

Gravita India

Estimate change	↔
TP change	↓
Rating change	↔

CMP: INR1,936 **TP: INR2,300 (+19%)** **Buy**

Growth supported by volume uptick in aluminum and lead

Earnings in line with estimates

- In 4QFY25, Gravita India (GRAVITA) recorded a strong 20% YoY revenue growth, underpinned by a 13% YoY rise in overall volumes. The aluminum business led the performance with a sharp 73% YoY growth, followed by a 19% increase in lead revenues, whereas the plastic segment witnessed a 16% YoY decline.
- Adj. EBITDA/kg increased 4% to INR20.3 in 4QFY25 despite a higher share of domestic scrap procurement at 43%, compared to 30% last year, driven by certain arbitrage opportunities.
- GRAVITA remains on track to achieve its 'Vision 2029' targets, supported by capacity expansion initiatives across both domestic and overseas markets. Future growth will be driven by planned entry into new geographies within India, a continued focus on increasing the share of value-added products, and rising contribution from non-lead business segments.
- We broadly maintain our FY26E/FY27E EPS and reiterate our BUY rating on the stock with a TP of INR2,300 (31x FY27E EPS).

Flat margins attributed to higher domestic sourcing of scrap

- Consolidated revenue grew 20% YoY to INR10.4b (in line with est.) in 4QFY25. Consolidated sales volume rose 13% YoY to 53KMT.
- Adjusted EBITDA margin contracted 30bp YoY to 10.5% (est. 10.9%), while adjusted EBITDA grew ~17% YoY to INR1b (in line with est.). Adj. PAT grew 38% YoY to INR951m (in line with est.).
- For FY25, consolidated revenue/Adj. EBITDA/Adj. PAT grew 22%/22%/31% YoY to INR38.7b/INR4b/INR3.1b, while consolidated volumes grew 19% YoY to 203KMT.
- **Lead business** revenue grew 19%/23% YoY to INR9.1b/INR34.2b in 4QFY25/FY25, led by volume growth of 12%/21% YoY to 45KMT/173KMT in 4QFY25/FY25. EBITDA/kg in 4QFY25 stood at INR20.5 (up 1% YoY).
- **Aluminum business** revenue grew 73%/34% YoY to INR1b/INR3.4b in 4QFY25/FY25, while volumes jumped 62%/14% YoY to 5.2KMT/17.5KMT. EBITDA/kg rose 30% YoY to INR20.
- **Plastic business** revenue declined 16% YoY to INR191m in 4QFY25, while revenue in FY25 increased 8% YoY to INR845m. Volumes declined 26% YoY to 2.6KMT in 4QFY25, while volumes in FY25 were up 3% YoY to 12KMT. EBITDA/kg stood at INR10 (down 12% YoY).

Highlights from the management commentary

- **Outlook:** GRAVITA is well-placed to realize its 'Vision 2029' targets, maintaining its guidance of a ~25%/35% CAGR in sales volume/PAT, with RoIC of more than 25%. Further, the company aims to increase its non-lead business/value-added products mix to 30%/50% over the next three to four years.

Bloomberg	GRAV IN
Equity Shares (m)	74
M.Cap.(INRb)/(USDb)	142.9 / 1.7
52-Week Range (INR)	2700 / 884
1, 6, 12 Rel. Per (%)	5/-10/95
12M Avg Val (INR M)	809

Financials & Valuations (INR b)

Y/E Mar	FY25	FY26E	FY27E
Sales	38.7	50.0	65.3
Adj. EBITDA	4.0	5.0	6.7
Adj. EBITDA Margin (%)	10.4	10.0	10.3
Adj. PAT	3.1	4.1	5.5
Cons. Adj. EPS (INR)	42.3	55.4	74.1
EPS Gr. (%)	22	31	34
BV/Sh. (INR)	280	335	408

Ratios

Net D:E	-0.3	-0.1	0.0
RoE (%)	18.8	17.1	19.3
RoCE (%)	21.5	18.0	19.9

Valuations

P/E (x)	45.7	34.9	26.1
EV/EBITDA (x)	42.2	28.3	21.2

Shareholding pattern (%)

As on	Mar-25	Dec-24	Mar-24
Promoter	59.3	59.3	66.5
DII	5.4	5.4	0.4
FII	15.4	15.5	12.5
Others	19.9	19.8	20.6

Note: FII includes depository receipts

- **Rubber:** The company remains optimistic about the rubber segment, both in India and overseas, and plans to commission ~60KMT of additional capacity in FY26. Management is targeting a revenue CAGR of ~70% from this segment over the next two to three years.
- **Domestic scrap procurement:** In FY25, GRAVITA witnessed a 60% increase in domestically sourced scrap, driven by the Battery Waste Management Rules (BWMR), Extended Producers Responsibility (EPR), and stricter GST enforcement.

