

Gravita India

Recycling Growth, Compounding Returns



Regulatory formalisation
drives structural
volume shifts

Visible capacity
expansion drives
multi-year growth runway

Key moats:
Hedged model,
presence across value chain

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Gravita India is India's largest organised recycling company with a diversified presence across lead, aluminium, plastics and rubber, and an expanding footprint in emerging recycling verticals. Gravita's clearly defined capacity expansion roadmap provides strong multi-year visibility on volume-led growth. Its installed recycling capacity is currently ~426ktpa and is targeted to exceed ~700ktpa by FY28E. We estimate revenue/adjusted EBITDA/PAT to compound at 23%/25%/24% over FY25–28E. We are initiating coverage on Gravita India with a BUY and TP of INR 2,010 based on 25x FY28E P/E.

Gravita India

Recycling Growth, Compounding Returns

Incorporated in 1992, Gravita India (Gravita) is India's largest organised recycling company with a diversified presence across lead, aluminium, plastics and rubber and an expanding footprint in emerging recycling verticals. The company operates 13 manufacturing plants globally (end-3QFY26) with installed recycling capacity of ~426ktpa and a deep procurement network comprising ~1,900+ touchpoints and 33 owned scrap yards. Gravita services 340+ customers in 34+ countries, delivering ~200k+ tons of recycled products.

The operating model comprises four complementary businesses that optimise margins and capital efficiency across markets: i) Overseas recycling (~33% by volume) delivers the highest profitability (~INR28k/t EBITDA). ii) Imported scrap processed in India (~33% by volume) earns INR18–19k/t. iii) Domestic institutional sourcing (8–10%) yields ~INR12k/t. iv) Tolling arrangements with battery OEMs (~25%) generate lower margins (INR7–8k/t), but superior RoCE due to minimal working capital requirement. This diversified operating mix enables Gravita to balance profitability, scale and capital returns across cycles. Scrap availability remains a key risk for the company. However, Gravita's strong sourcing network and own scrap yards minimize this risk.

Beyond its core lead recycling franchise, Gravita has steadily diversified into adjacent recycling streams, including aluminium, plastics and rubber while entering emerging segments such as lithium-ion battery recycling. With a net cash balance sheet, disciplined capital allocation (RoE and RoIC at ~20% each) and a clearly defined multi-year capacity expansion roadmap, Gravita is positioned as a structurally advantaged, volume-led compounder within the organised recycling ecosystem. We reckon its revenue/adjusted EBITDA/PAT would clock a CAGR of 23%/25%/24% over FY25–28E. Initiating coverage on Gravita India with a BUY and TP of INR 2,010 based on 25x (post-regulation multiple average) FY28E P/E.

Regulatory formalisation drives structural volume shifts: OEM-led collection systems increasingly prefer certified partners, improving traceability and scrap visibility for Gravita while excluding informal players. This coupled with stricter enforcement of Battery Waste Management Rules (BWMR) and Extended Producer Responsibility (EPR: producer responsible for collection, recycling and safe disposal) is a structural positive for Gravita as it is accelerating redirection of battery scrap flows towards compliant, organised recyclers. With ~60% of the market yet to be formalised and only 6–7% attributable to an organised leader such as Gravita, this regulatory shift supports faster capacity utilisation and underpins sustained volume-led growth.

Visible capacity expansion enables multi-year growth runway: A clearly defined capacity expansion roadmap provides strong multi-year visibility on volume-led growth, with installed recycling capacity at ~426ktpa that is targeted to exceed ~700ktpa by FY28E. Brownfield-led additions at Mundra and Phagi lower capex risk and support faster ramp-up to 60–70% utilisation, aided by improving scrap availability (with only 35–40% currently formalised). The expansion is further strengthened by entry into new recycling streams such as copper, enhancing diversification and long-term growth optionality.

Key moats: Hedged model, presence across value chain: Gravita operates a largely price-neutral, conversion-led business model supported by systematic LME back-to-back hedging, insulating earnings from lead price volatility and enabling stable consolidated adjusted EBITDA margins of 9–11% and lead EBITDA/kg of INR18–21 over FY23–25. This earnings stability is reinforced by a strong operating moat built on dense scrap sourcing (~1,900 touchpoints and 33 yards), a diversified OEM-led customer base (340+ customers in 34+ countries), in-house execution capabilities and a strategically located global footprint of 13 plants. Altogether, this integrated platform lowers sourcing and execution risk and supports faster scale-up across segments.

Valuation and JM view: Gravita's earnings growth is driven by structurally strong volume expansion, stable operating margins and disciplined capital allocation, resulting in healthy EPS growth over the forecast period. Hence, we are initiating coverage on the stock with a BUY and TP of INR 2,010 based on 25x (post-regulation multiple average) FY28E P/E.

| Recommendation and Price Target | | Financial Summary | | | | | (INR mn) |
|---------------------------------|------------------|------------------------|--------|--------|--------|--------|----------|
| Current Reco. | BUY | Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
| Current Price Target (12M) | 2,010 | Net Sales | 31,608 | 38,688 | 40,800 | 53,733 | 72,168 |
| Upside/(Downside) | 30.8% | Sales Growth (%) | 12.9 | 22.4 | 5.5 | 31.7 | 34.3 |
| Key Data – GRAV IN | | EBITDA | 3,310 | 4,036 | 4,575 | 5,946 | 7,828 |
| Current Market Price | INR1,537 | EBITDA Margin (%) | 10.3 | 10.2 | 11.1 | 11.0 | 10.8 |
| Market cap (bn) | INR113.4/US\$1.2 | Adjusted Net Profit | 2,423 | 3,124 | 3,656 | 4,660 | 5,928 |
| Free Float (%) | 42.7 | Diluted EPS (INR) | 32.8 | 42.3 | 49.5 | 63.1 | 80.3 |
| Shares in issue (mn) | 73.8 | Diluted EPS Growth (%) | 18.7 | 28.9 | 17.0 | 27.5 | 27.2 |
| Diluted share (mn) | 73.8 | ROIC (%) | 31.7 | 23.2 | 18.8 | 20.6 | 21.3 |
| 3-mon avg daily val (mn) | INR341.8/US\$3.8 | ROE (%) | 34.0 | 21.5 | 16.4 | 17.8 | 19.1 |
| 52-week range | INR2,170/1,380 | P/E (x) | 46.8 | 36.3 | 31.0 | 24.3 | 19.1 |
| Sensex/Nifty | 80,016/24,766 | P/B (x) | 13.5 | 5.5 | 4.7 | 4.0 | 3.4 |
| INR/US\$ | 91.6 | EV/EBITDA (x) | 34.8 | 27.6 | 24.1 | 18.7 | 14.4 |
| | | Dividend Yield (x) | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |

| Price Performance | | | |
|-------------------|------|------|-------|
| % | 1M | 6M | 12M |
| Absolute | -7.8 | -9.3 | -5.9 |
| Relative* | -4.0 | -8.5 | -13.3 |

*To the BSE Sensex

Source: Company data, JM Financial. Note: Valuations as of March 5, 2026

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

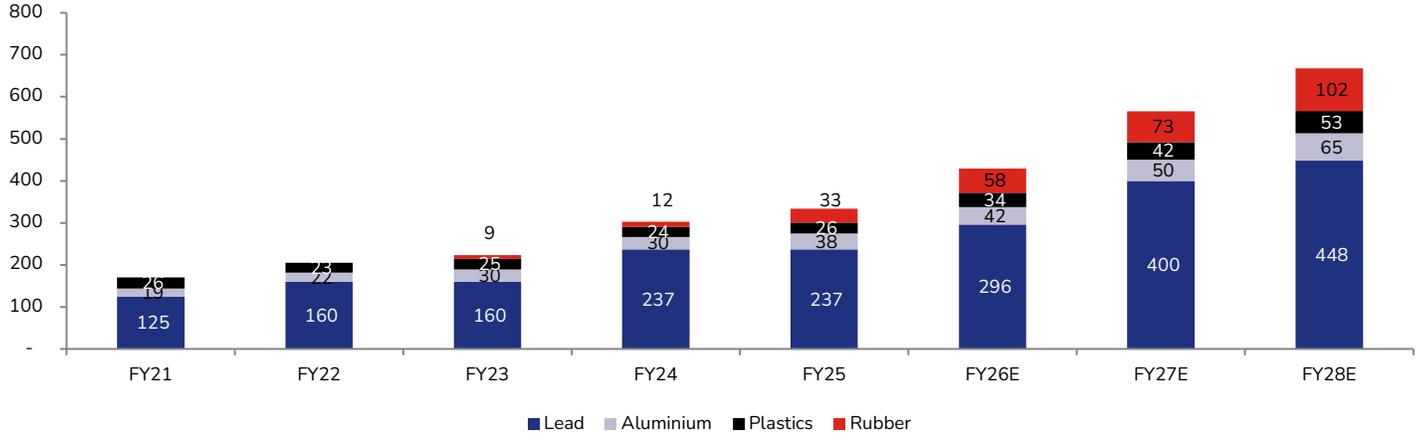
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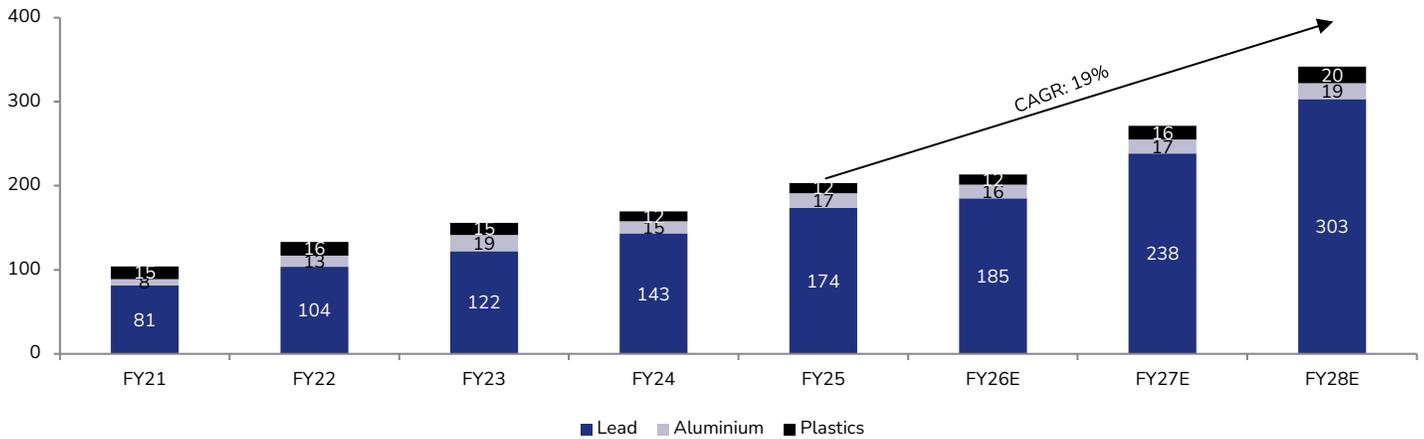
Focus Charts

Exhibit 1: Capacity growth to drive earnings (ktpa)



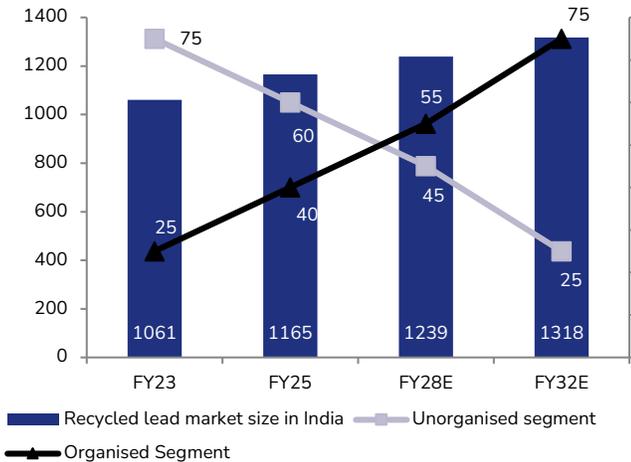
Source: Company, JM Financial

Exhibit 2: Sales volume to clock ~19% CAGR over FY25-28E



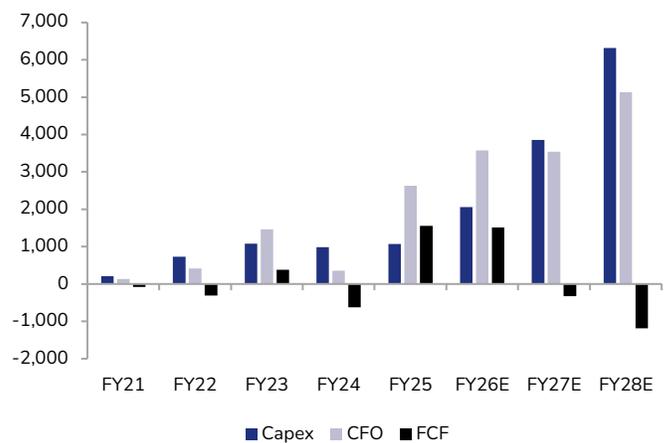
Source: Company, JM Financial

Exhibit 3: Gravita to benefit from shift towards formal segment



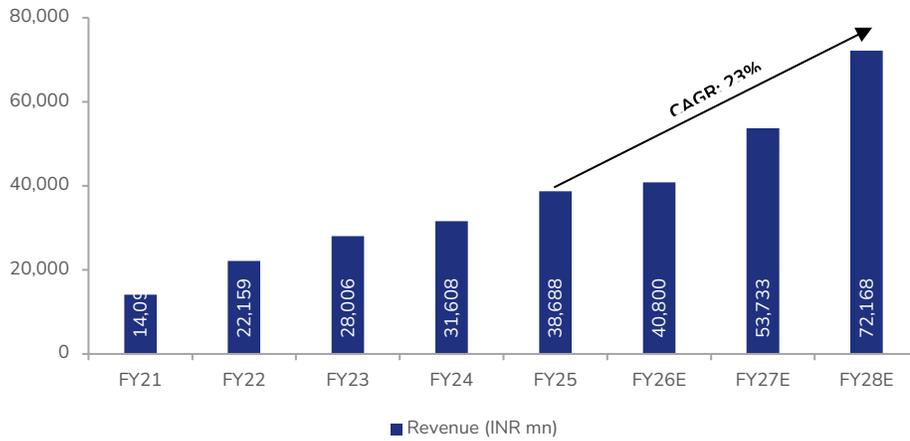
Source: Company, JM Financial

Exhibit 4: Robust cash flow to fund upcoming capex



Source: Company, JM Financial

Exhibit 5: Revenue to likely grow strongly driven by volumes



Source: Company, JM Financial

Exhibit 6: Stable margins driven by hedging mechanism

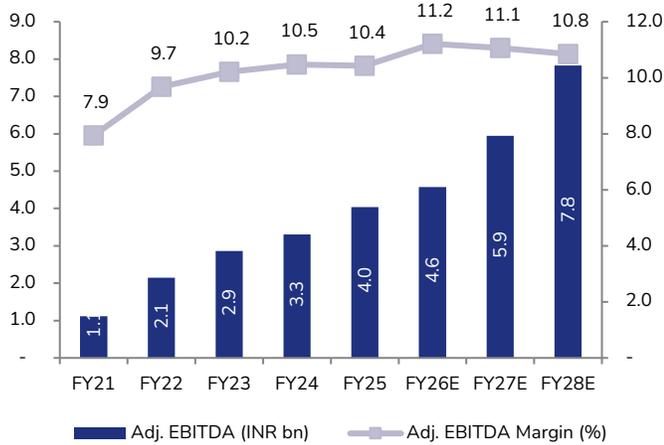
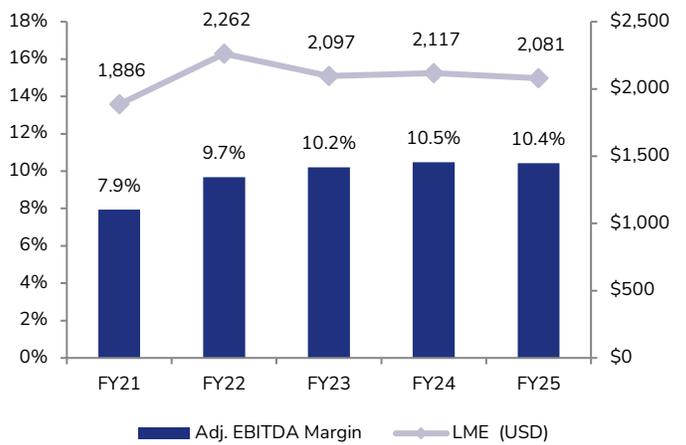


