Pondy Oxides & Chemicals Ltd (PONOXI)

CMP: ₹380 | Target ₹ 520 (37%) | Target Period: 12 months | BUY

November 16, 2026

Muted show, turnaround to materialise from Q4FY27

About the stock: Pondy Oxide and Chemicals (POCL), est. in 1995, is engaged in recycling & production of non-ferrous metals (Copper, Lead, Aluminium, and others). It is one of the largest recyclers in operating in non-ferrous space in India.

- Operates 2 manufacturing complexes located in Tamil Nadu and Andhra Pradesh with combined annual production capacity of ~2.4 lakh tons.
- Consol. FY26 Sales: Lead and lead alloy ingots (~76%), Copper and copper ingots (~23%), Aluminium alloys and engineering plastic granules (~1%)

Q2FY27 Result: POCL reported muted results. Topline for the quarter came in at ₹ 708 crore, up 11% YoY. EBITDA for Q2FY27 stood at ₹ 32 crore with margins at 4.5%, down 150 bps QoQ. PAT for the quarter came in at ₹ 20 crore, down 42% YoY. EBITDA/tonne moderated sharply with Lead segment reported EBITDA/tonne of ₹ 16k vs. ₹ 22k reported in Q1FY27 and ₹ 20k reported in Q2FY26.

Investment Rationale:

- **Sourcing issue to keep lead volumes muted in FY27E, eyeing recovery in FY28E:** POCL has aggressively expanded its Lead smelting capacity with recently commissioned 72 KTPA facility, taking the total to 204 KTPA. H1FY27 volumes however have been muted at ~31KT vs. 50KT clocked in H1FY26. Management highlighted issues with procurement of lead scrap leading to decline in lead sales volume. It expects volume recovery to be gradual in nature (Q3 muted as well with real turnaround from Q4FY27) with FY27E volumes expected at ~75KT (down 26% YoY) and rebounding back to ~100 KT in FY28E. EBITDA/tonne in Q2FY27 moderated to ₹15,811 (vs ₹21,595 in Q1FY27) given the supply chain disruptions, lower share of value-added products (60-65% vs. ~85% in Q1FY27) and higher fuel costs. Going forward it has retained its EBITDA/tonne guidance at ₹18k-20k/tonne led by volume recovery & operational efficiencies at work.
- **Copper emerging as the next structural growth driver:** Copper is an emerging segment for POCL demonstrated by its capacity expansion through Copper Cathode plant with a capacity of 36 KTPA. The existing capacity delivered 3x YoY production/sales in H1FY27, at ~6KT. The EBITDA/tonne in this domain normalized from ~₹48.5k in Q1FY27 (driven by market squeeze and strong demand) to ~₹37k in Q2FY27 and guidance for the same remains unchanged at ₹35-40k for FY27E. Moreover, the phase 1 (18 KTPA) of cathode plant is targeted to be commissioned by Dec'26. Combined with existing capacity, POCL expects to move further up in the value chain, enabling it to capture higher value and thereby, generating EBITDA/tonne of ~₹60,000+ vs current ~₹40,000 levels.

Rating and Target Price: We have a positive view on Pondy Oxide, supported by capacity expansion across lead and copper segments, increasing value-added products, net debt free B/S and healthy return ratios profile. The stock has corrected sharply post our initiation largely due to muted Q2FY27, however we remain confident of management turning around operations from Q4FY27 onwards. A testimony to POCL being investment worthy company is healthy CFO generation in H1FY27 (~₹ 300 crore) and consequent retirement of debt on B/S (~₹ 150 crore). We maintain **BUY rating** on stock with a target price of **₹520, i.e. 20x PE on FY28E**.

