

Sustained Momentum in Revenue and Profitability; Maintain BUY
Est. Vs. Actual for Q1FY26: Revenue: **INLINE**; EBITDA (Adj.): **BEAT**; PAT: **BEAT**
Changes in Estimates Q1FY26 Result
FY26E/FY27E: Revenue: -3%/1%; EBITDA (Adj.): 0%/0%; PAT (Abs.): 2%/0%

Recommendation Rationale

- **Volume Growth in Lead and Aluminium:** The company delivered a strong operational performance, with overall volumes rising 12% YoY and revenue increasing by 15% YoY. This was primarily led by a substantial 96% YoY jump in aluminium volumes and a 10% YoY increase in lead volumes. Value-added products contributed 47% of the revenue mix for the quarter. EBITDA (including hedging gains) stood at Rs 112 Cr, supported by a higher contribution from value-added products (~47% of total revenue).
- **Capacity Ramp-up is on Track:** The current operational capacity of 3.4 Lc MTPA is set to increase by 1 Lc MTPA by year-end, with a roadmap to reach 7 Lc MTPA by FY28. The lithium-ion battery recycling pilot facility in Mundra is progressing well and is likely to become operational in Q2FY26. Similarly, the new rubber recycling plant in Mundra is on schedule and is expected to contribute from the end of FY26. The recently acquired rubber recycling unit in Romania is currently delivering an EBITDA of Rs 7–8 per kg, with expectations of improved performance in H2.
- **Growth to Accelerate from H2FY26:** In line with its long-term growth roadmap, the company is targeting a 25% CAGR in volumes and a 35% CAGR in profitability, while maintaining ROIC above 25%. Management has guided similar volume growth for FY26, the majority (~15–16%) of which would be coming from existing capacities and the remaining (8–10%) expected from upcoming capacity additions. The contribution from new capacities is expected to pick up from Q3 onwards as new capacities start being commercialised.

Sector Outlook: Positive

Company Outlook & Guidance: The outlook remains strong, driven by higher scrap availability, growing non-lead contributions, and an increasing mix of value-added products. Capacity is projected to scale from 3.34 Lc MTPA to over 7 Lc MTPA by FY28. To support this, a capex plan of Rs 1,500 Cr has been laid out till FY28—comprising Rs 1,000 Cr for capacity enhancement in existing verticals and Rs 500 Cr for diversification into lithium-ion batteries, paper, rubber, and steel recycling. Geographic expansion is also a key focus under this strategy, with meaningful progress expected by FY26. The effective tax rate is expected to remain at 15–16% in FY26.

Current Valuation: 32x FY27EPS (Unchanged)

Current TP: Rs 2,600/share (Unchanged)

Recommendation: We maintain our BUY recommendation on the stock.

Financial Performance

Gravita's Q1FY25 revenue came in at Rs 1,040 Cr, up 15% YoY and flat QoQ, broadly aligning with the estimate of Rs 1,020 Cr. Adjusted EBITDA beat estimates at Rs 112 Cr, marking a growth of 22% YoY and 3% QoQ. EBITDA margin stood at 10.7%, slightly above the estimated 10.3%, improving by 69 bps YoY and 28 bps QoQ. PAT stood at Rs 93 Cr, registering a growth of 37% YoY, surpassing expectations by 23%, aided by higher other income. The other income has been higher temporarily for the last two quarters due to increased contribution from treasury income.

