



GRAVITA
INDIA LIMITED

Determined to Lead

14th February, 2024



India's Best Performing and Most Customer Centric PMS

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Gravita India Ltd, established in 1992, is a prominent player in the global recycling industry, known for its advanced processing of non-ferrous metals, particularly lead, along with aluminum and plastics. Positioned as a beneficiary of the trend towards organized recycling, Gravita's multinational procurement network, robust domestic and international regulatory approvals, and capacity for specialized product development set it apart in the market. The company's strategic capex plan aims to expand its capacity significantly, leveraging the increasing availability of domestic scrap and cost-effective international sources. Gravita's forward-looking approach includes diversification into new verticals such as steel and paper recycling, aligning with the global push for sustainable practices.

Gravita's business model is designed to capture value across its various recycling verticals, ensuring a sustainable margin through an effective hedging mechanism. The company's focus on overseas lead business and other materials is expected to drive a steady increase in margins. Analysts project a strong growth trajectory for Gravita across key financial metrics, supported by its expansion strategies and favorable regulatory environment. The company's established market presence in lead recycling in India and a steady customer base contribute to its competitive positioning.

With its comprehensive recycling capabilities, Gravita is well-equipped to meet the challenges and opportunities of the recycling sector. Its expertise in handling used batteries, cable scrap, and other materials enhances its portfolio, demonstrating an adeptness in managing a wide array of recyclable inputs. Gravita's turnkey project services further underscore its technical prowess and operational excellence. As a result, the company enjoys a strong reputation for delivering high-quality recycled products to a diverse client base, reinforcing its vision of sustainability and eco-friendly business practices.

Robust Financial Performance: Gravita India Ltd has demonstrated a strong financial track record over the years. The company's consistent revenue growth, healthy profit margins, and efficient cost management indicate its financial stability and potential for long-term profitability.

Global Leader in Lead Recycling: Gravita India is a leading player in the global lead recycling industry. As one of the largest recyclers of lead-acid batteries, the company is well-positioned to benefit from the increasing demand for eco-friendly and sustainable lead recycling solutions worldwide.

Diversified Product Portfolio: The company's product portfolio extends beyond lead recycling to include products like lead alloys, lead oxides, and plastic granules. This diversification helps Gravita India mitigate risks associated with fluctuations in any single product segment.

Growing Environmental Concerns: As environmental regulations become stricter globally, there is a growing emphasis on responsible waste management and recycling. Gravita India's focus on sustainable lead recycling aligns with these trends, positioning the company for future growth in an environmentally conscious market.

Expansion and Global Presence: Gravita India has expanded its presence across the globe, with manufacturing units and operations in several countries. This geographical diversification reduces dependence on any single market and enhances the company's resilience to regional economic fluctuations.

Positive Industry Outlook: The lead recycling industry is expected to witness steady growth due to the increasing adoption of electric vehicles (EVs), renewable energy storage systems, and a growing need for lead in various industries. Gravita India, as a key player in this sector, is well-poised to benefit from these favorable industry dynamics.

Stock Data	
CMP (14-02-2024)	901.55
52 Week High/Low	1166 / 440.1
Face Value	2.00
Market Cap (In Crs)	6241
Enterprise Value (In Crs)	6646
NSE	GRAVITA
BSE	533282
Bloomberg	GRAV:IN
Sector	METALS - NON FERROUS

Shareholding Pattern (in %)		
	DEC 23	SEP 23
Promoter	66.48%	66.48%
FII	10.58%	9.99%
DII	0.43%	0.42%
Public	21.06%	21.66%
Others	1.45%	1.45%

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	-0.96	9.55	22.25
GRAVITA	- 21.48	30.97	74.57

Key Ratios	
P/E	26.7
P/S	2.05
P/B	9.33
Debt To Equity	0.78
ROE	42%
ROCE	31.6%
Dividend Yield	0.48%

Q3 FY 24 Result Update

Q3 FY24 Result Comparison (In Rs Cr)					
	Q3 FY24	Q2 FY24	Q3 FY23	QOQ	YOY
Sales	758	836	789	-9.33%	-3.93%
EBITDA	96	87	73	10.34%	31.51%
PBT	74	67	58	10.45%	27.59%
Net Profit	61	59	50	3.39%	22.00%
EPS	8.73	8.38	7.27	4.18%	20.08%

Result Highlights

Gravita India Ltd.'s third-quarter financials for FY24 indicate a mixed financial performance, with both positive and negative aspects observed. Starting with revenue, the company's sales have seen a downturn. There is a noticeable sequential drop in sales, from ₹836 crores in the second quarter to ₹758 crores in the third quarter, which is a 9.33% decrease. This decline is also apparent on a year-over-year basis, with sales falling by 3.93% from ₹789 crores in the same quarter of the previous year.

