decision that the management takes based on the operating environment, actually, it is prevailing. So my second question was related to copper. Copper, again, in this quarter, first of all, congratulations for very healthy performance actually in this segment for even growth in even in volumes and also in terms of your segment margins also.
- So within copper, I wanted to understand the product mix you highlighted one of the earlier participants question actually that you have changed the customer mix and you have changed

the product mix as well. So I wanted to understand that the product mix has been -- has it been shifted to the Phase 2 of copper integration already in the RMIL?

I mean, have you moved on to -- from traditional copper rods to -- have you moved on to copper busbars or copper wires? Or have you done that? Can you elaborate on that segment so that we can have an idea that what actually trajectory the company is looking as far as copper is concerned?

Yogesh Malhotra:

Sir, in copper, RMIL has always been selling value-added products like copper strips, sheets cups for ammunition and coin blanks. So these have always been more profitable businesses. The only thing that we've done is that we've tried to rejig the entire sales process so that we sell the products that gives us the maximum margins because the capacity is constrained to some extent. So that is what we've done.

But more than that, the major amount has come because we have increased the capacity utilization also and also because we have done some rejig in the sourcing also. So wherever possible, wherever we can use scrap material, we are using scrap material also. And that is why if you see the overall profitability has gone up, although also it has also impacted to some extent, our working capital cycle in copper because we have now started importing a lot of scrap from U.S. So -- but overall, EBITDA margins have improved because of that.

Sagar Shah:

Okay. Fine, sir. And just lastly, on the copper front only, are we hedging our copper position, sir? This is the last one.

Yogesh Malhotra:

Including copper and lead. In case of aluminum, there is no -- as we mentioned numerous times that there is no possibility for us to hedge it because it's not being traded. So we are not hedging.

Sagar Shah:

No, sir, I'm just asking for copper, sir. I'm just asking for copper.

Yogesh Malhotra:

Copper and lead, we are hedging, sir. Copper fully hedged.

Moderator:

The next question is from the line of Prolin Nandu from Edelweiss Public Alternatives.

Prolin Nandu:

My question is on the sourcing, right? You mentioned sourcing as a moat, right? So just wanted to understand both for the copper and if you can separately answer for lead as well as copper as to what is the advantage that one has having a local sourcing yard or some kind of an ecosystem in the country from which we are sourcing, right?

And on the lead side, right, we already have some infrastructure in some of the countries. But despite that, in such uncertain time, we have faced challenge. So just wanted to understand what is the kind of moat that we want to develop over the period of time on sourcing for lead as well as copper? And what kind of a mix one should think about domestic as well as international scrap sourcing?

And with the -- from the countries that you are importing, having a yard there or collection center there, how does it help? And are there any regulatory headwinds which might prevent importing from some of the countries where we are operating, maybe Europe or some other countries that

we are importing from. So slightly more qualitative texture from you as to how do you see sourcing as a key mode for our business?

Yogesh Malhotra:

Sir, basically, in a recycling business where scrap is concerned, I think the biggest contributor to profitability is your strength in sourcing itself. So when we say that we set up our own yards, it's simply because it gives you better margins as compared to people who buy it from aggregators. So you can consider this like a reverse FMCG kind of a process.

In an FMCG, generally, what happens is that the company that can sell its goods to the last retail shop, the distribution network is best. They are the people who succeed in FMCG. Similarly, in scrap business, if you can collect at the source itself, it will give you advantage over people who are buying it from aggregators who collect from these sources and then keep it, consolidate it and then give it to the highest bidder.

So we bypass that and that has always been our strength. And that is why if you see the EBITDA numbers that we give vis-a-vis the competition has always been very high. And that would continue to happen.

And to answer your question about in the -- because of the problem, why has it affected us? So the answer to that is that there is only a limited supply of material in a particular territory. So if in some of the territories, there is a restriction, you can't now sell it from those territories, then definitely in the short term, it will impact you.

