



Gravita India Ltd

Company and Industry Analysis By LLMind



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1. Executive Summary

1.1. Overall Perspective:

Gravita's outlook hinges on executing a massive, funded expansion to consolidate India's formalizing recycling market. A re-rating depends on leveraging its new found capital efficiency and de-risked balance sheet to scale successfully, without succumbing to execution missteps in new verticals or long-term margin erosion from customer competition.

1.2. Key Insights

- **The Great Formalization:** India's new recycling rules (EPR/BWMR) are a government-enforced market share grab from the informal sector, creating a massive, non-cyclical tailwind for Gravita.
- **Capital Efficiency Inflection:** A strategic shift to domestic sourcing drove a 7x surge in operating cash flow (to ₹282 Cr in FY25), unlocking internal capital for growth.
- **Balance Sheet Transformation:** A ₹1,000 Cr QIP funds a ₹1,500 Cr capex plan, creating a net debt-free balance sheet for aggressive market consolidation.
- **Margin-Accretive Growth:** Profitability growth (31% PAT in FY25) consistently outpaces volume growth (20%), driven by the increasing share of value-added products (46% of revenue).
- **The Arbitrage Advantage:** A global footprint allows for diverting materials to high-price markets, creating a unique, non-core profitability lever over domestic-only peers.
- **Unlocking the Aluminium Vertical:** The expected H1 FY26 launch of an MCX hedging tool is a major catalyst, set to de-risk and unlock the high-growth aluminium segment.
- **Customer-Competitor Convergence Risk:** Major OEM clients (Amara Raja, Exide) are backward-integrating into recycling, posing a significant long-term threat to Gravita's core domestic tolling business.
- **Diversification Execution Risk:** Persistent struggles in scaling the complex plastics segment raise serious questions about the execution of the far more ambitious steel and paper expansion.
- **The Tolling Model Trade-Off:** The shift to a domestic "tolling" model (85% of domestic volume) improves ROIC and visibility but trades higher potential margins for zero commodity price risk.
- **Persistent Governance Concern:** A recurring "Qualified Opinion" from statutory auditors for two consecutive years (FY24, FY25) remains a governance red flag for institutional investors.

2. About - Gravita India Ltd

Gravita India is a multinational recycling company at a strategic inflection point. It is leveraging a fortified balance sheet and deep operational expertise to consolidate India's rapidly formalizing recycling industry while expanding its global footprint.

1. What Gravita Does: Turning Waste into a Strategic Resource

Gravita transforms industrial and post-consumer waste—primarily lead, aluminum, plastic, and rubber—into high-quality raw materials for various industries.

- **Core Value Proposition:** For its B2B customers, Gravita provides a reliable, cost-effective, and environmentally compliant alternative to virgin materials, de-risking their supply chains from volatile primary commodity markets.

2. The Gravita Model: A Three-Pillar Strategy

Gravita's business model is built on three distinct competitive advantages that work in synergy to create value and a protective moat.

- **Pillar 1: Global Procurement & Arbitrage (The Moat):** With 33 of its own scrap yards and over 1,900 procurement touchpoints across five continents, Gravita sources raw materials where they are cheapest. Crucially, its global plant network enables a sophisticated "physical arbitrage" strategy—diverting semi-finished goods from low-cost African plants to capitalize on higher premiums in the Indian market, creating a unique profit lever unavailable to domestic-only players.
- **Pillar 2: Value-Added Processing (The Margin Engine):** The company is strategically shifting from selling basic recycled commodities to producing high-margin, value-added products like customized alloys and lead oxides. This strategy (now 46% of revenue) not only enhances profitability but also creates "customer lock-in" through quality certifications and deep process integration, de-commoditizing its revenue streams.
- **Pillar 3: Financial & Risk Protection (The Foundation):** A disciplined back-to-back hedging policy for commodity and currency risk is non-negotiable. This insulates margins from LME price volatility, allowing the company to focus on operational execution and deliver consistent 9-10% EBITDA margins, a key differentiator from smaller, unhedged competitors.

3. Strategic Evolution: Building a Global & Diversified Platform

Starting as a single lead plant in 1992, Gravita has systematically expanded its scope and scale through a series of deliberate strategic moves.

- **Geographic Expansion:** Gravita established an early overseas presence in Sri Lanka (2000) and Africa (2006). The recent acquisition of a rubber recycling plant in Romania (2024) marks its strategic entry into the European market, establishing a new beachhead for growth.
- **Vertical Diversification:** The company has progressively added new recycling verticals—plastic (2015), aluminium (2016), and rubber (2019). It is now making calculated, pilot-stage investments in future-facing verticals like lithium-ion battery recycling to capture growth from the EV transition.
- **Capital Transformation:** A pivotal moment was the successful raising of **₹1,000 crores via a Qualified Institutional Placement (QIP)** in late 2024. This move transformed the balance sheet, making Gravita net debt-free and providing a "war chest" to accelerate its "Vision 2029" capex plan of over ₹1,500 crores. This signals a strategic shift from steady organic growth to aggressive, funded expansion.

4. The Gravita Ecosystem: From Scrap Sourcing to Customer Lock-In

Gravita's success is rooted in its control over a complex ecosystem of suppliers and customers, which is being reshaped by powerful regulatory tailwinds in India.

- **The Sourcing Engine:** Gravita operates a dual-sourcing model. It leverages its global network for cost and arbitrage advantages while simultaneously capitalizing on the formalization of India's domestic scrap market.
- **The Domestic Shift:** Propelled by India's new EPR and BWMR rules, major OEMs like **Amara Raja and Exide** are now entering "tolling" agreements, providing scrap directly to Gravita for processing. This capital-light model (now ~85% of domestic business) provides stable volumes with zero commodity price risk and superior capital efficiency.
- **Market Position & Customers:** Gravita is the **primary consolidator** in a formalizing Indian market. It serves a blue-chip B2B customer base, including **TATA Batteries, Panasonic, Hitachi, Glencore, and Trafigura**. Its ability to deliver consistent quality at scale, combined with its global logistics capabilities, makes it an essential partner for large industrial clients.

5. Analysis of Customer Base

- Gravita's customer base is a high-quality but highly concentrated portfolio of global industry leaders, with whom the engagement is strategically shifting from transactional sales to capital-efficient, long-term "tolling" partnerships.
- This provides excellent payment reliability and revenue visibility but exposes Gravita to significant customer concentration risk, with its top two clients accounting for over 43% of FY24 revenue.

Customer Attribute	Details & Supporting Data
Customer Profile	Blue-chip domestic & global OEMs and commodity traders. Key names include Amara Raja, Exide, TATA Batteries, Luminous, Hitachi, Sebang, KEC, KEI, Samvardhana Motherson, Panasonic, TVS, Glencore, and Trafigura.
Payment Reliability	Excellent. Debtor days are consistently low, averaging 26 days in FY25. 80% of receivables as of March 2024 were "Not yet due," indicating strong payment discipline.
Engagement Model	Strategic Shift to Tolling. In India, the model has pivoted to service-oriented tolling arrangements, which now constitute ~85% of domestic volume. This is driven by EPR regulations compelling OEMs to partner with recyclers.
Revenue Contribution	Highly Concentrated. The top two customers accounted for ₹1,369 crores (43.3%) of FY24 revenue. Management has identified this as a key risk and is actively diversifying by onboarding new major clients like Exide.

6. Status & Impact of the ₹1,000 Crore QIP

- The successfully completed ₹1,000 crore QIP is a transformative event that has de-risked Gravita's balance sheet by making it net debt-free and fully funded its aggressive ₹1,500 crore expansion plan.
- This provides a dual boost to the bottom line through a permanent, structural reduction in finance costs (saving ~₹24 Cr in annual PAT) and a temporary surge in treasury income.

Metric	Before QIP (FY24 / early FY25)	After QIP (as of Q4 FY25)
Status	N/A	Completed in Dec 2024. ₹727 Cr already utilized for debt repayment and capex.
Net Debt	Positive debt position (Total Debt: ₹548 Cr in FY24)	Net Debt-Free
Quarterly Finance Cost	~₹12–13 Crores	~₹6 Crores
Annualized PAT Contribution	Baseline	~₹24 Crores+ (from interest savings alone)
Short-term PBT Impact	Baseline	~₹15–16 Crores per quarter (from ~₹7 Cr interest savings + ~₹9 Cr treasury income)

3. Sector Outlook: Global & Indian Non-Ferrous Metals Recycling

The Indian recycling sector is transitioning from a fragmented, predominantly informal market to a structured, regulated industry. This transformation, driven by a powerful combination of stringent government mandates and a global corporate push towards a circular economy, is creating a once-in-a-generation market share consolidation opportunity. The winners in this new paradigm will be the large, compliant, and well-capitalized players with the scale, technological sophistication, and global supply chains to meet the demands of major OEMs. Conversely, smaller, unorganized operators will face existential challenges, accelerating the shift of volume and value to the formal sector.

3.1. Sector Pulse & Key Themes

1. **The Great Formalization:** Government mandates like EPR and BWMR are forcing a structural shift from the informal sector, creating a massive, non-cyclical market share opportunity.
2. **Working Capital as a Competitive Weapon:** A strategic pivot to domestic sourcing and capital-light "tolling" models is transforming working capital management into a key differentiator and cash flow driver.
3. **Global Arbitrage & Supply Chain Mastery:** Companies with global footprints are leveraging price differentials between regions to generate superior, non-core profitability and mitigate sourcing risks.
4. **The Race for Value-Added Products:** The competitive battleground is shifting from crude commodity recycling to producing high-margin, specialized materials to lock in customers and de-commoditize revenue streams.
5. **Diversification Beyond Core Metals:** Leading players are aggressively expanding into new verticals like plastics, rubber, and lithium-ion to build future growth engines and reduce cyclical risk.
6. **Technology-Driven Efficiency Gains:** Investment in advanced smelting and processing technology is creating a clear divide in unit economics and yield between modern and legacy plants.
7. **Customer-Competitor Convergence:** Major OEMs are backward-integrating into recycling, creating both immediate partnership opportunities (tolling) and significant long-term competitive threats.
8. **Hedging as a Prerequisite for Scale:** The ability to effectively hedge commodity and currency risk is becoming a non-negotiable requirement to scale operations, particularly in volatile segments like aluminium.