Despite this decline in sales, the company's EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) paints a different picture, signaling improved operational efficiency. EBITDA rose both quarter-over-quarter and year-over-year by 10.34% and 31.51%, respectively, moving up from ₹87 crores in Q2 FY24 and ₹73 crores in Q3 FY23 to ₹96 crores in Q3 FY24. This substantial increase suggests that Gravita India Ltd has effectively controlled costs or improved its operational margins.

The company's PBT (Profit Before Taxes) followed a similar upward trend, with a 10.45% increase over the previous quarter and a significant 27.59% rise from the previous year's third quarter. This indicates that the increase in profitability is not merely due to non-operational activities but is also reflected in the core business earnings before accounting for interest and taxes.

Net profit, which is the actual earnings after accounting for all expenses, including interest and taxes, has shown a modest increase of 3.39% from the last quarter and a more substantial 22.00% increase from the previous year's third quarter. This suggests that while the company's revenue is down, it has managed to maintain profitability, which could be attributed to improved operational efficiency or reduced interest and tax expenses.

Lastly, the company's EPS (Earnings Per Share), an indicator of profitability on a per-share basis, has experienced growth. It has risen by 4.18% since the last quarter, from ₹8.38 to ₹8.73, and by 20.08% from the same quarter in the previous year when it was ₹7.27. This increase is a positive sign for shareholders, as it indicates that the company is generating more profit per share of its stock, which can be a sign of good financial health and may potentially lead to higher stock valuations.

In summary, while Gravita India Ltd.'s sales figures have decreased both sequentially and year-over-year, the company has demonstrated significant improvements in operational efficiency and profitability metrics. The marked increase in EBITDA and EBIT suggests that the company has managed to significantly control costs or improve operational margins, which has helped in maintaining profitability even when sales are declining. The rise in net profit and EPS further corroborates this improved profitability, indicating a potentially favorable outlook for the company's financial health despite the challenges in generating revenue.

Concall Highlights

Financial Strength Over the Years: The company has experienced robust revenue and PAT growth over five years, with a significant reduction in debt in FY23. The financial highlights emphasize the company's consistent EBITDA margins and its strong credit rating, alongside a notable history of dividend payouts

Strategic Project Updates: Gravita announced several new initiatives, including the start of commercial production in various commodities across different geographical locations. These updates highlight the company's focus on capacity expansion and the utilization of internal accruals for capital expenditure.

Vision 2027 and Strategic Priorities: Gravita's Vision 2027 underlines ambitious targets for CAGR in revenue and profitability growth. The company aims to expand into new recycling verticals like lithium, steel, and paper, with a strong focus on creating shareholder value and judicious capital use.

Optimizing Return on Capital Employed: Gravita's presentation detailed its target to achieve an ROCE of over 25%. The company has illustrated a consistent ROCE in previous years and outlined the key drivers for future ROCE improvement, including better industry dynamics and demand-supply management.

Capacity and Capex Expansion: The company plans substantial capacity expansion, aiming for a total of 4,25,000 MTPA by FY2026, and has projected over ₹600 Cr in Capex by the same fiscal year, highlighting Gravita's commitment to growth and scaling operations.

Enhancing Working Capital Cycle: Gravita's focus on reducing its net working capital cycle is evidenced by its strategic processing of scrap near the source and efficient inventory management, leading to shorter working capital cycles and improved cash flow.

Leveraging Gravita's Core Strengths: Gravita's strengths lie in its global operations, integrated supply chain, and ability to offer customized and value-added products, which are central to its market strategy and expansion plans.

Global Footprint: The company's global and Pan India operations were presented to emphasize their extensive reach, with existing and upcoming facilities spread across different continents, showcasing Gravita's strategic positioning for global logistics and material procurement.

