INVasset Knowledge Bank

GRAVITA INDIA LIMITED

15th July, 2023

INVASSET

India's Best Performing and Most Customer Centric PMS

Gravita India Ltd. (Gravita) is a global leader in nonferrous secondary metal production and one of India's largest secondary Lead metal producers. Gravita India Ltd. (Gravita), founded in 1992, recycles Used Lead Acid Batteries, Cable Scrap / other Lead Scrap, Aluminium Scrap, Plastic Scrap, and other materials. It is not only present in India, but also has a significant international presence. The cutting-edge recycling facilities are located in established growth regions such as Asia, Africa, and Central America. Its products are popular in more than 59 countries. Furthermore, GIL offers turnkey recycling solutions and has supplied over 60 recycling projects around the world. It has a well-established global scrap collection network, which aids in the securement of scrap resources at globally competitive prices.

Gravita has 11 strategically located recycling facilities in Asia, Africa, and Central America with 2 upcoming facilities in Dominican Republic (Caribbean, America) and Muscat (Oman) with a total capacity of 2,33,919 MT which is expected to almost double up to 4,34,319 MT in 3 years by FY 26. Rs 600 Cr+ Capex is in line till FY 26 for doubling up its capacity.

Stock Data	
CMP	611
52 Week High/Low	641/231
Face Value	10
Market Cap (In Crs)	4225
NSE	GRAVITA
BSE	533282
Bloomberg	GRAV:IN
Sector	Recycling

Shareholding Pattern (in %)		
	MAR 23	DEC 22
Promoter	73	73
FII	3.48	3.08
DII	0.21	0.25
Public	21.29	21.66
Others	2.02	2.01

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	4.5	8.85	21.06
Gravita India	4.15	44.56	158.02

Key Ratios	
P/E	20.58
P/B	7.20
Debt To Equity	0.59
ROE	41.2%
ROCE	31.1%
Dividend Yield	0.54

Investment rationale

• Long Experience Of Promoter In The Business With Robust Management: Gravita India, founded by Rajat Agarwal, has a remarkable corporate lineage that has shaped its journey in the recycling industry. The committed team at Gravita, along with Rajat's determination and support from his family, contributed to the company's success. Gravita India's strong management team, with an average of 27 years of industry experience, provides valuable insights.

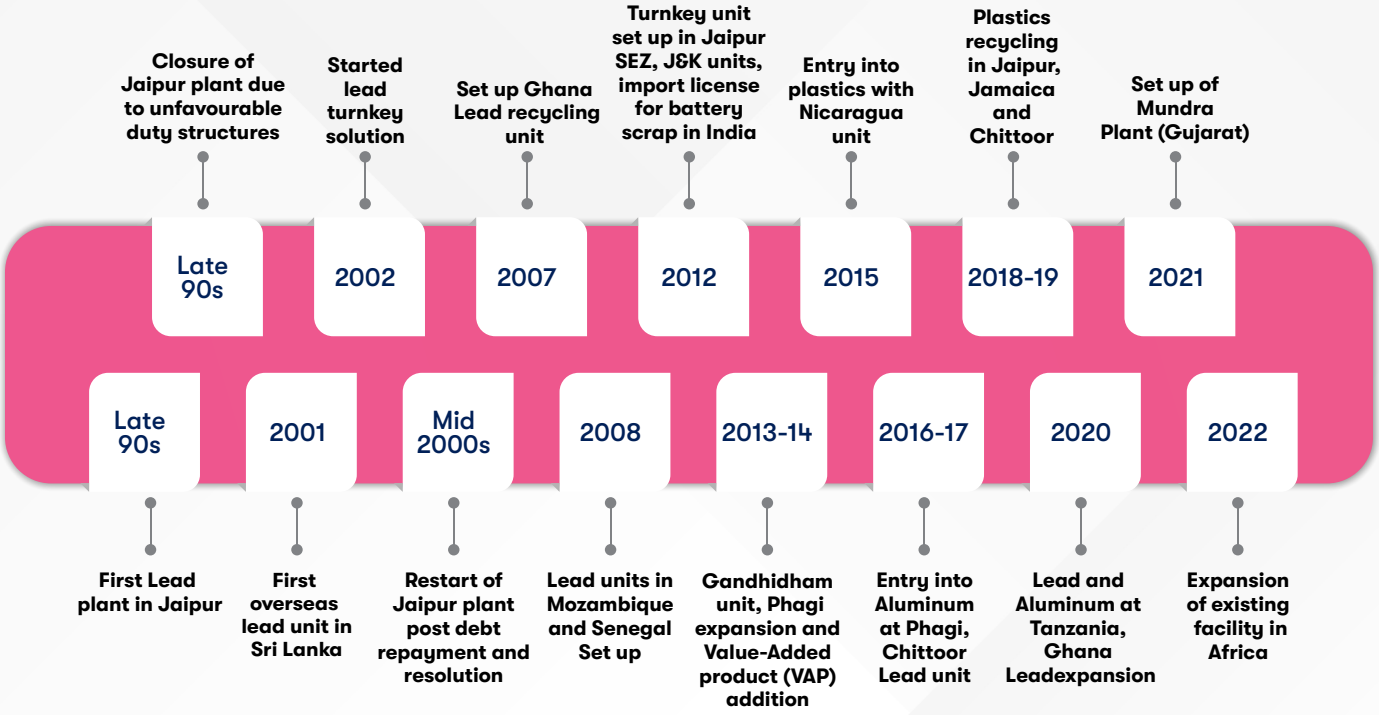
• Strong Partnering Capabilities: Gravita India has a strong and diverse customer network, both domestically and internationally. With over 375 customers across Asia, the Middle East, Europe, and the Americas, the company has a global consumer base spanning 38 countries. In India, Gravita serves over 230 clients in 22 states, while internationally, it has over 90 customers in 36 countries. The company's wide footprint and extensive customer relationships highlight its success in catering to diverse regional and international markets.

• Deep Procurement Networks: Gravita India's deep procurement network, consisting of 27 owned yards and over 1,500 touch points, enables the company to collect an impressive 205,000 MT of scrap annually. The company's extensive presence in Asia, Africa, the Middle East, Europe, and America strengthens its ability to source raw materials at competitive prices, ensuring a consistent supply and supporting its position as a prominent player in the scrap industry.

• Barriers To Entry: Gravita India benefits from several barriers to entry that serve as a protective shield for its business. These barriers include the time and cost of entry, specialized knowledge, import licenses, OEM approvals, a multinational procurement network, and the capability to develop customized products. These factors make it challenging for new players to replicate Gravita's established position, expertise, and industry relationships, thereby strengthening the company's competitive advantage.

Company Background

Gravita India Ltd was founded in the early 1990s, with the first recycling plant opening in 1994 at Phagi in Jaipur, Rajasthan. The company has recycling plants in Gujarat, Andhra Pradesh, Jammu and Kashmir, Sri Lanka (Mirigama export zone), Ghana (Accra), Mozambique (Maputo), Senegal (Dakar), Tanzania (Dar-es-Salam), and Nicaragua (Managua).



