

Axis Annual Analysis 2025



Gravita India Ltd

Strategically Positioned to Capitalise on Emerging Opportunities

Summary

FY25 was a landmark year for Gravita, delivering record performance across key financial metrics, including Revenue, EBITDA, and PAT. Over the last five years, the company has maintained a strong growth trajectory with a revenue CAGR of 23% and a PAT CAGR of 57%.

During the year, Gravita successfully executed a Qualified Institutional Placement (QIP) of Rs 1,000 Cr, which was oversubscribed by 3.5 times. This capital infusion enabled the company to achieve a net debt-free position. Further, the credit rating was upgraded to **AA-**, reflecting improved financial strength. Strategic initiatives also included the acquisition of a waste tyre recycling plant in Europe, reinforcing its global expansion agenda.

Operationally, FY25 witnessed robust growth with overall volumes rising 20% YoY. Lead volumes increased by 21%, while aluminium volumes grew by 19%. Additionally, stricter regulatory measures resulted in a 60% surge in domestically sourced scrap, strengthening raw material security and supporting sustainable growth.

Key Highlights

- **Financial performance:** For FY25, the company's revenue grew by 22% YoY to reach Rs 3,869 Cr (vs Rs 3,161 Cr in the previous year), driven by a 20% rise in overall volumes and a higher contribution from value-added products, which now account for 46% of total revenue.
- **EBITDA margins:** During FY25, the company recorded EBITDA (Adj.) of Rs 402 Cr (vs Rs 331 Cr in the previous year), registering a growth of 22% YoY, reflecting a robust growth trajectory. EBITDA margin came in at 10.4% (vs 10.5% in the previous year).
- **QIP:** During the year, the company came up with a QIP of Rs. 1,000 Cr, which was oversubscribed by 3.5 times, and it helped Gravita to achieve net debt-free status.
- **Environmental Stewardship:** The company has achieved over 10% renewable energy usage in FY25, with solar installations totalling nearly 2.9 MW and a biogas plant at the Chittoor facility. Its goal is to reduce energy intensity by 10% by FY27 and to source 30% of its power from renewables, progressing to 50% by FY34.
- **Key Developments:** a) Fundraising and debt status; b) Strategic acquisitions; c) Capacity enhancement; d) Leadership changes.
- **Key Growth Drivers:** a) Rising demand for sustainable materials; b) Diversified operations and global presence; c) New verticals to improve long-term prospects; d) Value-added products to improve margins; e) Strategic evolution and capacity expansion; f) Regulatory tailwinds
- **Key Strengths:** a) Global leadership and expertise; b) Integrated and diversified business; c) Strong financial performance; d) Robust global network; e) Commitment to sustainability (ESG).
- **Key Strategies Moving Forward:** a) Ambitious capacity expansion and diversification (Vision 2029); b) Global footprint and market leadership; c) Operational excellence and innovation; d) ESG as a competitive advantage.

Outlook & Recommendation:

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 3.3 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. Moreover, geographic expansion is also a key focus under this strategy, with meaningful progress expected by FY26.

The recycling industry presents significant growth potential, and Gravita is strategically positioned to capitalise on these emerging opportunities. 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. **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 57% from the CMP.**

Key Financials (Consolidated)

(Rs Cr)	FY24	FY25	FY26E	FY27E
Net Sales	3,161	3,869	4,947	6,516
EBITDA	331	402	544	721
Net Profit	242	313	456	600
EPS (Rs)	34.64	42.40	61.85	81.26
P/E (x)	47.3	39.1	26.8	20.4
EV/EBITDA (x)	36.2	30.9	22.7	16.9
ROE (%)	33%	21%	20%	22%
ROCE (%)	35%	24%	22%	24%

Source: Company, Axis Securities Research

(CMP as of 4th September, 2025)

CMP (Rs)	1,680
Upside /Downside (%)	57%
High/Low (Rs)	2,700/1,380
Market cap (Cr)	12,392
Avg. daily vol. (1m) Shrs.	2,40,158
No. of shares (Cr)	7.38

Shareholding (%)

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

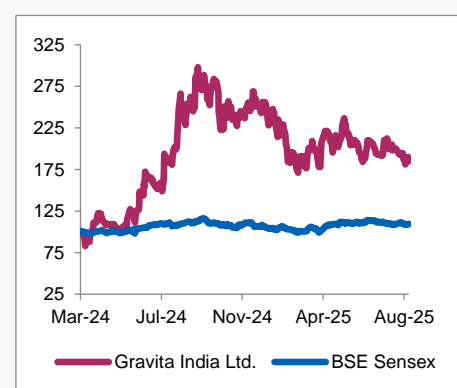
Financial & Valuations

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)	39.1	26.8	20.4
EV/EBITDA (x)	30.9	22.7	16.9
P/BV (x)	21%	20%	22%
ROE (%)	24%	22%	24%

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	0	0
EBITDA	0	0
PAT	0	0

Relative Performance



Source: Ace Equity, Axis Securities Research

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Company Overview

Gravita India Limited is a prominent player in the global recycling industry, specialising in the recycling of lead, aluminium, plastic, and rubber. Headquartered in Jaipur (Rajasthan), the company operates multiple recycling plants both domestically and internationally. As of FY25, Gravita had 12 recycling plants and 33 owned scrap yards, with an annual recycling capacity exceeding 3.3 Lc tonnes and a scrap collection capacity of 2.9 Lc tonnes.

The company also provides turnkey solutions designed to deliver complete, efficient, and sustainable recycling plants, tailored to meet specific client needs. These solutions encompass all aspects of the recycling process, from initial design and equipment supply to installation, commissioning, and ongoing support. It serves over 340 customers in 34+ countries and maintains 1,900+ procurement touchpoints globally.

Established in 1992 by first-generation entrepreneur Mr. Rajat Agrawal, Gravita has grown to become one of the leading integrated recycling companies.

Business Divisions

Lead Recycling	<ul style="list-style-type: none"> • 88%+ share in overall revenue. • 10 recycling plants • 1.7 Lc+ MT of lead products delivered. • Key OEM and industrial approvals in place. • Increasing share of value-added refined lead. • Production capacity: ~2,36,559 MTPA.
Aluminium Recycling	<ul style="list-style-type: none"> • 9%+ contribution to revenue. • Operating in both India and abroad. • Fastest-growing business vertical. • Strong demand from automotive, casting and export sectors. • Production capacity: ~38,000 MTPA. • ~17,500 MT of aluminium products delivered.
Plastic Recycling	<ul style="list-style-type: none"> • Sustainable circular offering. • Plastic production capacity: 26,100 MTPA. • Focus on green energy integration in plastic processing. • ~12,000 MT of plastic products delivered.
Rubber Recycling	<ul style="list-style-type: none"> • Emerging vertical with 30,000 MTPA capacity. • Focus on crumb rubber and derived materials. • Growing traction from the tyre and infrastructure industries. • Active presence in Europe and Africa. • Positioned for the sustainable mobility segment. • Moderate revenue share, high potential.
Turnkey Project Solutions	<ul style="list-style-type: none"> • In-house development of end-to-end recycling plant setups. • Successfully executed 70+ turnkey recycling projects across multiple countries, including the UAE, Qatar, Poland, Chile and others. • PLC-based automation, control systems, and AMCs offered. • Regular R&D and technology upgrades for cost-effective deployment. • Supports Gravita's strategy of global vertical integration and value unlocking.