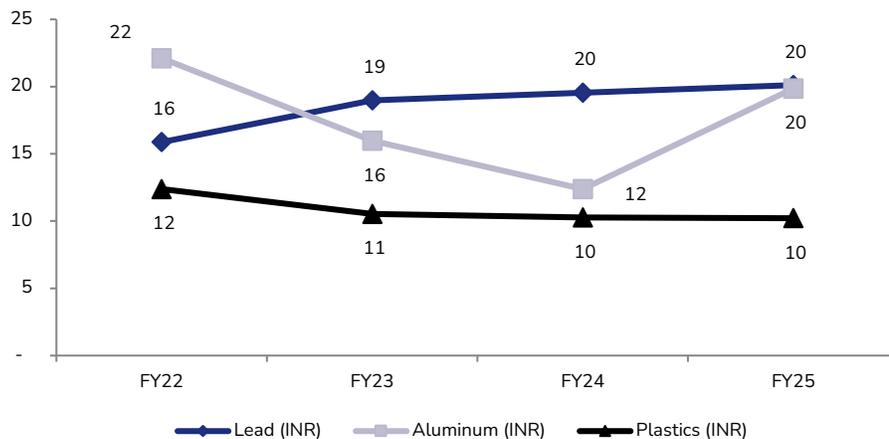
Exhibit 7: Margins remain range-bound against lead prices



Source: Company, JM Financial

Source: Company, JM Financial

Exhibit 8: Stability in lead EBITDA/kg against volatility in aluminium margins



Source: Company, JM Financial

Investment Thesis

Regulatory-led formalisation to reallocate volumes

Regulatory enforcement – via Battery Waste Management Rules (BWMR) and Extended Producer Responsibility (EPR) – has altered procurement behaviour across battery OEMs by shifting legal accountability for end-of-life recycling onto producers. OEMs are required to demonstrate verifiable recycling through certified partners, making traceability and issuance of EPR credits non-negotiable.

This has structurally disadvantaged informal recyclers, which lack the ability to generate EPR credits or stand regulatory scrutiny. Under the Reverse Charge Mechanism (RCM), GST liability shifts from the scrap seller to the buyer, making it difficult for unregistered or cash-based recyclers to operate. For organised recyclers such as Gravita India, which are fully GST-compliant, RCM is margin-neutral but strategically positive and momentous.

The company has also hinted that RCM – alongside BWMR and EPR – has reduced arbitrage opportunities for unorganised recyclers and improved traceability across scrap procurement, reinforcing the migration of scrap flows towards registered players. Being one of the largest recyclers in the country, Gravita is also one of the representatives of the sector and acts as an advisor to MoEF and MoF on various policymaking related to the sector.

Visible capacity expansion drives multi-year growth runway

Gravita has moved from incremental, opportunistic capacity additions to a clearly defined and largely committed multi-year expansion roadmap providing strong volume growth visibility over the medium term. Its installed recycling capacity has reached ~426ktpa and is targeted to exceed ~700ktpa by FY28E, with the near-term pipeline heavily skewed towards lead recycling. This includes ~80ktpa commissioned at Mundra in Feb'26 and ~45ktpa under execution at Phagi, taking lead capacity to ~300ktpa currently and ~400ktpa by end-FY27E. Importantly, a meaningful portion of this pipeline is already under construction or at advanced execution stages, materially lowering commissioning and execution risk.

Besides, the expansion strategy is predominantly brownfield, leveraging existing sites and strong in-house engineering and fabrication capabilities, which reduces capex intensity, compresses ramp-up timelines and outdoes asset turns versus greenfield build-outs. Inventories are stocked ahead of commissioning, enabling rapid utilisation once capacity comes on stream. Capacity creation is synchronised with structurally improving scrap availability, reducing underutilisation risk.

That only 35–40% of battery scrap currently flows to organised recyclers implies significant headroom; Gravita's domestic scrap share has already risen from ~36% in to ~52%. This alignment supports quick ramp-up to 60–70% utilisation and underpins confidence in volume-led growth rather than speculative capacity build-up. In Jan'26, Gravita announced the launch of 6ktpa lithium-ion battery recycling plant at Mundra (Gujarat) at capex of ~INR140mn to be funded via internal accruals. The facility would have advanced technology to support circular economy goals, sustainable resource recovery and EV-led growth, complementing its global recycling footprint across 13 facilities.

LME-hedged operating model underpins earnings stability

Gravita operates a majorly price-neutral, conversion-led business model anchored by a systematic back-to-back hedging framework that insulates operating profitability from volatility in global lead prices. Under this structure, both lead inventory and forward sales are hedged ensuring that movements in LME prices primarily impact working capital rather than earnings, and positioning the business as a converter rather than a directional commodity play.

This discipline has delivered remarkable earnings stability with consolidated adjusted EBITDA margins staying within a narrow 9–11% band between FY22 and FY25 despite significant fluctuations in lead prices. With metal price risk neutralised, profitability driven by processing spreads, recovery yields and product mix, reflected in the sustained stability of lead EBITDA/tonne at INR18–23/kg over recent years.

Going ahead, a similar hedged framework represents the key unlock for scaling up aluminium recycling in India. The absence of an exchange-traded hedging mechanism currently constrains domestic aluminium expansion, but the introduction of ADC12-grade aluminium trading on MCX would enable systematic price risk management, support OEM and Tier-1 sales, improve capacity utilisation and allow aluminium to evolve into a stable, conversion-margin-led growth vertical akin to lead.

Integration underpins sustainable scale advantage

Gravita has built a strong and defensible operating moat through the combination of a dense scrap sourcing network, a diversified OEM-led customer base, superior execution capabilities and a strategically located global asset footprint. The company operates one of the most extensive procurement ecosystems in organised recycling with ~1,900+ sourcing touchpoints and 33 owned scrap yards across India and overseas, spanning dealers, aggregators, institutional suppliers and international collection points; this diversification reduces sourcing disruptions and has already driven an improvement in domestic scrap share for Indian operations from ~36% to ~52%, even ahead of new capacity commissioning.

On the demand side, Gravita services 340+ customers across 34+ countries, delivering 203kt of recycled products, with low customer concentration risk and rising penetration of customised, value-added products, indicating deeper OEM integration and higher switching costs. The market share gains are reinforced by in-house turnkey engineering and project execution capabilities, which reduces commissioning timelines, lower capital intensity and enable faster scaling versus peers, while regulatory shifts favour recyclers already embedded within OEM supply chains.

This is complemented by a strategically located asset base of 13 plants across India and overseas, allowing procurement and processing closer to scrap sources and end-markets, optimising logistics, enabling inter-geography arbitrage and reducing exposure to country-specific disruptions.

Valuation

We value Gravita on a P/E-based framework, recognising that it remains in the midst of a multi-year capacity expansion cycle with several projects already announced and under execution. Earnings growth is being driven by structurally strong volume expansion, stable operating margins and disciplined capital allocation, lending visibility to healthy EPS growth over the forecast period.

Importantly, earnings visibility is supported by a diversified operating model, regulatory-led formalisation tailwinds and a largely hedged commodity exposure, which together reduce volatility relative to traditional metals businesses.

The balance sheet too remains healthy through the growth cycle, allowing for scale-up without diluting returns or earnings quality. Given the combination of scale leadership, consistent execution and an improving returns profile, we believe Gravita warrants a premium P/E relative to smaller and more volatile peers. All in all, we are initiating coverage on Gravita India with a BUY and TP of INR 2,010, valuing the stock on 25x FY28E P/E.

Exhibit 9: Valuation

| Gravita valuation (FY28E) | Valuation |
|----------------------------|--------------|
| Earnings per share (FY28E) | 80.3 |
| PE Multiple | 25 |
| Number of shares (mn) | 73.8 |
| Target price/sh | 2,010 |

Source: JM Financial

Exhibit 10: Comparative valuation

| Companies | Mcap (INR bn) | EV/EBITDA | | P/E | | RoE (%) | | Net Debt/EBITDA | |
|--------------------------|------------------|-----------|-------|-------|-------|---------|-------|-----------------|-------|
| | | FY26E | FY27E | FY26E | FY27E | FY26E | FY27E | FY26E | FY27E |
| Indian players | | | | | | | | | |
| Gravita India | 113 | 26.2 | 20.0 | 31.9 | 25.0 | 15.2 | 16.5 | -0.9 | -0.6 |
| Pondy Oxides & Chemicals | 34 | 17.4 | 13.1 | 26.0 | 19.5 | 20.8 | 21.6 | NA | NA |
| Ganesh Ecosphere | 20 | 18.2 | 10.6 | 68.0 | 22.0 | 2.5 | 7.1 | 2.6 | 2.7 |
| Jain Recycling | 132 | NA | NA | 28.4 | 23.4 | 37.5 | 28.0 | NA | NA |
| Global players | | | | | | | | | |
| Boliden AB | 2,056 | 7.5 | 7.0 | 1.4 | 1.3 | 17.3 | 16.2 | 0.4 | 0.2 |
| Indorama Ventures PCL | 354 | NA | NA | 6.3 | 4.2 | 4.9 | 7.1 | 4.7 | 3.7 |
| Aurubis AG | 837 | 10.8 | 9.5 | 0.2 | 0.2 | 7.4 | 7.6 | 0.4 | 0.1 |

Source: Bloomberg, JM Financial; Note: as of 5th Mar, 2026

Peer comparison underscores superior scale and margin resilience: Gravita's performance compares favourably with domestic peers across growth and profitability metrics, highlighting the relative resilience and scalability of its business model. Over FY22–25, the company delivered consistently strong net sales growth, moderating off a high base, but holding healthy at 22% in FY25, ahead of most peers, barring episodic spikes at smaller players.

Adjusted EBITDA growth has been relatively volatile, with a strong rebound in FY24 followed by modest growth in FY25, reflecting stable underlying operating economics. Importantly, Gravita turned in industry-leading adjusted EBITDA margins of 9–10.5% over FY22–25, materially higher than peers that largely operate at mid-single-digit margins.

This margin premium is supported by Gravita's scale advantage, hedged operating model and higher share of value-added products. As regards bottom line, PAT growth of 29% in FY25 underscores the company's ability to convert operating performance into earnings growth despite a softer margin environment. Overall, the peer comparison reinforces Gravita's positioning as a structurally stronger and more predictable compounder within the organised recycling space.

Exhibit 11: Peer comparison

| Net Sales Growth (%) | FY22 | FY23 | FY24 | FY25 |
|------------------------|------|------|------|------|
| Gravita | 57% | 26% | 13% | 22% |
| Pondy Oxides | 45% | 1% | 4% | 33% |
| NILE | 31% | 15% | 4% | 10% |
| Jain Recycling | - | - | 121% | 48% |
| Adj. EBITDA Growth (%) | FY22 | FY23 | FY24 | FY25 |
| Gravita | 92% | 33% | 16% | 22% |
| Pondy Oxides | 229% | 0% | -9% | 49% |
| NILE | 60% | -10% | 29% | 22% |
| Jain Recycling | - | - | 84% | 62% |
| Adj. EBITDA Margin (%) | FY22 | FY23 | FY24 | FY25 |
| Gravita | 10% | 10% | 10% | 10% |
| Pondy Oxides | 5% | 5% | 5% | 5% |
| NILE | 6% | 4% | 5% | 6% |
| Jain Recycling | - | 7% | 5% | 6% |
| PAT Growth (%) | FY22 | FY23 | FY24 | FY25 |
| Gravita | 160% | 38% | 19% | 29% |
| Pondy Oxides | 336% | 2% | -18% | 63% |
| NILE | 71% | -4% | 35% | 16% |
| Jain Recycling | - | - | 162% | 32% |

Source: Company, JM Financial

Exhibit 12: Gravita India: 1Y forward P/E



Source: Bloomberg, JM Financial

Exhibit 13: Gravita India: 1Y forward EV/EBITDA



Source: Bloomberg, JM Financial

Exhibit 14: Key assumptions

| | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|-----------------------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|
| Net Sales | 22,159 | 28,006 | 31,608 | 38,688 | 40,800 | 53,733 | 72,168 |
| Segment-wise revenue | | | | | | | |
| Lead | 18,605 | 23,335 | 27,807 | 34,192 | 35,915 | 47,348 | 61,603 |
| Aluminium | 2,068 | 3,388 | 2,549 | 3,412 | 3,478 | 3,906 | 4,469 |
| Plastic | 1,314 | 1,045 | 780 | 845 | 793 | 1,114 | 1,375 |
| Others | 172 | 238 | 471 | 239 | 614 | 1,365 | 4,721 |
| Sales volume (tons) | | | | | | | |
| Lead | 103,612 | 122,267 | 143,178 | 173,594 | 185,107 | 238,280 | 303,200 |
| Aluminium | 13,116 | 19,094 | 14,687 | 17,492 | 16,150 | 16,720 | 18,810 |
| Plastic | 16,309 | 14,511 | 11,766 | 12,098 | 11,960 | 16,309 | 19,541 |
| LME Price | | | | | | | |
| Lead | 2,262 | 2,097 | 2,117 | 2,081 | 2,000 | 2,050 | 2,100 |
| Aluminium | 2,802 | 2,482 | 2,202 | 2,525 | 2,750 | 2,950 | 3,000 |
| Adj. EBITDA | 2,144 | 2,860 | 3,310 | 4,036 | 4,575 | 5,946 | 7,828 |
| Adj. EBITDA (%) | 9.7% | 10.2% | 10.5% | 10.4% | 11.2% | 11.1% | 10.8% |
| EBITDA/t | | | | | | | |
| Lead | 15,873 | 18,974 | 19,555 | 20,112 | 21,965 | 21,802 | 21,954 |
| Aluminium | 22,110 | 15,975 | 12,384 | 19,852 | 16,000 | 17,000 | 18,500 |
| Plastic | 12,380 | 10,537 | 10,267 | 10,214 | 10,500 | 10,800 | 11,500 |
| PAT | 1,485 | 2,041 | 2,423 | 3,124 | 3,656 | 4,660 | 5,928 |
| Net Debt | 755 | 499 | 1,333 | (2,806) | (3,940) | (3,233) | (1,660) |