It has 27 procurement yards (almost all of which are overseas), 1,500+ touchpoints, and collects 2,05,000 MT of scrap (in FY23). It shipped over 1.5 million tonnes of recycled materials to 38 countries, including the Americas, Europe, and the Middle East. It has 230+ customers in 22 states and has a pan-India presence and 90+ overseas customers in 36 countries. Amara Raja is an important Gravita partner in India. A strong presence in Asia, Africa, the Middle East, Europe, and America ensures competitive raw material prices.

Gravita also offers turnkey solutions (engineering and capital goods) for Lead Rotary Furnaces, Lead Refining Pots, Alloying Furnaces, Pollution & Fugitive Emission Control Equipment, Battery Cutting Machines, Battery Crushing & Hydro Separation Systems, and other products. It has a facility in the Jaipur Special Economic Zone.

Mr Rajat Agrawal, Gravita's Managing Director, is a first-generation entrepreneur. The promoter group owns 73% of the company, while an Employee Welfare Trust holds 2%. The promoters' shareholding increased by 0.49% in the last year. GRAVITA is anchored by around 250 forward-looking professionals and employs more than 1000 people. Rajat is a former Chairman of the CII (Rajasthan Chapter), and he is currently playing a crucial role in the formulation, guiding, and implementation of government policies for the overall development of industry in India, together with other industry executives.



Business Verticals

Manufacturing: Gravita is a leading manufacturer of lead, lead alloys, lead products, aluminum alloys, and plastic granules. The company has a state-of-the-art manufacturing facility in Jaipur equipped with the latest technology. Gravitas products are used in various industries, including the automotive, construction, and electronics. Gravita India's primary raw material for lead production is lead acid batteries. Other sources include cable scrap. Gravita collects scrap from both domestic and overseas sources. Domestic sourcing includes tolling from battery original equipment manufacturers (OEMs) like Amara Raja and HBL and from institutional clients like telcos (Airtel, VI, Indus Tower, Tata Group). Overseas sourcing happens from 70 countries. Gravita also imports re-melted lead (RML) from Africa for further processing into a refined lead (RL) and VAPs. Gravita's customers include battery manufacturers, metal traders, and various end-users.



The recycling process involves crushing and hydro-separation (producing lead paste and powder), furnace charging with chemicals and additives, rotary furnace treatment for re-melted lead, refining furnace for further chemical and additive treatment, and ingot production.

Turnkey Solutions: Gravita offers turnkey solutions for lead-acid battery recycling processes and plants. The company has a team of experienced engineers who can design, engineer, and install lead-acid battery recycling plants. Gravita's turnkey solutions help customers to improve the efficiency and profitability of their lead acid battery recycling operations.

International Trade: Gravita is a leading exporter of non-ferrous metals. The company exports its products to various countries, including the United States, Europe, and Asia. Gravita's international trade activities help to meet the growing demand for non-ferrous metals in global markets.

Plastics: Gravita is a leading manufacturer of plastic granules. The company has a state-of-the-art manufacturing facility in Jaipur equipped with the latest technology. Gravitas plastic granules are used in various industries, including automotive, construction, and packaging.

Information Technology: Gravita has a dedicated IT professional team supporting the company's operations. The IT team develops and maintains the company's IT infrastructure, including its website, e-commerce platform, and internal systems.


Customized Lead Alloys


Lead Sheets


Lead Bricks


Customized Aluminium Alloys


Plastic Granules


Pet Flakes Food Grade


Red Leads


Lead Oxide

Geographical Presence

Gravita India Limited has established a robust geographical presence both in India and internationally, enabling the company to provide sustainable lead recycling solutions across the globe. With strategically located manufacturing units and subsidiary operations, Gravita India has positioned itself as a prominent player in the global lead recycling industry, catering to diverse markets and adhering to stringent environmental standards.

Gravita India has a strong presence in its home country, India, with multiple manufacturing facilities strategically located to serve various markets. The company has manufacturing units in the following locations:

America
a) Dominican Republic (Upcoming)
b) Nicaragua (Managua)

Africa
a) Ghana (Accra)
b) Senegal (Dakar)
c) Mozambique (Maputo)
d) Tanzania (Dar-es-Salam)
e) Togo (Lome)

India
a) Kathua (J&K)
b) Jaipur (Rajasthan)
c) Jaipur SEZ (Rajasthan)
d) Gandhidham (Gujarat)
e) Chittoor (AP)
f) Sri Lanka (Mirigama)
g) Oman (Upcoming)

Head Quarter
a) Jaipur, Rajasthan

Operational Performance Snapshot

4 Recycling Verticals	11 Recycling Plants	1500+ Touch Points Globally	43% Customized & Value added Products	2.51 Lac+ MT Production Capacity*
67% Capacity Utilzation	30% Overseas Capacity*	2.05 Lac+ MT Scrap Collection	ILA India's Only Accredited Plant	60000 MT+ Healthy Orderbook

Advanced Technology: Gravita India has invested in advanced technologies and equipment to streamline its production processes. This includes state-of-the-art recycling and manufacturing machinery, allowing for efficient lead recovery and product manufacturing.

Scalability: Gravita India has effectively scaled its operations to meet growing market demand. The company has expanded its manufacturing facilities strategically, allowing for increased production capacity and flexibility to cater to diverse customer requirements.

Process Optimization: The company emphasizes continuous process improvement, implementing lean manufacturing principles to minimize waste, reduce downtime, and enhance productivity. This proactive approach has led to streamlined operations and improved overall efficiency.

Industry Analysis

Lead is a versatile metal that finds applications in various sectors due to its anti-corrosive and anti-radioactive properties. It is primarily used in batteries, pigments, cable industry, construction, and radiation protection. This sectoral report provides an analysis of the lead industry, focusing on its usage, key applications, regulations, and future prospects. The global lead market has witnessed steady growth over the years, driven by its diverse range of applications. According to market research, the global lead market was valued at around USD 25 billion in 2020 and is projected to reach USD 32 billion by 2025, growing at a CAGR of approximately 5% during the forecast period. The market is highly fragmented, with several key players operating worldwide.

- **Pure Lead and Alloys:** Pure lead and lead alloys are extensively used in the production of batteries, cable sheathing, galvanizing, soldering, and other industrial applications. Lead-acid batteries account for approximately 85% of the global lead usage. The cable industry in India utilizes around 5-6% of the lead produced domestically.

- **Lead Sheets:** Lead sheets are employed in applications requiring radiation protection, such as in medical facilities, nuclear power plants, and laboratories. They are also used for soundproofing, roofing, and tank lining due to their excellent durability and corrosion resistance.

- **Lead Bricks:** Lead bricks are used in construction for various purposes, including walls, partitions, and glove-boxes. They provide shielding against radiation in laboratories, hospitals, and industrial settings.

- **Red Lead:** Red lead, a lead oxide, is utilized in the production of paints, pigments, ceramics, glass, and explosives. Its high heat stability and pigmentation properties make it suitable for these applications.

Major Applications of Lead:

- **Batteries:** The largest application of lead is in the manufacturing of lead-acid batteries, which are used extensively in the automotive industry for starting, lighting, and ignition (SLI) applications. Lead-acid batteries also find applications in backup power systems, uninterruptible power supply (UPS) units, and renewable energy storage. Despite the growth of alternative battery technologies, lead-acid batteries remain cost-effective and reliable, making them a preferred choice in many applications.