Establishing Market Barriers: Gravita's investor presentation also highlighted the industry-specific entry barriers that it has fortified, including OEM approvals, import licenses, specialist knowledge, and a robust procurement network, which contribute to its competitive advantage.

Global Procurement Network: Gravita has established a significant global presence, with 31 own yards and over 1500 touchpoints enabling a substantial scrap collection capacity. The network spans across continents, ensuring raw material procurement at competitive prices, which is critical for the company's operations and cost efficiency.

Customer Network in India: Gravita's domestic network comprises over 230 customers across 22 states, and an international footprint that includes 90+ overseas customers in 36 countries. This extensive network underlines Gravita's strong market presence and its ability to leverage logistics benefits.

Operational Excellence: The company's operational excellence is highlighted by its involvement in 4 recycling verticals and 11 recycling plants, enhanced by a vast collection of scrap and high production capacity. This operational capacity supports a significant percentage of customized and value-added products.

Turnkey Recycling Solutions: Gravita offers comprehensive turnkey solutions for recycling, encompassing technical consultancy, in-house technology, and regular R&D to ensure cost-effective and environmentally friendly processing. This holistic approach has led to the successful execution of over 50 projects worldwide.

Management and Human Capital Focus: The leadership team at Gravita, with decades of management experience across diverse industries, leads a robust workforce. The company emphasizes human capital, evidenced by its comprehensive employee schemes and significant investment in professional development.

Value-Added Products: Gravita's ability to produce customized and value-added products has been increasing steadily, which allows for better margin capture and contributes to a larger pie of the customers' product mix, as seen in the growth of value-added products' share in revenue.

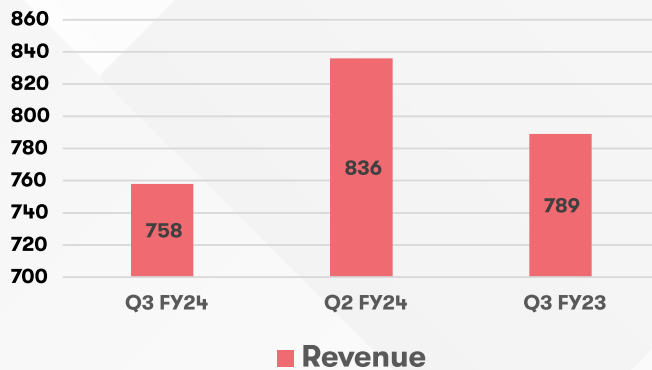
Risk Mitigation Strategies: The company employs a back-to-back hedging mechanism to mitigate the risk of commodity price fluctuations, ensuring stable margins and safeguarding against market volatility.

Market Dynamics in Recycling: Gravita has adapted to changing market dynamics in the recycling industry, benefiting from shifts such as the formalization of the sector, improved logistics, and strategic OEM partnerships, contributing to more efficient operations.

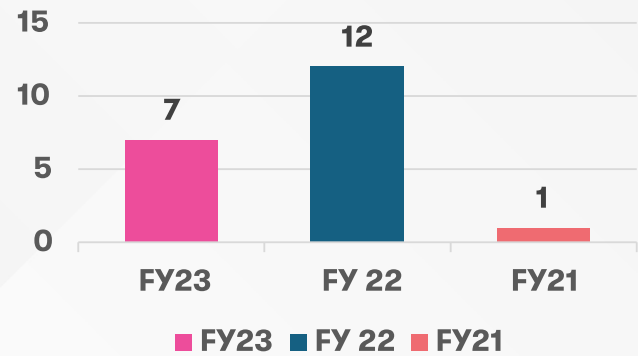
Transition from Informal to Formal Recycling: The company is well-positioned to benefit from the industry's shift from informal to formal recycling processes, which is driven by regulatory changes and a growing focus on sustainability.

Sustainable Business Model: Gravita operates on a sustainable circular business model, emphasizing the importance of eco-friendly processes, quality assurance, and customer satisfaction, which is pivotal in the recycling industry for maintaining long-term business relationships.

