

INITIATING COVERAGE

Gravita India Ltd



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Gravita India Ltd. (Gravita) is a global leading non-ferrous secondary metal and one of India's largest secondary Lead metal producing company. Incorporated in 1992, Gravita India Ltd. (Gravita) is engaged in the recycling of Used Lead Acid Batteries, Cable Scrap / other Lead Scrap, Aluminum Scrap and Plastic Scrap, etc. It is not only present in India but also has a significant presence outside India as well. The state-of-the-art recycling facilities are located in the established growth centres of Asia, Africa and Central America. It enjoys patronage of its products in more than 59 countries. In addition, GIL also provides turnkey solutions to recycling industry and has supplied more than 60 recycling projects across the world. It has a well-entrenched global scrap collection network that helps it to secure scrap resources at globally competitive prices.

Gravita has 12 strategically located recycling facilities in Asia, Africa, and Central America with a capacity of 121,819 MTPA for Lead, 19,200 MTPA for Aluminium, and 21,600 MTPA for Plastic.

In FY21 Gravita has posted a strong set of numbers with ROE and ROCE of 21% and 20% each which gives a set of belief in the strong fundamentals of the company. Going forward , we expect Gravita to grow at decent CAGR of 25% in topline while bottom-line is expected to grow at 35% CAGR from FY22 to FY24E. Hence we are initiating coverage on the stock. Currently stock is trading at 18.54x of FY22E EPS while it is trading reasonably at 10.36x of FY23E EPS & 9.27x of FY24E EPS. Hence, we initiate "BUY" on the stock and value the stock at 15.79x FY24 earnings to arrive at the target of Rs 600/- per share.

Gravita India Ltd

| | |
|---|-------------------|
| CMP (As on 21st Mar 22) | 352.20 |
| Target | 600.00 |
| Upside Scenario | 70.36% |
| Target Period | 24 months |
| | |
| NSE Code | GRAVITA |
| Industry | Metal-Non Ferrous |
| Sub-Industry | - |
| Market Cap (Rs Cr) | 2,409.0 |
| 52 week High/Low | 398.20/73.0 |
| Face Value | 2.00 |
| Equity (No of shares) | 6.90 Cr |
| TTM EPS | 17.29 |
| Book Value | 53.57 |
| P/E | 20.2 |
| P/B | 7.32 |

| Key Financial Figures (Rs Cr) | | | | |
|-------------------------------|---------|---------|---------|---------|
| Particulars | FY20 | FY21 | FY22E | FY23E |
| Sales | 1347.80 | 1409.70 | 1809.39 | 2521.20 |
| Op Profit | 97.50 | 111.90 | 208.20 | 340.90 |
| PAT | 33.20 | 52.50 | 128.80 | 234.10 |
| EPS | 4.80 | 7.60 | 19.00 | 34.00 |



INVESTMENT HIGHLIGHTS

Strong & Consistent financial performance

Gravita India Ltd. have grown at impressive CAGR of 27% in topline in last 5 years, and a robust growth of 59% CAGR bottom-line from FY16 to FY21 . Company is expected to continue its growth with robust CAGR of 25% in topline and 35% in bottom-line from FY22-FY24E going forward.

Corporate Lineage

Gravita India Ltd. was founded by entrepreneur operating in regional markets which now over time has been able to establish business in India and outside India with plans to take it to higher level. Company have gone down the journey of institutionalizing their companies, professionalizing their management teams and have successfully scaled across different regions within India despite starting as local jewellers.

Business Expansion

The Company was able to add 24000 ton in Mundra in FY 21-22 (Phrase 1) and they are coming up with another 24000 ton (Phrase 2) in mundra by June next year, also they are expanding their existing capacity in Africa. Chittor : 20000 ton- Dec 2021 and Ghana: 7000 ton- March 2022. They will start next year from 211000 ton.

Raw Materials

The main raw materials used for production includes Used Lead Acid Batteries (ULAB), Other Lead Scrap, Aluminium Scrap, and Plastic Scrap. The company collects scrap from more than 20 countries including own scrap collection centers in more than 10 countries. These raw materials are mainly sourced from Asia, the Middle East, Africa, and Central America, etc. at competitive prices.