- **Construction and Infrastructure:** Lead is used in various construction applications, including roofing, plumbing, electrical conduits, and radiation shielding. Lead-based products are valued for their durability, resistance to corrosion, and ability to absorb sound and vibrations. However, there has been a growing concern about the environmental impact of lead-based materials in construction, leading to a shift towards alternative materials in some regions.

- **Ammunitions and Firearms:** Lead is a key component in ammunition and firearms manufacturing, primarily used for bullets and shot.

Lead Acid Battery as a Input Raw Material

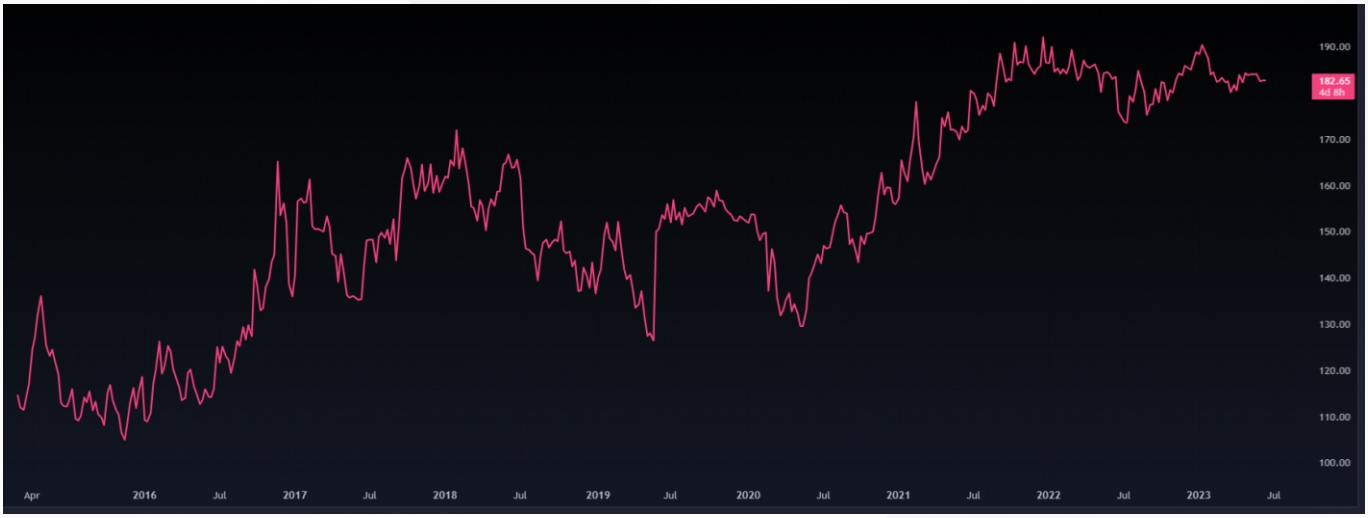
Lead-acid batteries are the primary consumer and provider of lead, accounting for approximately 80% of the scrap generated and having an 80-85% end-user share. Despite the emergence of electric vehicles (EVs), lead-acid batteries are expected to remain in demand, particularly for starter batteries in vehicles. Only a limited number of EV models, such as Tesla, do not use lead-acid batteries. The demand for lead-acid batteries is expected to grow, especially in emerging economies in Asia and Africa, including India. Additionally, about 35% of lead-acid batteries are utilized in non-automotive applications, including telecommunications, emergency power systems, energy storage, and other forms of mobility.

BMHR Regulations:

The lead industry in India is subject to the Batteries Management and Handling Rules, 2001 (BMHR), along with subsequent amendments. These regulations fall under the Extended Producer's Responsibility (EPR) framework. The BMHR mandates lead-acid battery manufacturers to achieve a certain percentage of organized recycled batteries in their total sales. In FY21, the actual rate of organized recycled batteries was 30%, while the latest framework requires manufacturers to achieve 70% this year, gradually increasing by 5% annually until reaching 90%.

Lead Price Fluctuations and Analysis

As lead hold a major share in its revenues and profit. Overall fluctuation in the price of lead has a major effect on the profitability and revenue of the company. Post covid there has been a spike in the demand for lead as it is a raw material for multiple products like batteries, manufacturing & construction. The rise in the price of lead is directly proportional to the rise in profits of Gravita and other lead recycling companies.



Aluminum, Plastic, Rubber, Lithium and Paper Recycling:

Gravita has expanded into multiple verticals to reduce its overall on dependence on lead and lead products. The demand for recycled aluminum continues to rise due to its cost-effectiveness, energy savings, and reduced environmental impact compared to primary aluminum production. The market for recycled aluminum is driven by sectors such as automotive, construction, packaging, and consumer electronics. As the demand for lithium-ion batteries grows, the recycling of lithium becomes crucial to recover valuable metals and reduce environmental impact. The market for lithium recycling is driven by the rapid growth of electric vehicles, energy storage systems, and portable electronic devices. Plastic recycling has gained significant importance in recent years due to the growing plastic waste crisis. The recycling of rubber materials, such as tires, contributes to waste reduction and promotes the use of recycled rubber in various applications.

The company has promising growth prospects in the recycling industry, driven by increasing demand for recycled materials, favorable government regulations, and rising environmental consciousness. Expansion of recycling facilities, investment in advanced recycling technologies, and strategic partnerships with key stakeholders will be key growth strategies.

With increasing demand for recycled materials and stringent environmental regulations, the company is well-positioned to capitalize on market opportunities and contribute to a more sustainable future. By continually investing in recycling technologies and expanding its operations, the company can strengthen its market position and drive growth in the dynamic recycling industry.

Comprehensive Investment Rationale

Long Experience Of Promoter In The Business With Robust Management

The founder of Gravita India, Rajat Agarwal, has a remarkable corporate lineage that has shaped the company's journey. Rajat, a mechanical engineer from MNIT, recognized his entrepreneurial calling early on. He embarked on his business venture by purchasing 20 acres of land and starting vegetable cultivation. His success in agriculture led him to explore other business opportunities.

Rajat's path took a turn when he secured a stockist position with L&T, despite not having an MBA. He impressed his interviewers by showcasing his farm's accomplishments, going above and beyond their expectations. This experience fueled Rajat's desire to start a manufacturing unit related to environmental conservation.

In the 1990s, Rajat identified a significant scope in battery recycling due to India's high dependence on lead metal imports. He took a bold decision to fold his farm and sell his cows to establish Gravita India. Initially, the lead recycling business thrived, but challenges arose when the Indian government implemented prohibitions on the import of hazardous waste. Rajat's lead unit faced a critical moment, leading to its closure and his subsequent bankruptcy. Undeterred, he sought opportunities abroad and worked in Singapore, scouting for potential partners to start a business outside India. Rajat eventually established a battery recycling unit in Sri Lanka, which attracted strategic investors from India and became a profitable venture.