But slowly, you will develop new geographies and also because the logistic cost will go up from those territories to bring it to India, and it will not be that profitable. So we then decide not to compromise the profits and just bring in the volumes. And at the same time, what we have done is that we have started developing new territory. And this was always the plan.

We were always planning to go into the U.S. to set up our own yards. But only for lead and aluminum, it was not making sense. Now with copper coming to the picture, now it makes sense for us to set up our own yards in the U.S. also because the volumes will be there to justify the additional fixed cost for those scrap yards. So definitely, it's going to give us better margins and also control over the raw material in future for both lead as well as copper.

Prolin Nandu:

Sure. So just slightly more double-clicking on this, right? Are there any regulatory risks that you see, which will restrict the exports from these countries where you are setting up a yard? And secondly, when you say you want to go directly to the source, how deep you want to go, right? Because ultimately, you are setting up a yard, you're not setting up a collection kind of an infrastructure in these country, right, in a way.

So how deep we want to go when you are saying that we want to set up a local collection infrastructure in these countries. And there are multiple ways in which one can source even in these countries, right? Aggregator is one to go directly to the source like some of these metal traders, right, is another source.

So can you just tell us across these different sources, why is it that -- I understand the cost and the quality part, but there are some competitors of ours who do not have a setup and they are

still operating while at a lower margin, but they are still operating. So amongst the multiple routes, right, how deep we want to go in setting up our own infra in these countries?

Yogesh Malhotra:

The idea in this is that you very rightly said that we cannot go to each and every household to collect the scrap. So generally, there are scrap yards in countries like -- let's take an example of U.S. only because Africa is totally different. So in U.S., generally, there are various tiers of yards. So you can say that Tier 1, Tier 2, Tier 3 and Tier 4. So the idea that we have is that we will put up a consolidating yard in major cities.

And then we'll start collecting from these Tier 3, Tier 4 yards, have tie-ups with them so that all their material we can pick up, we will have long-term contracts with them, we'll give them financial support also. And so that is how we will ensure that most of the material comes to it at the right price rather than people who buy from them and then they kind of -- so if you look at it, if you buy from aggregators compared to if you use your own scrap yards, generally, it will give you around 2% to 3% additional margins after taking care of all the expenses that you incur in operating those scrap yards. So that is a major contributor to margin in our case. Whether it is lead or copper, it doesn't matter. The margins remain there. So that is what we are planning to do in the developed nations.

So as far as regulatory headwinds are concerned, I think it's basically the tailwinds that are there. And as it is -- if you talk about Europe, all the scrap is banned. They don't export it from Europe. So they are very -- but on the other hand, most of the countries have started -- I mean, stopped importing scrap, like China has stopped importing scrap. So more and more countries are now stopping importing scrap rather than people -- I mean countries not selling them. So therefore, scrap availability has gone up, and it will continue to go up is what we believe. So that will basically be a tailwind for us.

But if -- suppose as you say that there is -- India stops importing material or they put a ban on import of these products, which is very unlikely to happen because the government policy is to promote make in India. So they are encouraging people to import scrap into India and then do it. But in case that does not happen, then we have overseas operations also where we can -- if it is a permanent -- I mean, this was only a temporary problem.

But if it was a permanent problem and India stops imports of those scraps, then we have overseas operations where we can increase our capacities, put up plants in other countries also and mitigate that risk also in future. But we don't believe that, that is going to happen anytime soon.

Sunil Kansal:

Because copper scrap earlier, there was a duty on the copper scrap and then government stopped charging that duty -- import duty on copper scrap rather. So they want to promote the copper scrap to be imported in India. So rather than stopping that because it is more...

Yogesh Malhotra:

Because we have deficit in most of these metals. So India encourages that you import those metals in scrap form and then process it here and then so that India can be self-dependent on these metals.

Sunil Kansal:

So rather regulatory is all positive for this business.