POCL®

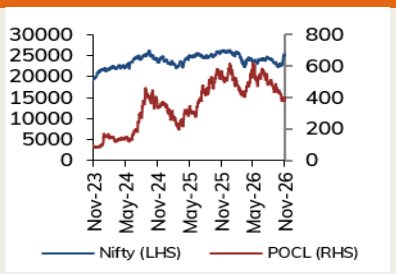
Particulars

Particulars	₹ crore
Market capitalisation	2,899
Total Debt (FY26)	152
Cash & Investment (FY26)	16
EV (₹ crore)	3,035
52-week H/L (₹)	648 / 353
Equity capital (₹ crore)	15.3
Face value (₹)	2.0

Shareholding pattern

	Dec-25	Mar-26	Jun-26	Sep-26
Promoter	39.3	39.3	36.4	36.4
FII	2.3	2.2	3.1	3.2
DII	6.8	7.2	7.5	9.6
Other	51.5	51.3	53.0	50.8

Price Chart



Key highlights and risks

- POCL counts 15%+ volume CAGR, 20%+ Revenue CAGR, 20%+ RoCE, 20%+ PAT CAGR & EBITDA margins at 8%+ as its Vision 2030 targets
- **Key Risk:** i) Delay in capacities ramp-up and lower than expected utilisation (ii) Restrictions in raw material sourcing could pose risk to operating performance

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Key Financial Summary

Key Financials (₹ crore)	FY23	FY24	FY25	FY26	4-year CAGR (FY22-26)	FY27E	FY28E	FY29E	3-year CAGR (FY26-29E)
Net Sales	1,476	1,542	2,057	2,958	19.4%	3,365	5,456	6,330	28.9%
EBITDA	77	72	105	211	28.5%	180	306	354	19.0%
EBITDA Margins (%)	5.2	4.7	5.1	7.1		5.3	5.6	5.6	
Net Profit	75	32	58	132	28.6%	110	199	232	20.7%
EPS (₹)	12.9	5.1	8.3	17.3		14.4	26.0	30.4	
P/E	34.1	87.0	53.3	25.5		26.5	14.6	12.5	
RoNW (%)	37.2	8.9	9.8	16.6		12.3	18.6	18.1	

Source: Company, ICICI Direct Research

Key Tables and Charts

Exhibit 1: Quarterly Variance Analysis

	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)
Total Operating Income	708.5	640.4	10.6	934.9	-24.2
Raw Material Expenses	645.0	547.3	17.9	844.8	-23.6
Employee Expenses	9.4	9.1	3.1	8.4	11.0
Other expenses	22.2	30.4	-27.0	25.8	-14.1
EBITDA	31.9	53.6	-40.5	55.8	-42.9
EBITDA Margin (%)	4.5	8.4	-387 bps	6.0	-147 bps
Other Income	1.3	1.1	21.4	0.4	202.9
Depreciation	6.6	6.9	-4.1	6.4	2.8
Interest	0.6	1.6	-62.4	2.5	-76.3
Exceptional Item	0.0	0.0	NA	0.0	NA
Tax	6.3	12.3	-48.9	11.5	NA
PAT	19.7	33.9	-41.8	35.9	-45.1

Source: Company, ICICI Direct Research

Exhibit 2: Change in Estimates

Change in estimates (₹ crore)	FY27E			FY28E			FY29E		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
Total Op. Income	4,057	3,365	-17.1	5,771	5,456	-5.5	6,673	6,330	-5.1
EBITDA	247	180	-27.1	364	306	-16.1	420	354	-15.6
Margins (%)	6.1	5.3	-74 bps	6.3	5.6	-71 bps	6.3	5.6	-69 bps
PAT	157	110	-30.2	238	199	-16.6	277	232	-16.3
EPS (₹)	20.6	14.4	-30.2	31.2	26.0	-16.6	36.3	30.4	-16.2

Source: Company, ICICI Direct Research

Exhibit 3: Key Assumptions

Particulars	FY25	FY26	FY27E	FY28E	FY29E
Lead					
Sales Volume (in Tonnes)	90,565	100,727	75,029	102,000	112,200
Blended Realisations (₹/tonne)	216,680	223,739	262,303	263,977	266,616
EBITDA (₹/tonne)	13,325	18,462	17,760	18,500	18,500
Copper					
Sales Volume (in Tonnes)	700	6543	10240	20000	24,000
Blended Realisations (₹/tonne)	800000	1027935	1289193	1331858	1345176
EBITDA (₹/tonne)	43,250	39,869	41,895	55,000	58,000