With the success of the Sri Lankan unit, Rajat expanded his recycling business to Ethiopia, Madagascar, Namibia, and China. However, he also had a strong desire to return to India, which required resolving his bankruptcy status. The bank, recognizing the government's role in the unit's failure, waived penal interests, enabling Rajat to make a significant emotional comeback. In a bid to further fuel the company's growth, Gravita India went public in 2010, raising Rs 45 crore through the capital market. The strong response to the IPO, with a subscription of 43 times, reflected the confidence and potential investors saw in Gravita.

Throughout the tumultuous journey, Rajat credits his committed team at Gravita, his supportive parents, and his wife for providing unwavering support and strength. Their collective efforts, along with Rajat's determination and passion, have contributed to Gravita India's success and its current position as a leading player in the recycling industry.

Gravita India boasts a strong management team that contributes to its success and growth in the industry. Here is a summary of its strong management:

- **Average Management Experience:** The management team of Gravita India possesses extensive industry experience, with an average of 27 years in diversified industries. This wealth of experience equips them with valuable insights and expertise to navigate the complexities of the business landscape.

- **Skilled Workforce:** Gravita India has a workforce of over 625 employees, who form the backbone of the company's operations. These employees bring diverse skills and talents to the table, contributing to the company's overall capabilities and success.

- **Professional Expertise:** The company values professional expertise and has a team of over 175 professionals, including Chartered Accountants (CA's), MBA's, and Engineers. Their specialized knowledge and qualifications enable Gravita India to make informed decisions and drive business growth.

- **Employee Stock Ownership Plan (ESOP):** Gravita India has implemented four rounds of Employee Stock Ownership Plan (ESOP), which provides employees with an opportunity to have a stake in the company's equity. This initiative fosters a sense of ownership and motivation among the employees.

- **Employee Association:** Gravita India values the long-term commitment of its employees, with an average employee association of 5 years. This longevity highlights the company's efforts in creating a conducive work environment that promotes employee loyalty and satisfaction.

- **Equity Held by Employees:** Gravita India demonstrates its commitment to employee ownership by having 2% equity held by employees. This equity participation aligns the interests of employees with the company's performance and encourages a collaborative and dedicated workforce.

- **Management Association:** The management team of Gravita India has an average association of 15 years, indicating their strong commitment and stability within the organization. This continuity in management allows for consistent decision-making, strategic planning, and execution.

Gravita India's strong management, characterized by extensive experience, a skilled workforce, professional expertise, employee ownership, and long-term associations, contributes to the company's growth, stability, and success in the industry.

Strong Partnering Capabilities

Gravita India has established strong partnering capabilities and boasts a diversified customer network, both domestically and internationally. Here are the key points:

- **Global Consumer Base:** Gravita India has cultivated a wide-ranging consumer base with over 375+ customers across Asia, the Middle East, Europe, and the Americas. The company's products and services are sought after in over 38+ different countries, highlighting its global reach and market presence.

- **Extensive Domestic Operations:** In India, Gravita serves a substantial customer base with operations spanning 22 states. The company has built strong relationships with over 230+ domestic clients, showcasing its wide footprint within the country and its ability to cater to diverse regional markets.

- **International Customer Network:** Gravita India's reach extends beyond its domestic operations, with over 90+ international customers in 36 countries. These customers are spread across different continents, emphasizing the company's global appeal and successful expansion into international markets.

A list of prominent players from the industry who are a customer to Gravita India.

Gravita India's success can be attributed to its collaborative approach, customer-centric focus, expertise and infrastructure, and commitment to sustainable growth and environmental stewardship. The company actively engages in collaboration and partnership-building with customers, suppliers, industry associations, and strategic partners, fostering strong relationships and understanding the specific needs of its customers. By prioritizing customer satisfaction, Gravita delivers high-quality products, reliable services, and customized solutions, resulting in long-term relationships and repeat business. The company's extensive expertise in lead recycling and manufacturing, coupled with advanced infrastructure and skilled workforce, enables it to provide superior products and services.

Gravita India's Diversified Customer Network

Americas

Countries
9
Customers
27
Delivered
6,000 MT +

Europe

Countries
10
Customers
18
Delivered
17,500 MT+

Middle East

Countries
5
Customers
26
Delivered
24,000 MT+

Asia

Countries
14
Customers
304
Delivered
1,07,500 MT+

Moreover, Gravita India's partnerships align with its commitment to sustainability, promoting responsible recycling practices and eco-friendly solutions through collaboration with customers, suppliers, and industry stakeholders. Overall, Gravita India's collaborative and customer-centric approach, combined with its expertise and sustainability efforts, contribute to its growth and reputation in the industry.

Deep Routed Procurement Network

Gravita India has established a robust and far-reaching procurement network that contributes to its success in the scrap industry. With 27 owned yards and over 1,500 touch points, the company has developed a deep presence in various regions, including Asia, Africa, the Middle East, Europe, and America.

The 27 owned yards serve as strategic locations for Gravita to collect and process scrap materials. These yards are crucial hubs where scrap is accumulated, sorted, and prepared for further recycling processes. By owning these yards, Gravita maintains a greater level of control over its supply chain and ensures efficient sourcing and aggregation of scrap materials.

In addition to the owned yards, Gravita has established more than 1,500 touch points across different regions. These touch points act as channels for collaboration with scrap suppliers, traders, and partners. They enable Gravita to tap into local markets, establish strong relationships with stakeholders, and access a diverse range of scrap materials. This extensive network of touch points enhances Gravita's ability to procure raw materials effectively.

Gravita India's Deep Routed Procurement Network

Americas

Touch Points
75+
Scrap Collection (MT)
19,000+

Europe

Touch Points
15+
Scrap Collection (MT)
5,500+

Africa

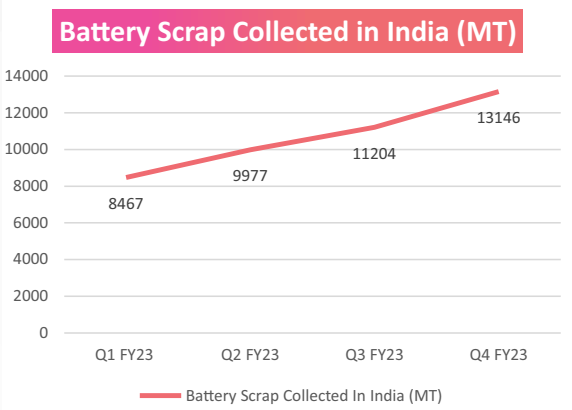
Own Yards
26
Touch Points
450+
Scrap Collection (MT)
62,000

Asia

Own Yards
1
Touch Points
1000+
Scrap Collection(MT)
118,500+

By leveraging its deep presence in Asia, Africa, the Middle East, Europe, and America, Gravita ensures a consistent supply of raw materials at competitive prices. The company's widespread network allows it to source scrap materials from different regions, taking advantage of market dynamics and cost variations. This enables Gravita to secure raw materials at competitive prices, enhancing its operational efficiency and profitability.
Gravita's deep procurement network, combined with its global presence, not only guarantees a steady supply of scrap materials but also positions the company as a reliable partner in the industry. This network reinforces Gravita's ability to meet the demand for raw materials, support its recycling operations, and contribute to sustainable resource management.