Valuation and view

- As a leading player in India's rapidly expanding recycling industry, GRAVITA is well-positioned to deliver strong earnings growth over the medium term, supported by: 1) strategic capacity expansion across verticals and geographies, 2) an increased focus on value-added products, 3) higher growth in new segments (rubber), and 4) increased domestic scrap availability, driven by favorable regulatory tailwinds.
- We expect a CAGR of 30%/29%/32% in revenue/Adj. EBITDA/Adj. PAT over FY25-27E. We maintain our FY26E/FY27E EPS estimates. We reiterate our BUY rating on the stock with a TP of INR2,300 (31x FY27E EPS).

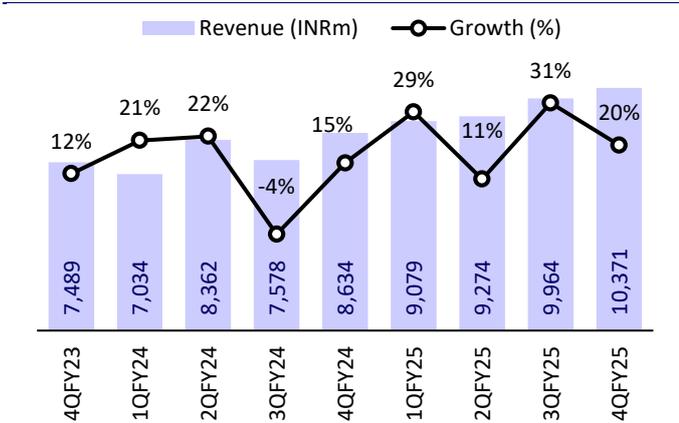
Consolidated - Quarterly Earning Model

(INR m)

Y/E March	FY24				FY25				FY24	FY25	FY25E 4QE	Var %
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Sales	7,034	8,362	7,578	8,634	9,079	9,274	9,964	10,371	31,608	38,688	9,930	4
YoY Change (%)	5.6	44.2	11.0	9.4	29.1	10.9	31.5	20.1	12.9	22.4	15.0	
Total Expenditure	6,349	7,563	6,681	7,705	8,166	8,259	8,942	9,286	28,298	34,652	8,843	
Adjusted EBITDA	685	798	897	929	912	1,015	1,023	1,085	3,309	4,036	1,087	0
Margins (%)	9.7	9.5	11.8	10.8	10.1	10.9	10.3	10.5	10.5	10.4	10.9	
Depreciation	79	86	90	125	65	72	76	78	380	291	75	
Interest	127	112	130	124	130	120	128	56	492	434	55	
Other Income	132	69	61	42	33	23	73	194	304	324	110	
PBT before EO expense	612	670	738	722	751	847	891	1,146	2,742	3,635	1,067	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	612	670	738	722	751	847	891	1,146	2,742	3,635	1,067	
Tax	86	82	123	28	71	128	111	197	319	506	139	
Rate (%)	14.1	12.2	16.7	3.9	9.4	15.1	12.4	17.2	11.6	13.9	13.1	
Minority Interest & Profit/Loss of Asso. Cos.	5	10	12	4	7	-1	1	-2	31	5	10	
Reported PAT	521	579	603	690	673	720	779	951	2,392	3,124	918	
Adj PAT	521	579	603	690	673	720	779	951	2,392	3,124	918	4
YoY Change (%)	26.0	36.1	35.2	37.4	29.3	24.4	29.3	37.9	18.9	30.6	33.0	
Margins (%)	7.4	6.9	8.0	8.0	7.4	7.8	7.8	9.2	7.6	8.1	9.2	