Key Financials (Consolidated)

(Rs Cr)	Q1FY26	YoY (%)	QoQ (%)	Axis Est.	Variance
Net Sales	1,040	15%	0%	1,020	2%
Adj. EBITDA	112	22%	3%	105	6%
EBITDA Margin	10.7%	69bps	28bps	10.3%	45bps
Net Profit	93	37%	-2%	76	23%
EPS (Rs)	12.6	28%	-2%	10.3	23%

Source: Company, Axis Securities Research

(CMP as of 29th July 2025)

CMP (Rs)	1,870
Upside /Downside (%)	39%
High/Low (Rs)	2700/1380
Market cap (Cr)	13,805
Avg. daily vol. (1m) Shrs.	3,09,891
No. of shares (Cr)	7.38

Shareholding (%)

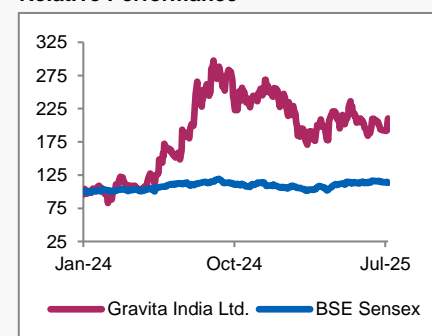
	Dec-24	Mar-25	Jun-25
Promoter	59.27	59.27	55.88
FIIIs	15.68	14.03	15.09
DIIIs	5.59	5.44	4.41
Public	18.08	19.9	23.27
Others	1.35	1.35	1.33

Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	3869	4947	6516
EBITDA	402	544	721
Net Profit	313	456	600
EPS (Rs)	42.4	61.9	81.3
PER (x)	44.1	30.2	23.0
EV/EBITDA (x)	34.8	25.6	19.1
RoE (%)	21%	20%	22%
RoCE (%)	24%	22%	24%

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Revenue	-3%	1%
EBITDA	0%	0%
PAT	2%	0%

Relative Performance


Source: Ace Equity, Axis Securities Research

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Outlook

The recycling industry presents significant growth potential, and Gravita is strategically positioned to capitalise on these emerging opportunities. The company is actively expanding its capacity through planned greenfield and brownfield projects. Backed by a strong balance sheet, Gravita is well-equipped to pursue both organic and inorganic growth avenues. Revenue growth will be driven by expansion across existing and new recycling verticals, while profit growth is expected to outpace revenue growth, supported by an improving product mix and enhanced operating leverage.

Valuation & Recommendation

Our estimates remain broadly unchanged for FY26 and FY27 as the company continues on the expected growth and margin trajectory. We continue to value the company at 32x of FY27E. We **maintain our BUY rating on the stock**, with a target price of Rs 2,600/share, implying an upside of 39% from the CMP.

Key Highlights from Concall

- **Company Performance:** Gravita delivered a 12% YoY increase in overall volumes during Q1FY26. Lead volumes grew by 10% YoY to 46,215 tons, with EBITDA per ton rising 13% YoY to Rs 21,790. Aluminium volumes witnessed a sharp 96% YoY growth to 4,812 tons, although EBITDA per ton declined by 12% YoY to Rs 17,140. Plastic volumes contracted 24% YoY, with EBITDA per ton largely flat at Rs 10,213 (down 1% YoY). Revenue rose 15% YoY and remained stable sequentially. Adjusted EBITDA, inclusive of hedging gains, grew 22% YoY and 3% QoQ, while EBITDA margins improved to 10.7% from 10.1% in Q1FY25. The marginally softer volume growth was attributed to a shift in material processing from African units to Indian facilities.
- **Capacity Expansion/Capex:** Gravita's installed capacity reached 3.34 Lc MTPA in FY25, with an ambitious plan to scale this to 7 Lc MTPA by FY28. To support this growth, Gravita has outlined a capex plan of Rs 1,500 Cr to be deployed by FY28, aimed at both scaling existing operations and investing in new verticals, including lithium-ion, paper, rubber, and steel recycling. For FY26, the company plans to spend approximately Rs 375 Cr towards these capex initiatives (Rs 60 Cr capex spend during the quarter).
- **Aluminium Hedging:** The management mentioned that aluminium contracts are likely to be listed on MCX during Q2FY26. Once active, these contracts shall allow the company to hedge its exposure to varying aluminium prices, which in turn lead to inconsistent margins.
- **Outlook:** The company continues to benefit from sectoral tailwinds such as enhanced scrap availability and supportive regulatory developments, including the potential extension of the Reverse Charge Mechanism to battery recycling, which could strengthen the formal recycling ecosystem. Gravita aims to raise the share of value-added products to over 50% and is confident of surpassing this benchmark. It has reiterated its target of achieving a 25% volume CAGR over the next three years. The company also intends to diversify further by expanding the non-lead business contribution to over 30%. As part of its ESG initiatives, Gravita is working towards meeting 30% of its energy requirements via renewables and reducing total energy consumption by over 10%.
- **Profitability Outlook:** Management has guided for sustainable EBITDA per kg in the range of Rs 19–20 for lead, Rs 14–15 for aluminium, and Rs 10–11 for plastic. The rubber vertical is expected to generate Rs 300–400 Cr in revenue by FY27–28, with a sustainable EBITDA per kg of Rs 7–8 (~30% margins).
- **Other Updates:** The company reported Rs 19 Cr in treasury income during the quarter, driven by temporary surplus cash. This income is expected to taper down as capex deployment progresses, leading to a reduction in surplus cash. While the reported tax rate was higher due to treasury income, the effective tax rate for operational business is expected to remain in the 13–14% range. For FY26, the company has guided for a 15–16% tax rate, factoring in higher treasury earnings.