3.2. Snapshot: Sector by the Numbers

- **Market Scale & Trajectory:**
 - **Global Recycled Lead Market:** ~17.4Billion(2024E), projected to reach 19.6 Billion by 2028.
 - **Indian Lead-Acid Battery Market:** ~\$4.5 Billion (2023), growing at a ~6.8% CAGR.
 - **Indian Plastic Recycling Market:** ~ 4.1Billion(2023), projected to reach 8.9 Billion by 2030 (12.1% CAGR).
 - **Illustrative Capex Pipeline:** Key players have announced over ₹1,500 Crores in expansion capex through FY28 (e.g., Gravita).
 - **Illustrative Order Book:** A leading player reports a healthy order book of over 60,000 MT.

- **Competitive Landscape:**

- **Industry Structure:** Fragmented, but rapidly consolidating towards an oligopoly of formal players. The informal sector still holds a significant but shrinking share (~65% in lead).
- **[Key Competitors]:** Gravita India, Pondy Oxides and Chemicals (POCL), Ganesha Ecosphere (in rPET), Nile Limited. **Emerging Threat:** Captive recycling plants by major OEMs (e.g., Amara Raja, Exide).
- **Barriers to Entry:** High and increasing. Key barriers include:
 - Complex regulatory licensing (environmental permits, EPR authorization).
 - High capital intensity for modern, efficient plants.
 - Deep-rooted, difficult-to-replicate scrap procurement networks.

- **Operational & Cost Profile:**

- **Key Cost Inputs:** Raw material (scrap) is the dominant cost, typically 85-90% of revenue. Energy and logistics are the primary operating costs.
- **Working Capital Intensity:** Historically high, with cash conversion cycles often exceeding 90-120 days, but improving with the shift to domestic sourcing.
- **Profitability Drivers:**
 - The spread between scrap purchase price and LME-linked finished goods price.
 - Processing yield and operational efficiency (energy consumption).
 - The mix of high-margin value-added products vs. standard commodities.

- **Key Sector-Specific Metrics:**

- **EBITDA per Ton:** The primary measure of unit profitability and operational efficiency.
- **Domestic vs. Import Sourcing Mix (%):** A leading indicator of working capital efficiency and supply chain risk.
- **Capacity Utilization (%):** The main driver of operating leverage and return on assets.

3.3. Sector Deep Dive

3.3.1. The EPR Mandate: From Scrap Collectors to Compliance Partners

The sector's primary driver is a government-mandated super-cycle, converting a fragmented, price-driven industry into a more consolidated, service-based model. Regulation is forcing a structural shift where large, compliant recyclers are becoming essential partners for OEMs.

- **Forced Formalization:** India's new EPR and Battery Waste Management (BWMR) rules are a "government-enforced market share grab" from the informal sector. This creates a non-discretionary, multi-year volume tailwind for organized players, with the formal lead recycling market share projected to surge from **~35% in FY24 to 75% by FY26**.
- **The Rise of the "Tolling" Model:** Major OEMs (e.g., **Amara Raja, Exide**) are now entering tolling agreements, providing scrap directly to recyclers like **Gravita** and **POCL** for processing. This model, now accounting for a majority of domestic volume for some players, trades potentially higher per-ton margins for **superior capital efficiency (ROCE), zero commodity price risk, and high revenue visibility**.

3.3.2. Supply Chain as the Moat: The Power of Procurement & Arbitrage

In this industry, the most durable competitive advantage is not the factory itself, but the global network that feeds it with low-cost, reliable raw material.

- **Procurement Control as a Cornered Resource:** An extensive scrap collection network, such as **Gravita's 1,900+ touchpoints**, is a formidable barrier to entry. This scale provides access to consistent scrap flows and proprietary pricing data that smaller rivals cannot replicate.
- **Physical Arbitrage as a Profit Lever:** A global footprint enables a sophisticated "physical arbitrage" strategy. For example, **Gravita** can divert semi-finished goods from its low-cost African plants to capitalize on higher LME premiums in the Indian market, creating a unique, non-core profit lever unavailable to domestic-only players.

3.3.3. De-Commoditization: Winning with Technology, Value-Add, and Risk Management

Sustainable profitability is now dictated by internal strategy, separating efficient, value-added producers from simple commodity processors.

- **Technology-Driven Unit Economics:** Investment in modern furnace technology is creating a clear performance gap. **POCL's** new automated plant targets **10-15% higher EBITDA/ton**, while **Baheti Recycling's** new furnaces delivered a **>2% yield improvement**, leading to a near-doubling of EBITDA on flat volume.
- **Value-Add Creates Customer Lock-In:** The strategic shift from selling commoditized metal to high-margin, value-added products (e.g., **Gravita's** customized alloys, **Ganesha's** food-grade rPET) is key. This not only enhances margins but also increases customer switching costs through quality certifications and deep process integration.
- **Hedging as a Prerequisite for Scale:** Sophisticated, back-to-back commodity and currency hedging is a non-negotiable competency for scaled players. It insulates margins from LME volatility and is the primary reason **Gravita** has maintained consistent **9-10% EBITDA margins**. The lack of a domestic hedging tool for aluminum alloys has been a key bottleneck preventing the scaling of that entire vertical.

3.3.4. The Strategic Race: Diversify or Be Disintermediated?

The industry faces a fundamental strategic dilemma: players must race to build new, defensible businesses before their core customers backward-integrate and commoditize the existing one.

1. **The Diversification Gamble:** Leading players are using strong balance sheets to fund aggressive expansion into new verticals (e.g., **Gravita's ₹1,500 crore** plan for rubber, lithium-ion, steel, and paper). However, this carries significant execution risk, underscored by the industry's persistent challenges in profitably scaling the complex plastics recycling segment.
2. **The Threat of Customer Integration:** The most significant long-term threat is customer-competitor convergence. **Amara Raja** building its own smelter is a clear signal that major OEMs, while currently tolling partners, are moving to internalize their recycling supply chains. This could eventually lead to a loss of high-volume contracts and commoditize the tolling model for third-party recyclers.

4. Peer Comparison: Gravita India Limited

4.1. Key Market Positions & Strategic Outlook of Peers

- **Gravita India Limited:** A global, integrated recycler leveraging a vast procurement network and sophisticated hedging to execute a well-funded, multi-vertical expansion strategy, positioning itself as the primary consolidator in a formalizing Indian market.
- **Pondy Oxides and Chemicals (POCL):** A dominant and highly efficient lead recycler strengthening its cost leadership through technology upgrades while de-risking its core business with a calculated, long-term diversification into copper and plastics.
- **Ganesha Ecosphere (GANECOS):** A company in a decisive pivot, shifting its capital and focus from a legacy, low-margin textile recycling business to become a high-margin, market leader in the regulation-driven, food-grade recycled PET (rPET) space.
- **Race Eco Chain (RACE):** An asset-light aggregator attempting to build a network-effect moat by organizing the informal scrap supply chain through a technology platform, a high-growth but financially strained model reliant on external capital.
- **Nile Limited (530129):** A financially conservative lead producer facing significant customer concentration risk, now attempting a strategic pivot into the high-potential but technologically complex lithium-ion battery recycling market to secure future growth.
- **Baheti Recycling Industries (BAHETI):** A turnaround story where a successful technology-led operational overhaul has led to spectacular margin expansion, but whose aggressive growth is currently funded by unsustainable levels of debt and negative operating cash flow.
- **Nupur Recyclers (NRL):** A company in the midst of a radical strategic reset, having divested overseas operations to focus on building a higher-margin domestic processing business, but currently facing severe working capital and cash flow challenges.

4.2. Key Metrics Peer Comparison (Financial & Operating)

Metric	GRAVITA	POCL	GANECOS	RACE	BAHETI	NRL
I. Financial Performance						
Revenue Growth (FY25 YoY %)	22%	33%	31%	60%	22%	-34%
EBITDA Margin (%)	10.4%	5.3%	14.4%	1.8%	7.8%	10.0%
PAT Margin (%)	8.1%	3.2%	7.0%	0.8%	3.4%	10.1%
ROCE (%)	28% (FY24)	17%	11%	10%	23%	19%
II. Operating Perf. & Strategy						
Volume Growth (FY25 YoY %)	20%	32%	20%	25% (Plastic)	1.5%	N/A
% Domestic Sourcing (India)	43%	23%	High	~100%	N/A	~100%

% Value-Added Products	46%	60%	30%+	N/A	N/A	N/A
Capacity Utilization (%)	69%	>100% (Pre-Ex)	63% (New Plant)	N/A	64%	N/A
III. Efficiency & Risk						
Cash Conversion Cycle (Days)	92	50	153	55	146	163
Debt-to-Equity Ratio	0.65 (Pre-QIP)	0.11	0.27 (Est)	1.22 (FY24)	2.41	0.11
Cash from Operations (FY25)	₹282 Cr	₹-81 Cr (H1'25)	₹41 Cr	₹-43 Cr	₹-23 Cr	₹-19 Cr

Notes: All data is for FY25 unless specified. POCL, and RACE CFO is for H1FY25 or FY24 as latest available annual data was negative. Gravita's D/E ratio is pre-QIP; it is now net debt-free. Ganesha's data is based on its new value-add subsidiary's performance. Nile's and RACE's latest available annual data for some metrics is FY24.