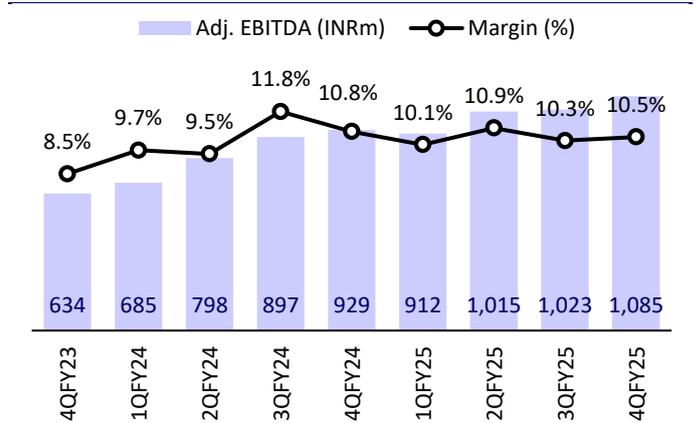
Key Exhibits

Exhibit 1: Consolidated revenue trend



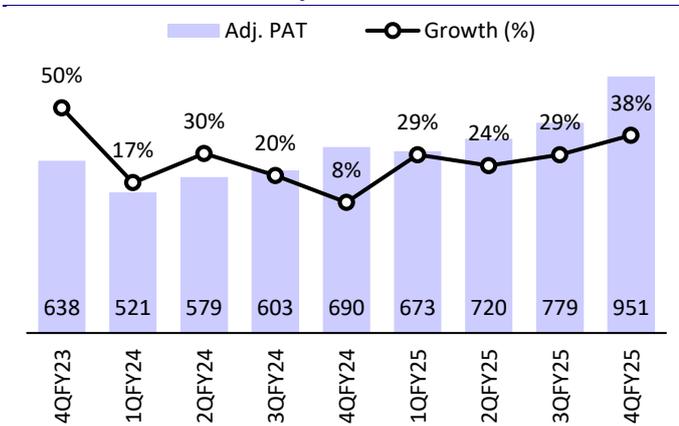
Source: Company, MOFSL

Exhibit 2: Consolidated Adj. EBITDA trend



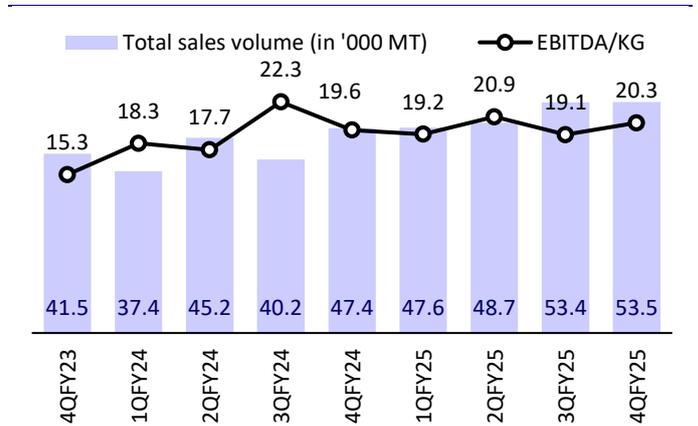
Source: Company, MOFSL

Exhibit 3: Consolidated Adj. PAT trend



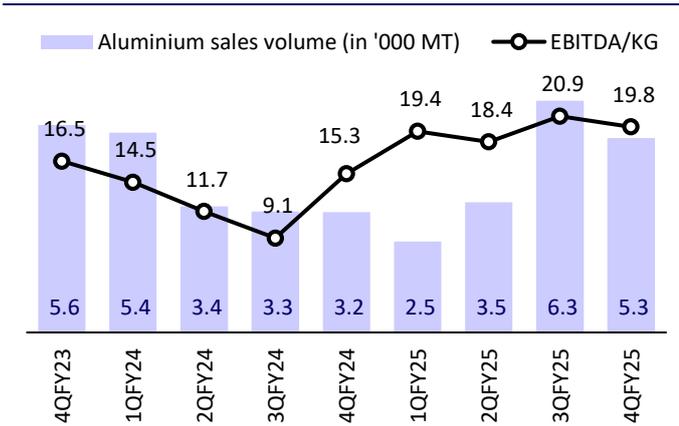
Source: Company, MOFSL

Exhibit 4: Total sales volume trend



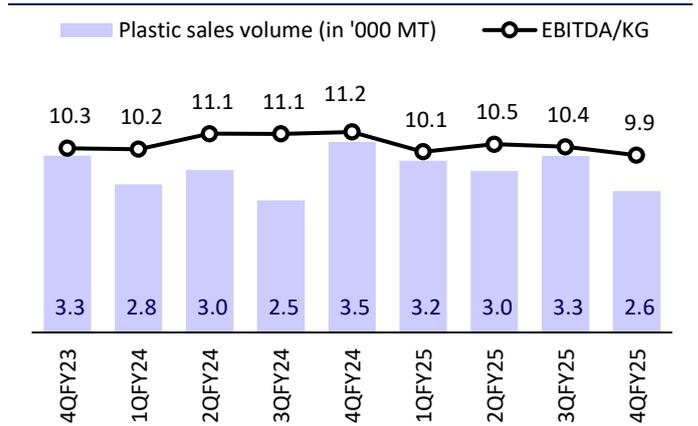
Source: Company, MOFSL

Exhibit 5: Aluminum sales volume trend



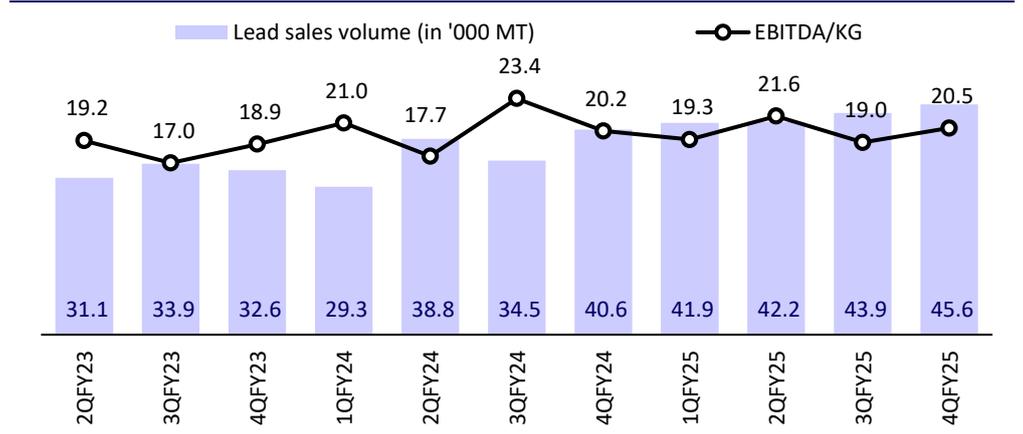
Source: Company, MOFSL

Exhibit 6: Plastic sales volume trend



Source: Company, MOFSL

Exhibit 7: Lead sales volume trend



Source: MOFSL, Company

Exhibit 8: Widespread manufacturing presence



Source: MOFSL, Company

Exhibit 9: Deep-rooted procurement network

33 Own yards **1900+** Touch points **2,87,000 MT+** Scrap collection



Source: MOFSL, Company

Exhibit 10: Diversified global customer network

34 + Countries **340 +** Customers **2,03,000 MT +** Recycled products delivered



Source: MOFSL, Company



Highlights from the management commentary

Operating performance

- In FY25, GRAVITA witnessed a 46% contribution from value-added products, aligning well with its target to reach ~50% by FY29. The company also saw a notable 60% increase in domestically sourced scrap, driven by the Battery Waste Management Rules (BWMR), Extended Producers Responsibility (EPR), and stricter GST enforcement—a trend that is further expected to grow.
- GRAVITA strengthened its global footprint with the strategic acquisition of a waste tire recycling plant in Europe.
- A Special Purpose Vehicle (SPV) has been formed in Romania, with Gravita Netherlands holding an 80% equity stake and management control, while the remaining shares are held by local partners. The total investment in the SPV stands at INR400m, of which INR320m is contributed by GNBV.
- GRAVITA is progressing steadily with the start-up of a pilot lithium ion battery recycling project and the inaugural rubber recycling facility in Mudra. Both plants are expected to be operational by 1HFY26.
- 40% of the total scrap was sourced from the domestic market, compared to 30% last year.