FY25 Performance Round-up

- **Revenue Growth:** For FY25, the company's revenue grew by 22% YoY to reach Rs 3,869 Cr (vs Rs 3,161 Cr in the previous year), driven by a 20% rise in overall volumes and a higher contribution from value-added products, which now account for 46% of total revenue.
- **EBITDA Margins:** During FY25, the company recorded EBITDA (Adj.) of Rs 402 Cr (vs Rs 331 Cr in the previous year), registering a growth of 22% YoY, reflecting a robust growth trajectory. EBITDA margin came in at 10.4% (vs 10.5% in the previous year).
- **PAT:** For FY25, the company's PAT grew by 29% YoY to Rs 313 Cr (vs Rs 242 Cr in the previous year), underpinned by operational efficiencies and a favourable product mix.
- **QIP:** During the year, the company came up with a QIP of Rs. 1,000 Cr, which was oversubscribed by 3.5 times, and it helped Gravita to achieve net debt-free status.
- **Operational Excellence:** In FY25, the company achieved 20% overall volume growth, with lead and aluminium volumes rising 21% and 19% YoY, respectively. Stringent regulations led to a 60% increase in domestically sourced scrap.
- **Environmental Stewardship:** The company has achieved over 10% renewable energy usage in FY25, with solar installations totalling nearly 2.9 MW and a biogas plant at its Chittoor facility. Its goal is to reduce energy intensity by 10% by FY27 and to source 30% of its power from renewables, progressing to 50% by FY34.
- **Other:** During the year, the company secured an upgraded AA- credit rating and completed strategic acquisitions, including a waste tyre recycling plant in Europe. The Board has approved an interim dividend of Rs 6.35 per equity share.
- **Cash Flow:** Cash flow from operations improved significantly to Rs 282 Cr from Rs 42 Cr in the previous year. The net cash position at the end of the year stood at Rs 95 Cr, driven by efficient cash management (vs Rs 36 Cr in the previous year).
- **Balance Sheet:** The company's capital employed increased to Rs 2,375 Cr in FY 2024-25, with a pre-tax ROIC of 27%. Its capital allocation is disciplined, with a benchmark ROIC of 25% for any new or existing business.

The company delivered robust operational performance in FY25, reflecting the strong growth trajectory.

Key Developments During the FY25

- **Fundraising and Debt Status:** The company successfully completed a Qualified Institutional Placement (QIP) of Rs. 1,000 Cr, which was oversubscribed by 3.5 times, helping it achieve a net debt-free status.
- **Credit Rating and Strategic Acquisitions:** Gravita secured an upgraded AA-credit rating and completed strategic acquisitions, including a waste tyre recycling plant in Europe. This acquisition was executed through Gravita Europe SRL, a newly incorporated step-down subsidiary, in which Gravita Netherlands B.V. acquired an 80% equity stake.
- **Capacity Enhancement:** Installed production capacity reached ~3,30,000 MTPA in FY25.
- **Leadership Changes:** Dr. Mahavir Prasad Agrawal resigned as Chairman cum Whole Time Director, and Mr. Rajat Agrawal's designation changed from Managing Director to Chairman cum Managing Director effective 5th October, 2024.

Positioning for Sustainable Long-Term Growth

- **Strengthening Competitive Advantage:** The company's deep expertise across multiple recycling verticals, proprietary processes, in-house engineering, and global procurement network creates a significant "moat" or barrier to entry for competitors. Its ability to deliver high-quality, customised, and value-added products, along with OEM approvals, reinforces its leadership position.
- **Future-Proofing through Diversification:** Expanding into new high-growth segments like lithium-ion, paper, and steel recycling, alongside continuous growth in lead, aluminium, plastic, and rubber, reduces reliance on a single commodity and taps into emerging market opportunities driven by electric mobility and renewable energy.
- **Financial Resilience and Agility:** A strong balance sheet with net debt-free status, high cash flows, disciplined capital allocation, and an upgraded credit rating provides the financial muscle for aggressive capacity expansion and strategic investments while maintaining shareholder value.
- **Embedding Sustainability:** Gravita's comprehensive ESG roadmap, including ambitious targets for renewable energy, water neutrality, and waste utilisation, is integrated into its core business model, enhancing its reputation as a responsible corporate citizen and attracting environmentally conscious customers and investors. This commitment aligns with global regulatory trends and increasing demand for sustainable materials.
- **Global Leadership:** Its extensive operational facilities across India and overseas (34+ countries served) and focus on formalised, compliant recycling practices position it as a leader in both domestic and international markets, particularly benefiting from tightening global regulations and circular economy initiatives.

Key Growth Drivers

Rising demand for recycled products coupled with regulatory tailwinds to drive growth

- Rising Demand for Sustainable Materials:** Global demand for recycled lead, aluminium, and plastics is increasing due to trends in electric mobility, renewable energy integration, and stricter environmental standards. Secondary lead is projected to fulfil 65–70% of global lead consumption by 2030.
- Diversified Operations and Global Presence:** Gravita's wide range of operations and global footprint enable it to navigate market dynamics effectively and position itself as a leader in both domestic and international markets. The ability to procure scrap globally also allows the company to source scrap at cheaper prices and sell the final products, where it can maximise its profits.
- New Verticals to Improve Long-term Prospects:** Gravita is establishing a pilot project for lithium-ion recycling and its first tyre recycling plant in India at Mundra. Additionally, the company is setting up a paper recycling plant, with steel recycling plants anticipated to be operational by FY27. Gravita has also announced the acquisition of a Waste Tyre Recycling plant in Romania with a capacity of approximately 17,000 MTPA. The addressable market for these products is largely untapped, providing significant opportunities for Gravita while enabling the diversification of its revenue base.
- Value-Added Products to Aid Margin Improvement:** As part of the company's "Vision 2029," Gravita aims to achieve at least 50% of its revenues (45% in FY24) from Value Added Products such as customized lead alloys, lead sheets, lead bricks, red lead, lead oxide, customized aluminium alloys, aluminium ingots, plastic granules, PET flakes (food grade), and rubber granules and over 30% from non-lead segment. These products provide Gravita with a higher share of the value chain, generate superior margins, and enable the company to cater to diverse industrial applications, thereby widening its customer base. Moving forward, profitability is expected to improve due to the increasing share of value-added products.
- Strategic Evolution and Capacity Expansion:** Over the past three decades, Gravita has evolved from a single facility in Jaipur to a global network spanning Asia, Africa and Europe. Its Capex plan for FY28 totals Rs 1,500 Cr, aiming to increase production capacity to over 7,00,000 MTPA. About Rs 1,000 Cr will expand its existing verticals, lead, aluminium, plastic and rubber, and the rest will support new initiatives in lithium-ion, paper and steel recycling. This positions the company for an annual capacity growth rate of 25-30% over the next three years.
- Regulatory Tailwinds:** With the rising awareness of electronic waste generated globally, regulators are implementing measures not only to reduce waste but also to incentivise recycling. In India, regulatory actions such as the Battery Waste Management Rules (BWMR) and Extended Producer Responsibility (EPR) have gained significant traction in the recycling industry. The BWMR was amended in 2024 and became effective in Jun'24. In addition to establishing mandatory waste battery collection targets and requirements for refurbishment or recycling, the amendments set ambitious goals for using recycled materials in battery production. This is expected to drive the demand for recycled materials domestically and globally, while improving the availability of scrap.

