MIRAE ASSET Sharekhan

Viewpoint

Company Update

# Gravita India Ltd

## Scaling Sustainably, Growing Profitably

| Metal & Mining | Sharekhan code: GRAVITA |
|---|---|
| Reco/View: Positive ↔ | CMP: Rs. 1,810 / Upside potential: 26% ↑ |

↑ Upgrade ↔ Maintain ↓ Downgrade

### 3R MATRIX

| 3R MATRIX | + | = | - |
|---|---|---|---|
| Right Sector (RS) | | ✓ | |
| Right Quality (RQ) | ✓ | | |
| Right Valuation (RV) | ✓ | | |

\+ Positive = Neutral – Negative

### What has changed in 3R MATRIX

| | Old | | New |
|---|---|---|---|
| RS | | ↔ | |
| RQ | | ↔ | |
| RV | | ↑ | |

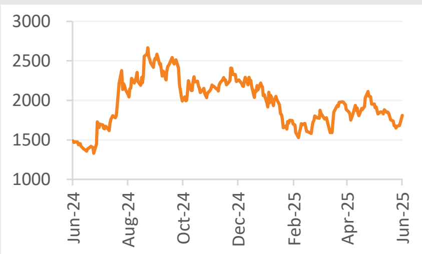
### Company details

| | |
|---|---|
| Market cap: | Rs. 13,359 cr |
| 52-week high/low: | Rs. 2700/1308 |
| NSE volume: (No of shares) | 3.8 lakh |
| BSE code: | 533282 |
| NSE code: | GRAVITA |
| Free float: (No of shares) | 3.0 cr |

### Shareholding (%)

| | |
|---|---|
| Promoters | 59.3 |
| FII | 14.0 |
| DII | 5.4 |
| Others | 21.3 |

### Price chart




*Source: NSE India, Mirae Asset Sharekhan Research*

### Price performance

| (%) | 1m | 3m | 6m | 12m |
|---|---|---|---|---|
| Absolute | -5.1 | -3.4 | -19.1 | 21.7 |
| Relative to Sensex | -7.8 | -11.3 | -26.3 | 14.4 |

*Source: Mirae Asset Sharekhan Research, Bloomberg*


**Summary**

- We reinitiate coverage on the stock with a Positive view as we like the structural growth story and it is now available at a reasonable valuation.
- We assign a 30x multiple on its FY27 EPS and arrive at a target price of Rs. 2,280, which is a 26% upside on CMP. It is currently trading at 30x/24x its FY26/27 EPS.
- The company has guided for a 25%/35% revenue/PAT CAGR and an ROCE of 25%+ over FY25-29.
- It is to be driven because of the implementation of Battery Waste Management Rules (BWMR), EPR, Reverse Charge Mechanism (RCM) and capacity expansion in new and existing recycling verticals.


**Driving Sustainable Growth with structural advantage:**

Stringent government regulations under BWMR and EPR propelled a robust 60% y-o-y rise in domestically sourced lead scrap in Q4FY25. The implementation of Reverse Charge Mechanism (RCM) is expected to further support lead volumes. The company has guided for a 20% CAGR in lead volumes over the next 3–4 years, aiming to sustain EBITDA margins in the range of ₹18–19/kg. While this is slightly below the current margin of ₹20/kg, the shift towards higher domestic sourcing — which yields ₹11–12/kg compared to ~₹28/kg in exports — accounts for the moderation. To support future growth, lead capacity is being expanded by 72,000 MTPA at the Mundra facility.

**Expanding Horizons in Green Recycling Across Metals, Batteries, and Rubber:**

The company projects strong growth in its aluminium and plastic recycling verticals, with expected volume CAGRs of 40% and 70% respectively over the next few years. Sustainable EBITDA margins are guided at ₹14–15/kg for aluminium and ₹10–11/kg for plastic. Aluminium margins are expected to stabilize once the company begins hedging on MCX. In line with its strategic push towards circular economy initiatives, the company is setting up a pilot lithium-ion battery recycling project and a rubber recycling facility in Mundra, both scheduled to be operational in H1FY26. Additionally, it has acquired a waste tyre recycling plant in Romania, which has an installed capacity of 18,000 MTPA — marking its first significant global footprint in rubber recycling.