4.3. Competitive Dynamics & Strategic Analysis

The Indian recycling sector is bifurcating into two distinct tiers. The first tier consists of scaled, integrated, and increasingly well-capitalized leaders like **Gravita** and **POCL**, who are leveraging global supply chains and strong balance sheets to consolidate the market. The second tier is a mix of niche specialists (**Ganesha**), high-risk business model innovators (**RACE**), and companies undergoing deep, painful turnarounds (**Baheti**, **NRL**, **Nile**). The ability to generate cash flow from operations is emerging as the clearest dividing line between sustainable and speculative business models.

4.3.1. The Capital Efficiency Divide: Cash Kings vs. Cash Burners

The most critical differentiator in this capital-intensive industry is the ability to convert accounting profit into operating cash flow. Here, the divergence is stark:

- **Cash Kings:** **Gravita** stands out with a massive inflection in its operating cash flow, generating **₹282 Cr** in FY25. This was driven by a strategic shift to domestic sourcing, which slashed its inventory days from 96 to 71. **POCL**, with a lean 50-day cash conversion cycle, has a historically efficient model, though its recent expansion has led to a temporary cash outflow.
- **Cash Burners:** In stark contrast, **Baheti**, **RACE**, and **NRL** represent a high-risk cohort where impressive P&L growth is not supported by cash generation. **Baheti** posted a negative CFO of **-₹23 Cr** despite doubling its EBITDA, a direct result of its inventory days ballooning to 115. Similarly, **RACE** and **NRL** reported negative CFOs of **-₹43 Cr** and **-₹19 Cr**, respectively. These companies are funding their entire operational growth through external financing, a fundamentally unsustainable model.

This cash flow divergence is the ultimate "reality check" on the viability of each company's strategy. While **Baheti's** technological turnaround is impressive on paper (7.8% EBITDA margin), its inability to fund its own working capital makes its model far more fragile than **POCL's**, which has a lower margin (5.3%) but a much healthier balance sheet.

4.3.2. Strategic Moats: Global Arbitrage vs. Domestic Dominance

The leaders are building their competitive moats through two distinct but powerful strategies:

- **Global Arbitrage & Scale (Gravita, POCL):** These two players leverage vast international procurement networks to create a unique competitive advantage. They can source scrap from over 70 countries, allowing them to buy where it is cheapest. More importantly, as demonstrated by **Gravita**, they can use their global plant footprint to execute "physical arbitrage"—diverting semi-finished goods to the highest-priced end markets, generating an additional layer of margin that domestic-only players cannot access.
- **Domestic Focus & Niche Dominance (Ganesha, RACE):** **Ganesha Ecosphere** is building its moat on technological and regulatory specialization. By focusing exclusively on high-value, food-grade certified rPET, it is creating high switching costs for its blue-chip FMCG clients. **RACE** is attempting to build a moat through a network effect, aiming to "corner" the fragmented domestic supply chain on its digital platform. This domestic focus allows for a more capital-light model but sacrifices the margin opportunities available from global sourcing.

4.3.3. The Growth Gamble: Aggressive Diversification vs. Core Execution

The sector's growth strategies reveal different risk appetites.

- **Aggressive Diversification: Gravita** is pursuing the most ambitious strategy, using its recent **₹1,000 Cr QIP** to fund a **₹1,500 Cr capex plan** that pushes into multiple new verticals (rubber, lithium-ion, steel, paper). While this creates multiple avenues for future growth, it also introduces significant execution risk in areas outside its core competency, a risk highlighted by the industry's collective struggles in the complex plastics segment.
- **Focused Execution & Adjacencies: POCL** represents a more conservative approach, focusing its primary capex on a new, high-efficiency lead plant to solidify its core business before making calculated expansions into adjacent metals like copper and plastics. **Ganesha's** pivot is also highly focused, channeling all its resources into dominating a single, high-growth niche (rPET). This approach carries lower execution risk but offers less long-term optionality than Gravita's multi-pronged strategy.

5. Operational Outlook: Gravita India Limited

5.1. Key Operational Insights

Gravita is executing an accelerated, capital-fueled expansion while improving operational efficiency.

- FY25 volume growth of 20% was outpaced by 31% PAT growth, indicating operating leverage.
- Domestic scrap sourcing surged to 43% of total in FY25, up from 30% in FY24.
- The company is now net debt-free after a ₹1,000 crore QIP, funding a ₹1,500 crore capex plan.
- Capacity will expand from 3.34 lakh MTPA in FY25 to over 7 lakh MTPA by FY28.
- Value-added products reached 46% of revenue in FY25, supporting the 50%+ target.
- Aluminium segment volumes grew 62% YoY in Q4 FY25; an MCX hedging tool is a key catalyst.
- The acquisition of a rubber recycling plant in Romania marks entry into the European market.
- The working capital cycle improved, with inventory days falling to 71 from 96 in FY24.

5.2. Annual Operational Performance Analysis

Metric	FY23	FY24	FY25	Management Guidance for FY26
Total Sales Volume (MT)	146,808	149,692	179,178	20-30% YoY Growth
Total Installed Capacity (MTPA)	2,33,919	3,02,859	3,33,659	4,46,159 (Projected)
Capacity Utilization (%)	63%	58%	69%	Not Specified
Domestic Scrap Sourcing (% of India total)	Not Specified	30%	43%	Expected to Increase
Value-Added Products (% of Revenue)	43%	45%	46%	Progressing towards 50%+

- FY25 volume growth of 20% reflects a significant acceleration from the 2% growth in FY24.
- Capacity utilization improved to 69% in FY25, driven by higher domestic scrap availability.
- The strategic shift to domestic sourcing is evident, rising to 43% of total in just one year.

5.3. Quarterly Operational Trajectory (Recent Momentum)

Metric	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	QoQ Change	YoY Change
Total Sales Volume (MT)	38,738	47,363	48,118	49,066	49,444	53,424	+8.05%	+12.79%
Lead Volume (MT)	32,924	40,634	41,913	42,151	43,900	45,630	+3.94%	+12.29%
Aluminium Volume (MT)	3,256	3,540	3,016	3,915	3,279	5,254	+60.23%	+62.11%
Plastic Volume (MT)	2,558	3,189	3,189	3,000	2,265	2,540	+12.14%	-25.56%

- Volume growth accelerated through FY25, culminating in 13% YoY growth in Q4.
- The aluminium segment's 62% YoY volume surge in Q4 FY25 signals a significant operational ramp-up.
- The plastic segment remains a laggard, with volumes declining 26% YoY in Q4 FY25.

4. Current Operational Dynamics & Narrative

- Regulatory changes (EPR/BWMR) are the primary operational tailwind, formalizing India's recycling sector.
- This formalization drove a 60% YoY increase in domestic scrap sourcing in FY25.
- Approximately 85% of domestic business is now via capital-light tolling arrangements with major OEMs.
- The company utilizes its global footprint to exploit price arbitrage between markets.
- This involves diverting materials from overseas units to India when domestic prices are higher, boosting margins.
- This arbitrage strategy can understate consolidated revenue growth due to inter-company transaction eliminations.
- The working capital cycle is improving as domestic sourcing reduces import transit times of 45-60 days.

5. Forward-Looking Outlook & Management Strategy

- An accelerated capex plan of ₹1,500+ crores is set for FY28 to double capacity to over 7 lakh MTPA.
- The recent ₹1,000 crore QIP has made the company net debt-free, funding this large-scale expansion.
- The aluminium business is set for significant scaling post-MCX hedging instrument launch (expected H1 FY26).
- This hedging tool will de-risk Indian operations, enabling a ramp-up of capacity utilization from ~45% to 60-70%.
- Diversification into new verticals is a key focus, with a lithium-ion pilot plant expected in H1 FY26.
- The recent acquisition of a rubber recycling plant in Romania provides a strategic entry into Europe.
- The long-term vision is to increase the non-lead business share to over 30% of the portfolio.

6. Financial Outlook: Gravita India Limited

6.1. Key Financial Insights

Gravita is executing a strategy of aggressive, capital-fueled expansion while improving operational efficiencies.

- FY25 PAT grew 31% to ₹313 crores, outpacing 22% revenue growth.
- A ₹1,500 crore capex plan is set for FY28 to double capacity.
- Raised ₹1,000 crores via QIP, achieving net-debt-free status.
- Domestic scrap sourcing increased to 43% of total in FY25.
- This sourcing shift improved the cash conversion cycle to 92 days.
- FY25 operating cash flow surged to ₹282 crores from ₹42 crores.
- Value-added products now constitute 46% of revenue.
- ROIC (pre-tax) was 27% in FY25, meeting the >25% target.
- European entry was made through a rubber recycling acquisition in Romania.
- Guidance is for 25%+ volume and 35%+ profitability CAGR.

6.2. Annual Financial Performance

Metric	FY 2023	FY 2024	FY 2025	Management Guidance (CAGR)
Revenue (₹ Cr)	2,801	3,161	3,869	Volume Growth >25%
EBITDA Margin %	10.21%	10.47%	10.43%	9-10% (Sustainable)
Net Income (₹ Cr)	201	239	313	>35%
EPS (₹)	29.13	34.65	42.32	>35%
Operating Cash Flow (₹ Cr)	200	42	282	Not Specified

- Profitability growth has consistently outpaced revenue growth. This is driven by an increasing share of value-added products.
- Operating cash flow surged in FY25 to ₹282 crores. This followed a dip in FY24 caused by working capital expansion.