- Moderator:** The next question is from the line of Khush Nahar from Electrum PMS.
- Khush Nahar:** So what would be the hedging income for the second quarter? Just want to know that.
- Yogesh Malhotra:** Okay. The total reported income in Q2 and other income was INR18 crores. Out of that, INR9.39 crores was our operational income and INR8.61 crores was the other non-operational income.
- Khush Nahar:** Right, sir. And sir, just lastly, on the lead volumes, so always been just a month for Q3, but we are seeing some green shoot signs in terms of RM sourcing?
- Yogesh Malhotra:** Yes. As I mentioned, yes, so we are seeing some encouraging signs in India operations of India procurement operations also, although the notification is yet to come, but we have seen that on the ground, people have started offering scrap to us, which were earlier they were not offering us. So there has been some positive change there.
- And also internationally, because we've shifted some of the material, we have developed some of the geographies from where we have now started procuring material for India. So that will also start coming partially from this quarter itself. So we see some upside in lead businesses from this quarter itself.
- Moderator:** The next question is from the line of Bhavya Gandhi from Bajaj Alternate Investment Management.
- Bhavya Gandhi:** A couple of questions. One is regarding the RM sourcing from U.S. Obviously, the cost of raw material in U.S. would be at a higher cost. That is the reason that we were not going to U.S. and we were taking RM from countries like Africa and Middle East and stuff like that. So just wanted to understand because of the supply crunch, will -- by changing the sourcing to countries like U.S., will the overall EBITDA per kg take a hit on a longer-term basis with respect to lead? That is one.
- And would you delay the capex for lead because the overall utilization is still at a lower level? So do you plan to postpone the capex by any chance? Will that be a possibility? Just wanted to understand that.
- Yogesh Malhotra:** So to answer your first question, I think -- so we have our internal ROCE targets for all these businesses. So long as we meet those targets, we will keep recovering from all the geographies possible. So even though maybe compared to Africa, battery sourcing may be a little costlier in U.S., we don't deny that. But it will still meet our ROCE requirements. And also because we will be consolidating copper, aluminum and battery scrap in Africa.
- So overall profitability would increase rather than -- I mean, so earlier why we are not buying it was simply because we were -- we had to buy it from aggregators if we wanted to buy it. So therefore, it was not making sense. But once you start buying -- putting up your own scrap yards and start collecting from small time scrap dealers, then the prices will come down, and it will meet your ROCE requirements. And of course, we -- wherever we are getting batteries, I mean, it's not that we will stop buying from Africa. We'll keep buying from Africa, and we will keep

on increasing capacities if it is required to increase the capacity so long as battery scrap is available.

So the only constraint in future is going to be the scrap availability. So long as scrap is available and it is profitable and it meets the ROCE requirements, then we'll keep on buying more and more scrap and keep on increasing our capacities. We will not delay the capacity increase till the time we have a sight on the import of scrap. Only when we see that there is no scrap availability in future, would we kind of delay or stop capex in future. And we see for the next 3, 4 years, there is enough availability there both in India domestically as well as overseas. So we would not slow down on our capex.

Bhavya Gandhi: Also on the BWMR part, which you will see a major uptick in FY29, that is where the 7-year timeline ends. If you can throw some light, will it be like a hockey stick RM sourcing over there and revenue for you as well?

Yogesh Malhotra: So I think the major problem also it was coupled because of this Gulf war. What happened was that because imports of scrap was restricted, so there was a huge pressure on the domestic scrap in the last two quarters. And because the unorganized sector was getting an 18% additional margin because of GST regulation. So the organized players, including the battery manufacturers, it was very difficult for them to source that material on the ground.

Now with this reverse charge mechanism coming into picture, I think the BWMR will be fast tracked. Now the battery -- I mean, we've always been saying that it will take around 3 to 5 years for this entire recycling sector to convert from unorganized to organized. I think that is -- that may be optimistic, but we firmly believe that now it will be fast track because that 18% advantage that the unorganized sector had will now go away.

So they will be on an even playing field with us. And therefore, because of our better efficiency and our sales mix, etcetera, we'll be able to outprice them for the scrap, and there will be a major shift that will take place.