**Strengthening the Balance Sheet, Scaling for the Future:**

The company has successfully raised ₹1,000 crore via a Qualified Institutional Placement (QIP), earmarked for growth capex, working capital, and debt reduction. Of this, ₹245 crore has already been utilized towards debt repayment and working capital requirements. Over the next three years, the company expects total cash inflows of ₹2,500 crore — comprising ₹1,500 crore from internal accruals and ₹1,000 crore from the QIP. These funds will be strategically deployed: ₹1,500 crore towards growth initiatives and ₹1,000 crore towards working capital. Capex outlay includes ₹375 crore in FY26 and a cumulative ₹1,500 crore by FY28. This investment will support the company's ambitious capacity expansion from 3.34 lakh MTPA in FY25 to 7 lakh MTPA by FY28, positioning it strongly for future growth.

**Our Call**

**Valuation – Reinitiating Coverage with a Positive View; 26% Upside Potential:** We reinitiate coverage on Gravita India with a Positive view, projecting a 26% upside from the current market price. The company offers a compelling play on regulatory tailwinds, capacity expansion, and strategic forays into new recycling verticals. With a strong track record and expected Revenue/PAT CAGR of 27%/30% over FY25–FY27E, Gravita is well-positioned to sustain growth. Government emphasis on circular economy initiatives and the company's goal to increase the share of non-lead and value-added products to 30%+/50%+ respectively could act as key re-rating catalysts. Our target price is based on a 30x multiple of FY27E EPS. The stock currently trades at 30x/24x its FY26/FY27 earnings estimates.

**Key Risks**

1) Country-specific risk given overseas expansion in Africa, Europe, etc. 2) Project delays and misallocation of capital especially towards new verticals.

**Valuation (Consolidated)** Rs cr

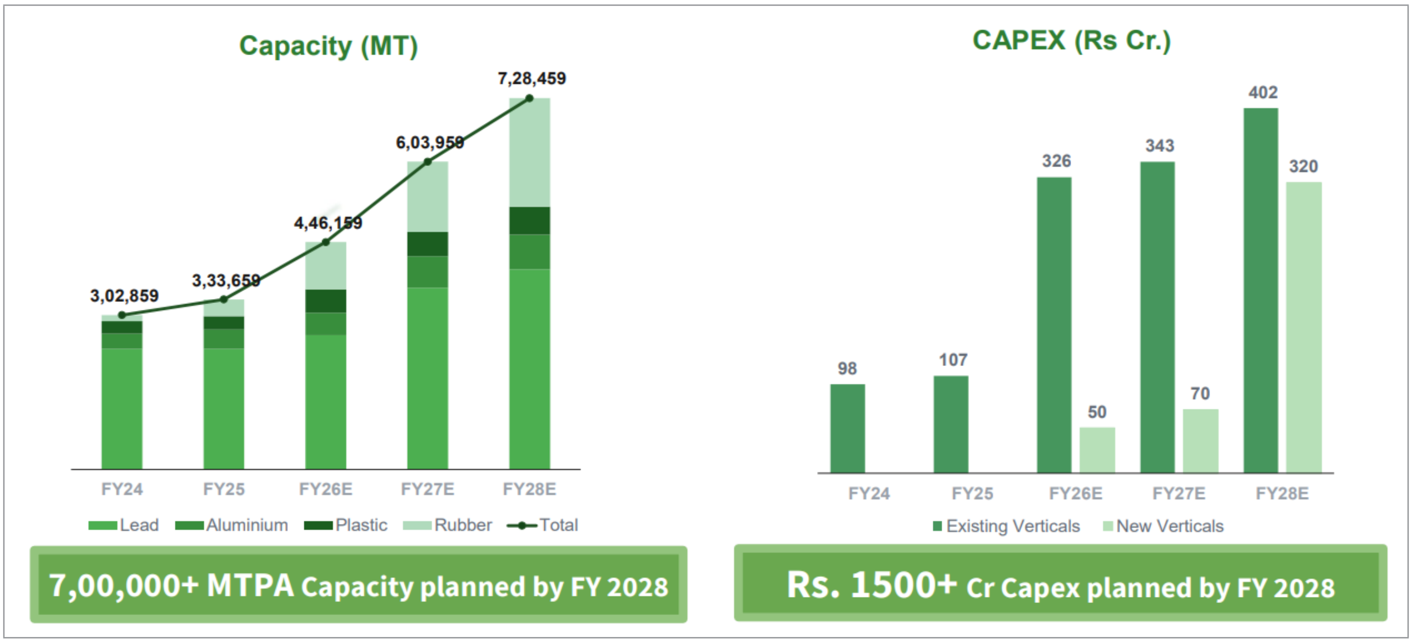
| Particulars | FY23 | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|---|
| Revenue | 2,801 | 3,161 | 3,869 | 4,878 | 6,204 |
| Operating profit | 286 | 284 | 324 | 503 | 642 |
| OPM (%) | 10.2 | 9.0 | 8.4 | 10.3 | 10.3 |
| Adjusted PAT | 201 | 239 | 312 | 413 | 524 |
| % Y-o-Y growth | 44.3 | 18.9 | 30.6 | 32.2 | 26.8 |
| Adjusted EPS (Rs.) | 29.1 | 34.6 | 45.2 | 59.8 | 75.9 |
| P/E (x) | 62.1 | 52.2 | 40.0 | 30.2 | 23.8 |
| P/B (x) | 21.2 | 14.9 | 6.0 | 5.2 | 4.3 |
| EV/EBITDA (x) | 44.8 | 45.7 | 38.2 | 24.6 | 19.6 |
| RoCE (%) | 19.8 | 21.0 | 15.8 | 18.8 | 20.9 |
| RoNW (%) | 41.2 | 33.5 | 21.5 | 18.4 | 19.8 |