Source: Company, JM Financial

Exhibit 15: Breakdown by segment

| | Q3FY25 | Q4FY25 | Q1FY26 | Q2FY26 | Q3FY26 |
|-------------------------------|--------------|---------------|---------------|---------------|---------------|
| Segment Revenue | | | | | |
| Lead | 8,385 | 9,116 | 9,282 | 9,274 | 9,152 |
| Aluminium | 1,238 | 1,004 | 944 | 942 | 826 |
| Plastics | 255 | 191 | 164 | 130 | 155 |
| Turnkey Projects | 54 | 58 | 6 | 6 | 31 |
| Others+Services | 32 | 3 | 3 | 3 | 7 |
| Total | 9,964 | 10,371 | 10,399 | 10,355 | 10,171 |
| Segment Results (EBIT) | | | | | |
| Lead | 896 | 1,141 | 1,156 | 1,117 | 1,192 |
| Aluminium | 126 | 48 | 66 | 65 | 18 |
| Plastics | 44 | 4 | 10 | 7 | 16 |
| Turnkey Projects | 12 | 1 | 4 | 3 | 10 |
| Others+Services | 10 | 0 | (6) | (17) | (1) |
| Total | 1,087 | 1,194 | 1,230 | 1,176 | 1,235 |
| EBITDA/t (INR) | | | | | |
| Lead | 19,136 | 20,279 | 20,902 | 20,126 | 22,608 |
| Aluminium | 19,030 | 20,466 | 21,790 | 23,196 | 23,035 |
| Aluminium | 20,861 | 19,836 | 17,140 | 14,786 | 14,215 |
| Plastics | 10,353 | 9,882 | 10,213 | 10,122 | 10,462 |
| Volume (mt) | | | | | |
| Lead | 53,443 | 53,514 | 53,441 | 50,685 | 52,981 |
| Lead | 43,900 | 45,630 | 46,215 | 44,187 | 46,269 |
| Aluminium | 6,264 | 5,254 | 4,812 | 4,458 | 3,550 |
| Plastics | 3,279 | 2,630 | 2,414 | 2,040 | 3,162 |

Source: Company, JM Financial

Key Risks

- **Commodity price volatility risk with partial hedging protection:** While Gravita fully hedges its entire lead inventory and sales through forward contracts, the company still remains exposed to commodity volatility in aluminium and plastic recycling, wherein exchange-based hedging is currently unavailable. The non-lead segments form part of the consolidated ~345ktpa total recycling capacity across lead, aluminium, plastic and rubber—increasing earnings sensitivity as these segments scale up. Despite a stable consolidated operating margin of 10.4% in FY25 on revenue of INR39bn, sharp raw material price movements in non-hedged segments could create margin volatility during periods of metal price dislocation. The expected launch of aluminium hedging on MCX may mitigate this risk, but monitor earnings volatility in the near term.
- **Regulatory and environmental risk in a hazardous recycling industry:** Lead recycling is classified as a highly polluting and environmentally sensitive activity, making the business vulnerable to strict environmental norms, changes in waste handling policies and complicated compliance requirements. Any adverse regulatory action could increase operating costs, delay capacity expansion or restrict plant utilisation. While Gravita holds ISO certifications and statutory approvals, non-compliance could lead to shutdowns or community resistance, impacting growth execution. The company operates 13 recycling plants across India and overseas; regulatory divergence across geographies further increases compliance complexity and execution risk.
- **Elevated geopolitical and execution risk from overseas expansion:** Gravita's overseas operations, particularly in Africa, have expanded meaningfully in recent years with plants across Ghana, Mozambique, Senegal, Togo and Tanzania, alongside Asian presence in Sri Lanka. The overseas scale increases exposure to geopolitical instability, regulatory uncertainty, foreign exchange volatility and logistical disruptions. Any disruption could impact working capital cycles and repatriation of cash flows. The future overseas disruptions could also influence capital allocation priorities and return ratios. Management's ability to manage multi-jurisdiction operations remains a key variable to monitor from credit and equity risk standpoints.
- **Persistent competitive intensity limiting pricing power:** India's lead recycling industry remains highly fragmented with strong participation from unorganised players, particularly in low value-added products, which causes sustained pricing pressure. Despite Gravita delivering ~23% YoY volume growth in FY25, margin expansion remains constrained by competition from the unorganised sector. While the company is increasing its share of value-added products to defend profitability, operating margins have remained largely stable within 10–10.5%, indicating limited operating leverage despite scale benefits. The prolonged pricing pressure could restrict EBITDA/ton expansion and return on capital over medium term.
- **Policy execution risk and long-term battery technology transition:** The Govt's BWMR mandate battery manufacturers to collect and recycle scrap either in-house or through organised recyclers, which could structurally improve scrap availability and volume visibility for formal players such as Gravita. However, any weak on-ground enforcement or non-compliance by market participants could limit scrap formalisation and pose downside risk to domestic volume assumptions. Over longer term, rising electric vehicle penetration is expected to accelerate the shift towards lithium-ion batteries, potentially reducing demand for lead-acid batteries over the next decade. While Gravita has initiated pilot projects for lithium-ion battery recycling to prepare for this transition, the pace of technological shift and commercial scalability imply execution risks to sustained growth visibility.

Investment Arguments

A) Regulatory-led formalisation to reallocate volumes

a) **BWMR redirecting battery scrap flows from informal to organised channels:** The BWMR have moved into a phase of active enforcement, resulting in a visible redirection of battery scrap towards compliant recyclers. On-ground tightening of collection, reporting and traceability requirements has reduced leakages to the unorganised sector and streamlined scrap flows to authorised facilities. This shift is already showing up in operating data: domestic battery scrap availability for organised recyclers has increased sharply, with Gravita reporting a YoY jump in domestic battery procurement of ~35% in 2QFY26 and ~22% in 1HFY26, despite overall volume growth remaining modest during the period. Incremental scrap availability is not demand-led, but regulatory-led, indicating a structural reallocation rather than a cyclical uptick. The improving domestic scrap share alongside reduced dependence on informal aggregators underscores that BWMR enforcement is now translating into measurable changes in sourcing dynamics. The Indian government mandated in August 2024 that all new products made from non-ferrous metals must include at least 5% recycled content starting in FY28E, with targets rising to 10% in FY29E and ultimately 20% for copper and 25% for zinc by FY31E (for aluminium, it stays at 10%). These regulations, aimed at reducing industrial waste, are expected to accelerate the growth of the lead and aluminium recycling markets, supporting India's sustainability and industrial objectives over the forecast period.

Exhibit 16: Minimum use of recycled materials (%) in a battery as per BWMR 2022

| S.No | Type of Battery | 2027-28 | 2028-29 | 2029-30 | 2030-31 and onwards |
|------|------------------|---------|---------|---------|---------------------|
| 1 | Portable | 5 | 10 | 15 | 20 |
| 2 | Electric vehicle | 5 | 10 | 15 | 20 |
| | | 2027-28 | 2028-29 | 2029-30 | 2030-31 and onwards |
| 3 | Automotive | 35 | 35 | 40 | 40 |
| 4 | Industrial | 35 | 35 | 40 | 40 |

Source: CPCB, JM Financial

Exhibit 17: Recovery target for FY26/27 (%)

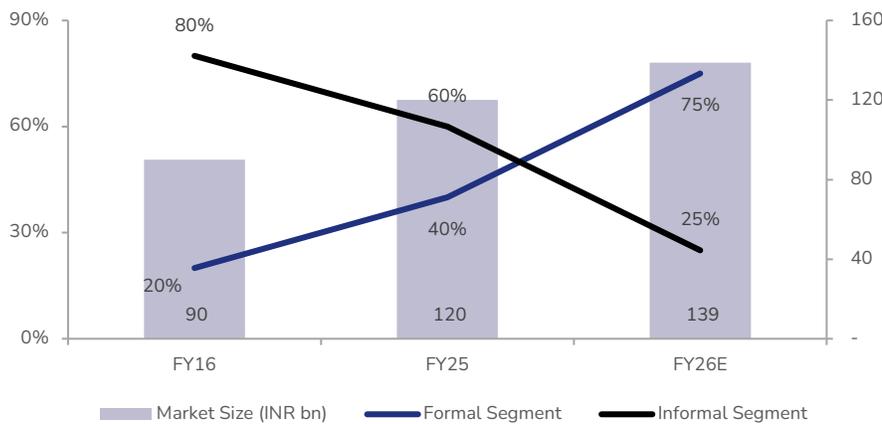
| S.No | Type of Battery | 2024-25 | 2025-26 | 2026-27 and onwards |
|------|------------------|---------|---------|---------------------|
| 1 | Portable | 70 | 80 | 90 |
| 2 | Electric vehicle | 55 | 60 | 60 |
| 3 | Automotive | 55 | 60 | 60 |
| 4 | Industrial | 70 | 80 | 90 |

Source: CPCB, JM Financial

b) **EPR compliance requirements leading to structural exclusion of informal players:** The EPR has fundamentally altered procurement behaviour across battery OEMs by shifting legal accountability for end-of-life recycling onto producers. OEMs are now required to demonstrate verifiable recycling through certified partners, making traceability and issuance of EPR credits a non-negotiable requirement. As a result, OEMs and large battery distributors are increasingly prioritising recyclers that can provide documented compliance, audit trails and regulatory certifications, irrespective of marginal price differences. This has structurally disadvantaged informal recyclers, which lack the ability to generate EPR credits or stand regulatory scrutiny. The impact is evident in the rapid increase in scrap volumes flowing to compliant recyclers as OEM-linked collection systems increasingly bypass unregistered operators. This shift is structural in nature as EPR obligations are ongoing and non-discretionary, ensuring that once scrap flows are formalised, they do not revert to informal channels even during periods of weak demand or price volatility. Only ~40% of the total market remains with formal players. Of this, Gravita has a market share of 6–7%. With new capacities being set up, we believe there is huge room for growth for the company given formalisation of the segment.

c) Scale of pending formalisation implies ample scrap supply growth: Despite significant capacity additions across the organised recycling sector, the scale of scrap formalisation underway suggests that raw material availability is unlikely to be a binding constraint. Currently, only 35–40% of total battery scrap is estimated to reach organised recyclers, with expectations that a big majority of scrap could transition to formal channels over the next two–three years as BWMR and EPR enforcement deepens. This creates a scenario of scrap availability expanding faster than installed capacity, enabling rapid utilisation ramp-up post-commissioning. Gravita’s own sourcing mix reflects this trend, with domestic scrap contribution for Indian operations increasing from ~36% in the prior year to ~52% currently, driven by rising formal collection rather than incremental imports. Importantly, once scrap enters formal OEM-linked collection systems, it becomes recurring and sticky, providing long-term sourcing visibility and reducing volatility in procurement. This structural oversupply of formal scrap in the long run relative to capacity underpins volume growth visibility for organised recyclers with scale and compliance capabilities.

Exhibit 18: Gravita: Key beneficiary of shift towards formal segment



Source: Company, JM Financial

d) Reverse Charge Mechanism (RCM) tilting economics in favour of organised recyclers: The implementation and tightening of the RCM on scrap transactions has materially altered the cost and compliance economics of the recycling value chain, further disadvantaging informal operators. Under the RCM, GST liability shifts from the scrap seller to the buyer, making it difficult for unregistered or cash-based recyclers to operate without triggering tax leakages, documentation gaps and compliance risks. For organised recyclers such as Gravita India, which operate with full GST compliance, digital invoicing and audit-ready systems, RCM is largely margin-neutral, but strategically positive. In contrast, informal players face higher costs, restricted access to institutional scrap suppliers and increased scrutiny from tax authorities. Management commentary indicates that the RCM, alongside the BWMR and the EPR, has reduced arbitrage opportunities for unorganised recyclers and improved traceability across scrap procurement, reinforcing the migration of scrap flows towards compliant players.

Exhibit 19: Reverse Charge Mechanism



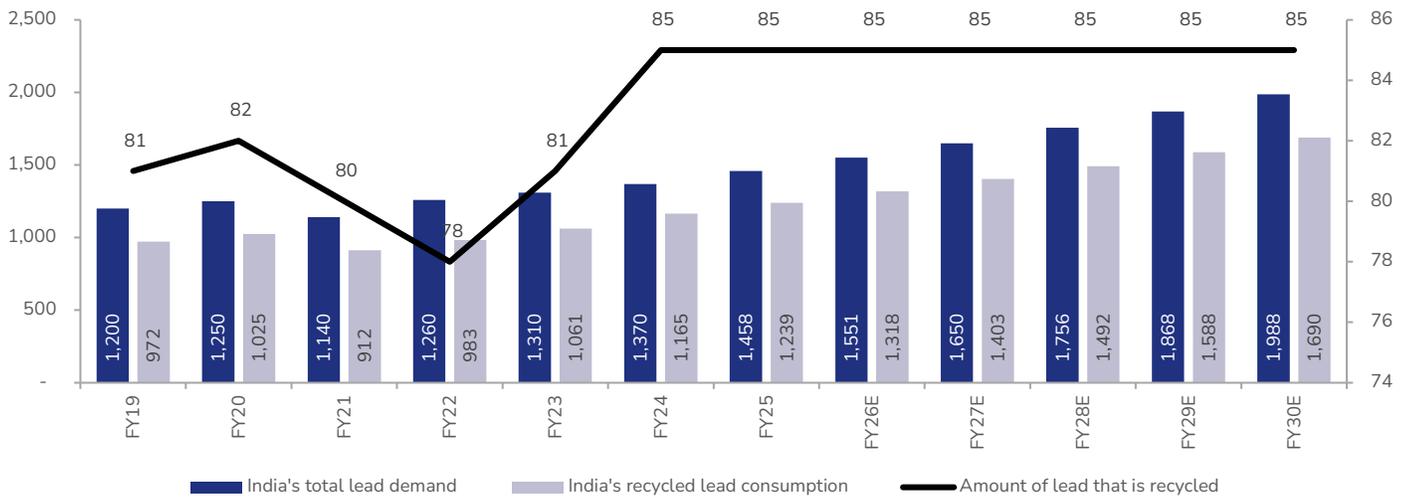
Source: Industry.

B) Visible capacity expansion drives growth runway

a) Clearly defined, largely committed capacity pipeline provides multi-year visibility: Gravita has transitioned from incremental capacity additions to a clearly articulated multi-year expansion roadmap, with installed recycling capacity reaching ~426ktpa, and targeted to exceed ~700ktpa by FY28E. The near-term expansion is heavily skewed toward lead recycling, with ~30ktpa at Mundra, another ~50ktpa targeted by 4QFY26, and ~45ktpa under execution at Phagi, taking lead capacity to ~400ktpa by FY27E.

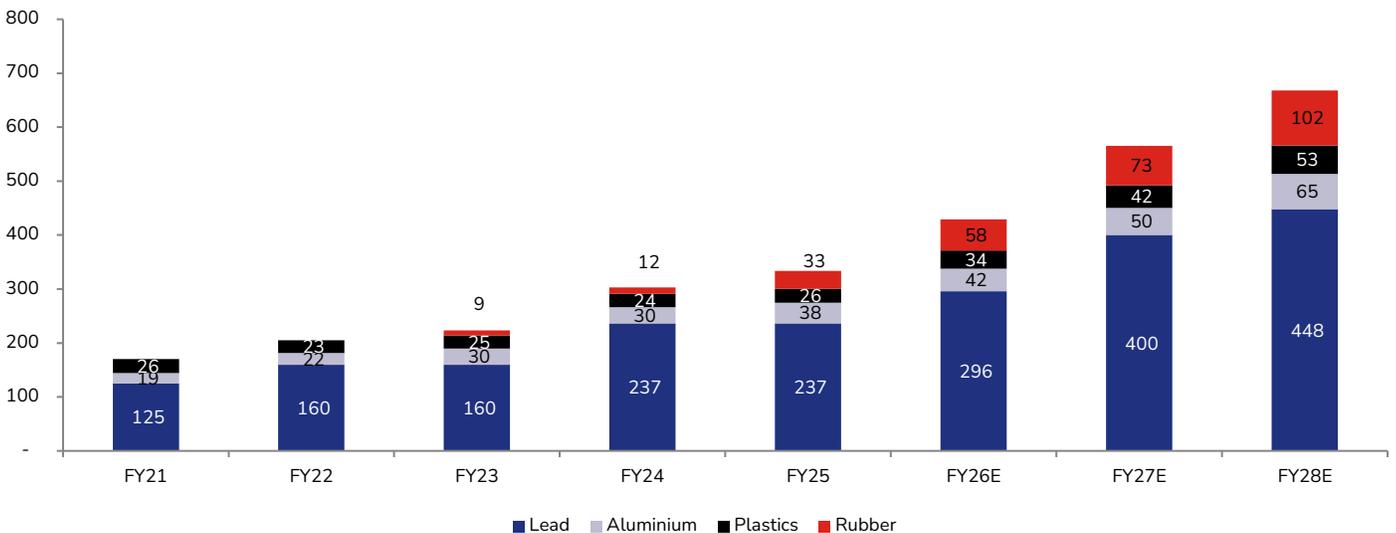
A significant portion of this capacity is already under construction or in advanced execution stages, materially reducing timeline and commissioning risk. This high level of visibility on capacity creation provides a clear runway for throughput expansion over the next several years, largely independent of metal price cycles or demand volatility.