6.3. Quarterly Financial Trajectory (Recent Performance)

Metric	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	QoQ Change	YoY Change
Revenue (₹ Cr)	758	863	908	927	996	1,037	+4%	+20%
EBITDA Margin %	11.83%	10.76%	10.05%	10.94%	10.26%	10.46%	+20 bps	-30 bps
Net Income (₹ Cr)	61	69	68	72	78	95	+22%	+38%
EPS (₹)	8.73	9.99	9.75	10.43	10.56	12.89	+22%	+29%

- Revenue shows consistent quarter-over-quarter and year-over-year growth. This reflects underlying volume expansion and capacity ramp-ups.
- Q4 FY25 PAT grew 38% YoY, boosted by treasury income. This followed the ₹1,000 crore QIP in December 2024.

6.4. Current Financial Health & Drivers

- EBITDA per ton for lead and aluminium exceeded guidance in FY25. This was due to arbitrage between domestic and international markets.
- The cash conversion cycle improved to 92 days in FY25. This was a significant recovery from 117 days in FY24.
- Increased domestic sourcing to 43% of total scrap reduces inventory holding times. This directly improves the cash cycle.
- The balance sheet is now net-debt-free following the QIP. This reduces financial risk and provides capital for expansion.
- Cash from operations surged to ₹282 crores in FY25. This is a significant improvement from ₹42 crores in FY24.
- Value-added products now form 46% of revenue. This is a key driver for margin sustainability and profitability.
- Credit rating was upgraded to ICRA AA- (Stable). This reflects improved financial health and a stronger business profile.

6.5. Financial Outlook & Capital Allocation

- Management guides for 25%+ volume CAGR through Vision 2029. Profitability growth is targeted at over 35%.
- A capex of ₹1,500 crores is planned by FY28. ₹375 crores is targeted for FY26 alone.
- ₹1,000 crores will expand existing verticals. ₹500 crores is for new verticals like lithium-ion, steel, and paper.
- The company acquired a rubber recycling plant in Romania. This marks its strategic entry into the European market.
- An interim dividend of ₹6.35 per share was declared for FY25. This continues a 14-year dividend payment track record.
- Aluminium segment growth is a key monitorable. It awaits the MCX listing of ADC12 alloy for hedging.

6.6 Value-Added Product (VAP) Contribution to EBITDA Margin

- The strategic shift to Value-Added Products (VAP), which now constitute 46% of revenue, is the primary engine for Gravita's margin expansion and the key reason its profitability growth target (>35% CAGR) outpaces its volume growth target (>25% CAGR).

- While blended margins are guided, the true profitability drivers are high-margin specialized products like Lead Oxides and Food-Grade PET Flakes, which command significant premiums over the baseline recycled metals.

Vertical	Baseline Product	Key (VAPs)	Margin Impact Analysis & Commentary
Lead	Pure/Refined Lead Ingots	Lead Oxides, Customized Lead Alloys	VAPs must generate margins significantly above the blended sustainable guidance of ₹18,000–19,000/MT to lift the average. Lead Oxides are the highest-margin products in this core vertical.
Aluminium	Standard Recycled Ingots	Customized Alloys (e.g., ADC12)	VAPs like OEM-grade ADC12 alloys are crucial for achieving the guided sustainable EBITDA of ₹14,000–15,000/MT, commanding a premium for purity and precise composition required by the auto sector.
Plastic	Standard PP Granules	PET Flakes (Food Grade)	The plastic vertical's profitability is highly dependent on VAPs. Food-Grade PET Flakes are a high-margin product essential for lifting the segment's blended EBITDA to the guided ₹10,000–11,000/MT range.

6.7 Volume & EBITDA Margin Trend by Vertical

- Gravita's operational performance shows a tale of two distinct trajectories: the core Lead and Aluminium verticals are demonstrating accelerating volume growth and strong, albeit normalizing, profitability.
- In contrast, the Plastic vertical is a persistent operational challenge, with declining volumes and margin pressure, highlighting the execution risks in the company's broader diversification strategy.

Vertical	Metric	FY23	FY24	FY25	FY26 (Projection)	Key Insights & Data Points
Lead	Sales Volume (MT)	70,338	68,554	90,565	~108,700	Volume surged 32% YoY in FY25, driven by a 60% YoY increase in domestic scrap sourcing due to EPR rules.
	EBITDA per Ton (₹)	~18,100	~19,300	~20,800	~18,500	FY25 margin was inflated by temporary price arbitrage; projected to normalize to the sustainable guidance of ₹18,000–19,000/ton.
Aluminium	Sales Volume (MT)	~16,000	~15,500	15,454	~21,650	A 62% YoY volume surge in Q4 FY25 signals an inflection point. Growth is set to accelerate post the expected H1 FY26 launch of an MCX hedging tool.
	EBITDA per Ton (₹)	~12,600	~15,300	~19,200	~14,500	Recent high margins are due to arbitrage. Expected to stabilize at the guided ₹14,000–15,000/ton level once hedging is in place, enabling volume growth.
Plastic	Sales Volume (MT)	9,339	~11,000	10,994	~12,650	Clear underperformer. Volumes declined 26% YoY in Q4 FY25, highlighting persistent product development and market challenges.
	EBITDA per Ton (₹)	~10,400	~11,200	~10,100	~10,500	Margin is under pressure, dipping below guidance in Q4 FY25. Recovery depends on successful VAP development and market acceptance.

7. Management Credibility

7.1. Key Insights on Management Credibility

- **High Credibility in Execution & Investment**
 - Management has 100% credibility in CapEx and operational milestone guidance.
 - This signals strong control over delivering stated investment and project plans.
- **Strategic Trade-offs on Growth**
 - The 50% credibility in Revenue Growth reflects strategic trade-offs, not failure.
 - Volume targets were partially missed (e.g., 17% vs 25-30% guided in FY23).
 - This was a stated choice to prioritize higher-margin opportunities over volume.
- **Margin Performance Varies by Business**
 - Margin credibility (75%) is solid, but performance varies by segment.
 - Core lead business EBITDA/ton targets are consistently met or exceeded.
 - Conversely, targets for non-lead segments (plastic, aluminium) were missed.
 - This suggests execution is stronger in the mature lead business.
- **Forecasting vs. Execution**
 - A key miss was the FY25 tax rate forecast (13.8% actual vs 10-11% guided).
 - This, with 100% capex credibility, shows stronger operational execution than financial forecasting.
- **Conflicting Strategic Goals**
 - Market expansion strategies can conflict with stated efficiency goals.
 - For example, the working capital cycle extended, missing reduction targets.
 - This was a direct result of sourcing more overseas scrap.

7.2. Management Past Guidance Delivery Scorecard Summary

This table provides a quantitative summary of management's historical track record in delivering on its public promises and guidance. It groups all scored promises into categories to highlight areas of strength and weakness in management's forecasting and execution.

Note:

1. Delivered / Partially Delivered / Not Delivered: These columns show a simple count of how many promises within each category were fulfilled completely, partially, or not at all.

2. Credibility Score (%): This score measures the historical reliability of management's guidance in a specific category. It is a weighted average calculated as-
$$(1 \times \text{number of delivered} + 0.5 \times \text{partially delivered} + 0 \times \text{not delivered}) / (\text{total number of guidance}) \times 100\%$$

Guidance Category	Delivered	Partially Delivered	Not Delivered	Credibility Score (%)
Margin Improvement	6	3	1	75%
Capital Expenditure/Investment	4	0	0	100%
Revenue Growth	0	3	0	50%
Asset Efficiency	1	0	0	100%
Operational Milestones	1	0	0	100%
Market Expansion/Penetration	0	1	0	50%
Total	12	7	1	78%

7.3. Key Forward-Looking Guidance & Open Promises

Date	Promised By	Guidance	Category
May, 2025	Yogesh Malhotra, Whole Time Director & CEO	Capex of approximately ₹375 crore planned for fiscal year 2026.	Capital Expenditure/Investment
May, 2025	Company Management	Expand total production capacity to over 728,000 MT by FY28.	Capital Expenditure/Investment
May, 2025	Naveen Sharma, Executive Director	Anticipates ADC12 aluminum alloy listing on MCX in H1 FY26 (by Sep 2025).	Operational Milestones
May, 2025	Yogesh Malhotra, Whole Time Director & CEO	Lithium-ion and rubber recycling plants to be operational by H1 FY26 (by Sep 2025).	Operational Milestones
May, 2025	Yogesh Malhotra, Whole Time Director & CEO	Increase plant capacities to serve additional scrap quantities from Exide.	Operational Milestones
May, 2025	Company Management	VISION 2029 goal: Value-added products to contribute more than 50% of revenue.	Revenue Growth
May, 2025	Sunil Kansal, Whole Time Director & CFO	Expect a future blended tax rate in the range of 12% to 13%.	Margin Improvement

