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India | Equity Research | Re-initiating Coverage

Gravita India

Metals & Mining

Powering ahead: Robust revenue and PAT; in-line performance

Gravita India's (GRAV) performance was in-line with consensus estimates. The company reported EBITDA at INR 1bn (+15%/+9% YoY/QoQ) driven by: 1) total volumes rising 12.4% YoY to 53.4Kte (flat YoY); 2) better margins at the lead segment (INR 21,790/te; up 13%/7% YoY/QoQ), as GRAV used higher imported material that fetched better pricing; and 3) lower other expenses (cost incidence dropped 80bps sequentially and 20bps on YoY basis). GRAV maintains its long-term volume/profitability CAGR target of 25%/35% with the larger growth potential emerging FY27 onwards; management also maintained RoIC guidance of >25%. We assign a multiple of 35x to FY27E EPS (in-line with other high-growth conversion businesses) and arrive at a target price of INR 2,266. We re-initiate coverage with **BUY**.

In-line performance; volume growth to pick up from H2

GRAV's Q1FY25 performance was in-line with consensus estimates. Reported EBITDA improved 15% YoY/9% QoQ to INR 1bn. Adjusting for the hedging losses, EBITDA stands at INR 1.1bn (+22%/+3% YoY/QoQ). Key points: 1) Lead/aluminium/plastic volumes at 46.2Kte/4.8Kte/2.4kte grew 10%/96%/3% YoY. 2) Lead and plastic EBITDA/te jumped 13% and 1% YoY to INR 21,790 and INR 10,213, respectively; aluminium witnessed a fall of 12% to INR 17,140. 3) VA sales stood at 47% vs. 46% sequentially. 4) GRAV expects to add 100Kte of capacity in phases within the next one year, starting Q2/3QFY26, indicating that 15% volume growth would come from its existing facility while 7–8% shall come from new capacity in H2FY26. 5) Out of the total planned capex of INR 3.8bn, GRAV has spent INR 600mn in Q1FY26.

Guidance intact: Volume/profitability CAGRs of 25%/35%

Management has maintained its commitment to invest INR 15bn by FY28 to grow volume/profitability at CAGRs of 25%/35% by FY29, targeting RoIC of over 25% in the process. Out of the total planned capex, INR 10bn shall be invested in the existing business, to grow capacity from 334Kte to 728Kte, and the remaining INR 5bn would be invested in new verticals. GRAV expects non-lead segment to contribute >30% of total revenue (lithium, paper and steel recycling). The company shall derive >30% of its energy needs from renewable sources and reduce energy intensity by >10% by FY29.

Financial Summary

Y/E March (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Revenue	31,608	38,688	46,369	56,755
EBITDA	2,836	3,241	4,443	5,680
EBITDA Margin (%)	9.0	8.4	9.6	10.0
Net Profit	2,423	3,129	3,942	4,779
EPS (INR)	35.6	42.4	53.4	64.8
EPS % Chg YoY	18.7	19.0	26.0	21.2
P/E (x)	52.4	44.0	35.0	28.8
EV/EBITDA (x)	46.3	37.2	27.8	21.7
RoCE (%)	20.8	16.2	15.3	15.0
RoE (%)	39.2	26.6	21.9	19.1

Vikash Singh

singh.vikash@icicisecurities.com
22 6807 7289

Mohit Lohia

mohit.lohia@icicisecurities.com

Prithish Urumkar

Prithish.urumkar@icicisecurities.com

Market Data

Market Cap (INR)	138bn
Market Cap (USD)	1,588mn
Bloomberg Code	GRAV IN
Reuters Code	GRAI.BO
52-week Range (INR)	2,700 / 1,380
Free Float (%)	39.0
ADTV-3M (mn) (USD)	9.5

Price Performance (%)	3m	6m	12m
Absolute	2.4 (11.2)		10.6
Relative to Sensex	1.1 (17.5)		10.6

ESG Score	2023	2024	Change
ESG score	NA	NA	NA
Environment	NA	NA	NA
Social	NA	NA	NA
Governance	NA	NA	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Previous Reports

06-05-2025: [Q4FY25 results review](#)

23-01-2025: [Q3FY25 results review](#)

Outlook: Eyeing robust earnings growth

The recycling business in India is still in its nascent stages; thus, has the potential to provide significant growth opportunities to organised players, which will likely be aided by: 1) government policy support; 2) gradual shifting from unorganised to organised segment; and 3) ESG needs of user industry.

GRAV is planning to invest INR 15bn over the next three years, a threefold increase vs. its past eight-year capex. This points to the company's firm belief in the sector's growth story. We expect diversification, value addition and incremental capacity to continue to drive GRAV's earning story for the next 3–4 years. We have built-in volume/EBITDA CAGRs of 21%/32% over FY25–27E.