Key Strengths

- **Global Leadership & Expertise:** The company is recognised as a global leader in sustainable recycling, with over three decades of experience. The recycling sector is gradually moving towards formalisation, and the manufacturers are being mandated to maintain records of the hazardous or environmentally harmful material produced by them. This is likely to increase preference for organised players, and Gravita, being at the forefront of recycling, is likely to benefit.
- **Integrated and Diversified Business:** Gravita is among the most integrated recyclers with end-to-end operations across lead, aluminium, plastic, and rubber, supporting various industries from automotive to renewable energy. This not only gives the customers the option to deal with single suppliers for various needs, but also allows the company to extract maximum value from scrap. Furthermore, a diversified set of offerings is likely to protect it from potential downside risks in a particular industry.
- **Strong Financial Performance:** Consistent track record of increasing revenues, EBITDA, and PAT, with a five-year CAGR of 23% for revenue and 57% for PAT, has substantially improved the company's financial strength. A strong balance sheet shall allow the company to invest in new growth areas and weather in temporary slowdown in the business.
- **Robust Global Network:** The ability to collect scrap from multiple locations and deliver the final product to a location preferred by the customer is a key factor in the recycling business. Gravita has an extensive network of 1,900+ procurement touchpoints and 340+ customers in over 34 countries. Within India, the company has a presence across multiple strategic locations, allowing it to collect batteries from across the country and deliver the lead to the customers near their manufacturing facilities. The existing network, which is primarily used for lead (batteries) business currently, also provides the company with an inherent advantage when it comes to expanding the business into new verticals.
- **Commitment to Sustainability (ESG):** The recycling industry is increasingly being seen as a key contributor to global sustainability initiatives. Consequently, customers and investors are showing a clear preference for suppliers that integrate sustainable practices into their operations. For a company like Gravita, this makes ESG a core competitive advantage. With ambitious targets for renewable energy use, zero liquid discharge, water neutrality, waste utilisation, and net-zero emissions, the company is likely to gain a competitive advantage while meeting the ESG expectations of the customers.

Key Strategies Moving Forward

Ambitious Capacity Expansion and Diversification (Vision 2029)

- **Target:** Gravita aims to be among the top five global recycling companies by Vision 2029, with at least 50% of revenue from value-added products and over 30% from non-lead segments.
- **Capex Plan:** The company has a Capex plan for FY28 totalling Rs. 1,500 Cr to increase its production capacity to over 7,00,000 MTPA, targeting an annual capacity growth rate of 25-30% over the next three years.
- **Allocation:** Approximately Rs. 1,000 Cr is allocated to expand existing verticals such as lead, aluminium, plastic, and rubber recycling. The remaining capital will support new strategic initiatives in lithium-ion, paper, and steel recycling, diversifying its portfolio beyond its core lead business.
- **Recent Expansions:** In FY25, Gravita's consolidated installed recycling capacity reached ~3,30,000 MTPA across Asia, Africa, and Europe. Key additions include a waste tyre recycling plant in Romania, Europe (18,000 MTPA capacity), and the commencement of commercial operations at the Ghana aluminium recycling plant (initial 4,000 MTPA, with plans to double).

These strategies, underpinned by a record-breaking financial performance in FY25 collectively enhance Gravita's competitive advantage, future-proof its business through diversification, ensure financial resilience, and embed sustainability at its core, thereby positioning it strongly for sustainable long-term growth.

Global Footprint and Market Leadership

- **Broad Reach:** Gravita serves over 340 customers in 34+ countries and maintains over 1,900 procurement touchpoints globally. Its operational facilities span India (Jaipur, Mundra, Chittoor, Kathua), Africa (Ghana, Senegal, Mozambique, Tanzania, Togo), Europe (Romania), and Sri Lanka.
- **Strategic Localisation:** Strategic capacity additions in India (East, Mundra, Jaipur) and overseas (Romania, Dominican Republic) support localised supply chains and faster customer response, ensuring broad customer access and logistics flexibility.
- **Trusted Partner:** The company is a trusted partner to OEMs and global customers across energy storage, automotive, and industrial applications, supplying recycled materials to major international markets. Its ability to secure product approvals from major OEMs and deliver consistent quality reinforces its leadership position.

Operational Excellence and Innovation

- **Sourcing Strategy:** Gravita is deepening its global and domestic scrap procurement network. It has significantly increased domestically sourced scrap by 60% in FY25, now accounting for 43% of total inputs, which reduces working capital cycles and logistics costs.
- **Advanced Technologies:** The company invests in advanced, energy-efficient recycling and refining technologies across its verticals, driving process excellence and margin stability. Its in-house engineering and turnkey solutions enable rapid greenfield (1-1.5 years) and brownfield (6-9 months) expansions, allowing quick responses to market opportunities.
- **Digital Transformation:** Gravita leverages digital traceability and supply chain integration, including a tolling business that accounts for 85% of India's lead recycling volumes, to ensure compliance and formalisation of the recycling sector. It is also exploring blockchain and IoT-enabled sensor networks for product traceability and "Smart Recycling".
- **Disciplined Capital Allocation:** A strict capital allocation policy mandates a minimum 25% Return on Invested Capital (ROIC) and a maximum three-year payback period for new projects, ensuring sustainable and accretive growth for shareholder value.

