

Gravita (India)

BSE SENSEX

81,445

S&P CNX

24,812



GRAVITA

Stock Info

Bloomberg	GRAV IN
Equity Shares (m)	74
M.Cap.(INRb)/(USDb)	124 / 1.4
52-Week Range (INR)	2700 / 1251
1, 6, 12 Rel. Per (%)	-16/-33/25
12M Avg Val (INR M)	876
Free float (%)	40.7

Financial Snapshot (INR b)

Y/E March	FY25	FY26E	FY27E
Sales	38.7	50.0	65.3
EBITDA*	4.0	5.0	6.7
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 (%)	21.5	18.0	19.9
RoCE (%)	18.8	17.1	19.3

Valuations

P/E (x)	39.7	30.3	22.7
EV/EBITDA (x)	36.4	24.6	18.4

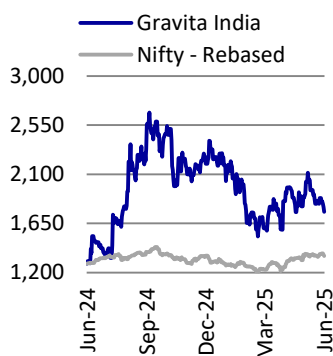
*Adjusted

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

FII Includes depository receipts

Stock performance (one-year)



CMP: INR1,680 TP: INR2,300 (+37%)

Buy

From scrap to success: Capitalizing on market diversification

Gravita India Ltd (Gravita), a prominent leader in India's recycling industry, is well-placed to leverage strong industry growth and rising momentum through its global and pan-India operations, supported by a comprehensive procurement network.

- With the implementation of Environmental Compensation (EC) for EPR non-compliance, the availability of domestic scrap has improved, leading to a 60% increase in domestic scrap sourcing by Gravita in FY25. This shift to domestic sourcing is expected to improve working capital days from 85 in FY25 to 77/76 in FY26/FY27, thereby enhancing cash flow from operations to INR3.6b/INR3.1b from INR2.8b in FY25.
- The increase in domestic scrap availability is expected to sustain as automotive battery manufacturers are now mandated to collect and recycle ~90% of the batteries placed by them three years ago in FY26 (up from ~70% in FY25). This is likely to further increase the market share of organized players.
- Furthermore, with the company's heightened emphasis on the non-lead segment, including its upcoming ventures in rubber and lithium-ion recycling (currently in the prototype phase), both operations are scheduled to commence by 1HFY26. The management is targeting a revenue CAGR of ~70% from the rubber segment over the next 3-4 years.
- This strategic expansion is expected to support the company's goal of generating 30% of its revenue from the non-lead segment by FY29.

Expanding horizons with Gravita's strategic shift beyond lead recycling

- In FY25, Gravita's lead recycling vertical contributed ~88% to the company's revenue and is set for substantial growth in the domestic market, driven by favorable industry dynamics and higher availability of domestic scrap.
- With the increase in domestic scrap procurement (up 60% YoY), led by regulatory tailwinds, we expect the working capital days to decrease from 85 in FY25 to 77/76 in FY26/FY27, resulting in an increase in cash flow from operations to INR3.6b/INR3.1b in FY26/FY27 from INR2.8b in FY25.
- Value-added lead products—tailored to specific customer requirements—will be a key growth driver for the lead segment, enabling Gravita to command a premium. These products offer margins that are 2-3% higher than the base product.
- The company plans to increase the share from value-added products to 50% from 45% in FY25.
- Meanwhile, the company remains committed to diversifying its revenue streams by expanding into new and faster-growing segments, such as lithium and rubber recycling, while also scaling up its aluminum and plastic recycling operations.
- The non-lead business accounted for ~12% of the company's revenue in FY25. However, Gravita aims to expand this segment, targeting a contribution of up to 30% of total revenue by FY29.

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- Gravita is set to enter the rubber and lithium recycling segment, with the inaugural plant scheduled to be operational by 1HFY26 in Mundra, India.
- The company does not anticipate significant revenue from lithium-ion recycling in the near term, primarily due to the limited availability of scrap materials, as EV adoption has yet to reach a scale that supports substantial recycling volumes.
- The ongoing pilot project is expected to provide a competitive edge by enhancing the company's understanding of the technology, with early expertise and advancements being crucial for long-term success in this capital-intensive sector. This approach aligns with the company's playbook, as seen during its initial expansion in the lead segment.