May, 2025	Yogesh Malhotra, Whole Time Director & CEO	On a sustainable basis, 40-50% of profitability to come from overseas operations.	Margin Improvement
May, 2025	Yogesh Malhotra, Whole Time Director & CEO	Sustainable EBITDA/kg targets: Lead ₹18-19, Aluminium ₹14-15, Plastic ₹10-11.	Margin Improvement
May, 2025	Company Management	VISION 2029 Goals: ROIC >25%, VAP >50%, Non-lead business >30%.	Asset Efficiency
May, 2025	Yogesh Malhotra, Whole Time Director & CEO	VISION 2029: Target volume CAGR >25% and profitability growth >35%.	Revenue Growth
May, 2025	Company Management	VISION 2029 Goal: 10% reduction in energy consumption.	Margin Improvement
May, 2025	Company Management	ESG Goals for FY2027: 10% reduction in energy intensity and customer rejections.	Other (ESG)
May, 2025	Company Management	ESG Goals for FY2034: 20% reduction in energy intensity, 50% RE power usage.	Other (ESG)
Jan, 2025	Company Management	Initial plan to increase capacity to >500k MT by FY27 (later superseded).	Capital Expenditure/Investment
Jan, 2025	Yogesh Malhotra, Whole Time Director & CEO	VISION 2028 Goals: Volume CAGR >25%, Profitability >35%, ROIC >25%.	Revenue Growth
Oct, 2024	Company Management	Long-term target of Net Zero emissions for Scope 1 & 2 by FY50.	Other (ESG/Sustainability)
Oct, 2024	Company Management	Long-term target of Water Neutrality for the Group by 2040.	Other (ESG/Sustainability)
Oct, 2024	Company Management	Long-term target of Zero Waste to Landfill by 2040 (India) and 2050 (Group).	Other (ESG/Sustainability)
Oct, 2024	Yogesh Malhotra, Whole Time Director & CEO	Target 25% volume CAGR for the next four years (until FY28).	Revenue Growth
July, 2024	Yogesh Malhotra, Whole Time Director & CEO	Reduce working capital cycle to 65-70 days in the next three years (by ~FY27).	Asset Efficiency
July, 2024	Yogesh Malhotra, Whole Time Director & CEO	Sustainable EBITDA for aluminum of ₹14-16/kg once hedging mechanism is in place.	Margin Improvement

July, 2024	Yogesh Malhotra, Whole Time Director & CEO	Paper and steel recycling plants anticipated to be operational by FY27.	Operational Milestones
July, 2024	Yogesh Malhotra, Whole Time Director & CEO	Vision 2028: Target using more than 30% renewable power.	Other (ESG/Sustainability)
July, 2024	Yogesh Malhotra, Whole Time Director & CEO	Vision 2028: Target to reduce energy consumption by over 10%.	Margin Improvement
July, 2024	Yogesh Malhotra, Whole Time Director & CEO	Vision 2028: Achieve profitability growth of over 35%.	Margin Improvement
May, 2024	Company Management	Increase production capacity to over 500,000 MTPA by FY27.	Capital Expenditure/Investment
May, 2024	Yogesh Malhotra, Whole Time Director & CEO	Vision 2028: Non-lead business to contribute over 30% of total revenue.	Market Expansion/Penetration
May, 2023	Company Management	Vision 2027: Targets including Rev CAGR >25%, Profit >35%, ROCE >25%.	Strategic Goals
May, 2023	Company Management	New JV battery recycling plant in Oman with capacity of 6,000 MTPA.	Market Expansion/Penetration
May, 2023	Yogesh Malhotra, CEO & Whole-time Director	Plan steel (Africa), paper (C. America), and lithium pilot (India) projects.	Market Expansion/Penetration
Jan, 2023	Company	Establish a paper recycling facility in Central America.	Market Expansion/Investment
Nov, 2022	Company Management	Achieve total capacity of 425,000 MTPA by FY2026.	Capital Expenditure/Investment
Nov, 2022	Yogesh Malhotra, CEO & Whole Time Director	Bring net working capital cycle down to 65 days by March 2026.	Asset Efficiency
May, 2022	Company Management	VISION 2026: Achieve 29%+ ROCE.	Asset Efficiency
May, 2022	Company Management	VISION 2026: Have 25%+ of business from non-lead segments.	Business and Product Mix

8. Gravita India Limited: Investment Decision Drivers

The decision to invest in Gravita India Limited is a bet on its ability to execute an aggressive, capital-fueled expansion, capturing a government-enforced market share shift in India's recycling industry, while diversifying into new verticals and geographies. This section outlines the key factors for consideration.

8.1. Key Strengths & Opportunities for Value Creation

- **Regulatory-Driven Market Growth:** India's EPR/BWMR rules are forcing a shift from the informal to the formal recycling sector, a multi-year tailwind for Gravita.
- **Funded, Transformational Capex:** A ₹1,500 Cr capex plan by FY28 to double capacity is fully backed by a recent ₹1,000 Cr QIP, making the company net debt-free.
- **Capital Efficiency & Cash Flow Inflection:** A surge in domestic sourcing (to 43% of total) drove a 7x increase in FY25 operating cash flow to ₹282 crores.
- **Margin-Accretive Business Model:** Profitability growth (31% PAT CAGR) outpaces volume growth (20% CAGR), driven by high-margin value-added products (46% of revenue).
- **Global Arbitrage Advantage:** The company's global plant network enables a unique physical arbitrage strategy, boosting margins by shifting sales to higher-priced geographies.
- **Aluminium Vertical Poised to Scale:** Aluminium volumes grew 62% YoY in Q4 FY25; an expected H1 FY26 MCX hedging tool will de-risk and unlock this growth engine.
- **Diversification & European Entry:** Strategic entry into new verticals (lithium-ion, rubber) and a new continent via a rubber recycling acquisition in Romania.
- **Disciplined Capital Allocation:** Maintains a strong ROIC of 27% (FY25), adhering to a strict policy of >25% ROIC on all new investments.

8.2. Key Risks & Investment Concerns

- **Aggressive Capex Execution Risk:** The ₹1,500 Cr capex plan introduces significant execution risk, with potential for delays or cost overruns that could pressure the >25% ROIC target.
- **Margin Quality & Sustainability:** Recent high profitability was boosted by temporary arbitrage gains. A normalization of market conditions could cause margins to revert to lower, sustainable levels.
- **Shift to Lower-Margin Business:** Increasing domestic business is largely via lower-margin "tolling" arrangements, which could structurally cap long-term profitability growth.
- **Long-Term Competitive Threat:** Key customers like Amara Raja and Exide are backward-integrating into recycling, posing a future risk to Gravita's domestic tolling volumes.
- **Diversification Challenges:** Persistent struggles in scaling the plastics segment raise concerns about the ability to execute more complex expansions into steel and paper.
- **Recurring Audit Qualification:** A "Qualified Opinion" from statutory auditors for two consecutive years (FY24, FY25) on an accounting matter is a corporate governance red flag.

- **Working Capital Volatility:** The working capital cycle has been volatile (spiking to 117 days in FY24 before improving), indicating potential sensitivity to supply chain disruptions.

8.3. Key Monitorables for Investors

Investing in Gravita is a decision based on the conviction that its strategic expansion and regulatory tailwinds will outweigh significant execution risks. The key is to track whether the deployment of fresh capital translates into sustainable, high-return growth.

Key Monitorables (Quarterly/Annually):

- **Domestic Sourcing & Formalization Impact:**
 - Percentage of domestic scrap in India's sourcing mix (FY25: 43%).
 - Growth in domestic tolling volumes, especially from key OEMs.
 - Any announcement on the Reverse Charge Mechanism (RCM) for battery scrap.
- **Capex Execution & ROIC Performance:**
 - Quarterly capex deployment vs. the annual plan (FY26 target: ₹375 crores).
 - Trend in consolidated Return on Invested Capital (ROIC) (Target: >25%).
- **Non-Lead Segment Growth:**
 - Volume growth and capacity utilization in the Aluminium segment, post-MCX hedging launch.
 - Progress updates on the commissioning and ramp-up of Lithium-ion and Rubber plants.
- **Profitability & Margin Quality:**
 - Consolidated adjusted EBITDA margin (Target: 9-10% sustainable).
 - EBITDA per ton for Lead (Target: ₹18-19k sustainable) and Aluminium (Target: ₹14-15k sustainable).
 - Share of revenue from value-added products (Target: >50% by FY29).
- **Balance Sheet & Cash Flow Health:**
 - Cash Flow from Operations (CFO) as a measure of profit-to-cash conversion.
 - Trend in working capital days (Target: progress towards 65-70 days).
 - Maintenance of the net debt-free status.

9. Estimated FY26 Numbers

We project Gravita India Limited is positioned for a year of significant growth in FY26, driven by three key factors:

- 1) a structural, government-mandated shift of the domestic recycling market from the informal to the formal sector, driving high-quality volume.
- 2) the de-risking and unlocking of the high-potential aluminium vertical, enabled by the expected launch of a domestic hedging instrument.
- 3) the initial contribution from the company's first European acquisition in Romania.

This operational expansion is expected to drive consolidated revenues to approximately **₹4,670 crores**, a ~21% YoY increase. We forecast consolidated Adjusted EBITDA to reach **₹448 crores**, implying a stable EBITDA margin of 9.6%. This reflects a shift in the profit mix towards lower-margin but highly capital-efficient domestic tolling, balanced by growth in value-added products and new verticals.

9.1. FY26 Segment-wise Financial Projections (Bottom-Up Estimation)

Business Segment & Sub-Segment	FY25 Revenue (Cr)	FY25 Est. EBITDA (Cr)	FY26 Est. Revenue (Cr)	FY26 Est. EBITDA (Cr)
1. Lead Recycling	₹3,293 Cr	₹363 Cr	₹3,951 Cr	₹396 Cr
2. Aluminium Recycling	₹288 Cr	₹27 Cr	₹403 Cr	₹31 Cr
3. Plastic Recycling	₹124 Cr	₹12 Cr	₹143 Cr	₹13 Cr
4. Rubber Recycling (New)	N/A	N/A	₹96 Cr	₹14 Cr
5. Turnkey & Others	₹64 Cr	₹24 Cr	₹77 Cr	₹19 Cr
Less: Unallocated Corp. Items	N/A	(₹22 Cr)	N/A	(₹25 Cr)
Total Consolidated	₹3,769 Cr	₹404 Cr	₹4,670 Cr	₹448 Cr

9.2. FY26 Forecast: Calculations & Rationale

The following is a bottom-up forecast for each operating segment for the fiscal year ending March 31, 2026.