Bhavya Gandhi: No, my question was regarding FY29, particularly where the BWMR 7-year window ends and for the compliance angle for the battery manufacturers. So just wanted to understand, will there be a hockey stick or sort of demand for recycling in FY29?

Yogesh Malhotra: No, not only FY29. What I'm saying is that because of this new reverse charge mechanism, the shift will take place from this year itself is what we are expecting. because the only interest in that was because a lot of that battery was going to the unorganized sector. Now with this extended -- sorry, with the reverse charge mechanism, we will be able to match the prices that the unorganized sector is giving to the scrap dealers. And therefore, we will be able to -- most of the organized sector will be able to get that scrap. And therefore, the EPR regulations will be fulfilled from this way.

Sunil Kansal: You are asking that the targets has to be completed within the window. So there will be a surge in demand of EPR credits once this window closes of 7 years. Yes, you are right. Certainly, most of the people are buying on a regular basis, the producers. But those who are waiting that prices

of EPR will go down they are deferring their purchases. So once this window of 7 years closes, then there will be certainly a surge in demand. And no doubt, there will be credit demand will go for EPR and the band is around INR5.40 a kg to INR18. So the market will decide how you are able to get the EPR prices.

So on that side also, there are a lot of development happening. Central Pollution Control Board is planning to keep these credit on an electronic credit platform, which will be traded under MSTC guidance. And all these credit generations audit will be done. So that is also taking place. So the rules are being formed and soon they will be implemented. So the future of EPR portal at Central Pollution Control Board will be monitoring all your purchases, GST, e-way bills and similarly your sales. So this audit will help in January EPR credit creation.

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

Pathanjali Srinivasan: I have a couple of questions. So firstly, with respect to lead, what do you expect to be a growth rate for you in terms of volumes going forward? I know that you're having a challenge right now with respect to sourcing material. But going forward, what would you expect the growth rate to be?

Yogesh Malhotra: So irrespective of the past two quarters being not so good, we believe that going forward, the lead would grow at around 18% to 20% for the next three years in volume terms. So there may be quarters where we would not fully grow by around 18%. But by the end of these three years, the overall growth would be around 18% CAGR.

Pathanjali Srinivasan: Okay. And with respect to copper, I think margins saw a fair bit of increase this quarter versus the previous quarter. What would be a sustainable level of margin for us in this business?

Yogesh Malhotra: For the short-term basis, around INR65 to INR70 per kg are the sustainable margins. But in long term, once we set up our own recycling subsidiary, and therefore, once we make it fully operational in the next three years, the margins would be around INR90 per kg.

Pathanjali Srinivasan: So if I look at last quarter's number in this quarter number, I think it's moved from INR55 to INR85, but you're giving INR70 as the number. Was there like an inventory loss or something last quarter, which you have caught up on this quarter? Is that the correct understanding for this quarter's number?

Yogesh Malhotra: No. Actually, as I mentioned that we've started using some imported scrap raw material for the products were imported. And also, we've got some good orders for some higher margin sales. This is not something similar to that because here, we are making some specialized products. So in some quarters, you get some good orders from -- for some value-added products. So last quarter was one of those quarters where we could get some good sales mix, better sales mix.

And also from INR55 -- I mean, we are saying that around INR65 to INR75 EBITDA per ton is sustainable. So that will -- that was considering the higher efficiencies that we will incorporate and also the capacity utilization increasing and also because of the raw material utilization, which was not there in the Q1. And therefore, the EBITDA margins were a little lower. But

going forward, around INR65 to INR70 per kg without the specific sales orders that we got this quarter is.

Moderator: The next question is from the line of Sahil Bambade from Monarch.

Sahil Bambade: Most of my questions are already answered by you, but I actually wanted to get your perspective on the India's aluminum recycling industry. But in the context of this new proposed European regulations on the scrap exports, -- so basically, with the EU looking to restrict the certain waste and scrap exposure to the non-OECD countries like India, how significant do you think this impact could be on the India's aluminum scrap availability and procurement cost? So this is my first question.