Expanding global presence and market opportunities in rubber recycling

- As Gravitas intensifies its focus on enhancing the composition of its non-lead portfolio, the company's entry into rubber recycling represents a significant strategic milestone, with the management aiming for a revenue CAGR of ~70% over the next 3-4 years.
- The global rubber recycling market reported a volume of 11MMT in CY23, registering a CAGR of 7.2% over CY18-23. Looking ahead, the market is expected to post a CAGR of ~6.8% over CY24-32, reaching volumes of ~21MMT by CY32.
- The growing awareness of environmental sustainability and the need to reduce carbon footprints among end users are expected to significantly drive the rubber recycling market growth.
- Additionally, global regulations aimed at reducing landfill waste and promoting recycling are likely to boost market expansion. Initiatives like the European Union's and the US's push for stricter waste management practices have sparked further interest in scalable rubber recycling solutions, ensuring the market's continued growth.
- As part of its strategic entry into the European market, Gravita, through its step-down subsidiary Gravita Netherlands BV (GNBV), has signed an MoU to acquire an 80% stake in a ~18,000 MTPA waste tire recycling facility in Romania for INR320m.
- Alongside its expansion in Europe, Gravita is setting up a plant in Mundra, India, which is expected to commence operations by 1HFY26, with an additional capacity of 30 KMT in Phase 1 and another 30KMT in Phase 2.
- In addition to producing pyrolysis oil, Gravita will focus on manufacturing a wide array of value-added products like sheets, crumb rubber, reclaimed carbon black, and byproducts like steel, which will not only be sold but also hold potential for further recycling.

Seizing market potential by expanding operations and global presence

- As a large-scale recycler with a pan-India presence, Gravita has been a key beneficiary of favorable regulatory changes, which have significantly shifted industry dynamics in favor of organized players.
- Strict government regulations under the Battery Waste Management Rules (BWMR) and Extended Producer Responsibility (EPR) have improved domestic scrap availability, leading to higher local sourcing. In FY25, Gravita witnessed a 60% YoY increase in domestic scrap procurement.

- To capitalize on the increasing availability of domestic scrap, Gravita is steadily expanding its capacity, aiming to exceed 728KTPA (major increase in rubber and lead) by FY27, up from 334KTPA in FY25. In addition to its greenfield expansion, the company is also exploring strategic M&A opportunities to fuel its growth plan.
- Backed by its deeply rooted procurement network—comprising ~33 owned yards and ~1,900+ touch points—Gravita is actively pursuing three overseas projects to expand its global presence.

Valuation and view

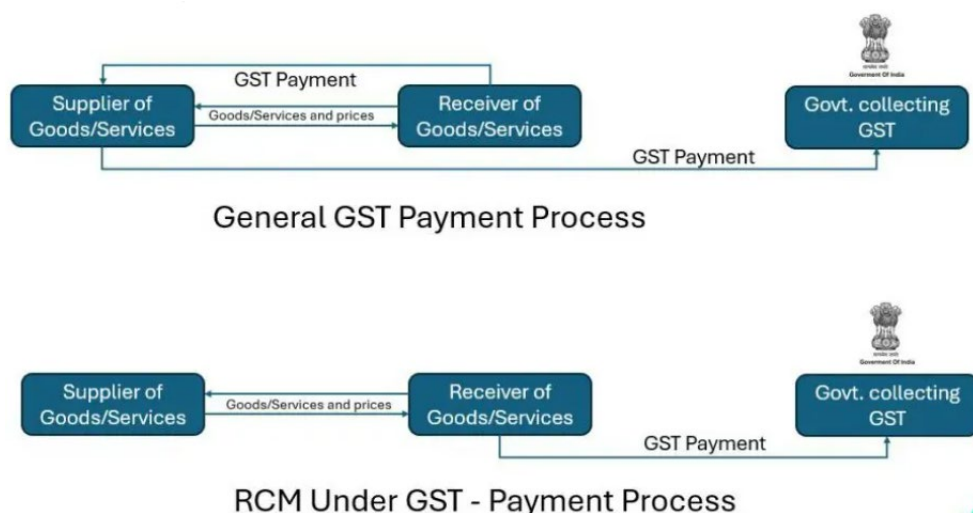
- As a leading player in India's rapidly growing recycling industry, Gravita is well-positioned to capitalize on evolving market dynamics, driven by regulatory policy changes that are expected to increase the availability of domestic scrap—benefiting organized players such as Gravita.
- Going forward, we expect the company to report robust earnings growth on the back of: 1) strategic capacity expansion across verticals and geographies, 2) an increased focus on value-added products, and 3) higher growth in new segments (rubber).
- We expect a revenue/EBITDA/PAT CAGR of 30%/29%/32% over FY25-27. **We value the stock at 31x FY27 EPS to arrive at our TP of INR2,300. We reiterate our BUY rating on the stock.**