Exhibit 20: India recycles ~85% of lead



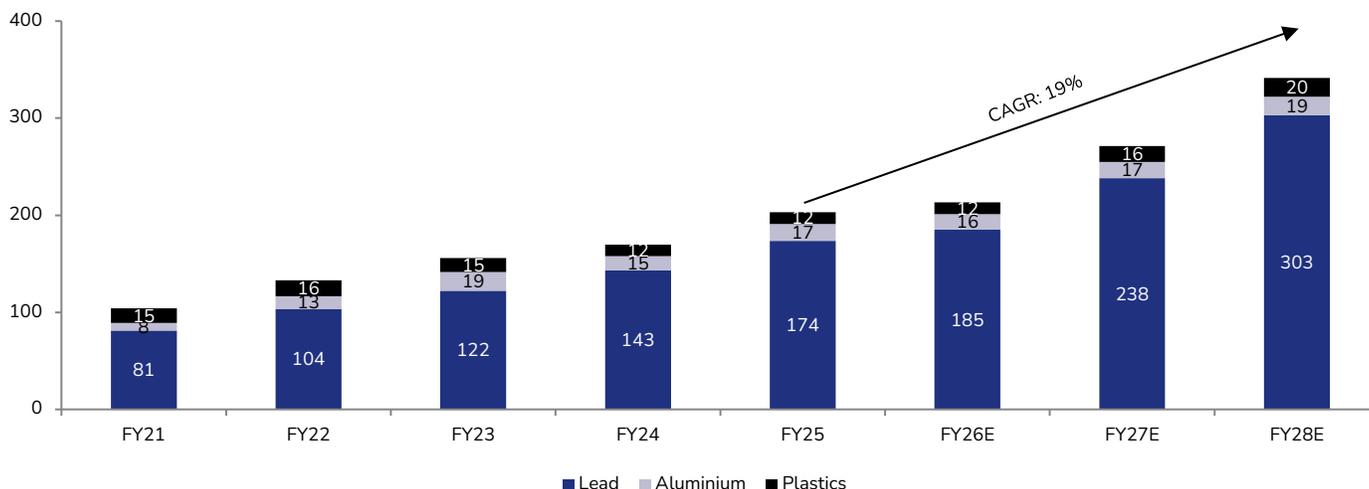
Source: Company, JM Financial

Exhibit 21: Capacity growth to drive earnings (ktpa)



Source: Company, JM Financial

Exhibit 22: Sales volume to expand ~19% CAGR over FY25–28E



Source: Company, JM Financial

b) Brownfield-led execution reduces capex risk and accelerates utilisation ramp-up: A defining feature of Gravita's expansion strategy is its strong preference for brownfield capacity additions at existing facilities, supported by in-house engineering, fabrication and project execution capabilities. The expansion plan was recalibrated to prioritise incremental capacity at Mundra and Phagi over greenfield builds, allowing the company to achieve the same targeted capacity of ~700ktpa with meaningfully lower aggregate capex. Management has indicated that inventories are built in advance of commissioning, allowing production to scale up quickly once capacities go live. This execution model lowers capex intensity/tonne, shortens payback periods and improves asset turns, increasing confidence that incremental capacity will translate to volumes rather than idle assets.

c) Capacity additions synchronised with structurally improving scrap availability: Gravita's capacity expansion is being executed alongside a structural improvement in scrap availability to the organised recycling sector, materially reducing the risk of underutilisation. Management has highlighted raw material availability is not expected to be a constraint, with only 35–40% of total battery scrap currently flowing to organised recyclers, implying significant room for formal scrap migration. This trend is already showing up in operating data, with the domestic share of scrap for Indian plants increasing from ~36% in the prior year to ~52% in 1HFY26, even before commissioning of the next leg of capacity.

The company recently commissioned 80ktpa of recycling capacity at Mundra (capex of ~INR490mn), taking the total capacity at Mundra to ~145ktpa. New capacities are expected to achieve 60–70% utilisation soon post-commissioning, supported by advance procurement and expanding access to formal scrap channels.

d) Venturing into lithium-ion battery recycling: In Jan'26, Gravita announced the launch of 6ktpa lithium-ion battery recycling plant at Mundra, Gujarat with ~INR140mn capex funded via internal accruals, leveraging advanced technology to support circular economy goals, sustainable resource recovery and EV-led growth, complementing its global recycling footprint across 13 facilities.

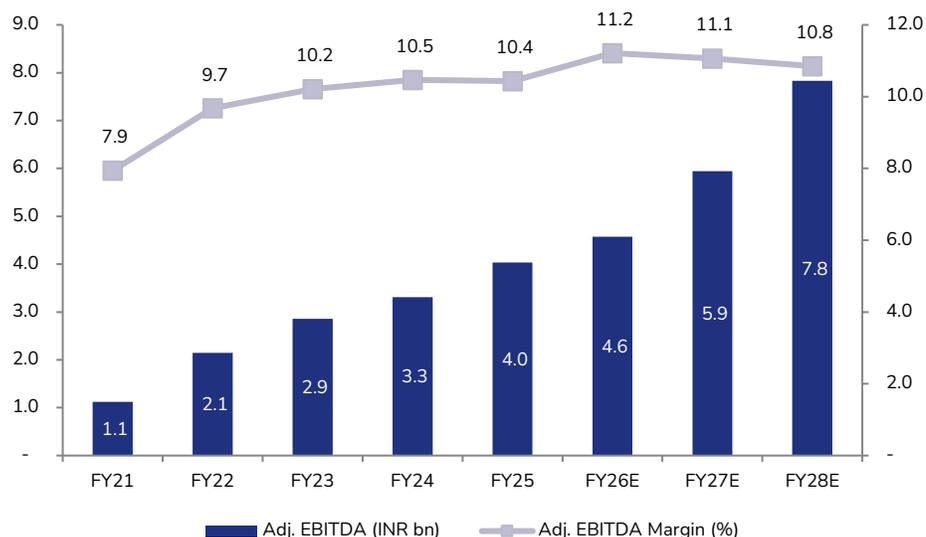
e) Copper recycling entry via RML acquisition; strategic portfolio diversification: Gravita has recently entered into a binding term sheet to acquire up to 100% of Rashtriya Metal Industries Ltd. (top line of ~INR9.1 bn) for up to INR 5.65bn, marking its entry into copper recycling and downstream copper alloy products. The acquisition provides immediate scale, processing capabilities and export relationships in a structurally growing copper segment, diversifying Gravita's metal portfolio beyond lead/aluminium. We expect synergies from Gravita's scrap sourcing and recycling expertise to support margin improvement and drive incremental growth, strengthening the long-term earnings mix.

C) LME-hedged operating model delivering stability

a) Systematic hedging framework neutralises lead price risk: The company follows a systematic back-to-back hedging framework under which lead inventory and forward sales are hedged on the LME, insulating operating profitability from movements in global lead prices. This structure has led to remarkably stable consolidated adjusted EBITDA margins over time, despite significant volatility in LME lead prices. Consolidated adjusted EBITDA margins have remained in a narrow band of 9–11% between FY22 and FY25, including 10.2% in FY23, 10.5% in FY24 and 10.4% in FY25, underscoring the effectiveness of the hedging framework in protecting operating margin.

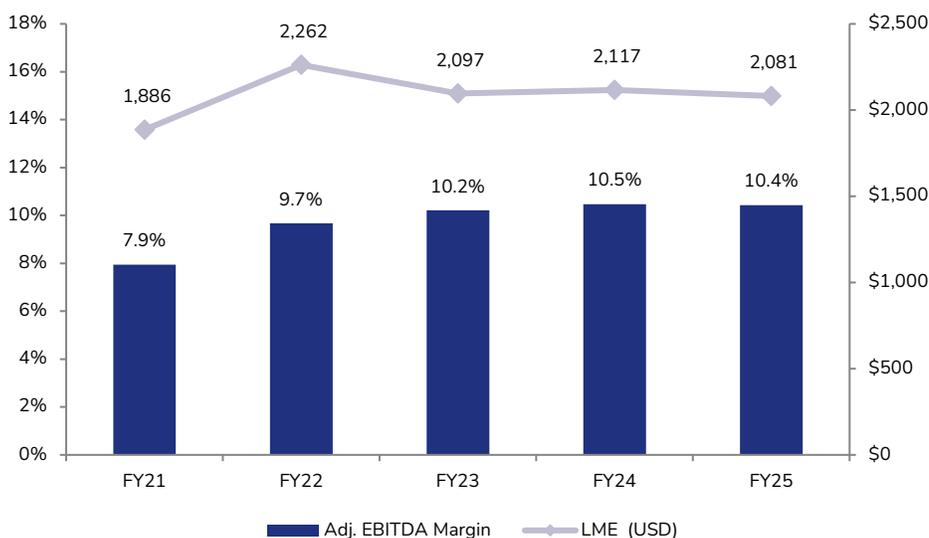
Price movements during this period primarily impacted working capital rather than adjusted EBITDA, reinforcing that the business operates as a price-neutral converter rather than a directional commodity play.

Exhibit 23: Stable margins, courtesy lead hedging



Source: Company, JM Financial

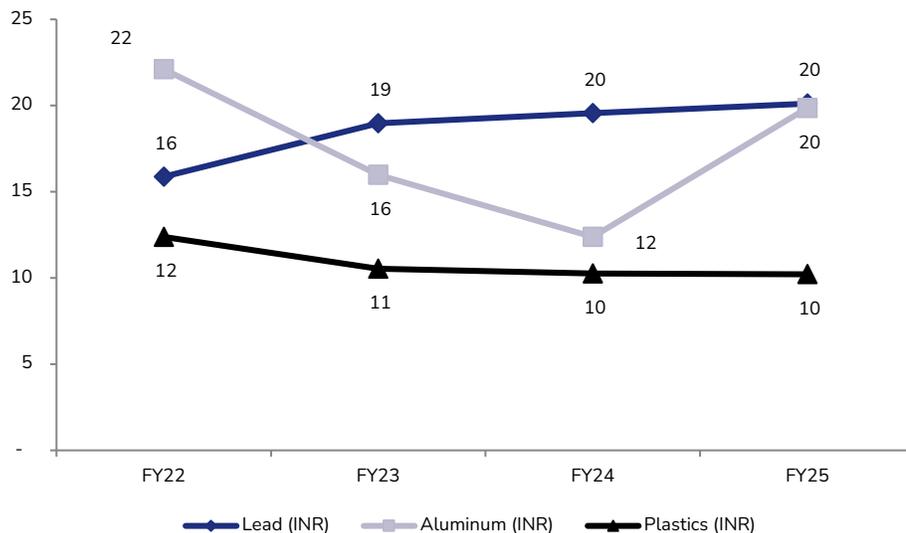
Exhibit 24: Margins remain range-bound against lead prices



Source: Company, JM Financial

b) Stable lead EBITDA/tonne reflecting conversion-led profitability: With metal price risk neutralised, profitability is driven by processing spreads, recovery yields and product mix rather than lead prices. This is evident in the stability of lead EBITDA/tonne, which has consistently stayed within INR18–20/kg over recent years even as LME lead prices fluctuated materially. In 3QFY26, lead EBITDA/tonne stood at INR 23,035, reflecting temporary arbitrage and favourable mix while management continues to guide for a sustainable range of INR19–20/kg over the cycle. Importantly, periods of elevated per-tonne EBITDA have historically coincided with modest volume trade-offs rather than structural changes in pricing power, reinforcing the predictability and steadiness of the underlying margin framework.

Exhibit 25: Stability in lead EBITDA/kg against volatility in aluminium margins



Source: Company, JM Financial

c) Aluminium hedging to act as the key enabler for scaling aluminium volumes: The aluminium recycling business operates without a domestic exchange-traded hedging mechanism, which constrains large-scale expansion in India despite healthy underlying economics. Management has indicated once ADC12-grade aluminium alloy becomes tradable on MCX, aluminium operations can transition to a back-to-back hedged model similar to lead. On a sustainable basis, aluminium recycling generates volatile margins, with overseas already operating within INR12–14/ kg of EBITDA, which keeps price risk easier to manage. The availability of ADC12 hedging would allow systematic price risk management, expand sales to OEMs and Tier-1 suppliers, and support higher utilisation of Indian aluminium capacity without exposing earnings to commodity volatility, enabling aluminium to evolve into a stable, conversion-margin-led growth vertical over time.

D) Integrated moat underpins sustainable scale advantage

a) Dense and diversified scrap sourcing network: The company has built one of the most extensive and diversified scrap procurement ecosystems in the organised recycling space, comprising ~1,900+ sourcing touchpoints globally and 33 owned scrap yards across India and overseas locations. This network spans battery dealers, aggregators, institutional suppliers and overseas collection points, enabling consistent access to scrap across geographies and cycles. The effectiveness of this network is evident in the improving sourcing mix: for Indian operations, domestic scrap contribution has increased from ~36% in the prior year to ~52% currently, reflecting rising access to formal scrap flows even before commissioning of incremental capacity. This depth and diversification in procurement materially lowers dependence on any single geography or supplier, limits sourcing disruptions, and allows rapid ramp-up of new capacities without margin sacrifice.

Exhibit 26: Gravita's scrap procurement network in FY22

| Region | Own Scrap Yards | Touch Points | Scrap Collection (MT) |
|--------------|-----------------|--------------|-----------------------|
| Asia | 1 | 1000+ | 1,10,000 |
| Africa | 24 | 300+ | 50,000 |
| America | 4 | 80+ | 13,000 |
| Europe | 0 | 20+ | 7,000 |
| Total | 29 | 1400+ | 1,80,000 |

Source: Company, JM Financial

Exhibit 27: Gravita's scrap procurement network (end-Dec'25)

| Region | Own Scrap Yards | Touch Points | Scrap Collection (MT) |
|--------------|-----------------|--------------|-----------------------|
| Asia | 5 | 1000+ | 1,41,000 |
| Africa | 27 | 850+ | 98,000 |
| America | 0 | 30+ | 42,500 |
| Europe | 1 | 15+ | 4,500 |
| Australia | 0 | 5+ | 1,300 |
| Total | 33 | 1900+ | 2,87,000 |

Source: Company, JM Financial

b) Broad, OEM-led customer base: The customer moat is characterised by diversification, compliance-led stickiness and global reach, rather than reliance on a narrow set of buyers. As of 3QFY26, the company services 340+ customers across 34+ countries, with 203kt of recycled products delivered globally. Asia accounts for the bulk of volumes with 154kt delivered, followed by the Middle East (~33kt), the Americas (~11kt) and Europe (~5.2kt).

In India, the company serves 200+ domestic customers across 20 states, complemented by 50+ overseas customers in 30 countries, ensuring logistical flexibility and low customer concentration risk. Importantly, the rising share of customised and value-added products at ~47% of volumes indicates deeper integration with customers and higher switching costs, allowing incremental volumes from capacity additions to be absorbed within the existing client base without aggressive pricing or reliance on spot demand.