Outlook and guidance

- GRAVITA remains well-placed to realize its 'Vision 2029' targets, reiterating its guidance of ~25% CAGR in sales volume and ~35% CAGR in PAT, with RoIC of over 25%. Additionally, the non-lead business/value-added products mix is expected to stand at 30%/50% over the next three to four years.
- Management anticipates maintaining a tax rate in the range of 12-13% in the foreseeable future on a global basis.
- Sustainable EBITDA/kg is expected at INR18-INR19 for lead (with gradual annual improvement), INR14-INR15 for aluminum, and INR10-INR11 for plastics, with plastic margins likely to improve from FY27 onwards.
- Going forward, ~40-50% of profitability is expected to come from overseas operations, with the remaining contribution from the Indian business.

Capex

- The company had a capacity of approximately 334 KMT in FY25, with the goal to increase it to over 700KMT by FY28 and 25-30% by FY28.
- The company plans to incur a total capex of INR15b to be deployed by FY28, aimed at expanding its existing operations and investing in new verticals such as lithium ion, paper, rubber, and steel recycling.
- Of the total, approximately INR10b is allocated to expanding existing verticals, while the remaining is earmarked for new initiatives.
- The company plans to incur a capex of INR3.75b this year, aimed at capacity expansion in existing plants in India, the establishment of a new plant in a location where GRAVITA currently has no presence, capacity increases in Romania and the Dominican Republic, and the addition of more rubber plants in India as part of its aggressive expansion in the rubber business.
- The company is actively exploring growth opportunities across various segments in Eastern Europe.

Aluminum

- ADC 12 is already listed on the Shanghai Exchange, and the process for its listing on the MCX is underway, with an expected listing by 1HFY26.
- The majority of the aluminum business is dependent on the Indian market, which is why the listing of aluminum on the MCX is essential. In contrast, overseas operations currently do not require such hedging.

Rubber

- The company remains optimistic about the rubber segment and is, therefore, increasing its production capacity in India as well as overseas.
- In the rubber segment, GRAVITA plans to focus on Value-Added Products (VAP), reclaim carbon black from char, produce pyrolysis oil, and extract steel from select products.
- At present, GRAVITA is only producing pyrolysis oil at existing locations. The plant acquired in Romania also has the capability to produce reclaimed carbon black, although this production has not yet been initiated.
- The company plans to commission around 60 KMT of additional capacity in FY26, with part of it coming online in the first half and the remainder in the second half of the year.
- Driven by capacity expansion and higher sales of rubber products, the company is targeting a revenue CAGR of approximately 70% over the next 2-3 years.

Other

- The company anticipates the introduction of the Reverse Charge Mechanism (RCM) for lead and battery scrap in FY26, which is expected to drive a significant shift from the informal to the formal sector.
- 85% of the total volume is generated through tolling at present.
- In India, setting up a Greenfield capacity takes 1 to 1.5 years, while a brownfield project typically takes about 9 months. In international markets, the most time-consuming aspect is obtaining license approvals, with plant setup being relatively straightforward for the company.
- The company faced some operational challenges in Mozambique due to political instability after the elections.
- Treasury income for the quarter was INR90m, and the company saved INR70m in finance costs through debt repayment.
- In the short term, the increase in container costs may pressure margins, but any global events typically have only temporary effects due to GRAVITA's global procurement network.
- The company has some M&A plans that may impact future capital expenditure plans.
- Asset turn stands at ~8-10x of the total and is similar for the rubber segment.
- The inventory cycle improvement was led by an increase in local procurement; local scrap procurement is more linear in nature compared to imported scrap.
- Volumes for turnkey projects depend on the number of projects being developed.
- The company has initiated developments and trials with Exide starting this year, with progress in a positive direction. At the same time, it is increasing volumes with existing customers.

Valuation and view

- As a leading player in India's rapidly expanding recycling industry, GRAVITA is well-positioned to deliver strong earnings growth over the medium term, supported by: 1) strategic capacity expansion across verticals and geographies, 2) an increased focus on value-added products, 3) higher growth in new segments (rubber), and 4) increased domestic scrap availability, driven by favorable regulatory tailwinds.
- We expect a CAGR of 30%/29%/32% in revenue/Adj. EBITDA/ Adj. PAT over FY25-27E. We maintain our FY26E/FY27E EPS estimates. We reiterate our BUY rating on the stock with a TP of INR2,300 (31x FY27E EPS).