We are re-initiating coverage on the stock with a **BUY** rating, assigning a 35x P/E multiple to our FY27E EPS and arrive at a target price of INR 2,266.

Key risks

- Geopolitical risks.
- Change in government's policies towards scrap procurement.

Q1FY26 conference call takeaways

- African plant has received BIS approvals; thus, shall be able to feed Indian market from African facilities and improve EBITDA margins in lead segment.
- Lithium-ion battery plant in Mundra is progressing well and expected to begin operations by Q2FY26.
- **Lead:** Capacity utilisations are near optimal levels of 75%. Incremental capacities shall be commissioned by H2, and likely improve volumes.
- **Plastics:** During the quarter, EBITDA margin was stable at INR 10/kg, but volumes were lower, as it still in the development phase.
- **Rubber:** Currently EBITDA margins are INR 7-8/kg.
- **Sourcing:** GRAV is focusing on Indian and overseas sourcing. Earlier, Indian scrap was unavailable; but due to policies, Indian scrap availability is increasing, which should support the higher capacity.
- **FY26 guidance:** Expecting volume growth of 20-22% in FY26.
- Sustainable margins in lead is INR 19-20/kg; aluminium is INR 14-15/kg and rubber is INR 8-9/kg (depending on geography).
- Management expects aluminium capacity utilisation of 20-30% by Q4FY26, after listing of aluminium on MCX.
- Effective tax rate would be sustainable in range of 13-14%, but in FY26 management is expecting it to be 15-16% due to higher treasury income.
- **Capacity expansion:** Management is targeting capacity expansion of ~100ktpa in FY26 (including 50-60ktpa for lead) and 125-150ktpa in FY27.
- GRAV aims to diversify into new domains such as lithium-ion, paper, rubber and steel recycling.
- Government tightening of BWMR and EPR frameworks has significantly boosted the availability of domestic scrap.
- Currency fluctuation does not impact because operations are in Africa, where nothing is being sold locally. So, even though all sales and purchases are done in local currency, prices of raw material are based on USD.

Exhibit 1: Gravita India Q1FY26 performance

(INR mn)	Q1FY26	Q1FY25	% Chg YoY	Q4FY25	% Chg QoQ
Net sales	10,399	9,079	14.5	10,371	0.3
Gross Margin	1,991	1,793	11.0	1,914	4.0
Gross Margin (%)	19.1%	19.8%		18.5%	
Employee cost	445	428	4.1	365	21.8
Other expenditure	539	489	10.3	627	(14.0)
EBITDA	1,006	877	14.8	922	9.2
Margin (%)	9.7%	9.7%		8.9%	
Adj. EBITDA*	1,114	890	25.2	1,064	4.7
Adj. EBITDA Margin (%)	10.7%	9.8%		10.3%	
Other Income	301	69	337.6	357	(15.9)
Depreciation	87	65	33.6	78	12.4
EBIT	1,220	880	38.6	1,202	1.5
Interest	61	130	(53.3)	56	7.7
PBT	1,159	751		1,146	
Tax expense:	229	71	223.9	197	16.4

Source: I-Sec research, Company data

* excluding hedging gains/loss

Exhibit 2: Gravita India Q1FY26 operational performance

	Q1FY26	Q1FY25	% Chg YoY	Q4FY25	% Chg QoQ
Lead					
Production (Kte)	46.2	41.9	10.3	45.6	1.3
EBITDA/te (INR)	21,790	19,321	12.8	20,466	6.5
Aluminium					
Production (Kte)	4.8	2.5	95.7	5.3	(8.4)
EBITDA/te (INR)	17,140	19,414	(11.7)	19,836	(13.6)
Plastic					
Production (Kte)	2.4	3.2	(24.3)	2.6	(8.2)
EBITDA/te (INR)	10,213	10,077	1.3	9,882	3.3

Source: I-Sec research, Company data

Exhibit 3: Shareholding pattern

%	Dec'24	Mar'25	Mar'25
Promoters	59.3	59.3	55.9
Institutional investors	19.5	19.5	19.5
MFs and others	2.4	2.6	2.2
FIs/Banks	2.6	2.2	1.7
Insurance	0.4	0.6	0.5
FIIIs	14.1	14.0	15.1
Others	21.2	21.2	24.6

Source: Bloomberg

Exhibit 4: Price chart

Source: Bloomberg

Financial Summary

Exhibit 5: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Net Sales	31,608	38,688	46,369	56,755
Operating Expenses	3,160	3,719	4,170	4,992
EBITDA	2,836	3,241	4,443	5,680
EBITDA Margin (%)	9.0	8.4	9.6	10.0
Depreciation & Amortization	380	291	390	580
EBIT	2,456	2,950	4,053	5,100
Interest expenditure	492	434	422	399
Other Non-operating Income	778	1,118	1,007	856
Recurring PBT	2,742	3,635	4,638	5,557
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	319	506	696	778
PAT	2,423	3,129	3,942	4,779
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	2,423	3,129	3,942	4,779
Net Income (Adjusted)	2,423	3,129	3,942	4,779

