



GRAVITA
INDIA LIMITED

16th August, 2023

INX
ASSET

India's Best Performing and Most Customer Centric PMS

Gravita India Ltd has pioneered sustainable recycling solutions, emerging as a lead producer of repute. With a diverse product range, strategic expansion, and unwavering commitment to sustainability, the company continues to shape India's recycling landscape. With four specialized verticals – Lead Recycling, Aluminum Recycling, Plastic Recycling, and Turnkey Projects – the company is renowned for its recycling expertise in used batteries, cable scrap, aluminum scrap, and plastic scrap.

Diverse Products and Revenue Streams: Gravita's offerings encompass five categories: lead recycling, aluminum recycling, plastic recycling, rubber recycling, and turnkey solutions. In FY22, revenue distribution showcased Lead comprising 88.71%, Aluminum at 6.57%, Plastic Products at 3.30%, and Turnkey Projects at 1.35%. Noteworthy is the contribution of value-added products, constituting 42% of the total revenue in FY22, emphasizing the company's specialization.

Global Reach and Manufacturing Excellence: With a global presence, Gravita operates 13 recycling plants across India and various international locations. FY23's geographical split was 63% in India and 37% overseas. Boasting a cumulative recycling capacity exceeding 228,000 MT, the company operates at 51% capacity utilization, producing 49% custom and value-added products.

Expansion and Innovation: FY23 was marked by Gravita's expansion endeavors

- **Chittoor:** Lead recycling capacity increased to 64,640 MTPA, with an INR 21 Crore investment.
- **Tanzania:** Rubber Recycling initiated with a 3,000 MTPA capacity, investing INR 3.86 Crore.
- **Mundra:** Lead recycling capacity reached 60,000 MTPA, alongside Value-Added Red Lead (4,800 MTPA) and Plastic Recycling (7,500 MTPA).
- **Oman:** An MOU signed for a 6,000 MTPA Battery Recycling Plant in Phase 1, promoting sustainable practices in the Middle East.
- **TOGO and Senegal:** Aluminum Recycling launched with 4,000 MTPA capacities each, funded internally.

Sustainability and Global Clientele: Gravita's commitment to sustainability resonates through its diverse customer base. Serving Battery Manufacturers, Cable Manufacturers, Paint & Pigment Industries, Die Casting, and Plastic Industries, the company boasts 375+ customers across 38 countries. Delivering 155,000 MT of recycled products globally in FY23 underscores Gravita's impact on the circular economy.

Forward-Thinking Strategies and Vision: Gravita's future goals include a 50%+ contribution from value-added products and 25%+ Non-lead business revenue by FY27. Exploring new recycling verticals in Rubber, Lithium, Steel, and Paper, the company plans INR 600 Crores+ capital expenditure by FY26, aiming for a capacity expansion up to 435,000 MT.

Stock Data	
CMP	704
52 Week High/Low	708/282
Face Value	2
Market Cap (In Crs)	4,857
Enterprise Value (In Crs)	5,167
NSE	GRAVITA
BSE	533282
Bloomberg	GRAV:IN
Sector	Metal Recycling

Shareholding Pattern (in %)		
	JUN 23	MAR 23
Promoter	66.48	73
FII	9.32	3.08
DII	0.39	0.25
Public	21.66	21.81
Others	2	1.98

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	0.53	9.97	10.67
Gravita	15.63	32.76	142.09

Key Ratios	
P/E	23.1
P/S	1.66
P/B	8.25
Debt To Equity	0.59
ROE	41.2%
ROCE	31.1%
Dividend Yield	0.43%

Q1 FY 24 Result Update

Q1 FY24 Result Comparison (In Rs Cr)					
	Q1 FY24	Q4 FY23	Q1 FY23	QOQ	YOY
Sales	703	749	628	-6%	12%
EBITDA	76.5	85	63.8	-10%	20%
EBIT	68.6	78.1	58.4	-12%	17%
Net Profit	53	64	45	-17%	18%
EPS	7.54	9.24	6.16	-18%	22%

Result Highlights

Gravita reported a consolidated revenue of INR 703 crore for the first quarter of FY24, marking a substantial year-on-year growth of 14%%. However, there was a 7% decline in revenue compared to the previous quarter.