ESG as a Competitive Advantage:

- **Comprehensive Roadmap:** Gravita views ESG as a core pillar of its competitive advantage, with a comprehensive, ambitious, and actionable roadmap addressing energy, water, waste, emissions, and social responsibility.
- **Energy:** Achieved over 10% renewable energy usage in FY25, with nearly 2.9 MW of solar installations and a biogas plant. Targets include 30% renewable energy by FY29 and 50% by FY34, and a 10% reduction in energy intensity by FY27.
- **Water:** All production sites operate as zero liquid discharge (ZLD) facilities, treating and reusing nearly 48,000 KL of wastewater in FY25. Goals include water neutrality for India operations by FY34 and group-wide by FY40.
- **Waste & Emissions:** Committed to increasing waste utilisation by 10% by FY27, achieving zero waste to landfill in India by FY40, and group-wide by FY50. Long-term goal of net-zero emissions (Scope 1 and 2) by FY50.
- **Social Responsibility:** Focuses on increasing female representation (nearly 9% in FY25, targeting double by FY34). Invests in employee well-being (health insurance, 93 upskilling sessions in FY25) and safety (ISO 45001 at major sites). CSR initiatives focus on education and healthcare, with Rs. 2.8 Cr spent in FY25.
- **Governance Excellence:** A dedicated Board-level ESG committee oversees the roadmap. The company obtained limited assurance for its BRSR report in FY25, demonstrating a commitment to transparent disclosures.
- **Industry Advocacy:** Actively engages with policymakers to advocate for stronger environmental standards, formalisation of the recycling sector, and the adoption of circular economy principles, leveraging its experience with EPR and Battery Waste Management Rules.

Business Outlook

Well-placed to Tap Growth Potential in the Industry

The recycling industry presents significant growth potential, with Gravita positioned at the forefront to capitalise on this opportunity. The company has consistently increased its recycling capacity and intends to expand it further. Additionally, it plans to enter new areas of recycling, which is expected to drive revenue growth.

In terms of margins, Gravita has maintained steady margins in the lead segment; however, margins in the Aluminium segment have been volatile due to fluctuating metal prices. To mitigate this, the company plans to leverage Aluminium Alloy contracts listed on exchanges for hedging, ensuring stable margins in the Aluminium segment. Furthermore, Gravita is focusing on increasing the share of Value-added Products, which generate higher margins (2-2.5% at the EBITDA level). This, combined with the benefits of increasing economies of scale, is likely to enhance profitability.

The management has projected a CAGR of 25% in volume growth and 35% in profit growth over the next three years, citing its growth plans.

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 3.3 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.

Strong revenue and profitability growth driven by strong industry tailwinds and capacity additions/new products.

Risks & Mitigation

Industry Risk

The company primarily focuses its product marketing towards battery manufacturers and galvanisers within the country, while also exporting to other nations. Consequently, a significant portion of its revenues is generated from customers in these regions and within the lead industry. Economic downturns or factors affecting the economic stability of these customer regions could pose risks to its revenue growth. To mitigate this risk, the company emphasises diversifying its customer base and expanding contracts with existing customers to drive revenue growth. Gravita addresses pricing pressures from competitors by enhancing operational efficiency, implementing quality control measures, and pursuing cost reduction initiatives.

Competition Risk

The lead and lead products markets are experiencing rapid changes and are highly competitive. The company anticipates that competition may increase in the future and acknowledges that competitors in India and globally present challenges to its market position. However, Gravita believes it is well-positioned to strengthen its position as a leading recycler, owing to its competitive edge in offering a diverse range of top-quality products, deep industry expertise, efficient management practices, broad geographical presence, adherence to standard operating procedures, strong partnerships with esteemed clients, and a proven track record of delivering superior products while consistently meeting deadlines.

Technology Risk

The company is also subject to the risk of technological obsolescence. It recognises that continuous evaluation of technological advancements necessitates investments to adopt the latest prevailing technologies. It has implemented a range of measures to enhance efficiency and technological capabilities and claims to have cultivated significant in-house technical knowledge for producing red lead, lead powder, lead sheets, and lead alloys. It aims to continuously seek superior products to boost productivity and lower costs, with a key goal of addressing obsolescence and introducing innovative new products.

Commodity Price

Risk Prices of Gravita's end products are linked to major international and domestic benchmarks, namely the London Metal Exchange (LME) and the Multi-Commodity Exchange of India Limited (MCX), and are heavily influenced by global economic conditions and demand-supply dynamics. Fluctuations in commodity prices and demand may affect revenues, cash flow, and reserves. Gravita considers exposure to commodity price fluctuations to be an integral part of its business strategy, with a usual policy of selling its products at monthly average prices linked to the LME and MCX. To minimise the price risk associated with the procurement of major raw materials for finished goods, the company employs hedging strategies. In exceptional circumstances, strategic hedging may be undertaken with prior approval from the company management and the Internal Hedging Committee. Additionally, if required, it seeks the expertise of external consultants. Gravita closely monitors commodity markets to assess the impact of price fluctuations on earnings, largely relying on its ability to attract, train, motivate, and retain highly skilled professionals, particularly in the recycling space, including technical personnel, project managers, and project leaders.

Foreign Exchange Rate

Fluctuation risk, or Currency exchange rate risk, arises from the company's international sales and purchases. Fluctuations in its functional currency against major foreign currencies can impact its revenue. A depreciation of the functional currency may lead to increased costs for imports and borrowing. Its assets, earnings, and cash flows are significantly influenced by movements in foreign currencies, particularly the US dollar. Gravita has developed a module for foreign exchange management to monitor, measure, and hedge currency risk liabilities. The treasury team reviews forex-related matters periodically and recommends necessary actions as required by the business, operating within the overall framework of natural hedging due to exports. The company strives to

The company implements strategic steps along with traditional mitigation mechanisms to address conventional as well as emerging risks.

achieve asset-liability offset for foreign currency exposures, hedging only the net outstanding position. It utilises forward exchange contracts to mitigate the effects of exchange rate movements on foreign currency-denominated assets and liabilities. The sources of foreign exchange risk include outstanding amounts payable for imported raw materials, capital goods, and other supplies, as well as financing transactions denominated in foreign currencies. The hedge mechanisms are reviewed periodically to ensure that risks from fluctuating currency exchange rates are appropriately managed.

Regulation Risk

The company faces heightened risks in its global expansion efforts, including challenges in complying with varying regulations, restrictions on importing and exporting goods and technologies, and potential complications arising from overlapping tax systems. Unfavourable regulatory changes or inconsistent enforcement of existing policies, such as the Battery Waste Management Rules (BWMR) and Plastic Waste Management Rules (PWMR), could result in slower-than-anticipated demand growth. The company asserts that it has implemented a robust process, with assistance from industry experts and consultants, to establish a wholly-owned subsidiary. Furthermore, it has instituted a policy requiring functional heads and country heads to provide regular compliance certificates to the board, ensuring adherence to all relevant laws and regulations.

Information Technology Risk

The escalating dependence on information technology increases the likelihood of security breaches, which could lead to the misuse of funds and assets. Such breaches have the potential to disrupt operations or result in more severe consequences. Gravita has established an IT security framework that undergoes regular reviews. Various safeguards and policies are implemented to protect its network from cybersecurity threats.