Gravita India benefits from increased availability of scrap for its recycling operations. The shift of scrap from the informal to formal sector, contracts with battery manufacturers, PAN India collection from corporates, and partnerships with workshop chains contribute to a reliable supply of raw materials. The formalization of recycling processes ensures a steady flow of scrap through authorized recyclers like Gravita. Contracts with battery manufacturers secure long-term partnerships, while the PAN India collection network enables efficient scrap collection from corporates. Agreements with workshop chains further enhance the availability of scrap materials. These factors collectively support Gravita's growth and sustainability in the industry.



Domestic Scrap Collection Partners

Business Expansion

- Mundra Plant Phase 2 Commissioning: In April 2023, Gravita commissioned Phase 2 of its Mundra plant. This expansion increased the lead recycling capacity from 40.5ktpa to 60ktpa. As part of this phase, the Gandhidham capacity of 19.5ktpa was shifted to Mundra. Additionally, the Mundra plant also started plastic recycling with a capacity of 7.5ktpa and introduced a red lead (VAP) capacity of 4.8ktpa.

- Aluminum Recycling Capacity: Gravita successfully commissioned 4ktpa of aluminum recycling capacity each in Senegal and Togo. This contributed to a notable 31% year-on-year growth in aluminum volumes during Q4FY23.

- Expansion in Ghana Plant: The Ghana plant of Gravita added 1.2ktpa of plastic recycling capacity and introduced rubber recycling capacity, further diversifying the range of materials the company handles.

- Operational Changes in Nicaragua: Due to availability issues of plastic scrap in Nicaragua, Gravita is in the process of winding up operations in the country. As a replacement, the company plans to establish a new plant in the Dominican Republic.

- MOU for Lead Recycling Plant in Oman: Gravita has signed a Memorandum of Understanding (MOU) with a joint venture partner in Oman to set up a 6ktpa lead recycling plant in Phase 1. This venture aims to expand the company's presence and operations in the region.

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

Senegal

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

Togo

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

Ghana

- Started Plastic Recycling
- Capacity of 1,200 MTPA in Phase 1 Ghana
- Capex - Rs.1.9 Cr. from internal accruals

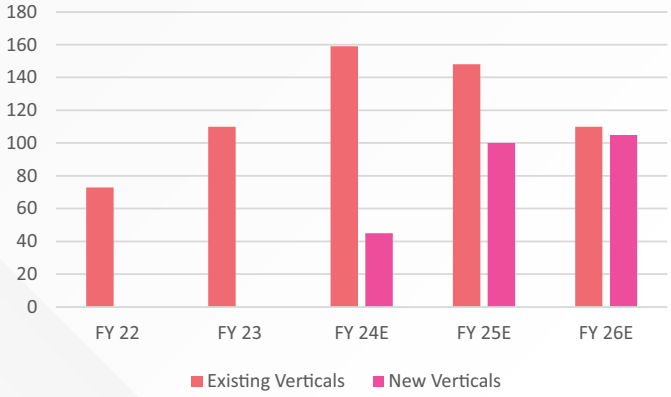
Mundra

- 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

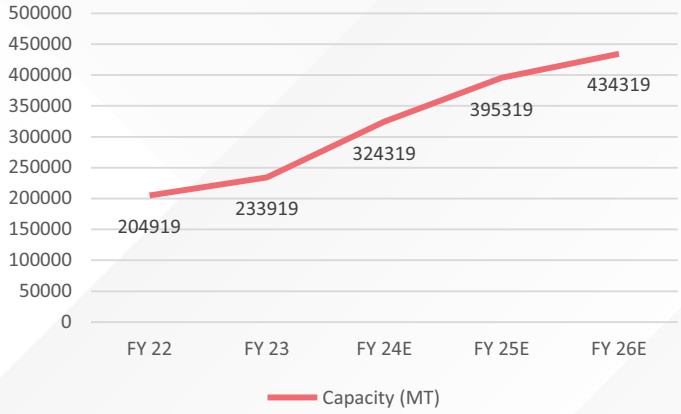
Solar

- Installed 1,300 KW of Solar Energy Generation
- Expected to generate 20 Lakh KWh of energy per year
- Reduce carbon emissions by 1,550 tonnes per year

Capex (In Crs)



Capacity (MT)



Rs. 600 Cr+ Capex planned by FY 2026

4,25,000 MTPA Capacity planned by FY 2026

Looking ahead, Gravita India has outlined its Vision CY27, which targets a 25% or higher compound annual growth rate (CAGR) for revenue and profit after tax (PAT). The vision also includes achieving a 25% Return on Capital Employed (RoCE) and a product mix with 50% or more share from value-added products (VAP) and 25% from non-lead products.

These project updates reflect Gravita India's commitment to expanding its recycling capacities, diversifying its product offerings, and pursuing strategic partnerships for future growth and profitability.

Barriers To Entry

Gravita India enjoys several barriers to entry in its industry, which provide significant benefits to its business. These barriers create challenges for potential competitors, thereby strengthening Gravita's position. The key barriers to entry for Gravita India are as follows:



- **Time and Cost of Entry:** The nature of Gravita's business, which involves establishing recycling plants, requires significant time and financial investments. Developing the necessary infrastructure, acquiring machinery, securing permits, and complying with regulatory requirements can be a lengthy and costly process. This serves as a deterrent for new entrants, as they would need substantial resources and patience to replicate Gravita's operations.

- **Specialized Knowledge:** Gravita India possesses specialized knowledge and expertise in the field of lead and plastic recycling. This knowledge is accumulated over years of experience, research, and development. It includes understanding the complexities of recycling processes, handling hazardous materials, complying with environmental regulations, and implementing efficient operational practices. Such specialized knowledge acts as a barrier for new entrants who may lack the necessary expertise to compete effectively.

- **Import License in India:** Gravita's operations involve the import of various raw materials, including scrap and lead-based products. Acquiring and maintaining the necessary import licenses in India can be a challenging process due to regulatory requirements and compliance procedures. Gravita's established position and experience in obtaining and managing these licenses provide a competitive advantage and serve as a barrier to entry for new players.

- **OEM Approvals:** Original Equipment Manufacturer (OEM) approvals are crucial in the recycling industry, particularly for materials like batteries. Gravita India has established relationships and approvals from major OEMs, which require meeting stringent quality standards and adherence to specific processes. These approvals are not easily obtained, creating a barrier for new entrants who would need to establish trust and credibility with OEMs.

- **Multinational Procurement Network:** Gravita has developed a strong multinational procurement network across various regions. This extensive network enables the company to source raw materials at competitive prices, ensuring a consistent supply. Building such a network with established partnerships and supplier relationships takes time and effort, making it challenging for new entrants to match Gravita's procurement capabilities.

- **Capability to Develop Customized Products:** Gravita India has the capability to develop customized products and solutions tailored to specific customer requirements. This ability to provide specialized and value-added products creates a competitive advantage and acts as a barrier to entry for competitors who may not have the same level of customization and innovation capabilities.