In terms of EBITDA, the company achieved INR 76.5 crore during the quarter, reflecting an impressive year-on-year growth of 20%. However, there was a 10% decline in EBITDA compared to the previous quarter.

The Profit After Tax (PAT) for the quarter amounted to INR 53 crore, displaying remarkable year-on-year growth of 22% from a profit of 45 crore reported in Q1FY23. However, there was a significant 18% decline in PAT compared to the previous quarter.

Resilience Amid Challenges: Despite facing challenges such as the impact of cyclone Biparjoy on Mundra volumes for 10-12 days and the stabilization process of newly commissioned capacities, GRAV managed to maintain its upward trajectory. The company demonstrated resilience in adverse conditions, showcasing its commitment to sustained growth.

Navigating Price Fluctuations and Inventory: In the face of market dynamics, GRAV encountered inventory losses in Aluminum and plastics due to lower prices. These instances highlight the company's agility in adapting to price fluctuations and its proactive management strategies to mitigate potential negative impacts.

Strategic Growth Targets and Expansion Plans: Management's strategic vision remains steadfast, with GRAV reiterating its ambitious target of achieving more than 25% volume growth and over 35% earnings Compound Annual Growth Rate (CAGR) from FY23 to FY27E. This commitment is reflected in the company's plan to expand its lead, Aluminum, and plastic capacities to 300,000, 48,000, and 65,000 tons per annum respectively by FY26E. These targets signify GRAV's dedication to positioning itself as an industry leader.

Consistent Earnings Growth and Financial Health: Gravita's track record of consistent earnings growth is evident in its strong financial performance. The company has not only expanded its top-line revenue but also managed to improve its EBITDA and PAT margins. This consistent financial growth highlights the effectiveness of GRAV's operational strategies.

Environmental, Social, and Governance (ESG) Credibility: Gravita India's dedication to sustainability and corporate responsibility is highlighted by its ESG credibility. The company's focus on environmental protection, social welfare, and ethical governance practices underscores its commitment to creating long-term value while considering broader societal and environmental impacts.

Concall Highlights

Gravita India's Stellar Performance in Q1 FY '24

Gravita India, a vanguard in the recycling sector, delivered an exemplary performance during Q1 FY '24, marked by a substantial 18% YoY growth in volumes. This achievement not only underscores the company's operational prowess but also underscores its commitment to sustainable practices.

Capacity Expansion and Growth Ambitions

Fueled by its resounding success, Gravita India is resolutely working towards achieving a capacity of 4.25 lakh metric tonnes per annum within its battery recycling unit by the close of FY '26. This ambitious expansion reflects the company's dedication to positioning itself as a frontrunner in the realm of sustainable recycling solutions.

Quality Recognitions and Contract Wins

Gravita's quest for excellence was rewarded with the approval of its pure Lead as a deliverable against the MCX lead futures contract. This recognition not only attests to the quality of Gravita's offerings but also expands avenues for enhanced market participation.

Furthermore, the company's strategic acumen was evident as it secured substantial contracts for pan-India scrap collection. This achievement not only fortified Gravita's market presence but also solidified its position in the dynamic South Indian and Southeast Asian markets.

Operational Excellence and Environmental Initiatives

Gravita India's dedication to environmental sustainability was further emphasized by the commencement of commercial production and recycling of waste rubber at Gravita Tanzania. This endeavor aligns with the company's commitment to responsible waste management practices, marking a commendable stride towards a greener future.

Financial Milestones and Growth Trajectory

The financial performance in Q1 FY '24 was impressive, with consolidated revenue registering a remarkable 12% YoY growth. Equally noteworthy was the surge in adjusted EBITDA by 20%, accompanied by a remarkable 22% YoY growth in PAT. These figures not only validate Gravita's operational excellence but also signify its ability to translate it into tangible financial success.

Strategic Management and Expansion Endeavors

As a dynamic player in the recycling domain, Gravita India continues to navigate market fluctuations with prudence. The company's proactive approach towards implementing a hedging mechanism for aluminum underscores its adaptability and risk management strategies. Additionally, the success of Gravita's turnkey projects division, with over 60 solutions sold globally, underscores its prowess in providing comprehensive solutions to its clients.

Futuristic Vision and Growth Projections

Gravita India's forward-looking strategies epitomize a visionary approach. The company aims for a remarkable production volume growth of 20-25% over the next three years. In parallel, it envisions an impressive 35% growth in PAT during this period, indicative of its robust growth plans and strategic execution.