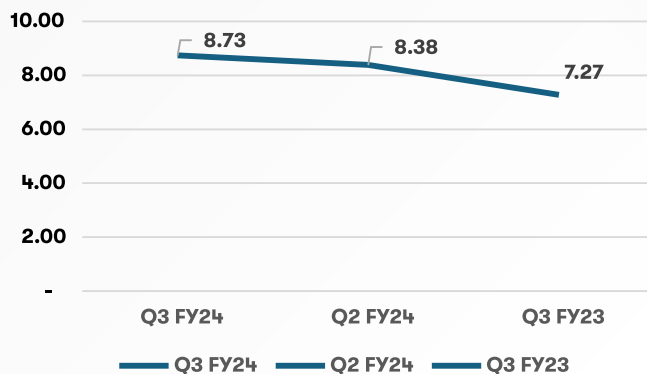
Revenue (In Cr)



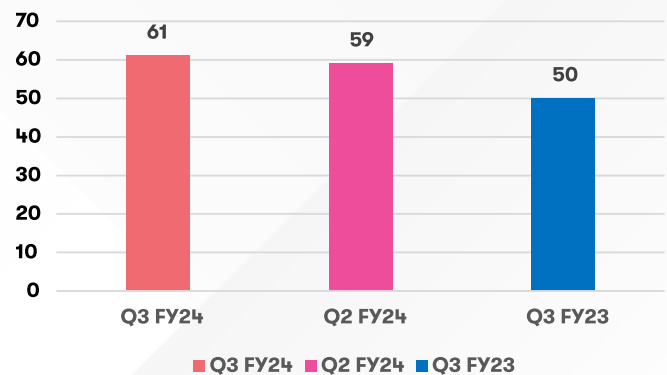
Cashflow (In Cr)



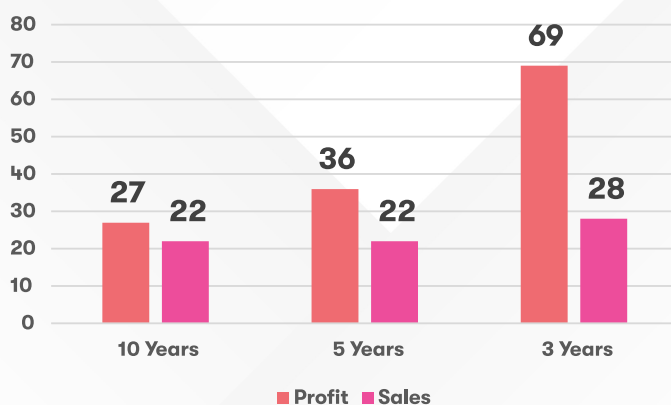
EPS



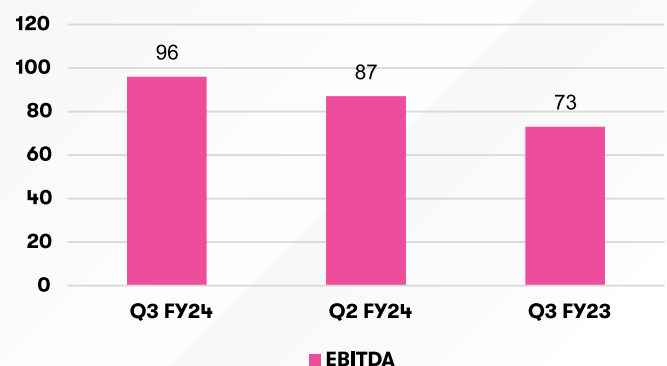
PAT (In Cr)



Compounded Growth (In %)



EBITDA (In Cr)



Technical Outlook



Gravita India Ltd's weekly stock chart indicates a consistent growth pattern within an upward channel, showcasing a long-term uptrend. The recent price action has seen a retraction towards the channel's support line.

Trading volume has spiked as the price approached this support area, suggesting increased trading activity at these price levels.

Overall, the stock's trajectory has been upward, with the recent period highlighting a natural pullback within an established bullish trend.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	895.9	894.1
10	895.1	901.6
20	933.3	929.8
50	101.9	977.4
100	1007.7	956.2
200	828.6	849.1

Pivot Levels : FIBONACCI			Daily	Weekly
R1 918.30	Pivot 892.70	S1 875.40	Relative Strength Index (RSI) 42.27	46.47
R2 935.60		S2 849.80		
R3 961.20		S3 832.50		

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