Exhibit 28: Gravita's customer mix in FY22

| Region | No. of Customer | Delivered(MT) |
|-------------|-----------------|---------------|
| Asia | 250 | 90,000 |
| Middle East | 33 | 19,000 |
| America | 37 | 11,000 |
| Europe | 8 | 10,000 |

Source: Company, JM Financial

Exhibit 29: Gravita's customer mix (end-3QFY26)

| Region | No. of Customer | Delivered(MT) | Growth(%) |
|-------------|-----------------|---------------|-----------|
| Asia | 285 | 1,54,000 | 16.6 |
| Middle East | 30 | 33,000 | 17.1 |
| America | 6 | 11,000 | 0 |
| Europe | 19 | 5,200 | -17 |

Source: Company, JM Financial

c) Market share playbook – deep integration with large OEMs: Setting up recycling capacity is not inherently difficult; the real differentiator lies in speed, execution efficiency and cost discipline. Gravita benefits from an in-house turnkey and project execution capability that allows it to plan, engineer and commission recycling facilities internally. This materially shortens project timelines, lowers capital intensity and enables faster scale-up compared with peers that rely on third-party contractors and longer approval cycles. Equally important is Gravita's strength in scrap sourcing, which is closely linked to long-standing relationships with large OEMs.

Regulatory changes that place recycling responsibility on battery manufacturers structurally favour recyclers that are already embedded in OEM supply chains. With established compliance credentials and operational scale, Gravita is well positioned to gain share as scrap flows increasingly shift towards organised and OEM-linked recycling ecosystem.

Exhibit 30: Gravita's strong customer base



Source: Company, JM Financial

d) Strategically located asset base enables logistics and margin optimisation: Gravita has 13 manufacturing plants across India and overseas, strategically located close to scrap generation hubs and end-markets to optimise logistics and turnaround times. Overseas facilities make up ~40% of installed capacity, providing access to local scrap pools and enabling selective cross-border material routing when economically favourable. The global footprint allows recycling to be performed closer to raw material availability, lowering freight costs while Indian facilities benefit from proximity to large OEM demand centres and port infra.

This flexibility supports margin optimisation through inter-geography arbitrage and reduces exposure to country-specific disruptions. Management highlights this global-local operating structure enables dynamic balancing of procurement, processing and delivery, a capability that is difficult to replicate for smaller or single-location recyclers.

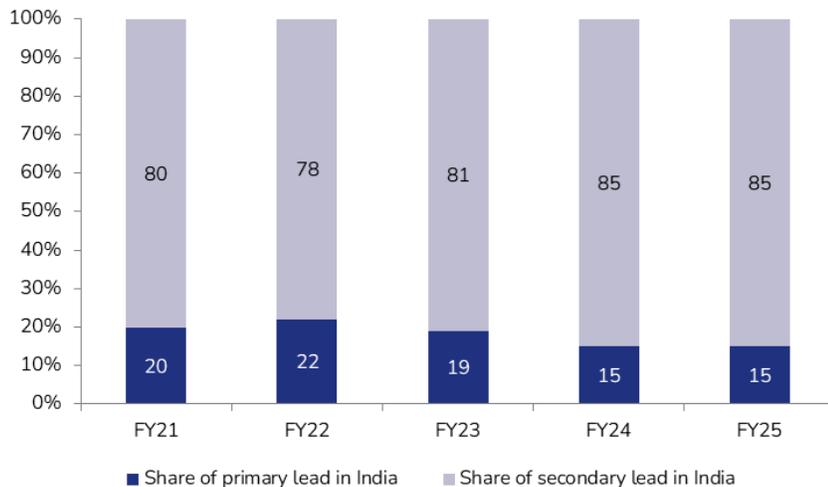
e) High barriers to entry aiding industry leadership: As industry leader, Gravita has advantage over rivals: i) import licences for scrap (difficult to acquire); ii) access to/relationships with OEMs and gaining contracts (long duration); and iii) pan-India presence; this allows Gravita to procure battery from North on behalf of OEMs, process it in its Phagi plant and then sell an equivalent amount of lead from its Chittoor plant to an OEM based in South, thereby reducing logistics costs and lead time. This model gives Gravita an edge over other recyclers, which either do not have a pan-India presence or the OEM relationship to execute this.

Industry Analysis

A. Outlook for lead recycling industry remains strong

- a) Secondary lead dominating global supply:** Lead is one of the most recycled non-ferrous metals globally with ~85% of consumption driven by lead-acid batteries. The secondary lead output stood at ~8.1mn ton in FY25, contributing over 60% to global refined lead supply driven by rising lead-acid battery demand across automotive, energy storage, renewable applications and EV auxiliary usage. China remains the largest contributor of secondary lead (~3mn ton), followed by the US (~1.1mn ton), India (~1mn ton), Germany and South Korea. However, the industry faces environmental risks from informal recycling due to raw material price volatility, rising compliance costs and fragmented battery collection logistics. As circular economy adoption accelerates, secondary lead is expected to account for 65–70% of global consumption by CY30, favouring compliant and scalable operators.
- b) India's lead recycling industry poised for robust growth and strong demand:** India's lead recycling industry is driven by high demand in the automotive, energy sectors and supportive government policies. At end-FY25, India holds ~2.5mn tons of lead reserves (2.5% of global share), whereas the world's total lead reserve is ~96mn tons. The significant portion of lead recycling still occurs in the informal sector, which the government is actively working to formalise. With the rising demand from automotive and industrial applications, the capacity is expected to be fully utilised over coming years.
- c) Lead contribution by region in India:** The total lead recycling capacity in India is ~1.5mn tons/year spread across key industrial regions. North India accounted for 34.5% of the national lead recycling market, followed by West and Central India (29.8%), South India (28.3%) and East India (7.5%). The total lead consumption in India for FY25 stood at ~1.45mn tons. Primary lead (from domestic mining and smelting) contributed ~220k tons while secondary lead (recycled) accounted for the bulk of supply: ~1.23mn tons. Thus, recycled lead met nearly 85% of domestic demand.

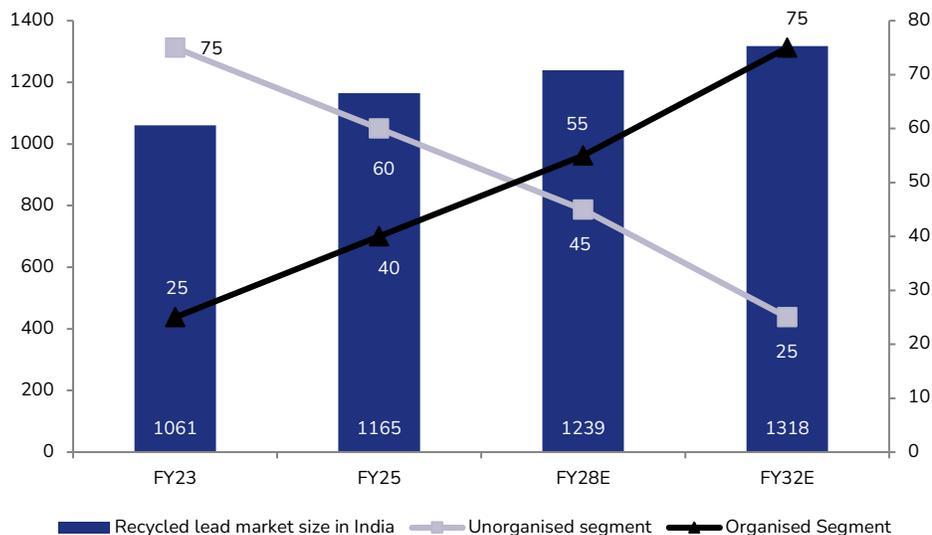
Exhibit 31: Share of recycled lead to remain ~85%



Source: Company, JM Financial

d) Structural shift from unorganised to organised lead recycling players: recycled lead meets ~85% of India's total lead demand and a large portion continues to come from the unorganised sector, which accounts for ~60% of total recycled lead output. The share declined from ~75% in FY23 to ~60% in FY25 as regulatory enforcement and traceability requirements tightened. The shift in market share towards formal players has been primarily driven by the implementation of new rules – EPR and BWMR – in 2022, which mandate compliance, reporting and formal sourcing through registered recyclers.

Exhibit 32: Informal versus Formal lead recycling trend in India



Source: Company, JM Financial

e) BWMR and EPR driving formalisation of lead recycling in India: During FY24, India implemented new regulations – BWMR and EPR – aimed at promoting recycling of lead batteries. Under the new rules, producers including importers of batteries are responsible for the collection, recycling and refurbishment of waste batteries; alongside, they prohibit disposal in landfills since lead is toxic for the environment.

A key provision of these rules is establishment of a centralised online portal for the exchange of EPR certificates between producers and recyclers to ensure mandatory minimum recovery/recycling percentages of materials from waste batteries and the reuse of recycled materials in production of new batteries. As a result, the minimum use of recycled material in automotive and industrial battery is expected to be ~40% FY31E onwards, driving up greater availability and use of recycled lead.

Exhibit 33: Minimum use of recycled materials (%) in a battery as per BWMR 2022

| S.No | Type of Battery | 2027–28 | 2028–29 | 2029–30 | 2030–31 onwards |
|------|------------------|----------------|----------------|----------------|------------------------|
| 1 | Portable | 5 | 10 | 15 | 20 |
| 2 | Electric vehicle | 5 | 10 | 15 | 20 |
| | | 2027–28 | 2028–29 | 2029–30 | 2030–31 onwards |
| 3 | Automotive | 35 | 35 | 40 | 40 |
| 4 | Industrial | 35 | 35 | 40 | 40 |

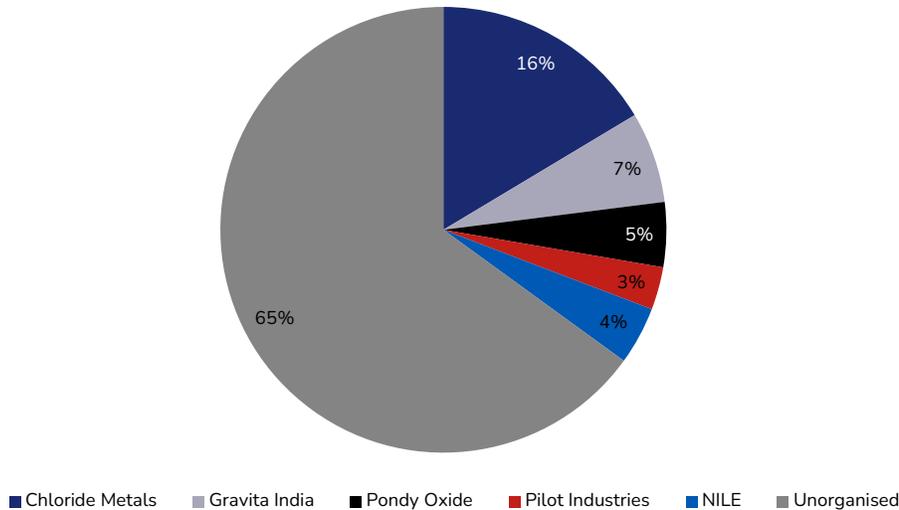
Source: CPCB, JM Financial

Exhibit 34: Recovery target by year (%)

| S.No | Type of Battery | 2024–25 | 2025–26 | 2026–27 onwards |
|------|------------------|---------|---------|-----------------|
| 1 | Portable | 70 | 80 | 90 |
| 2 | Electric vehicle | 55 | 60 | 60 |
| 3 | Automotive | 55 | 60 | 60 |
| 4 | Industrial | 70 | 80 | 90 |

Source: CPCB, JM Financial

Exhibit 35: India recycling market share



Source: Company, JM Financial

B. Aluminium recycling remains on strong footing

a) Structural demand growth driving recycling: The global aluminium demand is expected to expand at a CAGR of 3–4% over the medium term led by automotive lightweighting, renewables and infrastructure. Recycled aluminium demand is growing faster at 5–6% CAGR due to cost and sustainability advantages. Global aluminium production exceeds 100–103mn tonnes annually, with China accounting for more than half of total output, followed by India, Russia and Canada.

Recycled aluminium requires ~95% lower energy than primary aluminium production, making it structurally preferred amid rising power costs and carbon pricing. And rising adoption of electric vehicles, renewable energy and infrastructure steadily increase the importance of secondary aluminium. Over years, the Indian government has implemented policies such as EPR to encourage recycling. Automakers such as Maruti Suzuki are adopting circular economy models, including partnerships like the one with Toshin Metal in 2021 to set up recycling facilities for scrap aluminium and end-of-life vehicles.

b) Demand tailwinds and supply constraints: The global secondary aluminium market expanded in FY25 with market size rising to ~USD103.4bn in CY4 from ~USD96.9bn in CY23 driven by decarbonisation initiatives and sustainability-led material substitution. Global recycling efficiency remains high at 76%, with Asia-Pacific accounting for ~35% of production.

In India, the secondary aluminium market stood at ~USD13.77bn in CY24 and is expected to expand at a 6.3% CAGR through 2030 led by automotive demand (~40%). Also, aluminium recycling is a volume driven and working capital-intensive business wherein scale and sourcing efficiency drive profitability. The scrap constitutes 80–85% of production costs, making the procurement networks and logistics critical to margins. However, growth is constrained by scrap shortages, with imports down 5% YoY to 1.75mn tonnes and elevated price volatility pressuring industry spreads.

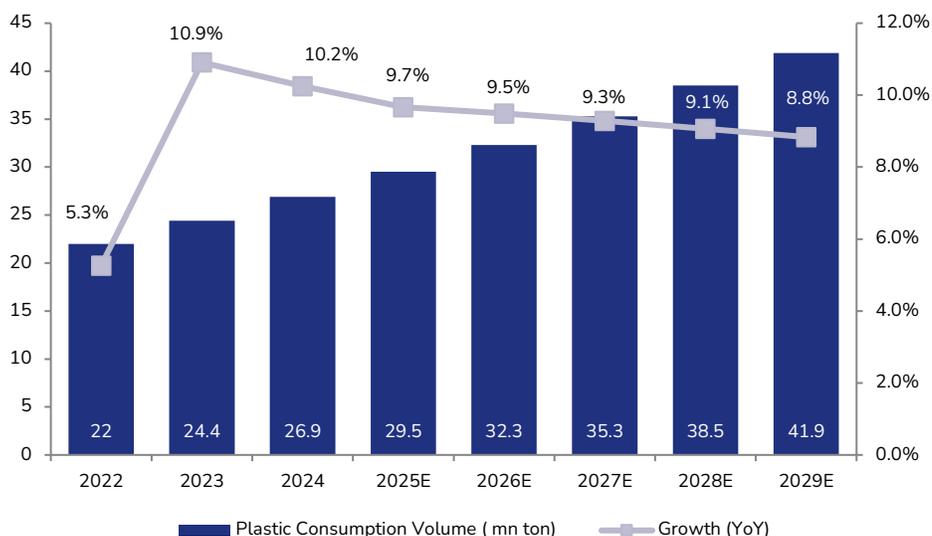
c) Organised structure reshaping industry: India's aluminium recycling ecosystem remains largely unorganised with informal players estimated to account for 60–70% of total recycling volumes. However strict regulatory norms, GST compliance, export traceability norms and OEM sourcing requirements are accelerating a shift toward organised recyclers. The organised share is expected to rise steadily over the next four–five years as smaller players struggle with environmental compliance and working capital intensity. This structural formalisation is expected to drive faster volume growth for the organised segment than overall industry growth, alongside improving quality standards and pricing discipline.