Expansion Ambitions and Financial Prudence

Gravita India's commitment to growth is exemplified by its goal to double revenue over the next three years, encompassing both existing and new verticals. In line with this ambitious target, the company is targeting more than 25% YoY volume growth for the coming years, projecting a substantial 35% profitability growth CAGR during this period.

Sustainable Practices and Financial Resilience

The company's operational strategies are intertwined with a responsible approach towards sustainability. Gravita's adherence to the principles of Extended Producer Responsibility (EPR) in waste management underscores its commitment to environmental preservation.

Striving for Global Leadership

As Gravita India explores new horizons and extends its global footprint, its aspiration to become the most valuable entity in the global recycling industry remains unwavering. With an unwavering focus on expansion, sustainability, and innovation, the company is poised to achieve new pinnacles in the recycling sector.

Project Update

Chitoor

- » Increased capacity of Lead recycling to 64,640 MTPA
- » Capex - Rs.21 Cr. from internal accruals

Tanzania

- » Started Rubber Recycling
- » Capacity of 3,000 MTPA
- » Capex Rs.3.86 Cr. from internal accruals

Mundra

- » Increased capacity of Lead recycling to 60,000 MTPA
- » Started Value Added Production of Red Lead with a Capacity of 4,800 MTPA
- » Started Plastic Recycling with a Capacity of 7,500 MTPA

Oman

- » Gravita signed MOU to establish Battery Recycling Plant through JV
- » Capacity of 6,000 MTPA in Phase 1
- » Gravita's first recycling facility in Middle East

Togo

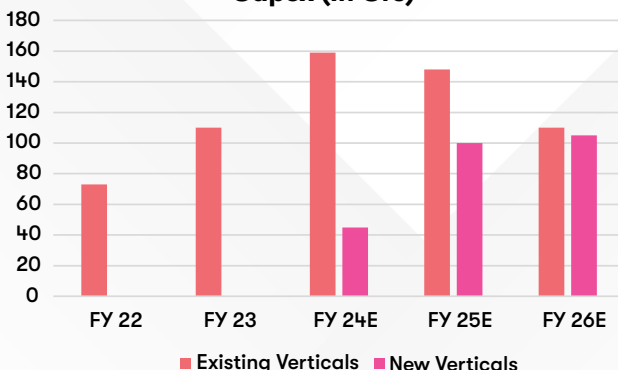
- » Started Aluminium Recycling
- » Capacity of 4,000 MTPA
- » Capex- Rs.11 Cr. from internal accruals

Senegal

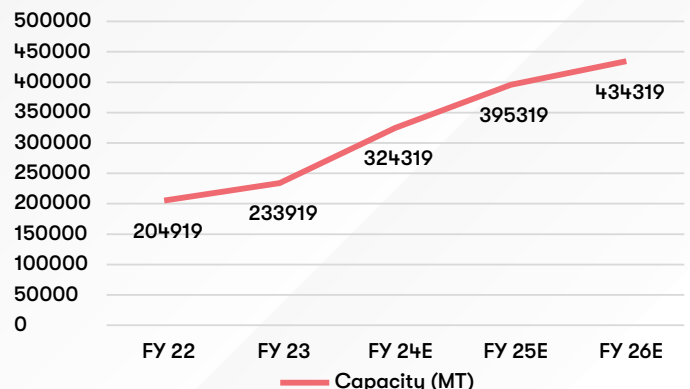
- « Started Aluminium Recycling - Capacity of 4,000 MTPA
- « Capex — Rs.3.5 Cr. from internal accruals

Story Through Charts

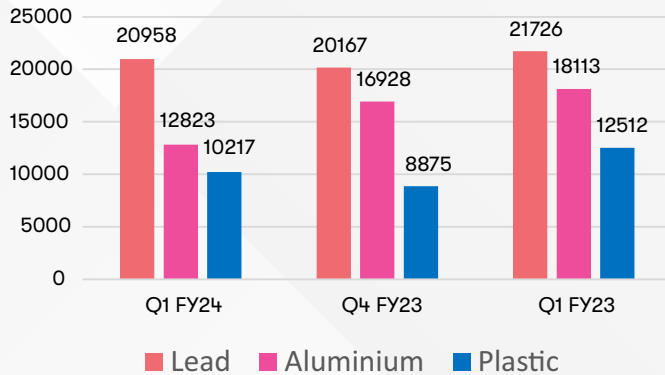
Capex (In Crs)