1. Lead Recycling Segment

- **Revenue Calculation:** The forecast is built on a 20% volume growth assumption over FY25's base of 173,594 MT, yielding a projected FY26 volume of **208,313 MT**. This aligns with the upper end of management's 17-20% long-term guidance, justified by the strong, regulator-driven tailwind from domestic market formalization. Applying the FY25 average realization of ₹18,969/MT results in a projected revenue of **₹3,951 Crores**.
- **EBITDA Calculation:** Management has guided for a sustainable EBITDA of ₹18,000-19,000 per ton. We assume a reversion to the higher end of this sustainable range at **₹19,000 per ton**, discounting the temporary arbitrage gains that inflated FY25's performance. This yields a projected EBITDA of **₹396 Crores**.

2. Aluminium Recycling Segment

- **Revenue Calculation:** The forecast assumes a 40% volume growth over FY25's base of 15,464 MT, projecting an FY26 volume of **21,650 MT**. This aggressive growth is contingent on the expected H1 FY26 launch of an MCX hedging tool, which will de-risk and unlock the company's underutilized Indian capacity. Applying the FY25 average realization of ₹18,624/MT results in a projected revenue of **₹403 Crores**.

- **EBITDA Calculation:** The margin is expected to normalize and stabilize with the implementation of hedging. We adopt the midpoint of management's sustainable guidance, **₹14,500 per ton**, which is a prudent estimate reflecting the removal of price volatility risk. This yields a projected EBITDA of **₹31 Crores**.

3. Plastic Recycling Segment

- **Revenue Calculation:** This segment has faced persistent execution challenges, with volumes declining in H2 FY25. Therefore, we adopt a conservative **15% volume growth** over the FY25 base of 11,003 MT, projecting an FY26 volume of **12,653 MT**. This is significantly below management's optimistic guidance. At the FY25 average realization of ₹11,269/MT, this projects to a revenue of **₹143 Crores**.
- **EBITDA Calculation:** Reflecting the segment's ongoing challenges, we assume the lower end of management's guided sustainable range at **₹10,000 per ton**. This results in a projected EBITDA of **₹13 Crores**.

4. Rubber Recycling Segment (Romania)

- **Revenue Calculation:** This represents the first full-year contribution from the newly acquired plant in Romania. We take the midpoint of management's ₹100-125 Cr revenue guidance and apply a **15% execution and integration risk haircut**, reflecting the challenges of a new asset in a new geography. This results in a projected revenue of **₹96 Crores**.
- **EBITDA Calculation:** Management has guided that all new projects must meet a >25% ROIC threshold on their investment. Based on the ₹40 Cr acquisition cost, this implies a pre-tax profit of at least ₹10 Cr. We estimate a plausible EBITDA of **₹14 Crores** (14.6% margin) for the first year of operations.

5. Turnkey & Others Segment

- **Revenue Calculation:** As a non-core, project-based business, we forecast a modest **20% growth** over the FY25 base of ₹64 Crores, resulting in a projected revenue of **₹77 Crores**.
- **EBITDA Calculation:** The historical EBITDA margin for this segment has been high but volatile (37.5% in FY25). We assume a normalization to a more sustainable long-term margin of **25%**, yielding a projected EBITDA of **₹19 Crores**.

6. Unallocated Corporate Costs

- **EBITDA Calculation:** The FY25 unallocated corporate overhead was -₹22 Crores. We project this to increase by 15% (a rate lower than revenue growth, reflecting operating leverage) to **-₹25 Crores** in FY26.

9.3. Key Forecast Assumptions

- **Regulatory Momentum:** Assumes India's EPR/BWMR regulations continue to drive a significant shift of scrap volume from the informal sector, underpinning the 20% growth in the core Lead vertical.

- **MCX Hedging Launch:** The aluminium forecast is critically dependent on the successful launch of an ADC12 hedging instrument on the MCX by H1 FY26, as guided by management.
- **Sustainable Margins:** Assumes EBITDA per ton for Lead and Aluminium reverts to management's guided "sustainable" levels, as the temporary arbitrage gains of FY25 are unlikely to persist.
- **Capital Deployment:** Assumes the initial deployment of the planned ₹375 crores capex for FY26 begins, funding capacity expansions that support the projected volume growth.

9.4 Valuation based on Projections (Base Case)

Financials (₹ Crores)						Valuations (x)					
Rs crores	FY23 (A)	FY24 (A)	FY25 (A)	FY26 (e)	FY27 (e)	Valuations (x)	FY23 (A)	FY24 (A)	FY25 (A)	FY26 (e)	FY27 (e)
Sales	2,801	3,161	3,869	4,670	5,838	Market Cap (₹ Crores)	3,393	6,990	12,754	12,754	12,754
EBITDA	286	331	404	448	582	OCF/EBITDA (%)	69.93%	12.69%	69.80%	83.26%	84.17%
EBITDA (%)	10.20%	10.50%	10.40%	9.60%	9.90%	P/E (x)	16.63	28.88	40.75	35.63	27.43
PAT	204	242	313	358	465	P/B (x)	5.76	8.35	6.16	5.37	4.60
Net worth	589	837	2,070	2,374	2,770	P/S (x)	1.21	2.21	3.30	2.73	2.18
Net debt	306	446	-242	-244	-332	P/GB (x)	10.64	17.88	26.85	15.94	11.26
GB (Gross Block)	319	391	475	800	1,133	EV/EBITDA (x)	12.93	22.47	30.97	27.92	21.34
ROIC (%)	31.00%	26.00%	27.00%	18.90%	21.00%	FCF Yield (%)	0.74%	-0.91%	1.37%	0.00%	0.70%

How to Interpret the Valuation Table:

This table provides a snapshot of Gravita India's financial health and how the market values it, combining historical performance with future estimates. It is split into two key parts:

- **Financials Section:** This shows the company's actual (A) and estimated (e) performance across key metrics like Sales, EBITDA (a proxy for operating profit), and Net Profit. It also includes key balance sheet items like Net Worth and Net Debt, and a crucial efficiency metric, Return on Invested Capital (ROIC).
- **Valuations Section:** This part calculates what the company is worth relative to its performance. The multiples (P/E, EV/EBITDA, etc.) are calculated by dividing a measure of market value (like Market Cap or Enterprise Value) by a performance metric (like PAT or EBITDA). For future years (FY26e, FY27e), these are "forward multiples," calculated using the current market cap and the projected future earnings, showing how the valuation would look if the price stayed the same while the business grows.

Key Takeaways:

- **Valuation Priced for Future Execution, Not Current Earnings:** The company trades at a premium multiple of 40.8x FY25 P/E and 31.0x FY25 EV/EBITDA. The investment thesis is predicated on future growth, as these multiples are projected to compress significantly to a more reasonable 27.4x P/E and 21.6x EV/EBITDA by FY27 if the company executes its growth plan. The current price is valuing the successful delivery of "Vision 2029."
- **Balance Sheet Reset Distorts Historical Multiples:** The Price-to-Book (P/B) ratio's dramatic fall from 15.2x in FY24 to 6.2x in FY25 is not a sign of the stock getting cheaper, but a reflection of a fundamental balance sheet transformation. The Net worth nearly tripled due to the ₹1,000 Cr QIP, resetting the denominator and making historical P/B comparisons less relevant.
- **Valuation Hinges on Capex Success and ROIC:** The steep decline in asset-based multiples like Price-to-Gross Block (P/GB from 26.8x in FY25 to 11.3x by FY27e) highlights the massive capex cycle underway. The projected dip in ROIC from 27% in FY25 to 18.9% in FY26e shows the short-term pressure of this investment phase. The key valuation driver will be the company's ability to generate its targeted >25% return on this rapidly expanding asset base.
- **Zero FCF Yield Reflects Total Reinvestment Strategy:** The valuation is currently not supported by near-term free cash flow (FCF), with a projected FCF Yield of 0.0% in FY26. This is a deliberate strategic choice, as the company plans to reinvest 100% of its strong operating cash flow (projected OCF/EBITDA of 83.2%) into its ₹375 Cr capex plan for the year. This is a "growth-first" model where all cash is deployed to scale the business rather than being returned to shareholders.

9.5 Scenario Analysis Summary: Bull vs. Bear Case

While our Base Case projects strong, predictable growth, it is prudent to analyze the potential upside and downside scenarios. The following summary outlines the Bull and Bear cases for Gravita, detailing the key drivers and financial outcomes for each. A more exhaustive analysis is available in the Appendix.

9.5.1 Bull Case Summary: Flawless Execution & Market Re-rating

The Bull Case envisions a scenario where Gravita's execution of its "Vision 2029" is near-perfect, and external market conditions remain favorable. This outcome would solidify its position as a high-growth, cash-compounding leader in the global circular economy, justifying a significant valuation re-rating.

Key Drivers:

- **Accelerated Volume Growth:** Surpasses guidance to achieve ~30% annual volume growth, driven by rapid formalization of the Indian market.
- **Sustained Margin Expansion:** EBITDA margins expand to the 10.5-11% range due to a superior value-added product mix and continued arbitrage opportunities.
- **Rapid Success in New Verticals:** The Romania (Rubber) and Lithium-ion ventures ramp up ahead of schedule and achieve high profitability, validating the diversification strategy.
- **Superior Capital Efficiency:** The working capital cycle improves faster than expected, leading to exceptional free cash flow generation.

Bull Case Projections (₹ Crores)	FY25 (A)	FY26 (e)	FY27 (e)
Sales	3,869	4,952	6,537
EBITDA	404	515	719
EBITDA Margin (%)	10.4%	10.4%	11.0%
PAT	313	412	584
ROIC (%)	27.0%	21.5%	24.5%
EV/EBITDA (x)	30.97	24.28	17.00

9.5.2 Bear Case Summary: Execution Stumbles & Margin Pressure

The Bear Case is predicated on the materialization of key operational and competitive risks. It assumes the complexity of the expansion plan overwhelms management's execution capabilities, leading to stagnant growth and margin erosion.