*Source: Company; Mirae Asset Sharekhan estimates*

**Gravita Vision 2029 – Aim of 25%+/35%+ volume/profitability CAGR over FY2025-FY2029E**


*Source: Company*

**Capacity expansion and capex plan over FY2025-FY2028E**




*Source: Company*

## Outlook and Valuation

### ■ Sector Outlook – Organised lead recycler to gain from strict regulations

The BWMR had mandated that, in FY2023, Indian lead battery manufacturers should compulsorily collect back 30% of their total batteries sold in FY2020 and increase the same to 50%/70%/90% in FY2024/FY2025/FY2026. Stricter regulations and implementation of RCM (Reverse Charge Mechanism) should provide tailwinds for a shift of battery scrap availability to organised markets from unorganised players. Thus, the share of organised players in battery recycling is expected to increase to 70% by FY2026E (versus ~40% currently). Globally as well, the emphasis is increasing on the promotion of a circular economy and the same bodes well for sustained growth of organised recyclers such as Gravita India.

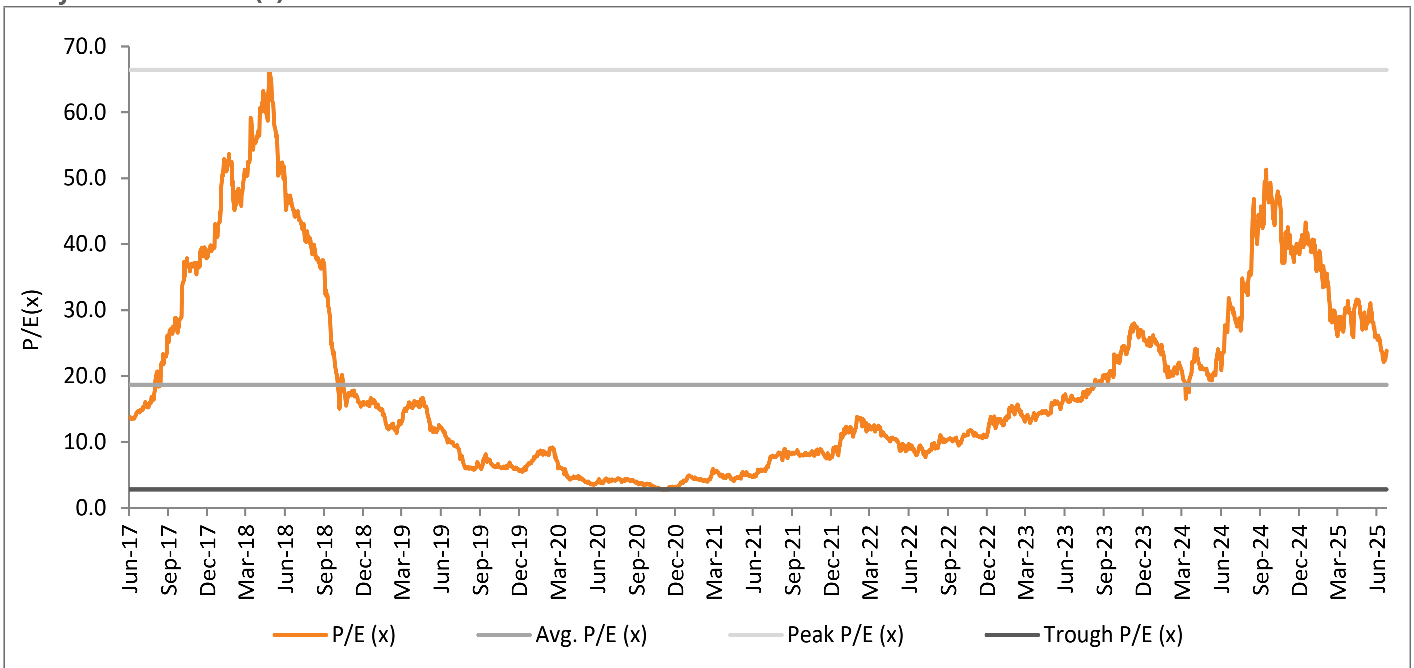
### ■ Company Outlook – Robust growth prospects