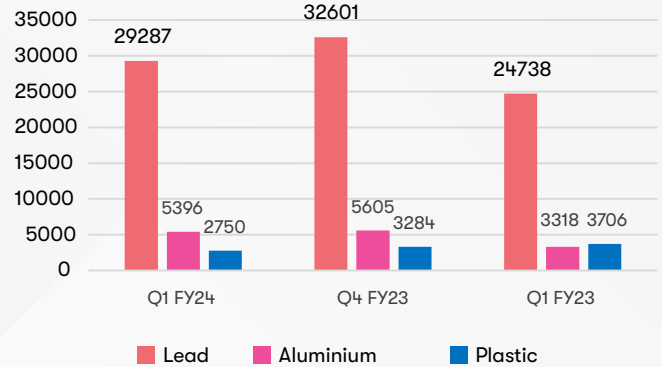
Capacity (MT)



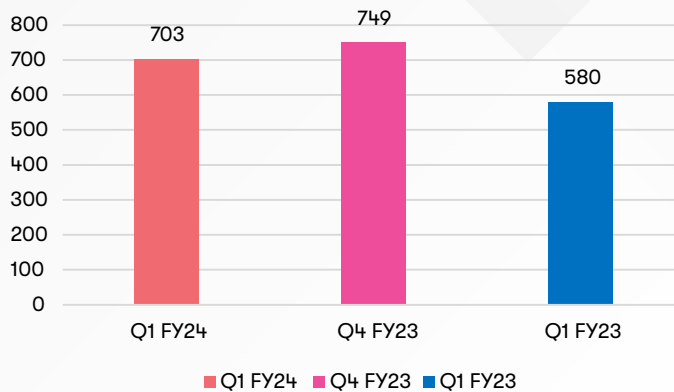
EBITDA per MT



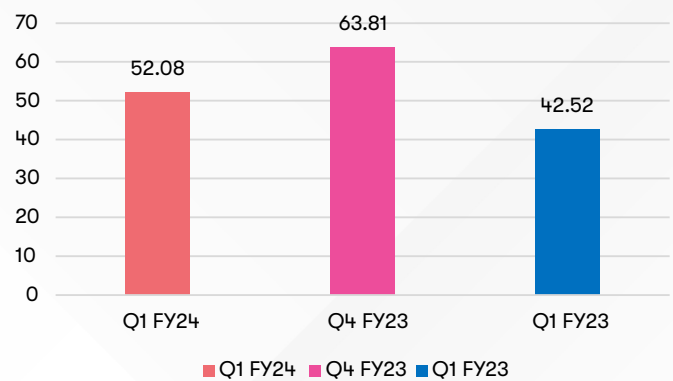
Volume (MT)



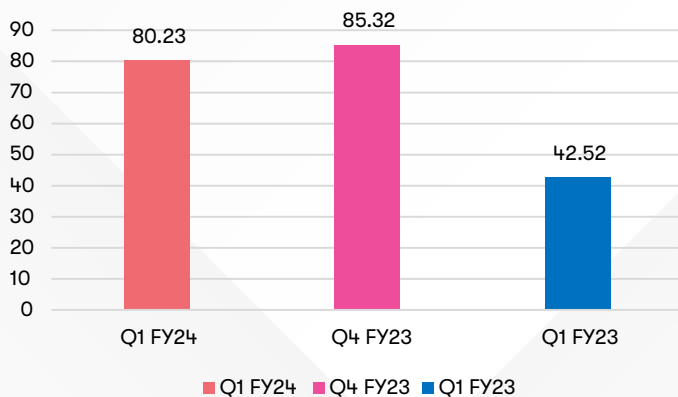
Revenue (In Cr)



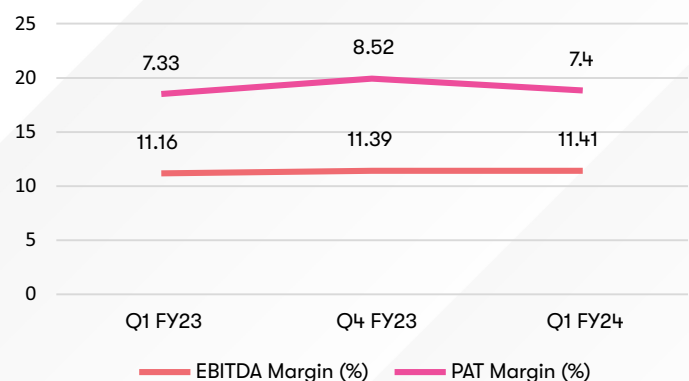
PAT (In Cr)