Exhibit 1: Calculation of EC is based on the cost of handling, collection, and transportation as well as the cost of processing waste batteries

S. No.	Cost Components	INR
1.	Handling, Collection and Transportation	3,000 per tonne
2.	Processing	15,000 per tonne
Total Cost (per Tonne) = EC Charges		18,000
EC (per Kg) -		18

Source: CPCB, Company, MOFSL

Exhibit 2: Introduction of RCM on metal scrap will boost domestic scrap availability for organized players



Source: Company, MOFSL

Exhibit 3: Europe tire recycling market to reach USD1.2b by CY33

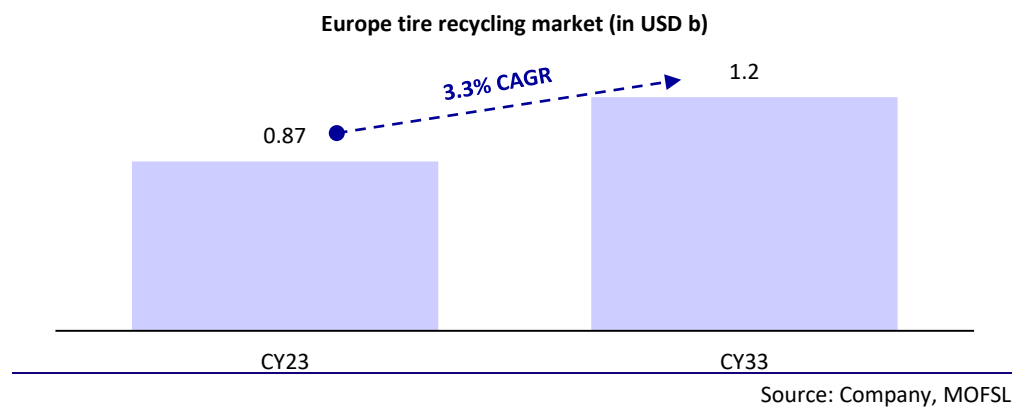
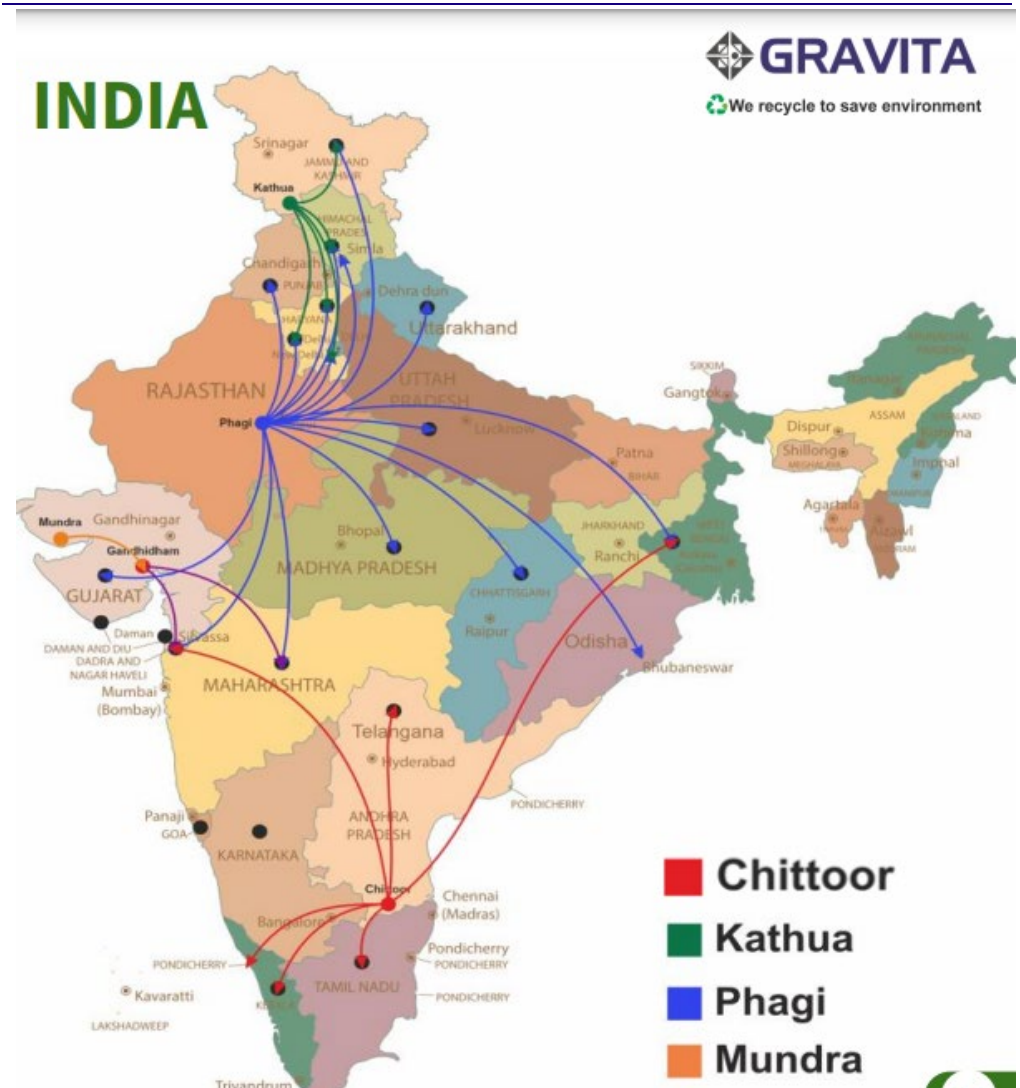
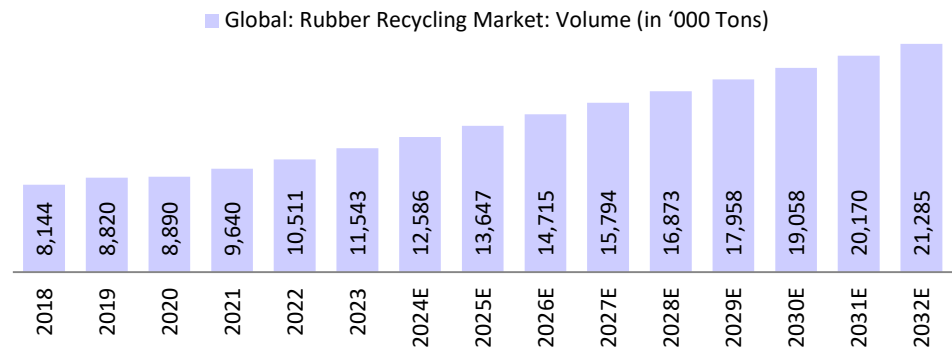