C. Plastic recycling growth and opportunity

- a) **Global plastics demand growth and evolving material mix:** The global plastic recycling industry is in a structurally accelerated growth phase driven by rising plastic consumption, regulatory enforcement and circular-economy adoption. Global plastics demand compounded at 2.2% during CY17–24 and is expected to accelerate to 2.5% CAGR over CY25–29E led by packaging, FMCG, construction and mobility applications. By CY29E, PET is projected to become the largest polymer accounting for 16.8% of global demand, reflecting its strong usage in beverage bottles, food packaging and superior recyclability profile, indicating a structurally resilient demand profile.
- b) **Global recycling gap and the structural need for circularity:** The global plastic recycling market was valued at USD46.8–57.4bn in CY24 and is projected to nearly double by early CY30s, implying a CAGR of 6.5–8.1%. However, infrastructure constraints still persist as ~50% of plastic waste continues to be landfilled and ~40% remains improperly disposed or leaked, resulting in a structural recycling capacity gap.
- c) This imbalance underscores a widening gap between consumption growth and effective waste management capabilities. The data reinforce the accelerating need for policy enforcement, EPR frameworks, investments in formal recycling capacity and scalable circular-material supply chains for long-term sustainability outcomes.
- d) **India’s regulatory tailwinds accelerate plastic recycling:** India represents one of the fastest growing plastic recycling markets globally, which is supported by growing consumption and strict regulatory norms. The domestic plastic demand stood at ~26.9mn tons in CY24 and is projected to expand at a CAGR of 11.4% over CY24–29E driven by rising per capita usage, e-commerce packaging, FMCG penetration and material substitution. The recycling rates are already relatively high at ~64%, though a meaningful share remains within the informal ecosystem which limits traceability and quality. The EPR regulations mandated recycled content obligations and phased reuse targets are structurally shifting volumes toward organised recyclers.

These policies materially improve collection efficiency, pricing discipline and long-term capacity utilisation for compliant recyclers. The regulatory mandates on recycled content and EPR norms materially strengthen Gravita’s growth visibility.

Exhibit 36: Domestic plastic consumption in India



Source: Industry, JM Financial

Financial Analysis

Exhibit 37: Financial snapshot (INR mn)

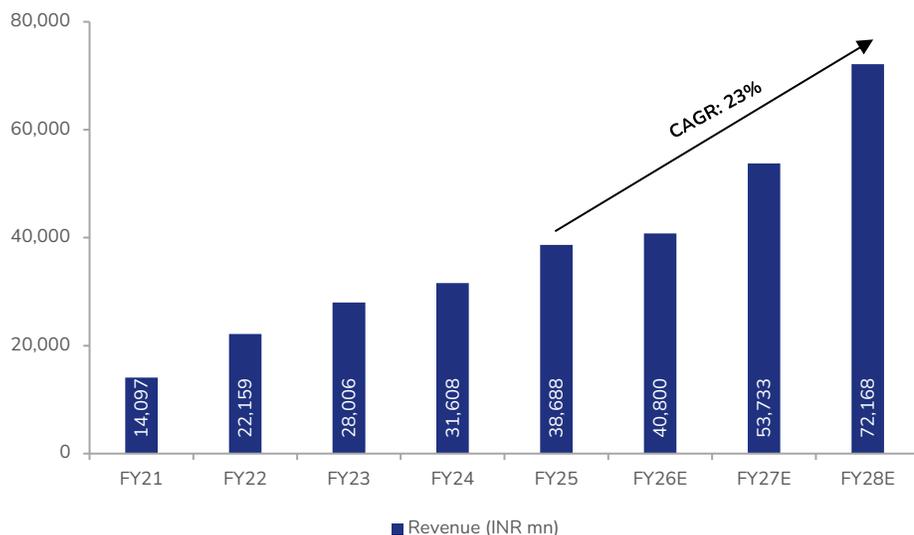
| Y/E March | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Net sales | 10,295 | 12,417 | 13,478 | 14,097 | 22,159 | 28,006 | 31,608 | 38,688 | 40,800 | 53,733 | 72,168 |
| Sales growth (%) | 57.0 | 20.6 | 8.5 | 4.6 | 57.2 | 26.4 | 12.9 | 22.4 | 5.5 | 31.7 | 34.3 |
| EBITDA | 887 | 587 | 975 | 1,119 | 2,109 | 1,976 | 2,836 | 3,241 | 4,325 | 5,696 | 7,578 |
| EBITDA (%) | 8.6 | 4.7 | 7.2 | 7.9 | 9.5 | 6.8 | 8.8 | 8.2 | 10.5 | 10.6 | 10.5 |
| Adj. EBITDA | 887 | 587 | 975 | 1,119 | 2,144 | 2,860 | 3,310 | 4,036 | 4,575 | 5,946 | 7,828 |
| Adj. EBITDA (%) | 8.6 | 4.7 | 7.2 | 7.9 | 9.7 | 10.2 | 10.5 | 10.4 | 11.2 | 11.1 | 10.8 |
| Adjusted net profit | 476 | 194 | 470 | 568 | 1,485 | 2,041 | 2,423 | 3,124 | 3,656 | 4,660 | 5,928 |
| EPS (INR) | 6.5 | 2.6 | 6.4 | 7.7 | 20.1 | 27.7 | 32.8 | 42.3 | 49.5 | 63.1 | 80.3 |
| EPS growth (%) | 44.6 | -59.3 | 142.5 | 20.8 | 161.2 | 37.5 | 18.7 | 28.9 | 17.0 | 27.5 | 27.2 |
| ROCE (%) | 28.5 | 14.5 | 22.6 | 23.3 | 33.8 | 33.8 | 26.0 | 15.5 | 15.3 | 15.9 | 16.4 |
| ROE (%) | 25.1 | 9.7 | 20.9 | 21.1 | 38.4 | 34.7 | 28.9 | 15.1 | 15.2 | 16.5 | 17.5 |
| PE (x) | 238.1 | 584.6 | 241.1 | 199.6 | 76.4 | 55.6 | 46.8 | 36.3 | 31.0 | 24.3 | 19.1 |
| Price/Book value (x) | 59.8 | 56.9 | 50.4 | 42.2 | 29.3 | 19.3 | 13.5 | 5.5 | 4.7 | 4.0 | 3.4 |
| EV/EBITDA (x) | 127.9 | 193.5 | 116.7 | 101.8 | 53.4 | 40.0 | 34.8 | 27.6 | 24.1 | 18.7 | 14.4 |

Source: Company, JM Financial

a) Net sales expected to clock 23% CAGR over FY25–28E driven by volume growth: Over FY20–25, Gravita's revenue compounded at a healthy 23% underpinned primarily by steady volume expansion and supported by favourable pricing. Going forward, we expect revenue to expand at a similar ~23% CAGR to ~INR72.2bn by FY28E driven by a strong volume CAGR of ~19% over FY25–28E.

This growth will be supported by a rising contribution from value-added products, which should enhance realisations. In addition to continued volume growth across core segments such as lead, aluminium and plastics, the company's entry into newer recycling streams including rubber, steel and paper (from FY27E) is expected to provide an incremental growth lever. Gravita is also in the early stages of evaluating opportunities in lithium recycling. Commodity price volatility is unlikely to materially impact earnings as lead volumes are fully hedged; besides, similar risk-mitigation mechanisms are being explored for aluminium.

Exhibit 38: Strong revenue strong growth likely driven by volumes



Source: Company, JM Financial

b) Stable adjusted EBITDA margins driven by hedging; 25% CAGR expected over FY25–28E:

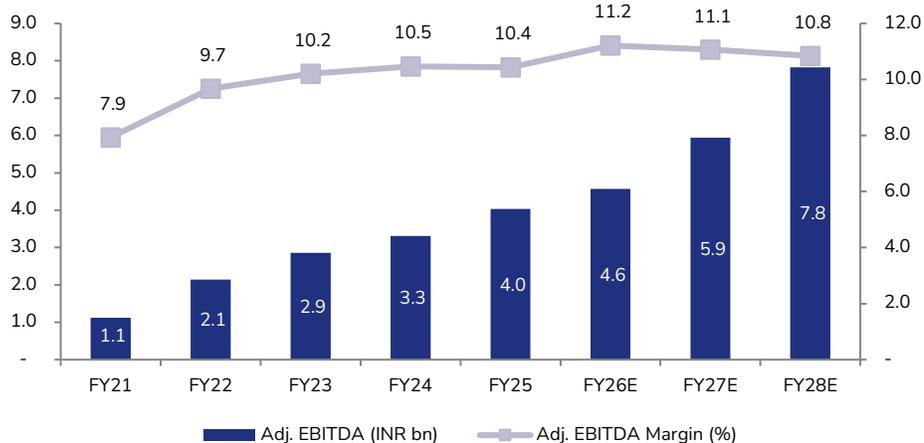
Gravita logged adjusted EBITDA margins of 7–10.5% during FY20–25. It began hedging its core lead inventory in Jun'19 through forward contracts on the LME, minimising exposure to commodity price fluctuations. The company has implemented a systematic hedging strategy to cover commodity price and foreign exchange risks. This approach (including forward contracts for inventory on LME) has delivered stable adjusted EBITDA margins in its lead business during FY20–25.

Meanwhile, Gravita is working on developing a similar hedging mechanism for aluminium, aiming for a stable margin. With the anticipated launch of an aluminium-alloy commodity derivative on the MCX, the company shall mitigate risk in this segment too.

We reckon Gravita shall record adjusted EBITDA margins of 10.5–11% during FY25–28E. Given volume growth and stable margins, we forecast it shall report adjusted EBITDA CAGR of 25% over FY25–28E (to INR7.8bn).

- c) Higher margins than other recyclers:** Gravita's adjusted EBITDA margin of 10.5–11% is way higher than typical recyclers range of 2–3%. The former's higher margin is driven by:
- i) sourcing from battery manufacturers instead of traders, leading to ~3% extra margins;
 - ii) direct sales to OEMs instead of traders (extra margin of 1–2%); and
 - iii) focusing on selling value-added products (red lead, tubes, bars, etc), adding another 3–4% to the margin.

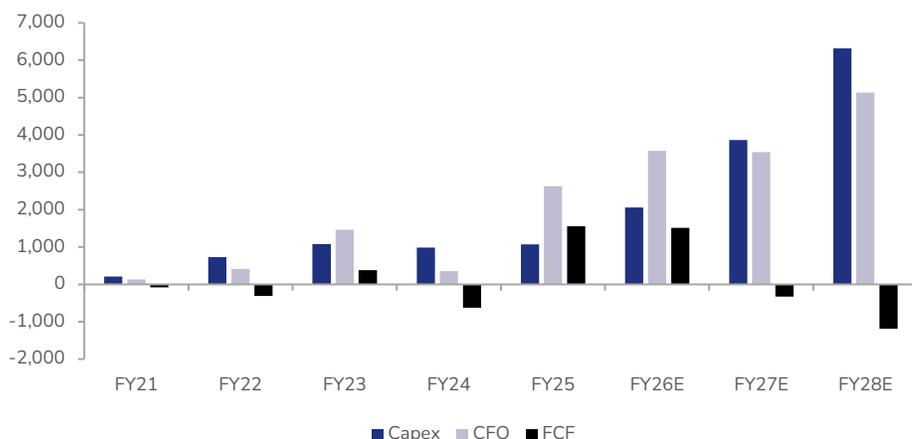
Exhibit 39: Stable overall margins driven by hedging mechanism



Source: Company, JM Financial

- d) Strong balance sheet; capex to be internally funded:** Gravita has a strong balance sheet with net cash of ~INR2.8bn at the end of FY25. Given the projected increase in earnings, leverage is expected to remain under control as management expects to fund the bulk of capex (for organic expansion) of ~INR12bn over FY26–28E through internal accruals.

Exhibit 40: Robust cash flow to fund upcoming capex

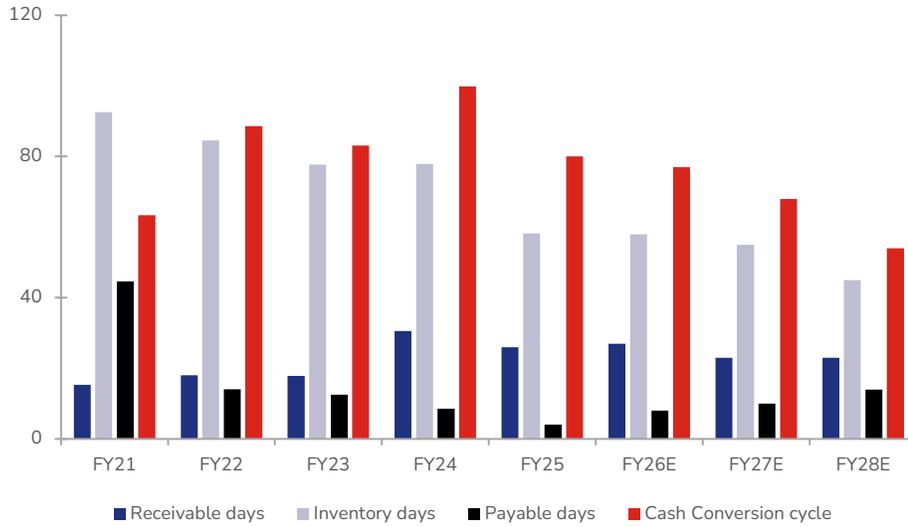


Source: Company, JM Financial

e) **Elevated working capital intensity; initiatives underway to improve cycle:** Battery scrap procurement is inherently continuous in nature, and given Gravita’s reliance on imports as well as a geographically dispersed manufacturing footprint, inventory levels tend to be elevated.

Additionally, procurement of used batteries from traders typically requires upfront payment, which stretches the cash conversion cycle. That said, recent regulatory developments placing recycling responsibility on battery manufacturers are expected to structurally increase tolling arrangements with organised recyclers. A higher share of tolling volumes should lower inventory holding and receivable requirements, thereby improving working capital efficiency over time.

Exhibit 41: Working capital intensity to ease going ahead



Source: Company, JM Financial

About the Company

Gravita India Limited was incorporated in 1992 by Mr Rajat Agrawal, with its first recycling facility established at Phagi, Jaipur. The company operates an integrated recycling platform across lead-acid batteries, lead scrap, aluminium scrap, plastic scrap and rubber scrap. In fact, Gravita is one of the leading organised recycling players with a diversified geographic presence and scalable operating platform.

The company undertakes smelting of lead battery scrap and lead concentrate to produce secondary lead metal, which is further processed into pure lead, lead alloys, lead oxides and a range of value-added products such as lead sheets, lead powder and lead shots. For this, it has 13 manufacturing plants across India and overseas, spanning Rajasthan, Gujarat, Andhra Pradesh, Jammu & Kashmir, Sri Lanka and multiple African markets including Ghana, Mozambique, Senegal, Togo and Tanzania, with aggregate installed recycling capacity of ~426ktpa across lead, aluminium, plastic and rubber.

Exhibit 42: Gravita India: A schematic representation of its milestones



Source: Company, JM Financial

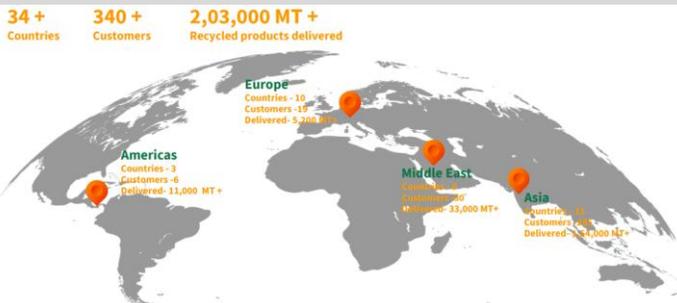
Gravita’s global presence and diversified customer network: Gravita has an extensive operational footprint through its global reach and comprehensive pan-India network. This dual presence strategically minimises logistics costs and facilitates the procurement of cost-effective raw materials. By positioning facilities near both resource collection points and major consumer markets, the company achieves enhanced operational flexibility.