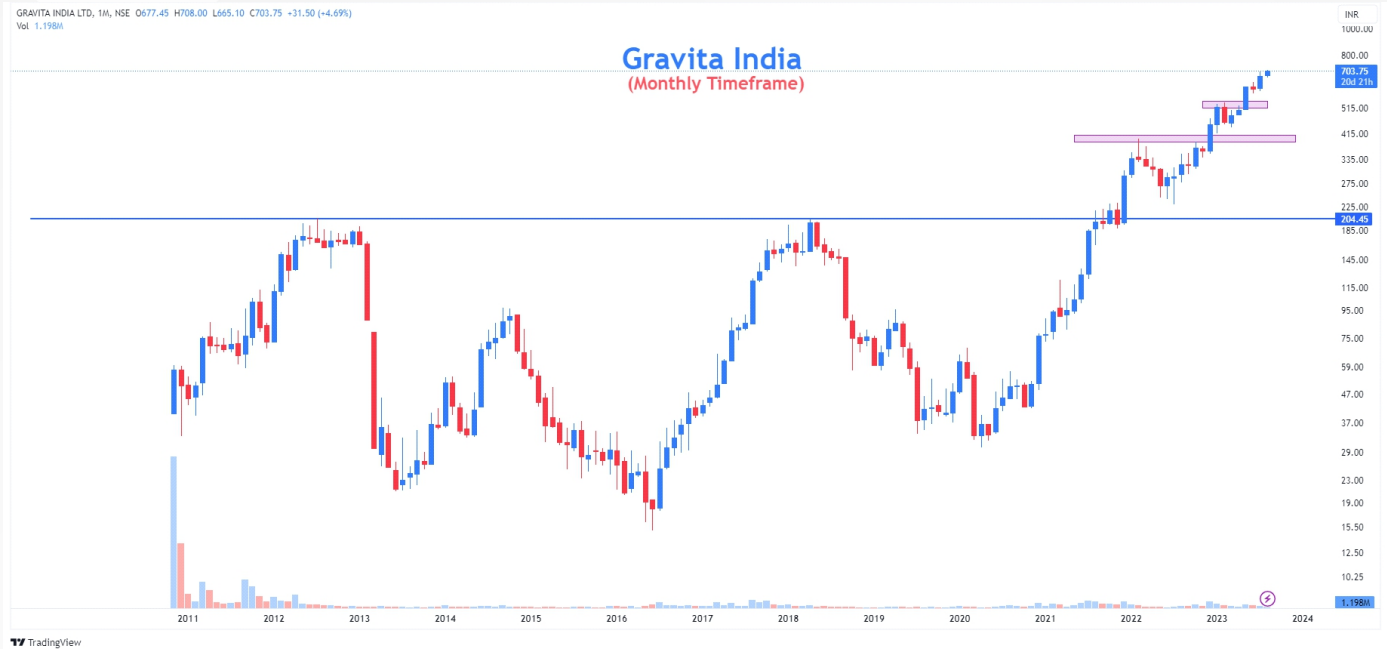
EBITDA (In Cr)



EBITDA & PAT Margin (In %)



Technical Outlook



Gravita India has given a Multiyear Breakout on charts and is now making a new high almost every month. The stock looks in a strong momentum backed by improvement in fundamentals.

Daily and Weekly RSI are trading above 70 indicating massive strength in the buying.

10 Days Moving Average > 20 Days Moving Average > 50 Days Moving Average > 100 Days Moving Average > 200 Days Moving Average indicates a strong sustainable buying in this counter.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	695	695
10	684	686
20	670	670
50	633	635
100	579	589
200	505	520

Pivot Levels : FIBONACCI		
R1 694.86	Pivot 655.30	S1 615.74
R2 719.29		S2 591.31
R3 758.85		S3 551.75

Relative Strength Index(RSI)	Daily	Weekly
	71.94	83.74

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