Key Drivers:

- Execution Delays & Stagnant Volume: Capex plans face significant delays, and volume growth slows to a sluggish 10-12% as the company struggles to ramp up new capacity.
- Margin Compression: The shift to domestic tolling and intense competition from OEMs who have backward-integrated compresses EBITDA margins to the ~8.5% level.
- Diversification Failure: New ventures in rubber and lithium-ion fail to gain traction, resulting in poor returns on invested capital.
- Working Capital Strain Returns: Operational inefficiencies lead to a renewed blowout in the working capital cycle, causing a return to negative free cash flow.

Bear Case Projections (₹ Crores)	FY25 (A)	FY26 (e)	FY27 (e)
Sales	3,869	4,295	4,810
EBITDA	404	365	409
EBITDA Margin (%)	10.4%	8.5%	8.5%
PAT	313	269	303
ROIC (%)	27.0%	14.5%	15.0%
EV/EBITDA (x)	30.97	34.53	30.70

9.6 Key Monitorables to Validate FY26 Forecast

- **Domestic Sourcing & Formalization Impact:**
 - Percentage of domestic scrap in India's sourcing mix (FY25: 43%).
 - Growth in domestic tolling volumes, especially from key OEMs.
 - Any announcement on the Reverse Charge Mechanism (RCM) for battery scrap.

- **Aluminium Segment Ramp-Up:**
 - Confirmation of the ADC12 hedging instrument launch on the MCX.
 - A tangible ramp-up in quarterly aluminium volumes and Indian plant utilization (>45%).
- **Profitability & Margin Quality:**
 - Quarterly EBITDA per ton for Lead and Aluminium converging towards the guided sustainable ranges.
 - Share of revenue from value-added products (Target: >46%) as a driver of core margin quality.
- **Balance Sheet & Cash Flow Health:**
 - Cash Flow from Operations (CFO) as a measure of profit-to-cash conversion.
 - Trend in working capital days (Target: progress towards 65-70 days).

10. Appendix

Appendix A: Management Guidance & Promises: Detailed Scorecard

A.1. Introduction to Scoring Methodology:

This section provides a detailed breakdown of specific guidance and promises made by Sanghvi Movers Limited's management between February 2020 and May 2025. The delivery status of each promise has been assessed based on subsequent company disclosures and performance data.

- **Delivered:** The guidance or promise was met or exceeded.
- **Partially Delivered:** The guidance or promise was met to a significant extent, but not fully, or there were material deviations in quantum or timing, though the strategic intent was largely achieved.
- **Not Delivered:** The guidance or promise was not met, or the outcome was significantly contrary to what was indicated.

The Credibility Score, referenced in the main report, is calculated as: $((1 \times \text{Number of Delivered Promises}) + (0.5 \times \text{Number of Partially Delivered Promises}) + (0 \times \text{Number of Not Delivered Promises})) / \text{Total Number of Promises}$.

A.2. Detailed List of Scored Guidance/Promises:

Date of Guidance	Promised By (Title)	Specific Guidance/Promise Made	Guidance Category	Delivery Status	Reason/Supporting Evidence for Status Assessment
Jan, 2025	Company Management	Capital allocation policy with max 3-year payback, >25% ROIC.	Capital Expenditure/Investment	Delivered	Delivered by stating and disclosing the capital allocation policy.
July, 2024	Yogesh Malhotra, Whole Time Director & CEO	Sustainable EBITDA per ton for lead in ₹18-₹19/kg range.	Margin Improvement	Delivered	Q4 FY25 lead EBITDA/kg of ₹29.47 exceeded guidance.
July, 2024	Company Management	Capital allocation policy: max 3-year payback, >25% ROCE.	Capital Expenditure/Investment	Delivered	FY25 ROIC of 27% aligns with stated investment policy.
July, 2024	Sunil Kansal, Chief Financial Officer	FY25 tax rate expected to be in the 10% to 11% range.	Margin Improvement	Not Delivered	Actual FY25 tax rate was ~13.8%, missing 10-11% guidance.
May, 2024	Yogesh Malhotra, Whole Time Director & CEO	Vision 2028: achieve a ROCE of more than 25%.	Asset Efficiency	Delivered	Achieved 27% ROIC in FY25, exceeding >25% target.
May, 2024	Yogesh Malhotra, Whole Time Director & CEO	Sustainable EBITDA per kg for plastic is guided at ₹10 to ₹11.	Margin Improvement	Partially Delivered	Q4 FY25 plastic EBITDA/kg of ₹9.88 slightly missed guidance.
July, 2023	Company Management	Maintain a volume growth of 25% for the next three years.	Revenue Growth	Partially Delivered	H1 FY24 volume growth (14-18%) was below 25% target.
May, 2023	Company	The company expects to incur a capex of Rs 108 crore.	Capital Expenditure/Investment	Delivered	FY23 capex of ₹108 crores confirmed by financial statements.

Nov, 2022	Yogesh Malhotra, CEO & Whole Time Director	Guided EBITDA/ton: Lead ₹16-17k, Plastic similar, Aluminium ₹16-20k.	Margin Improvement	Partially Delivered	Met lead target; missed aluminium and plastic EBITDA/ton targets.
Nov, 2022	Yogesh Malhotra, CEO & Whole-Time Director	Stated belief that EBITDA margin can be improved to ~10%.	Margin Improvement	Delivered	Achieved 10.2% FY23 EBITDA margin, meeting ~10% target.
Nov, 2022	Yogesh Malhotra, CEO & Whole Time Director	Lead is expected to grow at a healthy rate of 15% to 20%.	Revenue Growth	Partially Delivered	Achieved 13.7% lead volume growth, just below 15-20% target.
May, 2022	Yogesh Malhotra, CEO & Whole Time Director	Expected 25% to 30% volume growth on a year-on-year basis.	Revenue Growth	Partially Delivered	Achieved 17% FY23 volume growth, missing 25-30% target.
May, 2022	Yogesh Malhotra, CEO & Whole Time Director	Guided for a capex plan of around ₹70 to ₹80 Crores for FY23.	Capital Expenditure/Investment	Delivered	FY23 capex was ₹110 crores, exceeding ₹70-80 crore guidance.
May, 2022	Yogesh Malhotra, CEO & Whole Time Director	Indicated that EBITDA margins are in the range of 9% to 10%.	Margin Improvement	Delivered	Achieved 10.2% FY23 EBITDA margin, exceeding 9-10% guidance.
Aug, 2020	Company Management	Focus on optimizing overseas facilities and improving scrap network in India.	Margin Improvement	Partially Delivered	Improved profitability but working capital cycle worsened.
Aug, 2020	Company Management	Continues to focus on improving product and market mix for better margins.	Margin Improvement	Delivered	Increased VAP and overseas business share, improving profitability.
June, 2020	Company Management	Focus on strengthening global procurement network for cheaper local scrap.	Margin Improvement	Delivered	Domestic scrap sourcing increased from 29% (FY20) to 54% (FY22).
June, 2020	Company Management	Focus on increasing the percentage of Value-Added Products in its sales mix.	Margin Improvement	Delivered	VAP share in revenue increased from 42% (FY20) to 44% (FY21).
Feb, 2020	Company Management	Improve capacity utilization, increase production of high-margin products.	Operational Milestones	Delivered	Increased VAP sales, high utilization, and launched Mundra facility.
Feb, 2020	Company Management	Develop export market for its Aluminum Alloys for better margins.	Market Expansion/Penetration	Partially Delivered	Increased aluminium exports/margins but working capital cycle worsened.

Appendix B: Detailed Scenario Analysis

This appendix provides the detailed assumptions, financial projections, and rationale for the Base, Bull, and Bear case scenarios for Gravita India Limited.

The **central investment question is whether Gravita can successfully execute this transformative, capital-intensive strategy to capture a government-enforced market formalization in India and diversify into new recycling verticals**, all while maintaining its historically high-return profile.

- Our **Base Case** projects a robust ~21% revenue growth in FY26, driven by strong domestic volumes and the initial ramp-up of new capacities. We forecast a stable EBITDA margin of 9.6% as the business mix evolves, leading to a steady "growth into valuation" scenario.
- The **Bull Case** envisions flawless execution of the capex plan, coupled with sustained margin expansion from a superior product mix and continued arbitrage opportunities. This scenario would see revenue growth exceeding 25% and would justify a significant valuation re-rating as the market recognizes Gravita as a high-quality, cash-compounding leader in the circular economy.
- The **Bear Case** is predicated on execution failure. Delays in capex, underperformance in new verticals, intensifying competition, and a reversion to working capital stress could lead to stagnant growth and margin compression, revealing the current valuation to be unsustainable.

The final investment decision hinges on an assessment of management's ability to navigate the complexities of this aggressive growth phase against the inherent constraints of the recycling industry.

Inherent Business Constraints

Before evaluating specific scenarios, it is crucial to acknowledge the structural constraints of the recycling industry that affect Gravita in all cases:

- **Commodity Price Volatility:** The company's revenues and margins are inherently linked to global commodity prices (LME). While a sophisticated back-to-back hedging policy mitigates margin risk, revenue figures and investor sentiment can be highly volatile.
- **Working Capital Intensity:** The business model requires significant investment in inventory (scrap) and receivables. Inefficient management of this working capital can quickly lead to cash flow strain and increased reliance on debt, as seen in the company's past.
- **Regulatory & Environmental Risk:** Operating in the recycling sector, particularly with hazardous materials like lead, exposes the company to stringent and evolving environmental regulations. Any compliance failure could result in significant penalties or operational shutdowns.
- **Dependence on Cyclical End-Markets:** The company's primary customers are in the automotive and industrial sectors, which are cyclical. A significant economic downturn could temper demand for its products, impacting volumes and pricing power.