Key Risks to Our Estimates and TP

- Delays in capacity expansion.
- Price fluctuation in key raw materials and key products
- The advent of newer technologies is reducing demand for lead-based batteries.

Change in Estimates
(Rs Cr)

	Revised		Old		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	4,947	6,516	5,102	6,466	-3%	1%
EBITDA (Adj.)	544	721	545	722	0%	0%
PAT	456	600	449	600	2%	0%
EPS	61.85	81.26	60.82	81.33	2%	0%

Source: Company, Axis Securities Research

Q1FY26 Results Review
(Rs Cr)

Particulars	Q1FY25	Q4FY25	Axis Sec Estm (Rs Cr)	Q1FY26	% Change (YoY)	% Change (QoQ)	Variance (%)
Revenue	908	1,037	1,020	1,040	15%	0%	2%
Net Raw Material consumed	729	846	820	841	15%	-1%	
Gross Profit	179	191	200	199	11%	4%	
Gross Margin %	19.8%	18.5%	19.6%	19.1%	-61bps	68bps	-47bps
Employee	43	37	45	45	4%	22%	
Other Expenses	49	63	55	54	10%	-14%	
Total Expenditure	820	945	920	939	15%	-1%	
EBITDA	91	109	105	112	22%	3%	6%
EBITDA Margin	10.1%	10.5%	10.3%	10.7%	69bps	28bps	45bps
Less: Depreciation	7	8	9	9	34%	12%	
EBIT	85	101	96	103	22%	2%	
Less: Net Interest	13	6	9	6	-53%	8%	
Add: Other income	3	19	5	19	475%	-2%	
Profit Before Extraordinary Items and Tax	75	115	93	116	54%	1%	
Profit Before Tax	75	115	93	116	54%	1%	
Less: Total Tax	7	20	17	23	224%	16%	
Profit After Tax	68	95	76	93	37%	-2%	23%
Reported EPS (Rs)	9.8	12.9	10.3	12.6	28%	-2%	23%

Source: Company, Axis Securities Research

Q1FY26 Sales Volumes and EBITDA Per MT

Operations	UoM	Q1FY26	Q4FY25	QoQ	Q1FY25	YoY
Sales Volumes						
Lead	MT	46,215	45,630	1%	41,913	10%
Aluminium	MT	4,812	5,254	-8%	2,459	96%
Plastic	MT	2,414	2,630	-8%	3,189	-24%
EBITDA Per MT						
Lead	Rs/Cr.	21,790	20,466	6%	19,321	13%
Aluminium	Rs/Cr.	17,140	19,836	-14%	19,414	-12%
Plastic	Rs/Cr.	10,213	9,882	3%	10,077	1%

Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E
Net Sales	3,161	3,869	4,947	6,516
Growth (%)	12.9	22.4	27.9	31.7
Other Operating Income	0	0	0	0
Total Income	3,161	3,869	4,947	6,516
Raw Material Expense	2,561	3,173	4,014	5,255
Employee Expense	131	159	204	269
Power & Fuel Expense	0	0	0	0
Other Operating Expense	185	212	265	362
Operating Profit	284	324	464	631
Growth (%)	40	14	43	36
Operating Margin (%)	9.0	8.4	9.4	9.7
Hedging Income	47	78	80	90
EBITDA (Adj.)	331	402	544	721
EBITDA (Adj.) Margin (%)	10.5	10.4	11.0	11.1
Other Income	31	34	50	50
Depreciation	38	29	35	48
EBIT	323	407	559	724
Interest Cost	49	43	34	34
Profit Before Tax	274	363	525	689
Tax	32	51	68	90
Profit After Tax	242	313	456	600
Growth (%)	18.7	29.1	45.9	31.4
Share of Profit of an associate/OCI	-3	0	0	0
Net Profit (Adjusted)	239	313	456	600
EPS	34.6	42.4	61.9	81.3

Source: company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E
Equity Share Capital	14	15	15	15
Reserves & Surplus	824	2055	2465	2991
Minority Interest and Others	13	8	8	8
Net Worth	851	2078	2487	3013
Non-Current Liabilities	261	205	205	205
Long-Term Borrowings	251	193	193	193
Other Non-Current Liabilities	10	12	12	12
Current Liabilities	490	232	255	274
ST Borrowings, Current Maturity	297	93	93	93
Other Current Liabilities	194	139	162	181
Total (Equity and Liabilities)	1602	2515	2947	3493
Non-Current Assets	426	556	896	1259
Fixed Assets (Net Block)	391	475	815	1178
Non-Current Investments	9	48	48	48
Long-Term Tax Assets	5	8	8	8
Other Non-Current Assets	8	9	9	9
Current Assets	1176	1959	2051	2234
Cash & Bank Balances	36	95	170	295
Inventories	675	617	756	905
Receivables	264	275	344	453
Other Current Assets	201	973	782	582
Total (Assets)	1602	2515	2947	3493

Source: company, Axis Securities Research

Cash Flow
(Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E
PBT	274	363	525	689
Depreciation & Amortisation	38	29	35	48
Interest expense	49	43	34	34
Interest / Dividend Recd	-28	-29	0	0
Other Adjustments	4	4	0	0
(Inc)/Dec in working capital	-245	-79	-185	-239
Tax paid	-50	-51	-68	-90
CF from operating activities	42	282	341	443
Capital expenditure	-98	-107	-375	-410
(Purchase) / Sale of Investments	-15	-482	191	200
Income from investments and others	-44	-275	0	0
CF from investing activities	-158	-864	-184	-210
Inc/(Dec) in share capital	0	981	0	0
Inc/(Dec) in debt	199	-262	0	0
Dividends & Interest paid	-78	-80	-81	-108
Other Financial Activities	0	0	0	0
CF from financing activities	121	640	-81	-108
Net cash flow	5	59	76	125
Opening balance	30	36	95	170
Other Bank Balance	0	0	0	0
Closing balance	36	95	170	295