Exhibit 43: Mapping Gravita’s global presence



Source: Company, JM Financial

Exhibit 44: Diversified customer network



Source: Company, JM Financial

Key Business Segments

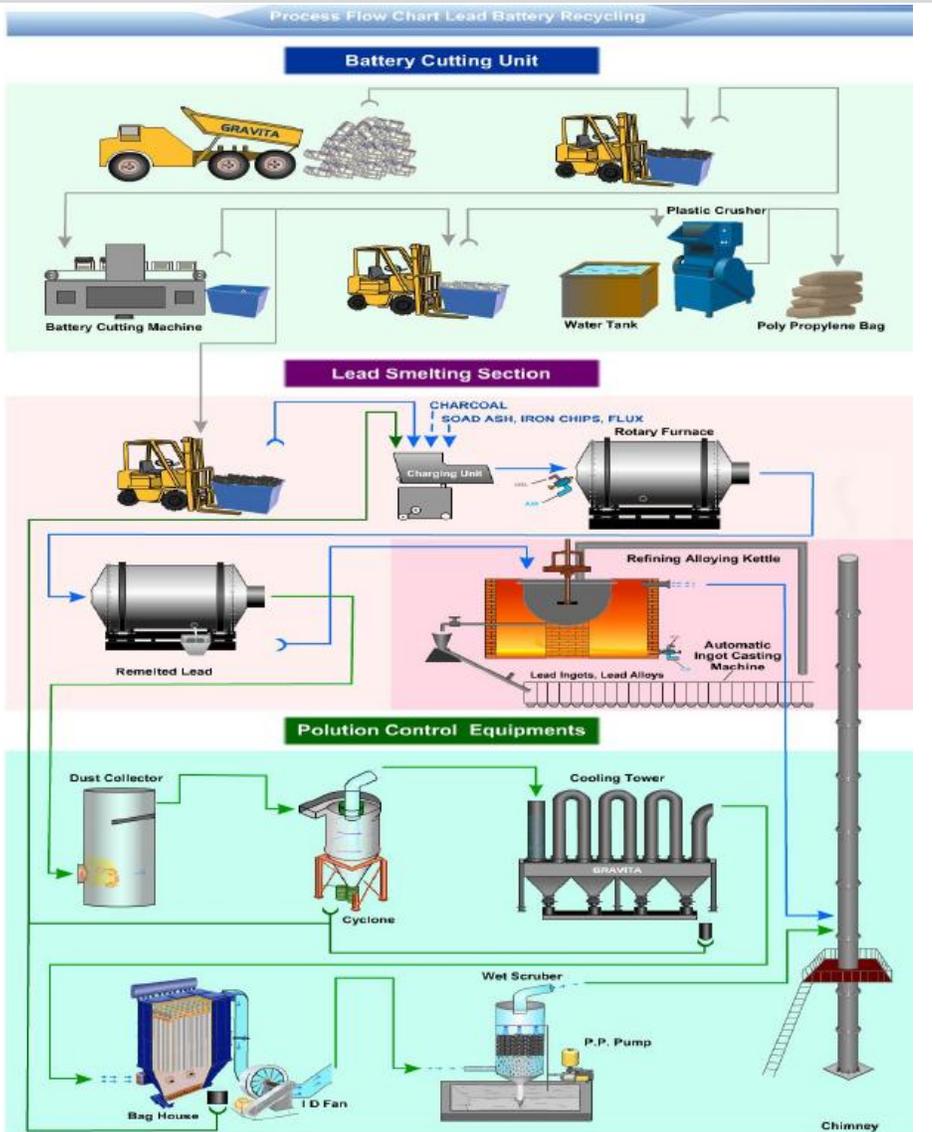
- Lead recycling business:** Lead recycling business contributed ~88% to Gravita's FY25 revenue. The company has lead recycling capacity of ~236ktpa across 13 recycling plants in India and abroad, making it one of the leading producers of lead in India.

The company is further adding recycled lead capacities, which should increase its overall capacity to ~448ktpa by FY28E. For context, Gravita's lead recycling capacity increased at a 17.3% CAGR over FY21–25 while lead volumes compounded at ~21%.

Gravita plans to expand lead capacity through brownfield additions at Phagi and Mundra, and a greenfield project in Eastern India to address rising demand in that region. These locations are suitably located to support scale, improve logistics efficiency and strengthen customer access.

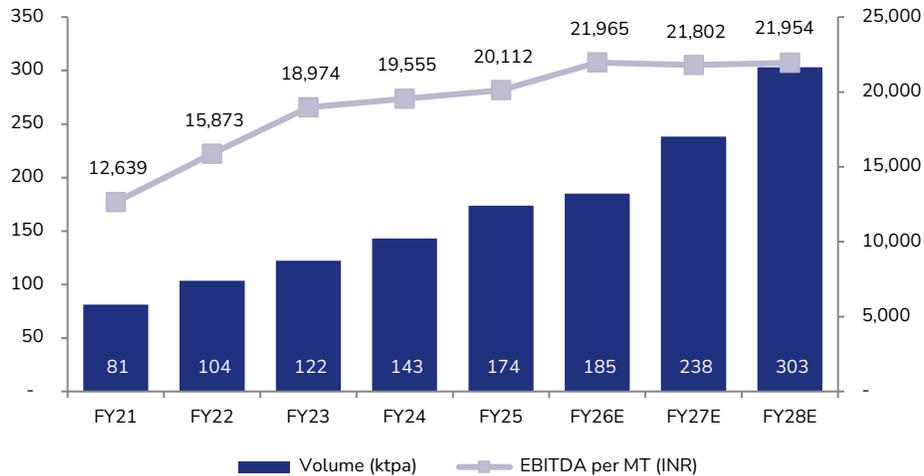
The company steadily improved segmental EBITDA/ton from ~INR13/kg in FY21 to ~INR20/kg in FY25. Meanwhile, its broader customer base and evolving EPR norms are spurring a shift in market share away from unorganised players—from 60% currently to 45% by FY28E. We anticipate clear volume tailwinds for the lead segment. Considering these factors, we expect Gravita's lead recycling volumes to clock a CAGR of 20% over FY25–28E.

Exhibit 45: Lead manufacturing process



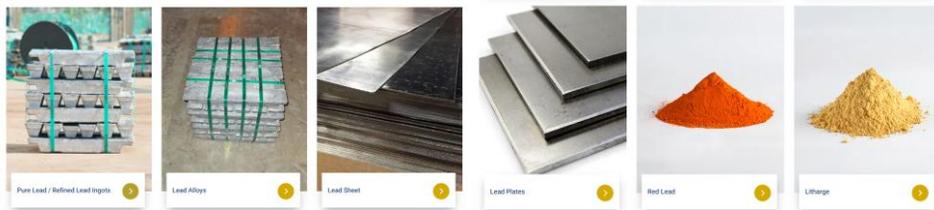
Source: Company, JM Financial

Exhibit 46: Lead volumes and EBITDA/t



Source: Company, JM Financial

Exhibit 47: Major lead products

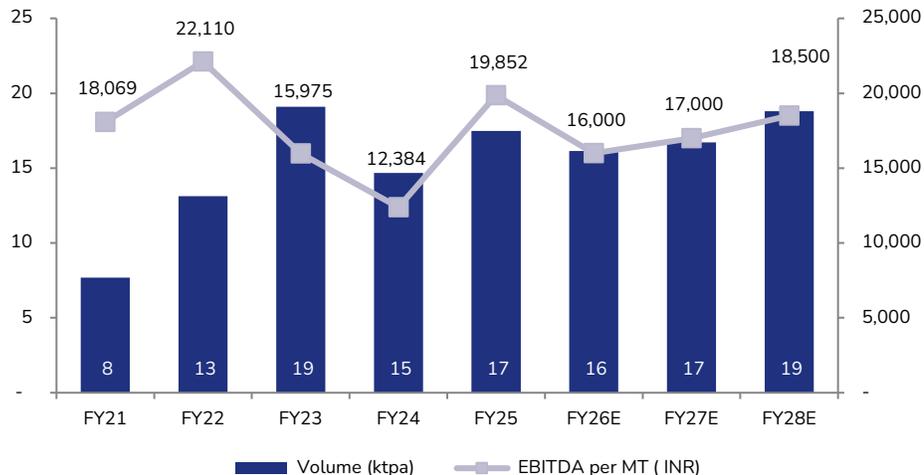


Source: Company, JM Financial

- Aluminium recycling business:** This business contributed ~9% to Gravita’s FY25 revenue. The company is involved in manufacture of aluminium alloys for the automotive sector, including engine components, wheels and transmission parts. It has aluminium recycling capacity of ~38ktpa (26ktpa overseas and 12ktpa in India).

The aluminium recycling capacity increased at a CAGR of ~19% over FY21–25 while volumes compounded at ~23%. To ensure stable margins in its aluminium recycling segment, Gravita is developing a hedging mechanism to mitigate price volatility risks. The strategy involves hedging of ADC12 (aluminium commodity derivatives) on the MCX, which is expected to be listed on the exchange by FY27E. This improved risk framework and ongoing expansion shall help Gravita compound aluminium recycling capacity by ~20% to ~65ktpa by FY28E, whereas revenue is expected to clock a CAGR of ~9% to ~INR4.5bn over the same period.

Exhibit 48: Aluminium volumes and EBITDA/t



Source: Company, JM Financial

Exhibit 49: Major aluminium products

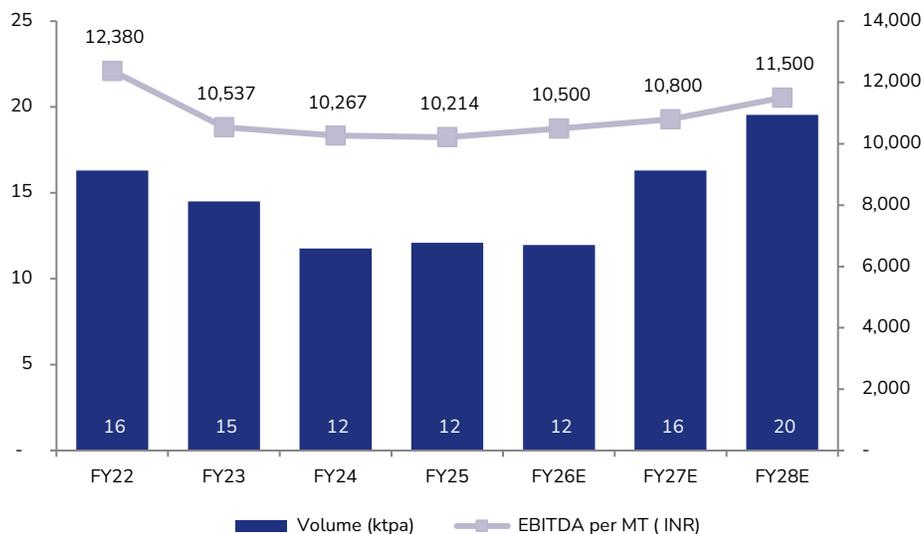


Source: Company, JM Financial

- Plastic recycling business:** In FY23, Gravita diversified into the rubber recycling segment by commissioning its first ~6ktpa facility in Ghana, followed by Senegal and Togo in FY24, which increased the total internal consumption of rubber capacity to ~12ktpa. The production is fully utilised for captive consumption as pyrolysis oil for fuel smelting operations providing meaningful operating cost and energy efficiency benefits.

In FY25, the company expanded its external footprint through acquisition of 18ktpa rubber recycling facility in Romania, which is expected to cater to third-party customers. In FY26, management plans to commission a greenfield rubber recycling plant at Mundra along with further brownfield expansions with the objective of scaling up the rubber vertical across Europe, India and Africa (Europe being largest end-market). Gravita plans to scale up total capacity to 102ktpa by FY28E.

Exhibit 50: Plastics sales volumes and EBITDA/t



Source: Company, JM Financial

- Rubber recycling – an emerging diversification lever:** Gravita entered rubber recycling in FY23 as part of its diversification strategy beyond lead with initial capacity commissioned in Africa, which was used entirely for internal consumption in pyrolysis fuel operations. The company expanded this footprint in FY24, taking internal rubber recycling capacity to 12,000MTPA across Ghana, Senegal and Togo.

In FY25, Gravita strengthened its presence in Europe through the acquisition of an 18,000MTPA facility in Romania, which is focused on external customers and provides direct exposure to one of the largest global rubber recycling markets. Looking ahead, the company plans to commission a rubber recycling plant at Mundra in FY26, along with further brownfield expansions, with management indicating a clear intent to scale up the rubber vertical across Europe, India and Africa in line with rising global demand for sustainable recycling solutions.

- Strategic roadmap to 2029 growth:** Gravita’s Vision 2029 is to be among the top five global recycling companies with at least 50% of revenue from value-added products and over 30% from non-lead segments. The company plans to invest in innovation, expand global footprint and deepen ESG commitments.

Exhibit 51: What is Vision 2029?



Source: Company, JM Financial

Exhibit 52: Sustainable circular business model



Source: Company, JM Financial

Exhibit 53: Major subsidiaries

| S.No. | Name | Business overview | Location |
|-------|--------------------------|---|----------------------|
| 1 | Gravita Mozambique LDA | Manufacturing of lead, PP granules and trading of aluminium scrap | Mozambique |
| 2 | Gravita Senegal SAU | Manufacturing of lead, PP granules and aluminium ingots | Senegal |
| 3 | Navam Lanka Ltd | Recycling of lead acid battery scrap for producing refined lead ingots (largest producer of refined lead ingots in Sri Lanka) | Sri Lanka |
| 4 | Gravita Tanzania Limited | Recycling of lead acid battery scrap, aluminium and plastic scrap | Tanzania |
| 5 | Recyclers Ghana Limited | Manufacturing of refined lead, lead alloys, plastic granules and trading of aluminium scrap | Ghana |
| 6 | Mozambique Recyclers LDA | Manufacturing and recycling of aluminium | Mozambique |
| 7 | Gravita Togo SAU | Recycling of lead acid battery scrap and aluminium scrap | Togo |
| 8 | Gravita Netherlands B.V. | Trading business | Netherlands |
| 9 | Gravita USA Inc | Trading of lead, aluminium and plastic | USA |
| 10 | Gravita Global Pte. Ltd | Trading business | Singapore |
| 11 | M/s Gravita Metal Inc | Manufacturing of lead ingots and all kind of specific lead alloys | India |
| 12 | Gravita Europe S.R.L | Recycling of rubber | Romania |
| 13 | Gravita Gulf DMCC | Trading business and management consultancy services | United Arab Emirates |

Source: Company, JM Financial Note: The companies have other subsidiaries which are under process of implementation of projects/commercial production.

Four different models of operations

- **Model 1 – Overseas operations:** Gravita procures raw materials (RM) overseas (Africa), processes it at its overseas plants, and sells it in the overseas market only. The company sells ~33% of the overall volumes through this mode of operations with average EBITDA/t being ~INR28k. This is the most profitable of the four models under which Gravita operates.
- **Model 2 – India ops – RM imported:** The company imports raw materials from the overseas markets, processes (smelting and refining) it and sells the final product in the Indian market. Most of the imports and processing is done at the Mundra facility given its proximity to the port and the ability to handle large volumes. This mode of ops amounts to ~33% of the total volume with average EBITDA/t of INR18–19k/t.
- **Model 3 – India ops – RM from institutions:** Gravita procures raw materials from domestic institutions such as Airtel, Vodafone, Luminous, Reliance Industries and V-Guard, processes it at its domestic facilities and sells the final products in the Indian market. The company sells 8–10% of its total volumes via this method and earns an average EBITDA/t of ~INR12k thereof.
- **Model 4 – India ops – Tolling:** Gravita has a tolling arrangement with major battery manufacturers such as Amara Raja and Exide, wherein battery manufacturers provide battery scrap to GRAV. The company processes this and sells the final product (lead) to battery manufacturers. Gravita sells as much as ~25% of its overall volume via this method and earns average EBITDA/t of INR7–8k/t. Though this model generates low margins, RoCEs are high (25%+) as working capital requirement is minimal.