Sustainability/ESG Risk

Environment, social, and governance (ESG) risk encompasses non-financial risks related to environmental sustainability, reputation or brand, legal compliance, technological factors, product or service quality, labour practices, ethical conduct, and strategic considerations. The company conducts regular audits and assessments to ensure ongoing compliance. It has expanded its product portfolio through recycling initiatives and has installed a solar energy generation system at its manufacturing facilities in India. This installation is expected to assist the company in achieving its vision of reducing carbon emissions. Additionally, the Environmental Management System adopted at its plants is accredited with the International Standard ISO 14001:2015.

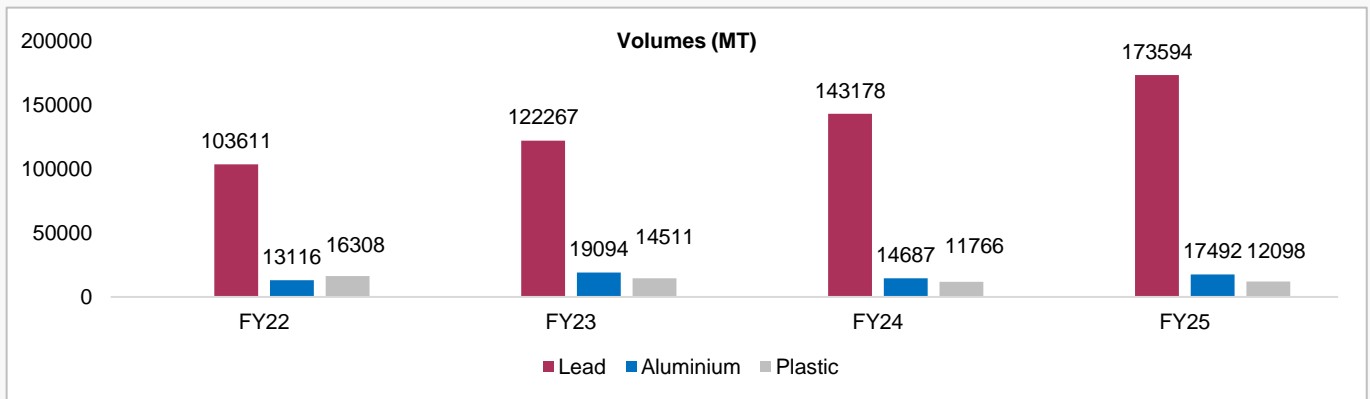
Profit and Loss Statement Highlights (Rs Cr)

Particulars	FY24	FY25	Change	Comments/Analysis
Net Sales	3,161	3,869	22%	Robust revenue growth driven by a 20% rise in overall volumes and a higher contribution from value-added products
COGS	2,561	3,173	24%	RM costs increased at a higher rate compared to revenue during the year.
Gross Profits	600	696	16%	Gross profits grew by 16%, indicating lower gross margins due to RM inflation.
Operating Expenses	2,877	3,545	23%	Operating Expenses growth was primarily driven by higher other and personal expenses
EBITDA	331	402	22%	Higher hedging income led to an improvement in EBITDA in line with revenue, offsetting the RM inflation.
Interest	49.22	43.37	-12%	Interest cost decreased as the borrowings declined due to strong performance and proceeds from QIP.
PAT	242	313	29%	PAT growth reflected the improvement in operational performance as well as a decrease in borrowing costs.

Source: Company; Axis Securities Research

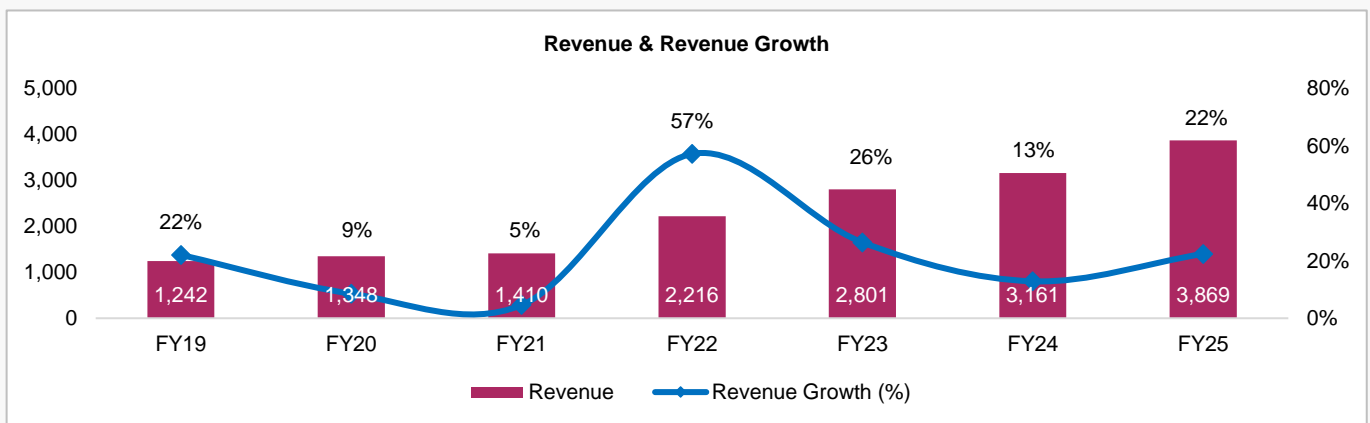
Key Performance Parameters/Trends (Rs Cr)