Strong Financial Performance

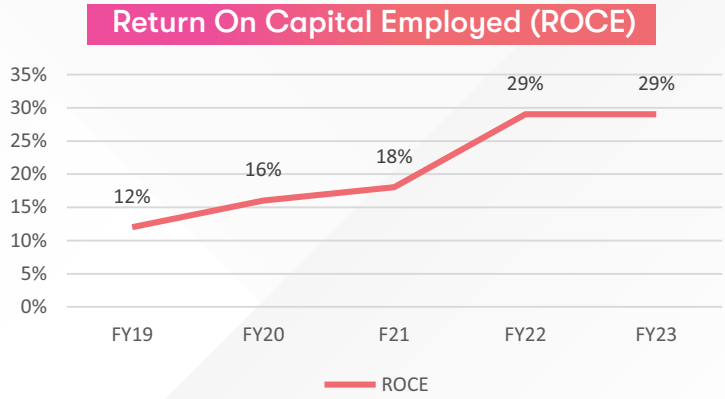
Gravita India Limited has exhibited a remarkable track record of strong and consistent financial performance, highlighted by impressive growth rates in both its topline and bottom-line figures. Over the past five years, the company has achieved a compounded annual growth rate (CAGR) of 22% in its topline, reflecting its ability to consistently increase its revenue generation.

Moreover, Gravita India has experienced robust growth in its bottom-line, with a CAGR of 35% from FY 18 to FY 23 and 139% from FY 20 to FY 23. This indicates the company's effective cost management strategies, operational efficiency, and ability to generate higher profits over the years. The substantial growth in the bottom-line demonstrates Gravita India's focus on enhancing profitability and delivering value to its shareholders.

Looking ahead, Gravita India Limited is expected to continue its growth trajectory with a projected CAGR of 25% in its topline and 35% in its bottom-line from FY24 to FY27E. This optimistic outlook reflects the company's strategic initiatives, expansion plans, and market opportunities. Gravita India's ability to sustain high growth rates in both revenue and profit further underscores its strong financial performance and market position.

The company's consistent growth in the topline is indicative of its expanding customer base, successful market penetration, and ability to capture new business opportunities. Additionally, the robust growth in the bottom-line highlights Gravita India's focus on operational efficiency, cost optimization, and leveraging its competitive strengths.

Gravita India Limited has consistently maintained an impressive Return on Equity (ROE) of 31% over the past five years. A high ROE signifies that Gravita India has been utilizing its resources efficiently to generate profits. The company's ability to consistently deliver such a robust ROE demonstrates its profitability and competitiveness within the recycling industry. This also suggests that Gravita India has a strong business model, effective cost management strategies, and favorable market conditions that contribute to its profitability.



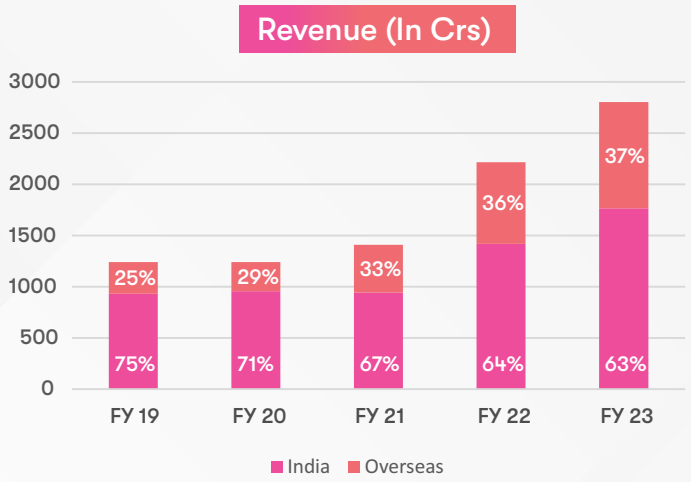
Gravita released its Q1 FY23 results, reporting consolidated adjusted revenue, EBITDA, and PAT of Rs. 770 crores, Rs. 85 crores, and Rs. 63.8 crores respectively. These figures show a year-on-year increase of 16% in revenue, 22% in EBITDA, and 54% in PAT. However, there was a 2% decrease in revenue and a 24% and 27% increase in EBITDA and PAT respectively, compared to the previous quarter (Q4 FY23). The EBITDA margin improved by 56 basis points year-on-year, reaching 11.0%, mainly due to lower operating expenses. The reported lead EBITDA per metric ton remained stable year-on-year.

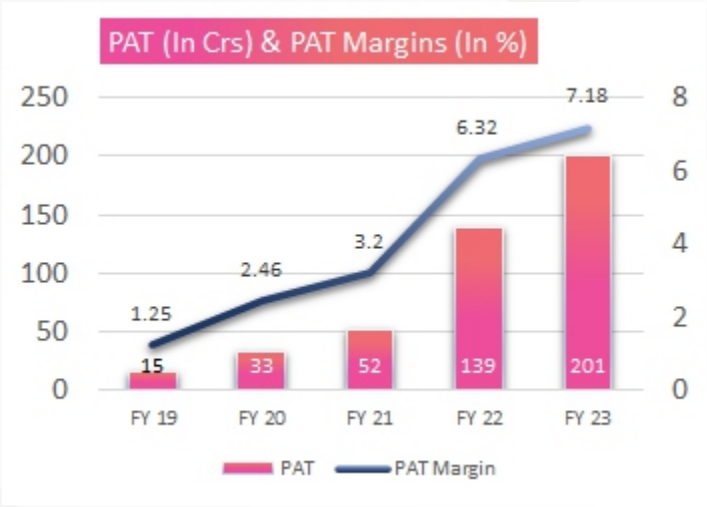
Total volume for the quarter was 41.5 thousand metric tons (KT), representing an 11% year-on-year increase but a 4% decrease quarter-on-quarter. Lead, aluminum, and plastics volumes showed varying trends, with lead and aluminum volumes rising by 13% and 31% respectively year-on-year, while plastics volume fell by 23% due to the windup in Nicaragua. The rise in lead and aluminum volumes was primarily driven by the ramp-up in Mundra and the addition of new African aluminum units. The book EBITDA per ton increased by 10% year-on-year.

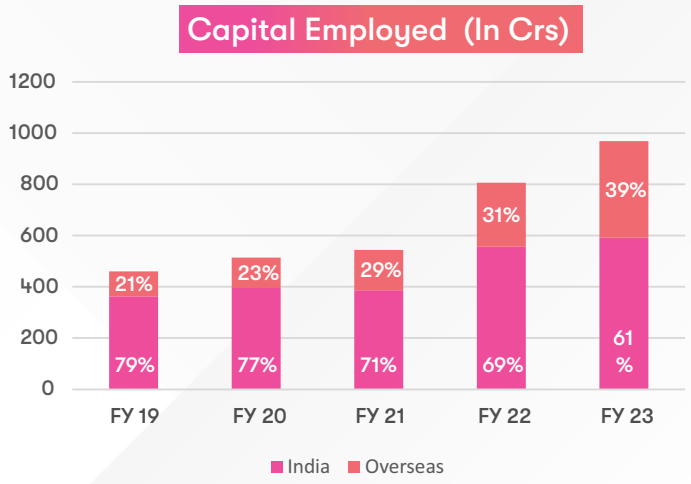
Gravita's balance-sheet profile improved with a lower net working capital cycle of 72 days at the end of FY23 compared to 83 days in FY22. Additionally, net debt reduced by 14% to Rs. 310 crores. The company's capital expenditure for the period amounted to Rs. 110 crores. In FY23, sales volume grew by 18% to 156 KT, with an EBITDA per metric ton of USD 202 (9%).