Exhibit 11: Summary of our revised estimates

Earnings change (INR m)	Old		New		Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	49,092	63,537	50,028	65,302	2%	3%
EBITDA	5,377	6,990	4,997	6,738	-7%	-4%
Adj. PAT	4,267	5,634	4,089	5,468	-4%	-3%

Financials and valuations

Consolidated - Income Statement

(INR M)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Total Income from Operations	14,098	22,159	28,006	31,608	38,688	50,028	65,302
Change (%)	4.6	57.2	26.4	12.9	22.4	29.3	30.5
RM Cost	11,586	17,899	23,391	25,612	31,728	39,772	51,850
Employees Cost	729	1,028	1,336	1,312	1,595	2,201	2,808
Other Expenses	633	1,078	1,259	1,848	2,124	3,057	3,906
Total Expenditure	12,948	20,005	25,986	28,772	35,447	45,031	58,564
% of Sales	91.8	90.3	92.8	91.0	91.6	90.0	89.7
EBITDA	1,150	2,154	2,020	2,836	3,241	4,997	6,738
Margin (%)	8.2	9.7	7.2	9.0	8.4	10.0	10.3
Other Income (Operational) - Commodity and Forex Hedging	20	-4	841	474	794.7	0.0	0.0
Adjusted EBITDA	1,170	2,149	2,860	3,309	4,036	4,997	6,738
Margin (%)	8.3	9.7	10.2	10.5	10.4	10.0	10.3
Depreciation	203	206	240	380	291	419	605
EBIT	967	1,944	2,621	2,929	3,745	4,578	6,133
Int. and Finance Charges	310	380	435	492	434	225	142
Other Income	52	83	90	304	324	300	300
PBT bef. EO Exp.	709	1,646	2,276	2,742	3,635	4,653	6,291
EO Items	0	0	0	0	0	0	0
PBT after EO Exp.	709	1,646	2,276	2,742	3,635	4,653	6,291
Total Tax	141	162	235	319	506	558	818
Tax Rate (%)	19.9	9.8	10.3	11.6	13.9	12.0	13.0
Minority Interest	44	91	30	31	5	5	5
Reported PAT	525	1,394	2,011	2,392	3,124	4,089	5,468
Adjusted PAT	525	1,394	2,011	2,392	3,124	4,089	5,468
Change (%)	58.1	165.7	44.3	18.9	30.6	30.9	33.7
Margin (%)	3.7	6.3	7.2	7.6	8.1	8.2	8.4

Consolidated - Balance Sheet

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	138	138	138	138	148	148	148
Total Reserves	2,551	3,730	5,751	8,236	20,552	24,567	29,961
Net Worth	2,689	3,869	5,889	8,374	20,699	24,714	30,109
Minority Interest	90	140	128	132	76	81	86
Total Loans	2,611	3,915	3,477	5,451	2,823	1,823	1,323
Deferred Tax Liabilities	24	15	-61	2	4	4	4
Capital Employed	5,415	7,939	9,433	13,959	23,602	26,623	31,522
Gross Block	2,285	2,650	3,690	4,759	5,853	8,121	12,061
Less: Accum. Deprn.	562	738	957	1,337	1,628	2,047	2,652
Net Fixed Assets	1,724	1,913	2,733	3,423	4,226	6,074	9,409
Goodwill on Consolidation	0	0	0	0	58	58	58
Capital WIP	135	425	455	428	393	1,875	2,065
Total Investments	0	0	11	165	5,279	5,279	5,279
Current Investments	0	0	0	165	4,911	165	165
Curr. Assets, Loans&Adv.	5,405	7,638	8,789	12,008	15,195	16,105	18,454
Inventory	3,577	5,135	5,965	6,746	6,168	7,402	9,627
Account Receivables	594	1,097	1,370	2,643	2,751	2,878	3,578
Cash and Bank Balance	199	325	381	988	4,073	2,976	1,530
Loans and Advances	1,035	1,081	1,073	1,631	2,203	2,849	3,719
Curr. Liability & Prov.	1,849	2,036	2,555	2,065	1,549	2,769	3,743
Account Payables	1,357	329	895	675	396	503	654
Other Current Liabilities	376	1,515	1,457	1,379	870	1,901	2,612
Provisions	116	193	202	11	282	365	477
Net Current Assets	3,556	5,601	6,234	9,944	13,646	13,336	14,711
Misc Expenditure	0	0	0	0	0	0	0
Appl. of Funds	5,415	7,939	9,433	13,959	23,602	26,623	31,522