Exhibit 1: Volume growth continues

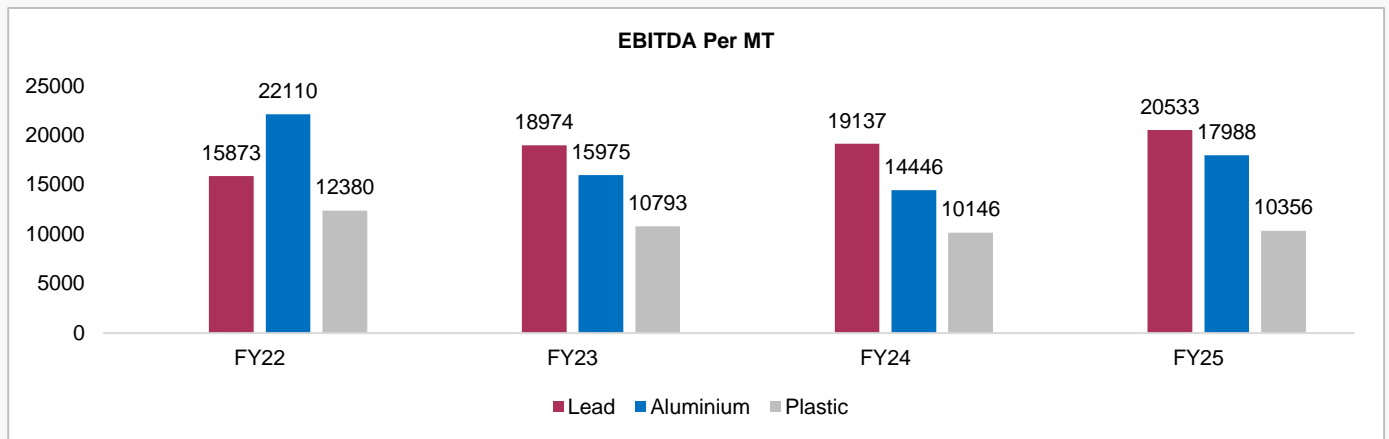


Source: Company, Axis Securities Research

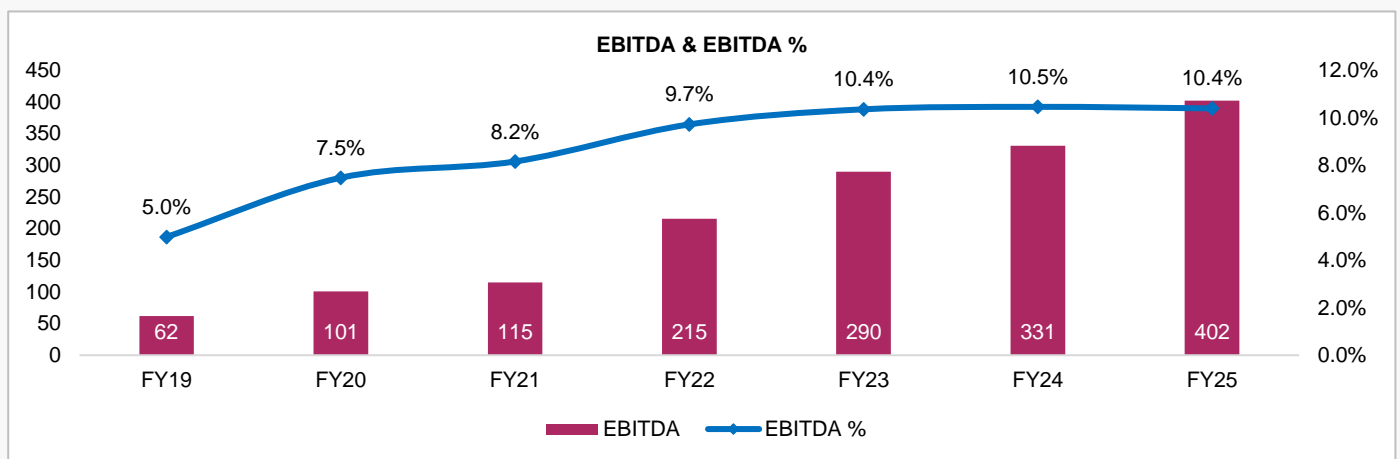
Exhibit 2: Robust revenue growth over the past four years



Source: Company, Axis Securities Research

Exhibit 3: EBITDA Per MT improved for Lead and Aluminium


Source: Company, Axis Securities Research

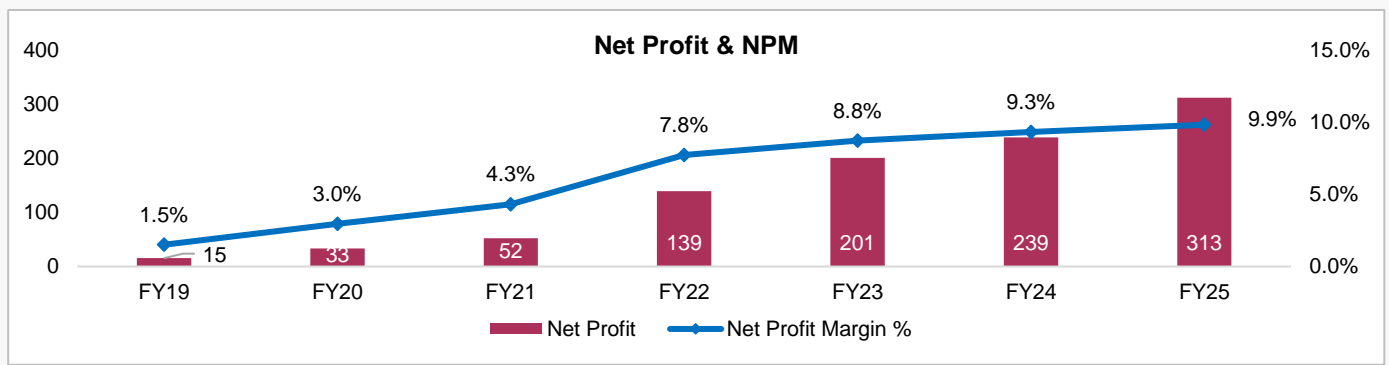
Exhibit 4: EBITDA growth with sustained margins


Source: Company, Axis Securities Research

Growth/Profitability Indicators (Rs Cr)

Particulars	FY24	FY25	Change	Comments/Analysis
Revenue	3,161	3,869	22%	Robust revenue growth driven by a 20% rise in overall volumes and a higher contribution from value-added products
EBITDA Margin	10.46%	10.39%	-6bps	The margins were broadly stable.
PAT	242	313	29%	Robust earnings growth is driving shareholder value