Financial Snapshot

22% Revenue CAGR –5 Yrs	9-10% Consistent EBITDA Margin
35% PAT CAGR –5 Yrs	A ICRA (External) Cr Rating
40Cr + Reduction In Debt	12 Years + Sustainable Dividend Payouts

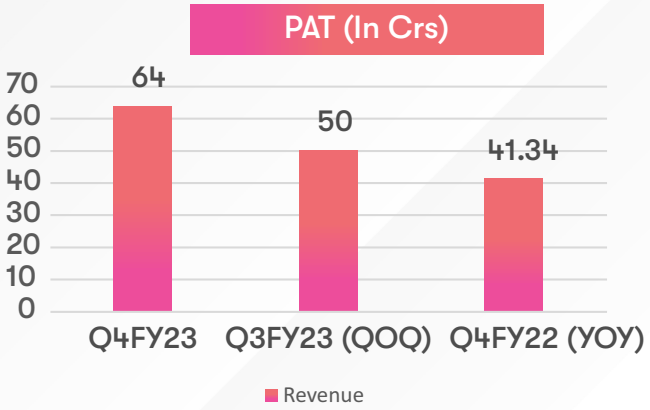




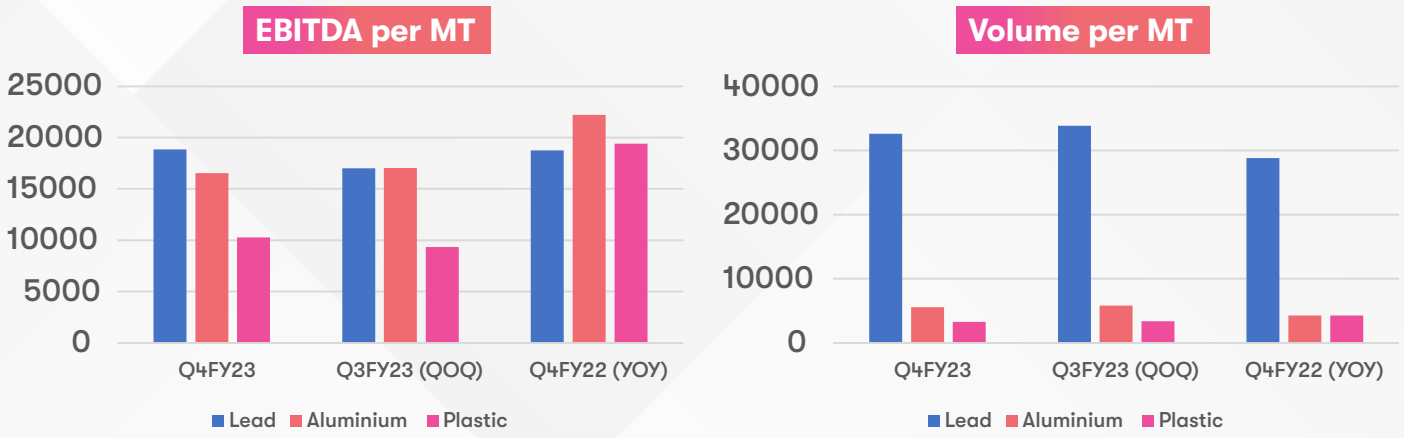


Quarterly Highlights – Q4 Fy23

11% Volume Y-O-Y	12% Revenue Y-O-Y
17%+ EBITDA Y-O-Y	54%+ PAT Y-O-Y
45% Revenue from Value Added Products	46% Domestic scrap collection for Indian Plants
38% Revenue from Overseas Business	



Financial Snapshot



Peer Comparison

Particulars	Gravita	Nile	Pondy Oxide
CMP	611	769	386
Price/Earnings	20.58	10.2	8.64
Price/Book	7.20	1.15	1.69
Price/Sales	1.49	0.26	0.34
Enterprise Value(In Cr.)	4,480	217	657
Market Cap/Sales	1.49	0.26	0.34
ROCE	31.10%	15%	27.82%
ROE	41.20%	12%	19.35%
ROA	18.90%	9.73%	11.33%
Debt To Equity	0.59	0.08	0.59
Promoter Holding	73%	50.4%	48.88
FII Holding	3.08%	-	-
DII Holding	-	-	-
Book Value	85.3	666	228
Dividend Yield	0.49%	0.27%	0.58%

Financial Snapshot

Particulars	FY 23	FY 22	FY 21	FY 20	FY 19
Financial Position			(In Cr)		
Equity Share Capital	14	14	14	14	14
Reserve & Surplus	575	373	255	211	186
Fixed Assets	273	191	172	182	137
Current Assets	885	764	540	418	390
Cash and Cash Equivalents	38	33	20	20	22
Current Liabilities	526	502	406	346	345
Non Current Liabilities	90	110	51	43	28
Enterprise Value	3,619.46	2,517.83	800.78	441.02	758.05
Operating Results			(In Cr)		
Total Income	2801	2216	1410	1348	1242
Total Expenditure	2603	1998	1288	1239	1180
Earnings Before Interest & Tax (EBIT)	198	217	121	109	62
Tax	24	17	14	10	11
Profit/(loss) after tax (PAT)	204	148	57	37	19
Ratios					
EBDITA margin (%)	6.30	4.51	5.95	5.55	4.88
Net profit margin (%)	4.00	2.09	2.62	1.91	1.78
Return on net worth (%)	32.78	19.12	17.01	13.66	12.68
Return on capital employed (%)	35.51	23.44	26.81	28.16	27.12
Return on asset (%)	11.95	5.24	5.47	4.66	3.91
Debt To Equity Ratio	0.92	1.53	0.97	1.31	1.39
EPS	14.65	5.76	4.66	3.25	2.76
Earning Yield	0.03	0.02	0.05	0.10	0.03
Cash Flows			(In Cr)		
Operating Activities	200	10	77	34	89
Investing Activities	-106	-70	-19	-14	-66
Financing Activities	-87	72	-57	-21	-17
Net Cash Flows	7	12	1	-2	6

Strengths

Strong Market Position: Gravita India has established a strong market position as a leading recycling company in India and globally. The company has a broad customer base and a diversified portfolio of recycling products.

Established Infrastructure: Gravita India possesses state-of-the-art recycling facilities, including smelting plants and recycling units. Its robust infrastructure enables efficient processing and recycling of various materials, contributing to cost-effectiveness and competitive advantage.

Technological Expertise: The company has developed technical expertise in recycling different materials, such as lead, aluminum, plastic, and e-waste. Its research and development capabilities allow for continuous improvement and innovation in recycling processes, enhancing efficiency and value creation.

Strong Financial Performance: Gravita India has demonstrated consistent financial performance over the years. Its ability to generate substantial revenue, profitability, and cash flow provides a solid foundation for sustainable growth and investment in future endeavors.

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Weaknesses

Dependency on Raw Material Prices: The company's financial performance and profitability are influenced by fluctuations in the prices of raw materials, particularly lead and other metals. Price volatility can impact the company's margins and overall profitability.