Gravita India's capacity expansion plans in India/overseas in various segments, steady per unit margin across metal cycles, regulatory tailwinds and favourable government policies in India would drive sustained higher earnings growth (expect PAT CAGR of 30% over FY2025-FY2027E) along with strong return ratios.

### ■ Valuation – Reinitiate coverage on Gravita India with a Positive View; expect 26% upside

Gravita India is a play on regulatory tailwinds in India operations, capacity expansion, and long-term benefit of foray into new recycling verticals. The company has a robust growth track record. and expect the momentum to continue with Revenue//PAT CAGR of 27%/30% over FY2025-FY2027E. The government's focus on a circular economy could provide a sustained growth opportunity, while its focus on increasing non-lead/value-added products business share to 30%+/50%+ would act as a key re-rating catalyst. Hence, we maintain our Positive view on Gravita India and expect a 26% upside from CMP. We arrive at the target price after assigning a 30x multiple on its FY27 EPS. The company currently trades at 30x/24x its FY26/27 earnings estimates.

**One-year forward P/E (x) band**




*Source: Company; Mirae Asset Sharekhan Research*

## About company

Gravita India Limited, established in 1992, is one of the largest lead recyclers in India in the organised lead recycling market. The company's business is organised across five specialized verticals: lead recycling (flagship), aluminium recycling, plastic recycling, rubber recycling and turnkey projects. The company has expertise in the recycling of used batteries, cable scrap/other lead scrap, aluminium scrap, and plastic scrap among others.

## Investment theme

Gravita India is expected to be beneficiary of the government latest regulation on battery waste management as the same would result in strong double-digit volume growth for its India lead sales volume. Moreover, the company is implementing sizable capacity expansion plans for existing recycling verticals in India as well as in the overseas business. Focus to diversify into the new recycling vertical i.e. rubber, steel, paper, e-waste, and lithium is expected to stream new business avenues and would support to achieve management's 2029 target 25%+/35%+ revenue/PAT CAGR along with 25% RoCE.

## Key Risks

- Country-specific risk given overseas expansion in Africa, Europe, etc.
- Project delays and misallocation of capital especially towards new verticals.

## Additional Data

**Key management personnel**

| Name | Designation |
|---|---|
| Rajat Agrawal | Managing Director |
| Yogesh Malhotra | CEO and Executive Director |
| Sunil Kansal | Chief Financial Officer (CFO) |
| Nitin Gupta | Company Secretary |

*Source: Company Website*

**Top 10 shareholders**

| Sr. No. | Holder Name | Holding (%) |
|---|---|---|
| 1 | OXBOW MASTER FUND LTD | 2.44 |
| 2 | Goldman Sachs Group Inc/The | 2.24 |
| 3 | GOLDMAN SACHS FUNDS | 2.24 |
| 4 | Jupiter Fund Management PLC | 1.64 |
| 5 | Vanguard Group Inc/The | 1.54 |
| 6 | Tata Asset Management Pvt Ltd | 1.28 |
| 7 | JUPITER INDIA FUND | 1.12 |
| 8 | UTI Asset Management Co Ltd | 0.74 |
| 9 | Dimensional Fund Advisors LP | 0.37 |
| 10 | Schroders PLC | 0.3 |

*Source: Bloomberg*

## Understanding the Mirae Asset Sharekhan 3R Matrix

| | |
|---|---|
| **Right Sector** | |
| Positive | Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies |
| Neutral | Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies |
| Negative | Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability. |
| **Right Quality** | |
| Positive | Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance. |
| Neutral | Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable |
| Negative | Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet |
| **Right Valuation** | |
| Positive | Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment. |
| Neutral | Trading at par to historical valuations and having limited scope of expansion in valuation multiples. |
| Negative | Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple. |

Source: Mirae Asset Sharekhan Research

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