



# Gravita India

BSE Sensex 78,956 S&P CNX 24,139

**CMP: INR1,800 TP: INR2,350 (+31%) Buy**



### Stock Info

Bloomberg	GRAV IN
Equity Shares (m)	69
M.Cap.(INRb)/(USDb)	123 / 1.5
52-Week Range (INR)	1915 / 693
1, 6, 12 Rel. Per (%)	30/90/125
12M Avg Val (INR M)	362
Free float (%)	36.6

### Financial Snapshot (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	40.7	50.9	63.8
EBITDA*	4.2	5.4	7.2
EBITDA Margin (%)*	10.3	10.7	11.2
Adj. PAT	3.0	4.0	5.3
Cons. Adj. EPS (INR)	43.7	57.8	77.2
EPS Gr. (%)	26	32	34
BV/Sh. (INR)	164	221	297

### Ratios (%)

Net D:E	0.4	0.3	0.2
RoE (%)	22.8	23.8	24.8
RoCE (%)	30.6	30.0	29.8

### Valuations

P/E (x)	41.2	31.1	23.3
EV/EBITDA (x)	30.5	23.8	18.0

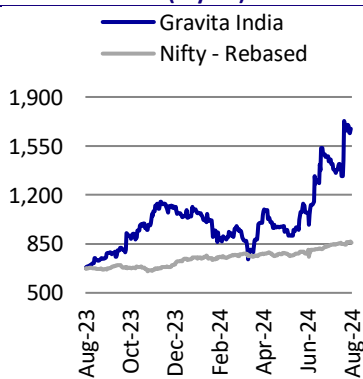
\*Adjusted

### Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	63.4	66.5	66.5
DII	2.6	0.4	0.4
FII	14.9	12.5	11.3
Others	19.2	20.6	21.8

FII Includes depository receipts

### Stock Performance (1-year)



## Getting the 'Lead Out' in style!

### Pioneering India's recycling revolution!

Gravita India (Gravita) is one of the key players in the growing recycling industry in India. The company is primarily engaged in recycling lead (~88% of revenue in FY24), aluminum (~8%), and plastics (~2%). Additionally, it offers turnkey solutions to its customers, assisting them in setting up recycling plants.

- Gravita's core business of lead recycling is expected to sustain the strong revenue growth momentum (at ~21% CAGR over FY24-27), fueled by favorable regulatory changes and the formalization of the sector (BWMR, 2022).
- However, the other key business segments, such as Aluminum and Plastic, are expected to report a much higher revenue CAGR of ~49% and 52%, respectively, propelled by changing business scenario due to the introduction of new hedging mechanisms and stricter implementation of regulatory policies (such as the Plastic Waste Management Rule; PWMR).
- The company is incurring a significant capex of over INR6b (INR4b for the existing segments and INR2b for the upcoming segments, like Lithium ion, Steel, and Paper) on the existing gross block of ~INR4.8b to more than double the capacity over the next three years (~686K MTPA by FY27 vs. ~303K in FY24).
- We believe that with strong industry tailwinds, favorable regulatory policies, the availability of additional hedging mechanisms, and the absence of significant supply chain disruption, Gravita can ramp up the utilization materially (driving ~30% sales volume CAGR over FY24-27E).
- Further, Gravita enjoys multiple competitive advantages, such as strategically located manufacturing units, a deep procurement network, a diverse global customer base, and lower costs for building new facilities (through the in-house turnkey division). These advantages provide long-term growth visibility.
- We estimate Gravita to register a revenue/Adj. EBITDA/Adj. PAT CAGR of 26%/29%/31% over FY24-27. The stock currently trades at 31x/23x FY26E/FY27E EPS, with an RoE/RoCE of 30%/25% in FY27. We initiate coverage on the stock with a BUY rating and a TP of INR2,350 (based on 35x Sep'26E EPS).
- Key downside risks: 1) supply chain issues and logistic disruptions, 2) unfavorable regulatory changes, 3) a delay in the ramp-up of new facilities, and 4) volatility in commodity prices where the company has not fully hedged.

### Lead recycling business to continue leading from the front

- Gravita commenced its lead recycling business with its first plant in Jaipur in CY94. Currently, it is the largest vertical (~88% of FY24 sales) and has been leading the growth trajectory (~21% revenue CAGR) during FY19-24.
- The margins were volatile in the initial years due to fluctuations in commodity prices. However, currently the company is hedging its entire position in the lead segment (including the core inventory), thereby eliminating any commodity price risk