Source: Company, Axis Securities Research

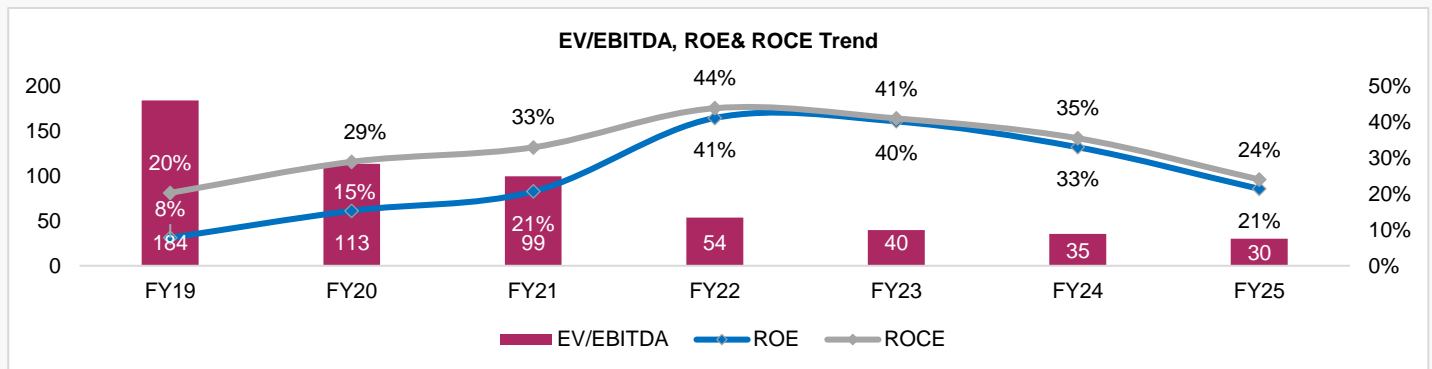
Exhibit 5: Net Profit and NPM Trend


Source: Company, Axis Securities Research

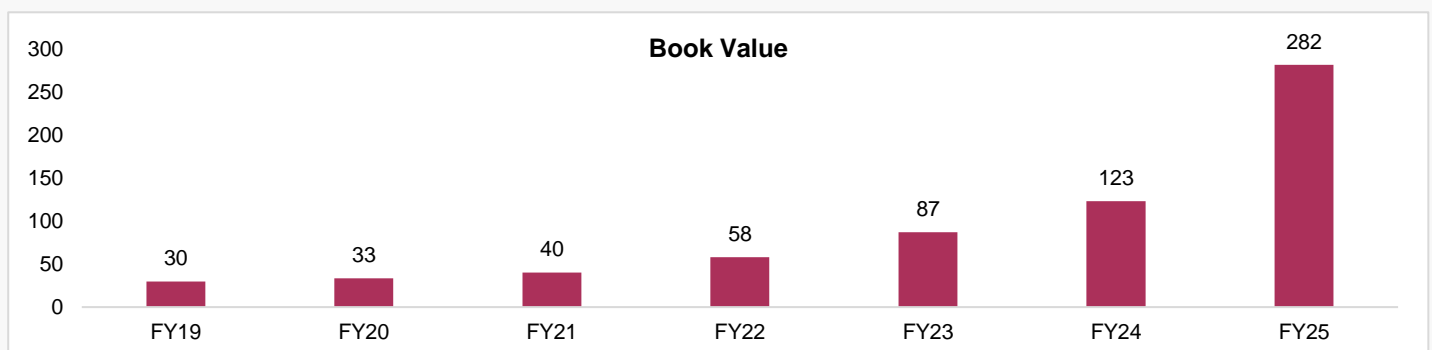
Financial Ratios

Particulars	FY24	FY25	Change	Comments/Analysis
ROE	33%	21%	-1157bps	Declined owing to a higher base of R/S (Raise funds)
ROCE	35%	24%	-1147bps	Declined due to a higher capital base
Asset Turn	2	1.5		Lower due to additions of fixed assets during the year.
Net Debt/Equity	0.6	0.1		Debt to Equity decreased due to the decline in debt levels.
EV/EBITDA	35	30	(5x)	EV/EBITDA was lower (improved) owing to superior operating performance

Source: Company; Axis Securities Research

Exhibit 6: EV/EBITDA, ROE & ROCE Trend


Source: Company, Axis Securities Research

Exhibit 7: Book Value (INR/share)


Source: Company, Axis Securities Research

Key Balance Sheet Takeaways

Working Capital Management

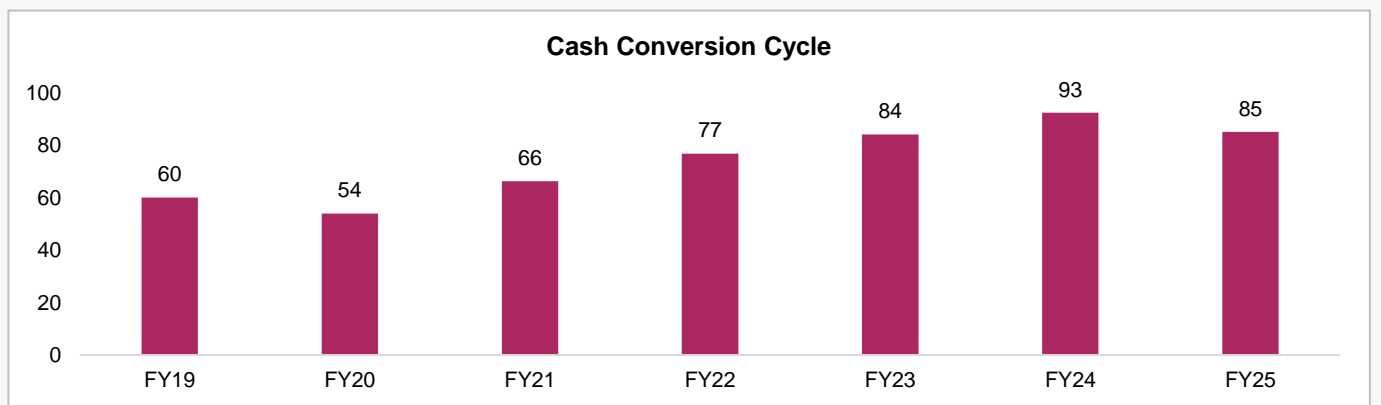
- Working capital intensity in FY25 improved as the cash conversion cycle improved to 85 days in FY25 from 93 days in FY24. This was due to a reduction in inventories. The company's working capital cycle continues to improve, driven by increased domestic scrap procurement, efficient inventory management and a diversified customer and supplier base.

Cash Conversion Cycle

Particulars	FY24	FY25	Change	Comments/Analysis
Inventory Days	80	66	-14	Inventory days were reduced owing to better management.
Trade Receivable Days (current)	23	25	2	Maintained a largely similar level as the previous year
Trade Payable Days	10	5	-4	Remain negligible due to the nature of the business
Cash Conversion Cycle	93	85	-7	Overall, CCC improved.

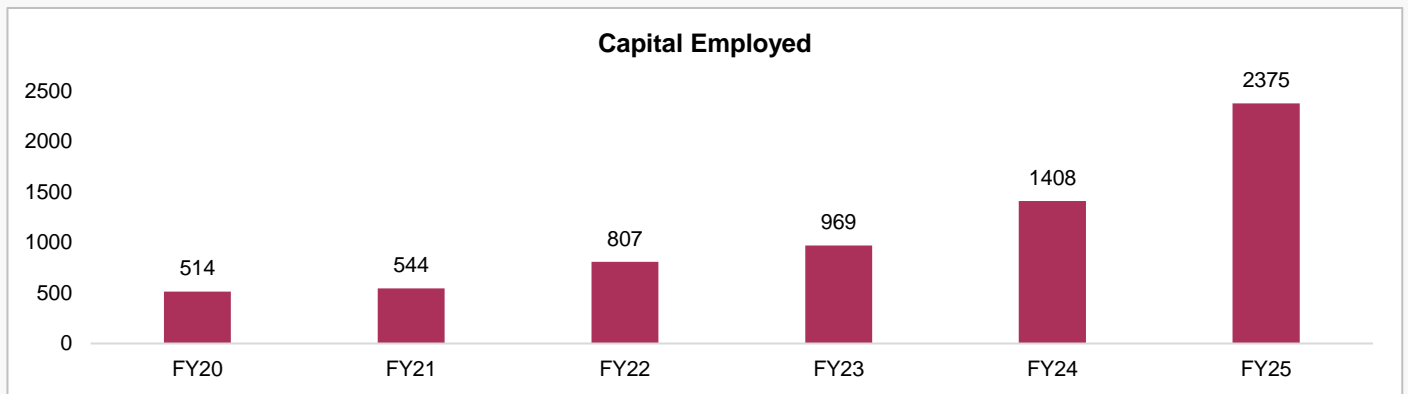
Source: Company; Axis Securities Research