Board of Directors

Exhibit 54: Board of directors

| Name | Designation | Background |
|--------------------|---|--|
| Mr Rajat Agrawal | Chairman and Managing Director | Mr Agrawal is a Bachelor of Engineering from MNIT (Jaipur) and has a rich experience of over 33 years in establishing and handling manufacturing operations. He has attended various management development programmes and participated in, and contributed to many prestigious international industry conferences. He has also attended OPM, an advanced management programme at the Harvard Business School, USA. Mr Agrawal has been instrumental in transforming the Indian recycling industry with his progressive outlook. Under his leadership, the Gravita group has grown by leaps and bounds into an Indian multinational with subsidiaries in more than 13 countries across continents. |
| Mr Yogesh Malhotra | Whole-Time Director and Chief Executive Officer | Mr Malhotra brings 30 years of invaluable experience and expertise in global markets to Gravita. His remarkable career includes stints at top national and multinational organisations such as Bluestar, Castrol and Eurochem. Mr Malhotra is a Bachelor of Engineering (Mechanical) from MNIT (Jaipur) and an MBA from NUS (Singapore). A visionary leader, he is dedicated to guiding Gravita towards new frontiers and ensuring continued growth and prosperity. His strategic direction and commitment to excellence have been instrumental in propelling the company to new heights in the recycling industry. |
| Mr Sunil Kansal | Whole-Time Director and Chief Financial Officer | Mr Kansal brings in three decades of experience in the financial domain, and is a Chartered Accountant with graduate and postgraduate degrees in Commerce from Rajasthan University He joined Gravita in 2008, bringing with him a wealth of knowledge in financial management and strategic planning, honed during his tenure at Jaipur Rugs Company. A strategic visionary, Kansal possesses exceptional understanding of financial operations, risk management and corporate governance. His insights have been instrumental in ensuring Gravita's financial stability and driving its remarkable growth. Gravita is well-equipped to navigate the complexities of the financial landscape and achieve continued success. His dedication and expertise are pivotal to Gravita's financial position. |
| Mr Ashok Jain | Independent Director | A former IAS officer, Mr Jain served the Government of Rajasthan for about 36 years in several important positions. He has been the District Collector of Jaisalmer, Director of Industries, Member – Revenue Board, Chairman of Rajasthan State Pollution Control Board, Chairman & MD of Rajasthan State Roadways Corporation, Commissioner – Jaipur Development Authority and the Chief Electoral Officer. Besides, Mr Jain has headed many departments as Secretary/Principal Secretary/ Additional Chief Secretary, viz., Social Justice, Women and Child Development, Finance, Planning, Personnel, Urban Development and Election. |

Source: Company

Quarterly Snapshot

- Consolidated revenue for 3QFY26 stood at INR 10.1bn, flat YoY. Revenue from the Lead segment increased ~9% YoY, whereas revenue from aluminium and plastic decreased by ~33% YoY and ~39% YoY, respectively. Adjusted EBITDA came in at ~INR 1.2bn, up ~13% YoY. Lead volumes came in at 46.3k ton, up 5% YoY, whereas aluminium/plastic volume decreased 43%/ 4% YoY. The lead segment's EBIT shot up ~33% YoY to INR1.2bn, whereas it plunged ~86% YoY for the aluminium segment to INR18mn. Consolidated PAT came in at INR 975mn, up ~25% YoY.

Exhibit 55: Consolidated performance (INR mn)

| Particulars | 3QFY25 | 4QFY25 | 1QFY26 | 2QFY26 | 3QFY26 | YoY% | QoQ% |
|-------------------------------|--------|--------|--------|--------|--------|-------|-------|
| Net Sales | 9,964 | 10,371 | 10,399 | 10,355 | 10,171 | 2% | -2% |
| Less Excise | 0 | 0 | 0 | 0 | 0 | | |
| Total Income | 9,964 | 10,371 | 10,399 | 10,355 | 10,171 | 2% | -2% |
| Expenditure | 9,157 | 9,449 | 9,393 | 9,335 | 8,973 | -2% | -4% |
| Increase/Decrease in stock | 364 | 1409 | 29 | -976 | -1203 | | |
| Raw Material Cost | 7,989 | 7,047 | 8,380 | 9,383 | 9,146 | | |
| Purchases | 34 | 0 | 0 | 0 | 29 | | |
| Employee Cost | 339 | 365 | 445 | 396 | 459 | | |
| Other Expense | 431 | 627 | 539 | 531 | 541 | | |
| EBITDA | 807 | 922 | 1,006 | 1,020 | 1,198 | 48% | 17% |
| Other Income (Hedging income) | 259 | 163 | 111 | 98 | -37 | -114% | -138% |
| Adj. EBITDA | 1,066 | 1,085 | 1,117 | 1,118 | 1,161 | 9% | 4% |
| Depreciation | (76) | (78) | (87) | (92) | (98) | 29% | 7% |
| Other Income | 30 | 194 | 190 | 165 | 154 | | |
| EBIT | 1,020 | 1,202 | 1,220 | 1,191 | 1,216 | 19% | 2% |
| Interest | -128 | -56 | -61 | -78 | -65 | -49% | -16% |
| PBT | 891 | 1,146 | 1,159 | 1,113 | 1,151 | 29% | 3% |
| Tax | -111 | -197 | -229 | -153 | -176 | | |
| Reported PAT | 781 | 949 | 931 | 960 | 975 | 25% | 2% |
| X/O items | 0 | 0 | 0 | 0 | 0 | | |
| Minority Interest | -1 | 2 | 2 | 0 | 2 | | |
| Adjusted PAT | 779 | 951 | 933 | 960 | 977 | 25% | 2% |

Source: Company, JM Financial

Financial Tables (Consolidated)

| Income Statement | | (INR mn) | | | | |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|--|
| Y/E | FY24A | FY25A | FY26E | FY27E | FY28E | |
| Net Sales | 31,608 | 38,688 | 40,800 | 53,733 | 72,168 | |
| Sales Growth (%) | 12.9 | 22.4 | 5.5 | 31.7 | 34.3 | |
| Other Operating Income | 474 | 794 | 250 | 250 | 250 | |
| Total Revenue | 32,082 | 39,482 | 41,050 | 53,983 | 72,418 | |
| Cost of Goods Sold/Op. Exp | 25,612 | 31,728 | 32,477 | 42,879 | 57,734 | |
| Personnel Cost | 1,312 | 1,595 | 1,632 | 2,149 | 2,887 | |
| Other Expenses | 1,848 | 2,124 | 2,366 | 3,009 | 3,969 | |
| EBITDA | 3,310 | 4,036 | 4,575 | 5,946 | 7,828 | |
| EBITDA Margin (%) | 10.3 | 10.2 | 11.1 | 11.0 | 10.8 | |
| EBITDA Growth (%) | 15.7 | 21.9 | 13.4 | 30.0 | 31.7 | |
| Depn. & Amort. | 380 | 291 | 362 | 469 | 652 | |
| EBIT | 2,930 | 3,745 | 4,212 | 5,477 | 7,175 | |
| Other Income | 304 | 324 | 357 | 374 | 393 | |
| Finance Cost | 492 | 435 | 268 | 369 | 594 | |
| PBT before Excep. & Forex | 2,742 | 3,634 | 4,301 | 5,482 | 6,975 | |
| Excep. & Forex Inc./Loss(-) | - | - | - | - | - | |
| PBT | 2,742 | 3,634 | 4,301 | 5,482 | 6,975 | |
| Taxes | 319 | 505 | 645 | 822 | 1,046 | |
| Extraordinary Inc./Loss(-) | - | - | - | - | - | |
| Assoc. Profit/Min. Int.(-) | - | 5 | - | - | - | |
| Reported Net Profit | 2,423 | 3,124 | 3,656 | 4,660 | 5,928 | |
| Adjusted Net Profit | 2,423 | 3,124 | 3,656 | 4,660 | 5,928 | |
| Net Margin (%) | 7.6 | 7.9 | 8.9 | 8.6 | 8.2 | |
| Diluted Share Cap. (mn) | 74 | 74 | 74 | 74 | 74 | |
| Diluted EPS (INR) | 32.8 | 42.3 | 49.5 | 63.1 | 80.3 | |
| Diluted EPS Growth (%) | 18.7 | 28.9 | 17.0 | 27.5 | 27.2 | |
| Total Dividend + Tax | 300 | 384 | 384 | 384 | 384 | |
| Dividend Per Share (INR) | 4.1 | 5.2 | 5.2 | 5.2 | 5.2 | |

Source: Company, JM Financial

| Cash Flow Statement | | (INR mn) | | | | |
|------------------------------|---------------|--------------|---------------|---------------|---------------|--|
| Y/E | FY24A | FY25A | FY26E | FY27E | FY28E | |
| Profit before Tax | 2,742 | 3,634 | 4,301 | 5,482 | 6,975 | |
| Depn. & Amort. | 380 | 291 | 362 | 469 | 652 | |
| Net Interest Exp. / Inc. (-) | - | - | - | - | - | |
| Inc (-) / Dec in WCap. | -2,449 | -787 | -441 | -1,592 | -1,450 | |
| Others | - | - | - | - | - | |
| Taxes Paid | -319 | -505 | -645 | -822 | -1,046 | |
| Operating Cash Flow | 354 | 2,633 | 3,577 | 3,537 | 5,131 | |
| Capex | -982 | -1,073 | -2,060 | -3,860 | -6,320 | |
| Free Cash Flow | -628 | 1,560 | 1,517 | -323 | -1,189 | |
| Inc (-) / Dec in Investments | -58 | -493 | - | - | - | |
| Others | -206 | 2,570 | -384 | -384 | -384 | |
| Investing Cash Flow | -1,246 | 1,004 | -2,444 | -4,244 | -6,704 | |
| Inc / Dec (-) in Capital | - | 10 | - | - | - | |
| Dividend + Tax thereon | - | - | - | - | - | |
| Inc / Dec (-) in Loans | 1,499 | -562 | -500 | 1,500 | 2,500 | |
| Others | - | - | - | - | - | |
| Financing Cash Flow | 1,499 | -552 | -500 | 1,500 | 2,500 | |
| Inc / Dec (-) in Cash | 607 | 3,085 | 634 | 793 | 927 | |
| Opening Cash Balance | 381 | 988 | 4,073 | 4,706 | 5,499 | |
| Closing Cash Balance | 988 | 4,073 | 4,706 | 5,499 | 6,426 | |

Source: Company, JM Financial. Note: EBITDA is Adj. EBITDA (adjusted for hedging income)

| Balance Sheet | | (INR mn) | | | | |
|---|---------------|---------------|---------------|---------------|---------------|--|
| Y/E | FY24A | FY25A | FY26E | FY27E | FY28E | |
| Shareholders Fund | 8,506 | 20,775 | 24,047 | 28,323 | 33,868 | |
| Share Capital | 138 | 148 | 148 | 148 | 148 | |
| Reserves & Surplus | 8,236 | 20,552 | 23,823 | 28,099 | 33,644 | |
| Preference Share Capital | - | - | - | - | - | |
| Minority Interest | 132 | 76 | 76 | 76 | 76 | |
| Total Loans | 2,611 | 2,049 | 1,549 | 3,049 | 5,549 | |
| Def. Tax Liab. / Assets (-) | -119 | -156 | -156 | -156 | -156 | |
| Other non-current liabilities / Lease Liabilities | - | - | - | - | - | |
| Total - Equity & Liab. | 10,997 | 22,669 | 25,441 | 31,217 | 39,261 | |
| Net Fixed Assets | 3,850 | 4,619 | 6,316 | 9,707 | 15,375 | |
| Gross Fixed Assets | 4,720 | 5,814 | 7,462 | 10,550 | 15,606 | |
| Intangible Assets | - | - | - | - | - | |
| Less: Depn. & Amort. | 1,298 | 1,589 | 1,951 | 2,420 | 3,072 | |
| Capital WIP | 428 | 393 | 805 | 1,577 | 2,841 | |
| Investments | 290 | 783 | 783 | 783 | 783 | |
| Current Assets | 11,762 | 19,591 | 22,033 | 25,079 | 28,769 | |
| Inventories | 6,746 | 6,168 | 6,483 | 8,097 | 8,897 | |
| Sundry Debtors | 2,643 | 2,751 | 3,018 | 3,386 | 4,548 | |
| Cash & Bank Balances | 988 | 4,073 | 4,706 | 5,499 | 6,426 | |
| Loans & Advances | 1,385 | 6,599 | 7,825 | 8,097 | 8,897 | |
| Other Current Assets | - | - | - | - | - | |
| Current Liab. & Prov. | 4,905 | 2,324 | 3,691 | 4,352 | 5,665 | |
| Current Liabilities | 675 | 396 | 799 | 1,316 | 2,477 | |
| Provisions & Others | 4,230 | 1,928 | 2,892 | 3,036 | 3,188 | |
| Net Current Assets | 6,857 | 17,267 | 18,342 | 20,727 | 23,103 | |
| Other Non Current Assets/ROU Assets | - | - | - | - | - | |
| Total - Assets | 10,997 | 22,669 | 25,441 | 31,217 | 39,261 | |

Source: Company, JM Financial

| Dupont Analysis | | | | | | |
|---------------------|-------|-------|-------|-------|-------|--|
| Y/E | FY24A | FY25A | FY26E | FY27E | FY28E | |
| Net Margin (%) | 7.6 | 7.9 | 8.9 | 8.6 | 8.2 | |
| Asset Turnover (x) | 3.6 | 2.3 | 1.7 | 1.9 | 2.1 | |
| Leverage Factor (x) | 1.3 | 1.2 | 1.1 | 1.1 | 1.1 | |
| RoE (%) | 34.0 | 21.5 | 16.4 | 17.8 | 19.1 | |

Source: Company, JM Financial

| Key Ratios | | | | | | |
|---------------------|-------|-------|-------|-------|-------|--|
| Y/E | FY24A | FY25A | FY26E | FY27E | FY28E | |
| BV/Share (INR) | 113.5 | 280.5 | 324.8 | 382.8 | 457.9 | |
| ROIC (%) | 31.7 | 23.2 | 18.8 | 20.6 | 21.3 | |
| ROE (%) | 34.0 | 21.5 | 16.4 | 17.8 | 19.1 | |
| Net Debt/Equity (x) | 0.2 | -0.1 | -0.1 | -0.1 | 0.0 | |
| P/E (x) | 46.8 | 36.3 | 31.0 | 24.3 | 19.1 | |
| P/B (x) | 13.5 | 5.5 | 4.7 | 4.0 | 3.4 | |
| EV/EBITDA (x) | 34.8 | 27.6 | 24.1 | 18.7 | 14.4 | |
| EV/Sales (x) | 3.6 | 2.8 | 2.7 | 2.1 | 1.6 | |
| Debtor days | 30 | 25 | 27 | 23 | 23 | |
| Inventory days | 77 | 57 | 58 | 55 | 45 | |
| Creditor days | 9 | 4 | 8 | 10 | 14 | |

Source: Company, JM Financial

APPENDIX I

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

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| Rating System: Definition of ratings | |
|--------------------------------------|---|
| Rating | Meaning |
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| ADD | Expected return \geq 5% and $<$ 15% over the next twelve months. |
| REDUCE | Expected return \geq -10% and $<$ 5% over the next twelve months. |
| SELL | Expected return $<$ -10% over the next twelve months. |

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

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