And my second question is regarding Gravita itself. So roughly what proportion of your gravitas aluminum scrap is currently sourced from the Europe? And how easily could you replace that supply with scrap from, let's say, other regions, U.S. or any other Africa? And if this proposed restriction come into effect? So that's my two questions.

Sunil Kansal: So your first question, that EU WSR guidelines. So India has already written to EU that we will be part of this scrap chain. And there are negotiations going on with the Ministry of Commerce and Ministry of Environment, Forests with them. And will certainly keep getting material because European scrap yards, they also want because it will necessarily create monopoly in Europe because their smelters are already having a lot of material, the additional material only comes to India. So that will be sorted out.

And when it comes to Gravita, we are not dependent much on the imported scrap because most of our processes, which we are processing aluminum is in Africa, all our four locations. So we local scrap there, and we make. In India, we shifted our Jaipur unit to Mundra, and that is -- will start soon. And there also, we'll collect more of African scrap because as of now, whatever operational plants are mostly from Africa only.

Yogesh Malhotra: So what is happening is that all the African countries are getting second-hand vehicles imported in Africa from European countries. And then they have discarded over there, and the scrap is available in Africa as a local scrap. So that's what is happening.

Moderator: The next question is from the line of Dheeraj Ram from 360 ONE Capital.

Dheeraj Ram: Could you please let me know we are setting up our tire recycling facilities in our existing plants so that we can use TPO internally and then maybe chance of selling RCB outside. Could you let me know when this is going to start?

Yogesh Malhotra: Yes. So as far as using our TPO internal usage for all of our African plants, we are already doing it. In India, actually, so probably in future, we may think of setting up the tire plant. But currently, we are more focused on the existing lithium and battery and copper business. So we have kind of put it on a back burner right now.

But definitely, in the scheme of things in the next three years, we are definitely going to set up the tire recycling plant in India also. But initially, I think right now, our focus is on copper and

setting up our own yards in the U.S. and consolidating the existing verticals of lead, aluminum and plastics.

Dheeraj Ram: Understood. And during this rise of crude prices and TPO is substantially cheaper to crude, won't it be operationally efficient to have TPO internally like how we have in Africa? Similar can we have in India anyway soon?

Yogesh Malhotra: So I think the government has regulation of -- now they are restricting the import of scrap tires in India for TPO. So you can't set up a plant in India to make TPO from imported tires or imported scrap. So therefore -- and if you start using Indian scrap, again, there is this GST issue that is prevailing. So we, in any case, don't buy local scrap in India. So for us, setting up this plant was not to set up it for TPO, but for other uses of rubber, which we are postponing for right now.

But we are looking at alternative fuels. Always, we are looking at alternative fuels. Currently also, we are using TPO also as well as we are using other kind of sustainable fuels also. And going forward, we would -- we are also planning to set up our own gasification plants, which will run on all kinds of coals and other materials, etcetera. So in terms of -- both -- it will both help us in lowering down the cost of fuel also as well as in our carbon emissions also for future.

Dheeraj Ram: Understood. Got it. And last question is, you've seen lithium ion is somewhere near future. When do you see lithium ion actually going to come and contribute to the top line? And how do we see the procurement of this?

Yogesh Malhotra: So lithium ion, I believe that in the past few quarters, you might have seen that the EV vehicle population have gone up and more and more people are now buying EVs. We believe that average life would be around 6 to 7 years for these batteries. So -- but of course, some of the material will start coming a little earlier.

So I think in the next 4 to 5 years, we can see some volumes coming from lithium-ion batteries on a conservative outlook, but it can start coming a little earlier also. And -- but of course, in our Vision 2030, we've not taken any revenue or any inputs from lithium-ion battery revenue for our target for 2030. If it comes, it will be only additional to whatever is the target right now.

Moderator: That was the last question for today. I now hand the conference over to the management for closing remarks.

Yogesh Malhotra: Thank you, everyone, for participating in this call and for your continued interest in Gravita. We trust that we have addressed your queries during the session. Should you have any further questions, please feel free to reach out to our Investor Relations team. Once again, thank you for your time and participation. Have a great day.

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