Exhibit 4: Gravita is a primary beneficiary of improved domestic scrap availability due to its pan-India network



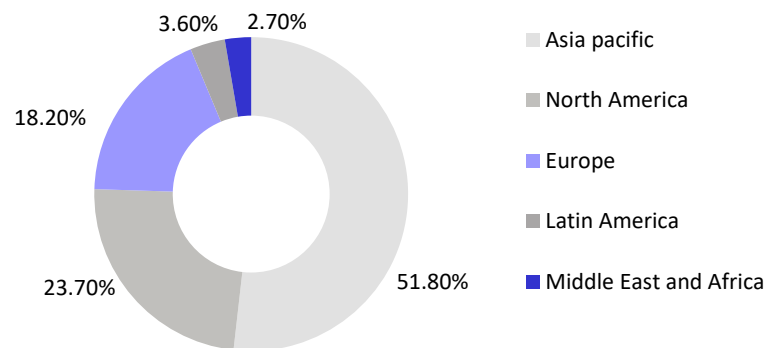
Source: Company, MOFSL

Exhibit 5: Global rubber recycling market – Volume (in '000 Tons)



Source: Company, MOFSL

Exhibit 6: Global rubber recycling market breakup



Source: Company, MOFSL

Story in Chart

Exhibit 7: Revenue CAGR of ~30% over FY25-27E...

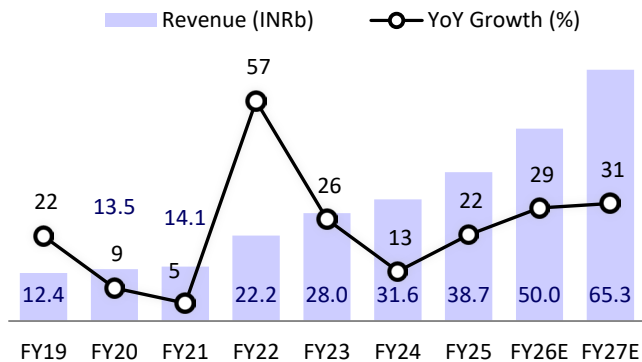


Exhibit 8: ...coupled with sustained margins

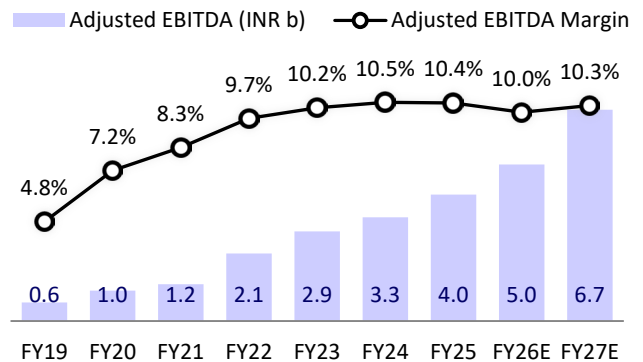


Exhibit 9: ...leading to robust earnings growth (at ~32% CAGR) Exhibit 10: Reduction in net working capital leading to...