Exhibit 8: Cash Conversion Cycle

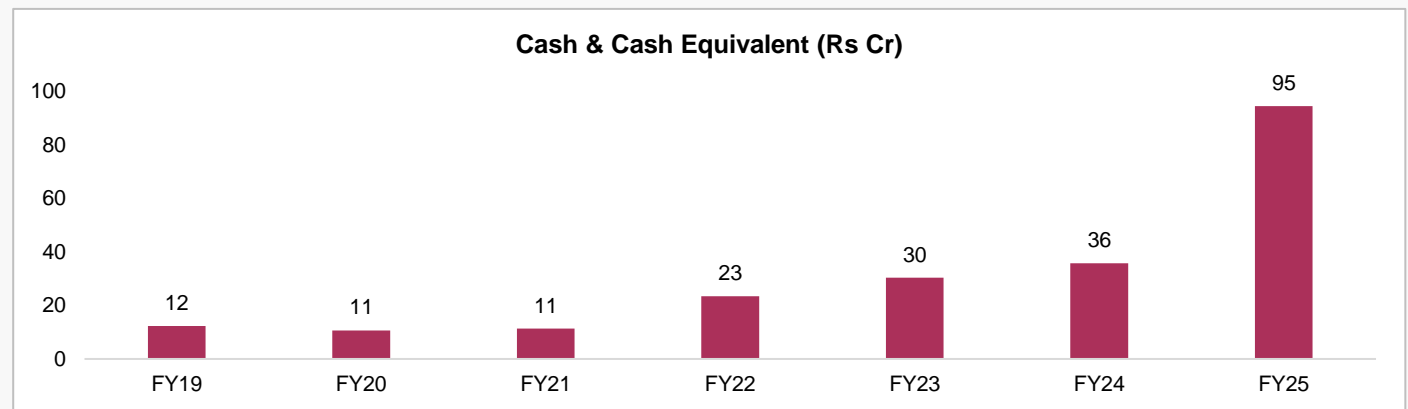


Source: Company; Axis Securities Research

- Capex:** The company has spent around Rs. 107 Cr of capex in FY25. 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.
- Debt Levels:** During the year, the company has successfully completed a QIP of Rs 1,000 Cr, which was oversubscribed by 3.5 times and helping it to achieve a net debt-free status. Gravita prioritises high-return projects, maintains a net debt-free status and sustains robust cash flows through strong operational performance and margin expansion.
- Capital Employed:** Gravita's capital employed increased to Rs 2,375 Cr in FY24-25, with a pre-tax ROIC of 27%.
- Cash & Liquidity Position:** The cash and cash equivalents for the FY25 stood at Rs. 95 Cr (vs Rs. 36 Cr in FY24).

Exhibit 9: Capital Employed


Source: Company, Axis Securities Research

Exhibit 10: Cash & Cash Equivalent (Rs Cr)


Source: Company, Axis Securities Research

Key Cash Flow Takeaways

Particulars (Rs Cr)	FY24	FY25	Change	Comments/Analysis
PBT	274	363	33%	Improved PBT, reflecting superior operating performance
Depreciation	38	29	-23%	Decreased YoY.
Finance Cost	49	43	-12%	Decreased due to a decrease in borrowings
CFO	42	282	566%	Higher YoY due to more cash generated from operations.
CFI	-158	-864	447%	Increased outflow due to Capex and purchase of investments
CFF	121	640	430%	Increased, supported by the QIP proceeds, partially offset by repayment of borrowings

Source: Company, Axis Securities Research

Improving Cash Flows: The Company has seen improvement in its operating performance, leading to better profitability and, in turn, higher operating cash flows. Cash flow from operations improved significantly to Rs 282 Cr. Financing cash flows improved significantly, despite repayment of borrowings, as the company raised funds through QIP of Rs 1000 Cr (net proceeds Rs 981 Cr). The funds generated were primarily utilised towards Capex and the purchase of investments.

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
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
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

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E Mar, Rs Cr	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

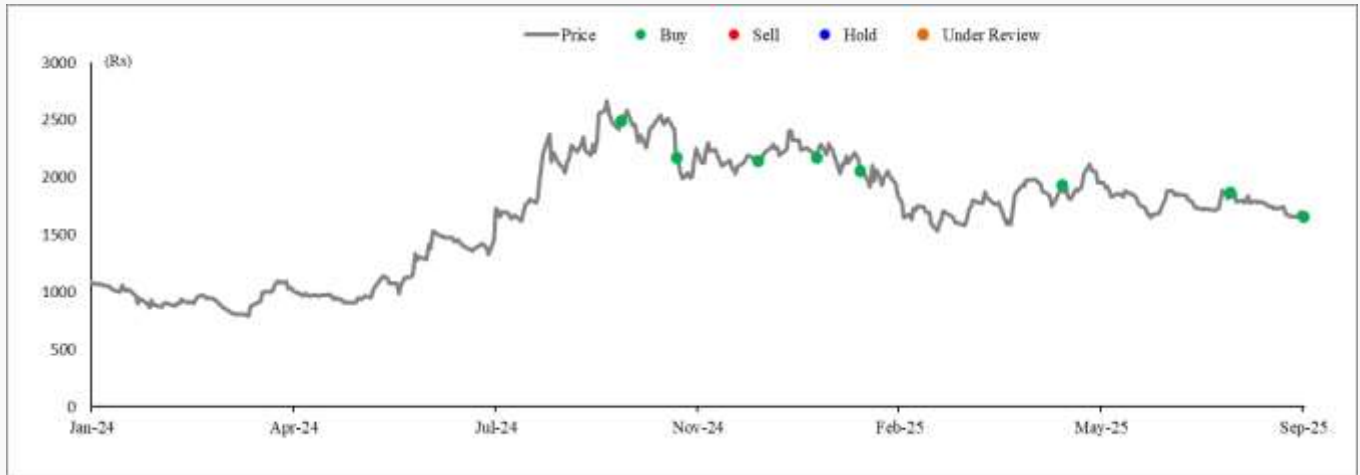
Ratio Analysis

(%)

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	47.3	39.1	26.8	20.4
PEG (x) YoY growth	2.5	1.3	0.6	0.7
P/BV	13.5	5.9	4.9	4.1
EV/EBITDA	36.2	30.9	22.7	16.9
EV/Sales	3.8	3.2	2.5	1.9
EV/EBIT	37.0	30.5	22.1	16.9

Source: Company, Axis Securities Research

Gravita India Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
25-Sep-24	BUY	3000	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
05-Sep-25	BUY	2,600	AAA

Source: Axis Securities Research

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HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
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.