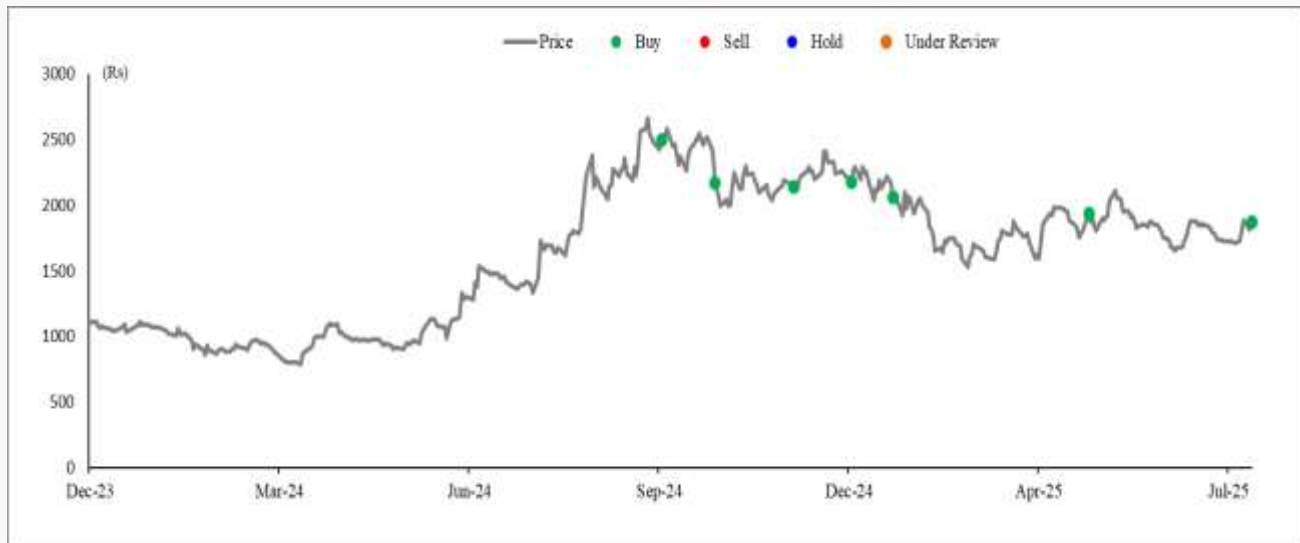
Source: company, Axis Securities Research

Ratio Analysis
(x) / (%)

Y/E Mar	FY24	FY25	FY26E	FY27E
Per share data				
No. of shares (Cr)	6.9	7.4	7.4	7.4
BVPS (INR)	123.2	281.5	337.0	408.3
CEPS (INR)	40.6	46.3	66.6	87.7
DPS (INR)	5.2	6.4	10.0	13.2
Financial Ratios				
RoE (%)	32.9	21.4	20.0	21.8
RoCE (%)	35.4	24.0	22.5	24.5
Debt/Equity (x)	0.6	0.1	0.1	0.1
EBIT/Interest (x)	6.6	9.4	16.3	21.1
Turnover Ratios				
Asset turnover (x)	2.0	1.5	1.7	1.9
Sales/Net FA (x)	8.1	8.1	6.1	5.5
Receivable days	22.9	25.1	25.0	25.0
Inventory days	79.5	65.6	55.0	50.0
Payable days	9.8	5.4	5.0	5.0
Working capital days	92.6	85.2	75.0	70.0
Liquidity Ratios				
Current ratio (x)	2.4	8.4	8.0	8.1
Quick ratio (x)	1.0	5.8	5.1	4.8
Interest cover (x)	6.7	8.9	15.3	19.9
Net debt/Equity (x)	0.6	0.1	0.0	-0.0
Valuation (x)				
PE	53.3	44.1	30.2	23.0
PEG (x) YoY growth	2.8	1.5	0.7	0.7
P/BV	15.2	6.6	5.5	4.6
EV/EBITDA	40.6	34.8	25.6	19.1
EV/Sales	4.2	3.6	2.8	2.1
EV/EBIT	41.5	34.4	24.9	19.1

Source: company, Axis Securities Research

Gravita India Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
25-Sep-24	BUY	3,000	Initiating Coverage
23-Oct-24	BUY	3,000	Result Update
02-Dec-24	BUY	3,000	Top Picks
01-Jan-25	BUY	3,000	Top Picks
24-Jan-25	BUY	3,000	Result Update
06-May-25	BUY	2,600	Result Update
30-Jul-25	BUY	2,600	Result Update

Source: Axis Securities Research

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HOLD	Between 10% and -10%
SELL	Less than -10%
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UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.