Base Case: Disciplined Execution and Steady Growth

This scenario assumes that Gravita successfully executes its expansion plans in line with its stated strategy, facing normal operational challenges but ultimately delivering on its core promises.

Base Case Assumptions

- **Volume Growth:** The company achieves its guided 15-20% volume CAGR, driven primarily by the formalization of the Indian market and the successful ramp-up of planned capacity expansions.
- **Margin Normalization:** EBITDA margins stabilize in the guided 9.5-10% range. The temporary, super-normal profits from price arbitrage in FY25 are not repeated, but this is offset by efficiency gains and a growing share of value-added products.
- **Successful De-risking:** The launch of an aluminium hedging instrument on MCX proceeds as planned in H1 FY26, enabling the company to scale its aluminium vertical without undue price risk.
- **Capital Efficiency:** Working capital management continues to improve due to a higher mix of domestic sourcing, leading to strong and positive operating cash flow, which is used to part-fund capex.
- **New Verticals:** The new rubber recycling plant in Romania contributes to revenue as projected, and the lithium-ion pilot plant is commissioned on schedule, providing a foundation for future growth.

Base Case Financial Projections

Financials (₹ Crores)	FY23 (A)	FY24 (A)	FY25 (A)	FY26 (e)	FY27 (e)	Valuations (x)	FY23 (A)	FY24 (A)	FY25 (A)	FY26 (e)	FY27 (e)
Sales	2,801	3,161	3,869	4,670	5,838	Market Cap (₹ Crores)	3,393	6,990	12,754	12,754	12,754
EBITDA	286	331	404	448	582	OCF/EBITDA (%)	69.93%	12.69%	69.80%	83.26%	84.17%
EBITDA (%)	10.20%	10.50%	10.40%	9.60%	9.90%	P/E (x)	16.63	28.88	40.75	35.63	27.43
PAT	204	242	313	358	465	P/B (x)	5.76	8.35	6.16	5.37	4.60
Net worth	589	837	2,070	2,374	2,770	P/S (x)	1.21	2.21	3.30	2.73	2.18
Net debt	306	446	-242	-244	-332	P/GB (x)	10.64	17.88	26.85	15.94	11.26

GB (Gross Block)	319	391	475	800	1,133	EV/EBITDA (x)	12.93	22.47	30.97	27.92	21.34
ROIC (%)	31.00%	26.00%	27.00%	18.90%	21.00%	FCF Yield (%)	0.74%	-0.91%	1.37%	0.00%	0.70%

Base Case Rationale

The Base Case represents a continuation of Gravita's successful execution track record. The projected 21% revenue growth in FY26 is robust and supported by the clear regulatory tailwinds in India. The forecast for a stable 9.6% EBITDA margin is prudent, reflecting a strategic shift in the profit mix towards the more capital-efficient but slightly lower-margin domestic tolling business, balanced by growth in value-added products. The temporary dip in ROIC to 18.9% is a natural and expected consequence of the heavy capex cycle, where new assets will take time to become fully productive. The forward valuation multiples (P/E falling from 40.8x to 27.4x by FY27) suggest that the current market price anticipates this strong, albeit not flawless, execution. This scenario solidifies Gravita's position as a market leader successfully navigating a phase of accelerated growth.

Bull Case: Flawless Execution & Margin Expansion

This scenario envisions a near-perfect execution of the company's strategy, where all growth levers fire in unison, leading to performance that significantly exceeds current market expectations.

Bull Case Assumptions

- **Accelerated Volume Growth:** The company surpasses its 20-30% volume growth guidance, achieving closer to 30% annually, driven by a faster-than-expected formalization of the Indian market and rapid ramp-up of new capacities.
- **Sustained Margin Outperformance:** The benefits of operating leverage, a richer value-added product mix (>50% of revenue), and continued arbitrage opportunities allow Gravita to sustain EBITDA margins above 10.5%, beating its own "sustainable" guidance.
- **Rapid Success in New Verticals:** The Romania (Rubber) acquisition is integrated seamlessly and outperforms expectations. The lithium-ion pilot plant is commissioned ahead of schedule and quickly demonstrates a viable path to commercial profitability.
- **Superior Capital Efficiency:** The working capital cycle improves faster than anticipated, dropping below 80 days, leading to exceptionally strong free cash flow generation that funds a larger portion of the capex internally.
- **Market Re-rating:** The market fully embraces the "high-quality, cash-compounding" narrative, resolving the audit qualification and awarding the stock a premium valuation multiple.

Bull Case Financial Projections

Financials (₹ Crores)	FY23 (A)	FY24 (A)	FY25 (A)	FY26 (e)	FY27 (e)	Valuations (x)	FY23 (A)	FY24 (A)	FY25 (A)	FY26 (e)	FY27 (e)
Sales	2,801	3,161	3,869	4,952	6,537	Market Cap (₹ Crores)	3,393	6,990	12,754	12,754	12,754
EBITDA	286	331	404	515	719	OCF/EBITDA (%)	69.93%	12.69%	69.80%	85.00%	86.00%
EBITDA (%)	10.20%	10.50%	10.40%	10.4%	11.0%	P/E (x)	16.63	28.88	40.75	30.96	21.84
PAT	204	242	313	412	584	P/B (x)	5.76	8.35	6.16	5.27	4.29
Net worth	589	837	2,070	2,418	2,972	P/S (x)	1.21	2.21	3.30	2.58	1.95
Net debt	306	446	-242	-350	-550	P/GB (x)	10.64	17.88	26.85	15.94	11.26
GB (Gross Block)	319	391	475	800	1,133	EV/EBITDA (x)	12.93	22.47	30.97	24.28	17.00
ROIC (%)	31.00%	26.00%	27.00%	21.5%	24.5%	FCF Yield (%)	0.74%	-0.91%	1.37%	0.50%	1.50%

Bull Case Rationale

In this scenario, Gravita's strategic bets pay off faster and more handsomely than expected. The company successfully manages the complexity of its multi-pronged expansion, leveraging its fortified balance sheet to accelerate growth. The combination of higher-than-expected volumes and sustained superior margins would lead to

significant earnings beats. The rapid success in new verticals like rubber and lithium-ion would prove management's diversification capability, transforming the market's perception of the company into a high-growth, multi-platform leader in the global circular economy. This would justify a premium valuation multiple, leading to substantial shareholder returns.

Bear Case: Execution Stumbles & Margin Pressure

This scenario considers the materialization of key risks, where the complexity of the new strategy overwhelms execution, and competitive and market pressures erode profitability.

Bear Case Assumptions

- **Execution Delays & Stagnant Volume:** The ambitious capex plan faces significant delays and cost overruns. The ramp-up of new facilities is slower than expected, and the company fails to achieve its volume growth targets, with growth falling to a sluggish 10-12% per year.
- **Margin Compression:** The shift to domestic tolling leads to greater-than-expected margin pressure. Simultaneously, the temporary arbitrage opportunities seen in FY25 completely disappear. Competition from OEMs who have backward-integrated intensifies, further squeezing tolling fees.
- **Diversification Failure:** The plastics segment continues to underperform. The new rubber and lithium-ion ventures fail to gain traction or prove to be low-return businesses, representing a significant misallocation of capital.
- **Working Capital Strain Returns:** Inefficient management of the expanded operations leads to a renewed increase in the working capital cycle, causing the company to burn through its cash reserves and take on new debt to fund operations.
- **Market De-rating:** The failure to deliver on the high-growth promises made during the QIP leads to a severe loss of management credibility and a sharp de-rating of the stock's valuation multiple. The audit qualification remains unresolved, adding to governance concerns.

Bear Case Financial Projections

Financials (₹ Crores)	FY23 (A)	FY24 (A)	FY25 (A)	FY26 (e)	FY27 (e)	Valuations (x)	FY23 (A)	FY24 (A)	FY25 (A)	FY26 (e)	FY27 (e)
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Sales	2,801	3,161	3,869	4,295	4,810	Market Cap (₹ Crores)	3,393	6,990	12,754	12,754	12,754
EBITDA	286	331	404	365	409	OCF/EBITDA (%)	69.93%	12.69%	69.80%	20.00%	35.00%
EBITDA (%)	10.20%	10.50%	10.40%	8.5%	8.5%	P/E (x)	16.63	28.88	40.75	47.41	42.10
PAT	204	242	313	269	303	P/B (x)	5.76	8.35	6.16	5.50	4.94
Net worth	589	837	2,070	2,317	2,585	P/S (x)	1.21	2.21	3.30	2.97	2.65
Net debt	306	446	-242	-150	-100	P/GB (x)	10.64	17.88	26.85	15.94	11.26
GB (Gross Block)	319	391	475	800	1,133	EV/EBITDA (x)	12.93	22.47	30.97	34.53	30.70
ROIC (%)	31.00%	26.00%	27.00%	14.5%	15.0%	FCF Yield (%)	0.74%	-0.91%	1.37%	-2.30%	-1.80%

Bear Case Rationale

The Bear Case is a story of "growing broke." The company's aggressive expansion proves to be a strategic overreach, where the complexities of managing multiple large-scale projects and new business lines lead to operational failures. The projected revenue growth of only ~11% in FY26 falls far short of expectations, and the compression of EBITDA margins to 8.5% indicates a loss of pricing power and operational control. The returns on the massive new capital deployed are dismal, with ROIC falling to a subpar 14.5%. Crucially, the company reverts to negative free cash flow as working capital issues resurface and capex continues. In this scenario, the high forward P/E and EV/EBITDA multiples become completely unjustifiable, pointing to a significant downside risk as the market is forced to confront a failed growth story.