Geographic Concentration: Gravita India's operations are primarily concentrated in India, with a limited international presence. This geographic concentration exposes the company to country-specific risks, such as regulatory changes, market conditions, and currency fluctuations.

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Opportunities

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Growing Demand for Recycling: Increasing environmental awareness, government regulations, and sustainability initiatives are driving the demand for recycling globally. Gravita India can capitalize on this opportunity by expanding its recycling operations, developing new partnerships, and diversifying its product offerings.

E-Waste Recycling: With the rapid growth of electronic devices, there is a significant opportunity for e-waste recycling. Gravita India can leverage its expertise and infrastructure to tap into the e-waste recycling market, which is expected to grow exponentially.

Circular Economy Initiatives: The global shift towards a circular economy presents opportunities for Gravita India to collaborate with other stakeholders and participate in circular value chains. By promoting the concept of resource efficiency and closed-loop recycling, the company can position itself as a key player in sustainable resource management.

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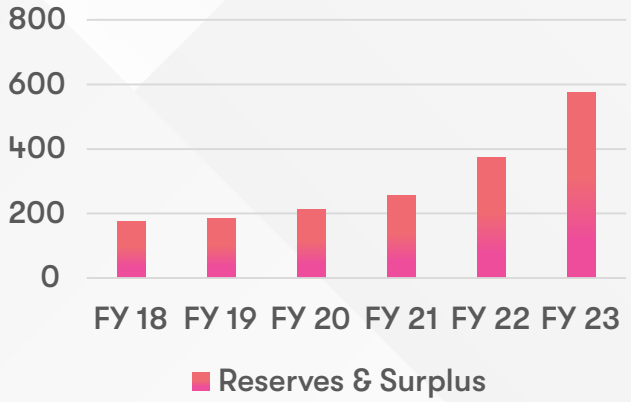
Threats

Regulatory Compliance: The recycling industry is subject to stringent environmental regulations and compliance requirements. Any changes in rules or non-compliance can lead to operational challenges, additional costs, and reputational damage.

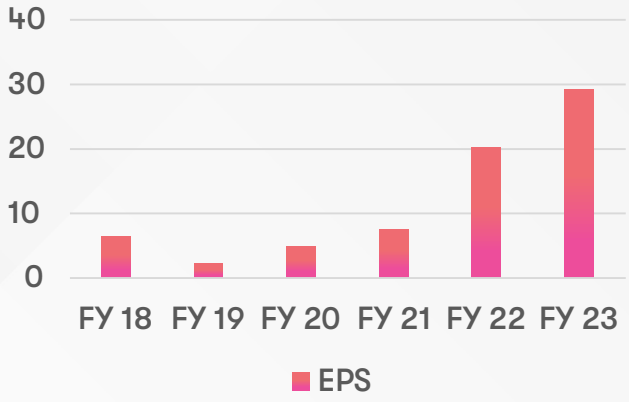
Intense Competition: The recycling industry is highly competitive, with the presence of both domestic and international players. Gravita India faces the risk of increased competition, price pressures, and the need for continuous innovation to maintain its market share and competitive edge.

Volatility in Global Markets: The company's financial performance is susceptible to global market dynamics, including economic fluctuations, trade policies, and geopolitical uncertainties. Changes in these factors can impact the demand and pricing of recycled materials.

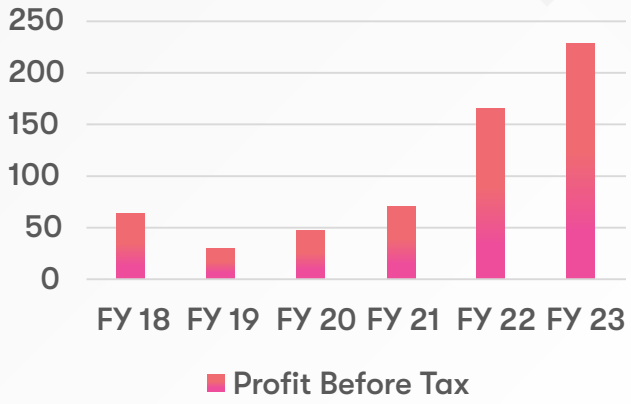
Reserves & Surplus (In Crs)



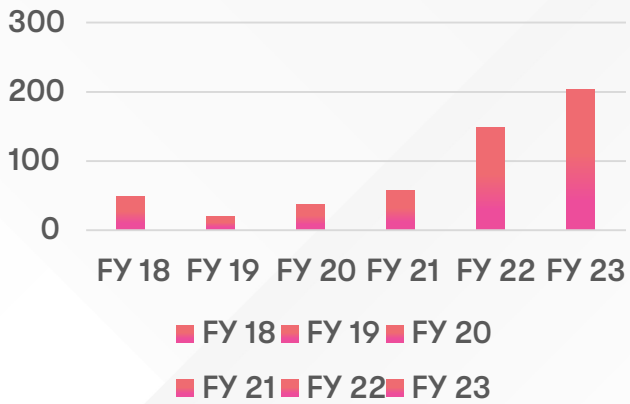
Earning per share (EPS)



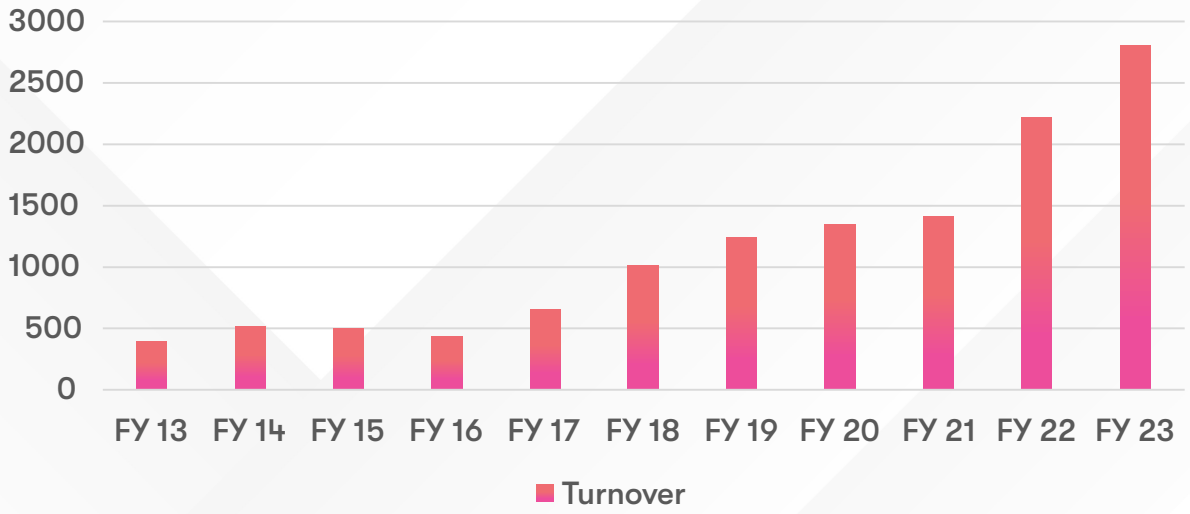
Profit Before Tax (In Crs)



Profit After Tax (In Crs)



Turnover for Last 10 years (In Crores)



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