Financials and valuations

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)							
EPS	7.6	20.2	29.1	34.6	42.3	55.4	74.1
Cash EPS	10.5	23.2	32.6	40.1	46.3	61.1	82.3
BV/Share	38.9	56.0	85.3	121.3	280.5	334.9	408.0
DPS	1.1	3.5	0.6	0.9	1.0	1.0	1.0
Payout (%)	14.2	17.1	2.1	2.5	2.4	1.8	1.3
Valuation (x)							
P/E	254.7	95.9	66.5	55.9	45.7	34.9	26.1
Cash P/E	183.7	83.6	59.4	48.2	41.8	31.7	23.5
P/BV	49.7	34.5	22.7	16.0	6.9	5.8	4.7
EV/Sales	9.7	6.2	4.9	4.4	3.5	2.8	2.2
EV/EBITDA	118.4	63.8	67.8	48.7	42.2	28.3	21.2
Dividend Yield (%)	0.1	0.2	0.0	0.0	0.1	0.1	0.1
FCF per share	8.0	-8.8	13.5	-8.9	23.7	-1.3	-14.0
Return Ratios (%)							
RoE	21.2	42.5	41.2	33.5	21.5	18.0	19.9
RoCE	15.8	27.9	28.3	24.6	18.8	17.1	19.3
RoIC	15.4	28.6	20.2	20.7	19.4	26.5	27.3
Working Capital Ratios							
Fixed Asset Turnover (x)	6.2	8.4	7.6	6.6	6.6	6.2	5.4
Asset Turnover (x)	2.6	2.8	3.0	2.3	1.6	1.9	2.1
Inventory (Days)	101	94	84	86	64	60	60
Debtor (Days)	15	18	18	31	26	21	20
Creditor (Days)	38	6	13	9	4	4	4
Leverage Ratio (x)							
Current Ratio	2.9	3.8	3.4	5.8	9.8	5.8	4.9
Interest Cover Ratio	3.1	5.1	6.0	6.0	8.6	20.3	43.3
Net Debt/Equity	0.9	0.9	0.5	0.5	-0.3	-0.1	0.0

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
OP/(Loss) before Tax	709	1,646	2,276	2,742	3,635	4,653	6,291
Depreciation	203	206	240	380	291	419	605
Interest & Finance Charges	271	327	384	188	434	-75	-158
Direct Taxes Paid	-115	-149	-235	-319	-506	-558	-818
(Inc)/Dec in WC	-302	-2,062	-822	-2,567	-787	-787	-2,821
CF from Operations	765	-32	1,843	424	3,067	3,652	3,100
Others	0	128	154	0	-245	0	0
CF from Operating incl EO	765	96	1,997	424	2,822	3,652	3,100
(Inc)/Dec in FA	-212	-702	-1,064	-1,042	-1,073	-3,750	-4,130
Free Cash Flow	553	-606	933	-618	1,749	-98	-1,030
(Pur)/Sale of Investments	0	4	-11	0	-4,819	0	0
Others	19	3	21	-536	-2,744	300	300
CF from Investments	-194	-695	-1,054	-1,578	-8,636	-3,450	-3,830
Issue of Shares	0	0	0	0	9,815	0	0
Inc/(Dec) in Debt	-193	1,294	-442	1,974	-2,612	-1,000	-500
Interest Paid	-265	-336	-389	-492	-443	-225	-142
Dividend Paid	-74	-238	-43	-60	-354	-74	-74
Others	-33	0	0	338	-4	0	0
CF from Fin. Activity	-565	719	-874	1,760	6,403	-1,299	-715
Inc/Dec of Cash	6	121	69	606	588	-1,097	-1,446
Opening Balance	107	113	234	382	988	4,073	2,976
Other cash & cash equivalent	85	91	78	0	2,497	0	0
Closing Balance	198	325	382	988	4,073	2,976	1,530

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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