Financial summary

Exhibit 4: Profit and loss statement ₹ crore

(Year-end March)	FY26	FY27E	FY28E	FY29E
Total Income	2,958	3,365	5,456	6,330
Growth (%)	44	14	62	16
Raw Material Cost	2,617	3,056	4,965	5,760
Employee Expenses	33	36	44	51
Other Expense	98	93	142	165
Total Expenditure	2,748	3,185	5,151	5,975
EBITDA	211	180	306	354
Growth (%)	101	(15)	70	16
Depreciation	25	28	36	43
Interest	10	8	7	5
Other Income	6	2	4	5
Share of Associate	-	-	-	-
PBT	181	146	266	311
Exceptional Item	(1)	-	-	-
Total Tax	48	36	68	79
Reported PAT	132	110	199	232
Growth (%)	127.1	-17.0	81.3	16.8
EPS (₹)	17.3	14.4	26.0	30.4

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement ₹ crore

(Year-end March)	FY26	FY27E	FY28E	FY29E
Profit after Tax	132	110	199	232
Add: Depreciation	25	28	36	43
(Inc)/dec in Current Assets	-248	127	-215	-120
Inc/(dec) in CL and Provisions	11	7	31	13
Others, Sub-Other Income	4	6	3	0
CF from operating activities	-77	278	54	168
(Inc)/dec in Investments	-4	-1	-1	-1
(Inc)/dec in Fixed Assets	-31	-180	-50	-75
Others, Add- Other income	-10	1	4	5
CF from investing activities	-46	-179	-47	-71
Issue/(Buy back) of Equity	1	0	0	0
Inc/(dec) in loan funds	40	-70	20	-70
Dividend & interest outgo	-21	-19	-24	-24
Inc/(dec) in Share Cap	0	0	0	0
Others	73	0	0	0
CF from financing activities	93	-89	-4	-94
Net Cash flow	-29	10	3	3
Opening Cash	40	11	21	24
Closing Cash	11	21	24	26

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet ₹ crore

(Year-end March)	FY26	FY27E	FY28E	FY29E
Liabilities				
Equity Capital	15	15	15	15
Reserve and Surplus	773	872	1,054	1,267
Total Shareholders' funds	788	887	1,069	1,282
Total Debt	152	82	102	32
Deferred Tax Liability	0	0	0	0
Minority Interest / Others	0	0	0	0
Total Liabilities	941	969	1,171	1,314
Assets				
Gross Block	352	460	575	650
Less: Acc Depreciation	110	138	174	217
Net Block	242	321	400	432
Capital WIP	3	75	10	10
Total Fixed Assets	245	396	410	442
Investments	14	15	15	16
Inventory	273	277	374	434
Debtors	265	184	284	329
Loans and Advances	0	0	0	0
Other Current Assets	123	73	91	106
Cash	11	21	24	26
Total Current Assets	694	578	795	918
Current Liabilities	16	18	30	35
Provisions	15	18	28	33
Current Liabilities & Prov	42	50	81	94
Net Current Assets	652	528	715	824
Others Assets	29	30	31	31
Application of Funds	941	969	1,171	1,314

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

(Year-end March)	FY26	FY27E	FY28E	FY29E
Per share data (₹)				
EPS	17.3	14.4	26.0	30.4
Cash EPS	20.5	18.1	30.8	36.0
BV	103.4	116.3	140.1	168.0
DPS	1.4	1.4	2.2	2.5
Cash Per Share	1.4	2.7	3.1	3.5
Operating Ratios (%)				
EBITDA Margin	7.1	5.3	5.6	5.6
PAT Margin	4.5	3.3	3.6	3.7
Inventory days	33.6	30.0	25.0	25.0
Debtor days	32.7	20.0	19.0	19.0
Creditor days	1.9	2.0	2.0	2.0
Return Ratios (%)				
RoE	16.6	12.3	18.6	18.1
RoCE	19.7	15.6	23.0	23.7
RoIC	20.0	17.4	23.7	24.4
Valuation Ratios (x)				
P/E	22.0	26.5	14.6	12.5
EV / EBITDA	14.4	16.4	9.7	8.2
EV / Net Sales	1.0	0.9	0.5	0.5
Market Cap / Sales	1.0	0.9	0.5	0.5
Price to Book Value	3.7	3.3	2.7	2.3
Solvency Ratios				
Debt/EBITDA	0.7	0.5	0.3	0.1
Debt / Equity	0.2	0.1	0.1	0.0
Current Ratio	21.8	14.8	12.8	12.8
Quick Ratio	12.8	7.2	6.4	6.4

Source: Company, ICICI Direct Research

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