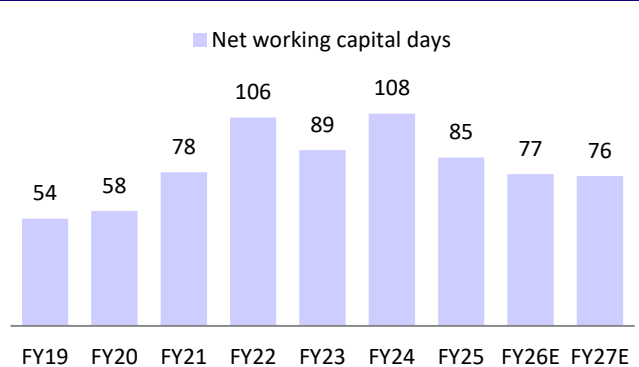
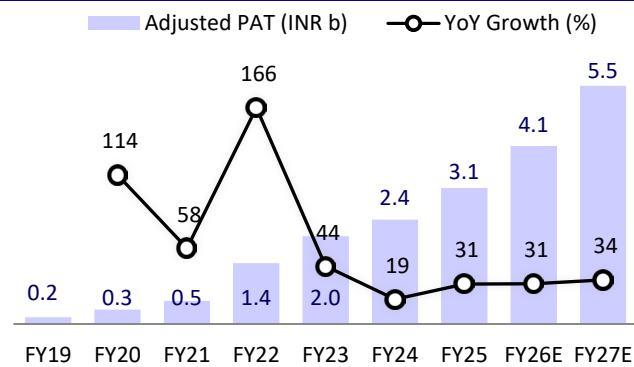


Exhibit 11: ...improved cash flow from operations

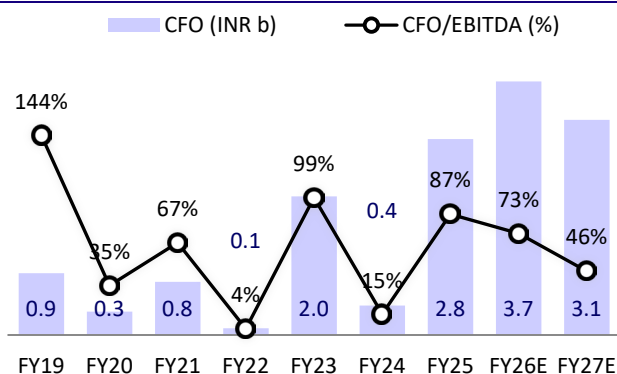
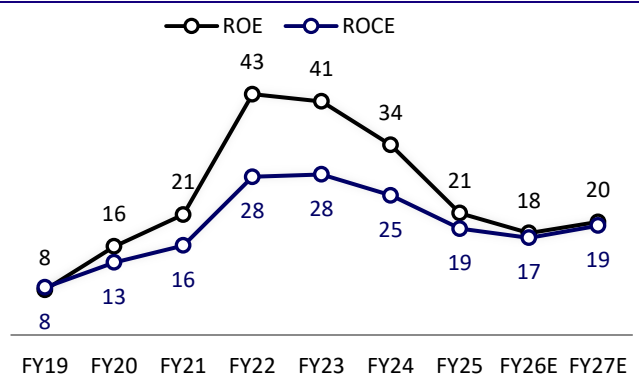


Exhibit 12: Healthy return ratios



Financials and valuations

Consolidated - Income Statement						(INR Million)	
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

Ratios

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	221.0	83.2	57.7	48.5	39.7	30.3	22.7
Cash P/E	159.4	72.5	51.5	41.8	36.3	27.5	20.4
P/BV	43.1	30.0	19.7	13.9	6.0	5.0	4.1
EV/Sales	8.4	5.4	4.3	3.8	3.0	2.5	1.9
EV/EBITDA	103.0	55.6	59.0	42.5	36.4	24.6	18.4
Dividend Yield (%)	0.1	0.2	0.0	0.1	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

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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

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