Source Company data, I-Sec research

Exhibit 6: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Total Current Assets	11,597	14,680	17,916	18,984
of which cash & cash eqv.	988	4,073	3,534	2,772
Total Current Liabilities & Provisions	1,894	1,288	1,452	2,128
Net Current Assets	9,703	13,392	16,464	16,856
Investments	165	5,279	5,279	5,279
Net Fixed Assets	3,421	4,225	7,591	11,181
ROU Assets	63	131	131	131
Capital Work-in-Progress	428	393	393	393
Total Intangible Assets	1	1	1	1
Other assets	349	441	441	441
Deferred Tax Assets	-	-	-	-
Total Assets	14,129	23,863	30,301	34,283
Liabilities				
Borrowings	5,451	2,823	5,297	4,500
Deferred Tax Liability	54	117	139	139
provisions	100	118	118	118
other Liabilities	19	29	29	29
Equity Share Capital	138	148	148	148
Reserves & Surplus	8,236	20,552	24,494	29,273
Total Net Worth	8,374	20,699	24,641	29,420
Minority Interest	132	76	76	76
Total Liabilities	14,129	23,863	30,301	34,283

Source Company data, I-Sec research

Exhibit 7: Quarterly trend

(INR mn, year ending March)

	Sep-24	Dec-24	Mar-25	Jun-25
Net Sales	9,274	9,964	10,371	10,399
% growth (YOY)	10.9	31.5	20.1	14.5
EBITDA	635	807	922	1,006
Margin %	6.8	8.1	8.9	9.7
Other Income	404	289	357	301
Extraordinaries	-	-	-	-
Adjusted Net Profit	719	781	949	931

Source Company data, I-Sec research

Exhibit 8: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Operating Cashflow	386	2,775	1,165	4,604
Working Capital Changes	(2,487)	(834)	(3,589)	(1,154)
Capital Commitments	(1,687)	(8,797)	(3,756)	(4,170)
Free Cashflow	(1,300)	(6,023)	(2,591)	434
Other investing cashflow	108	161	-	-
Cashflow from Investing Activities	(1,578)	(8,636)	(3,756)	(4,170)
Issue of Share Capital	-	-	-	-
Interest Cost	(482)	(443)	(422)	(399)
Inc (Dec) in Borrowings	1,997	(2,612)	2,474	(797)
Dividend paid	(295)	(354)	-	-
Others	-	-	-	-
Cash flow from Financing Activities	1,209	6,403	2,052	(1,196)
Chg. in Cash & Bank balance	17	541	(539)	(762)
Closing cash & balance	320	899	407	(355)

Source Company data, I-Sec research

Exhibit 9: Key ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	35.6	42.4	53.4	64.8
Adjusted EPS (Diluted)	35.6	42.4	53.4	64.8
Cash EPS	41.2	46.3	58.7	72.6
Dividend per share (DPS)	-	-	0.0	0.0
Book Value per share (BV)	123.1	280.5	333.9	398.7
Dividend Payout (%)	-	-	0.0	0.0
Growth (%)				
Net Sales	12.9	22.4	19.9	22.4
EBITDA	43.5	14.3	37.1	27.9
EPS (INR)	18.7	19.0	26.0	21.2
Valuation Ratios (x)				
P/E	52.4	44.0	35.0	28.8
P/CEPS	45.3	40.3	31.8	25.7
P/BV	15.2	6.7	5.6	4.7
EV / EBITDA	46.3	37.2	27.8	21.7
P / Sales	4.0	3.3	2.7	2.2
Dividend Yield (%)	-	-	0.0	0.0
Operating Ratios				
Gross Profit Margins (%)	19.0	18.0	18.6	18.8
EBITDA Margins (%)	9.0	8.4	9.6	10.0
Effective Tax Rate (%)	11.6	13.9	15.0	14.0
Net Profit Margins (%)	7.7	8.1	8.5	8.4
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	0.5	(0.3)	(0.1)	(0.1)
Net Debt / EBITDA (x)	1.5	(2.0)	(0.8)	(0.6)
Profitability Ratios				
RoCE (%)	20.8	16.2	15.3	15.0
RoE (%)	39.2	26.6	21.9	19.1
RoIC (%)	22.1	21.1	21.4	21.4
Fixed Asset Turnover (x)	8.9	8.3	7.0	5.9
Inventory Turnover Days	90	69	85	79
Receivables Days	35	31	31	30
Payables Days	9	4	5	9

Source Company data, I-Sec research

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, **E-mail Address** : complianceofficer@icicisecurities.com

For any queries or grievances: [Mr. Bhavesh Soni](#) Email address: headservicequality@icicidirect.com Contact Number: 18601231122