Capacities

Gravita has 12 strategically located recycling facilities in Asia, Africa, and Central America with a capacity of 121,819 MTPA for Lead, 19,200 MTPA for Aluminium, and 21,600 MTPA for Plastic.

Gravita India Ltd

Shareholding Pattern (%)

| | Q3FY22 | Q2FY22 | Q1FY22 |
|-----------------|--------|--------|--------|
| Promoter | 73.00% | 73.00% | 73.00% |
| Public | 25.47% | 26.10% | 27.00% |

Quarterly Figures (Rs Cr)

| Particulars | Q3FY22 | Q3FY21 | YoY % | Q2FY22 |
|-----------------------|--------|--------|---------------|--------|
| Net Sales | 557.00 | 374.00 | 48.93 | 546.00 |
| PBIDT | 54.00 | 33.00 | 63.64 | 50.00 |
| EBIT | 53.00 | 27.00 | 96.29 | 49.00 |
| PBT | 46.00 | 19.00 | 142.11 | 42.00 |
| PAT | 39.00 | 16.00 | 143.75 | 37.00 |
| Equity Capital | 13.81 | 13.81 | - | 13.81 |
| EPS | 5.70 | 2.28 | 150.00 | 5.35 |
| OPM% | 10.00 | 9.00 | - | 9.00 |
| NPM% | 7.00 | 4.28 | - | 6.78 |

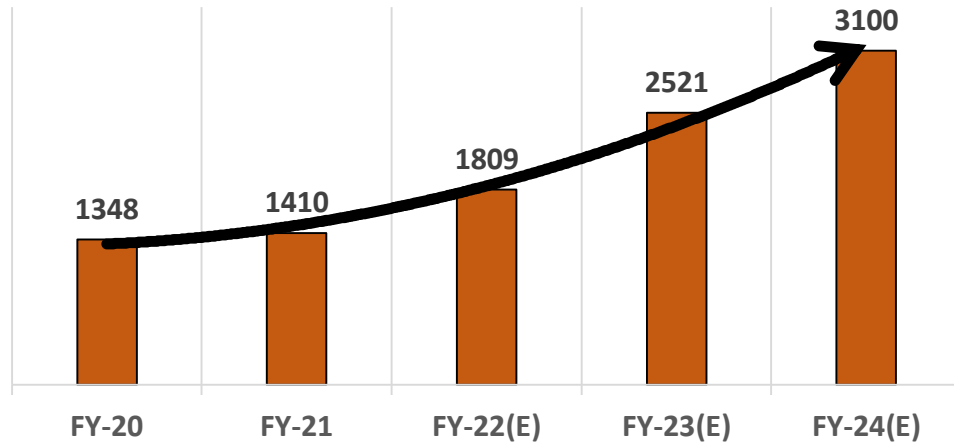


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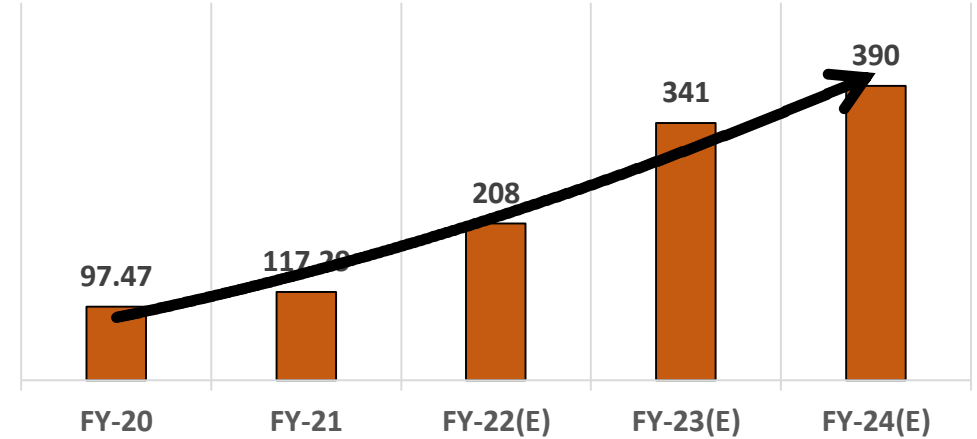
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STORY THROUGH THE CHARTS

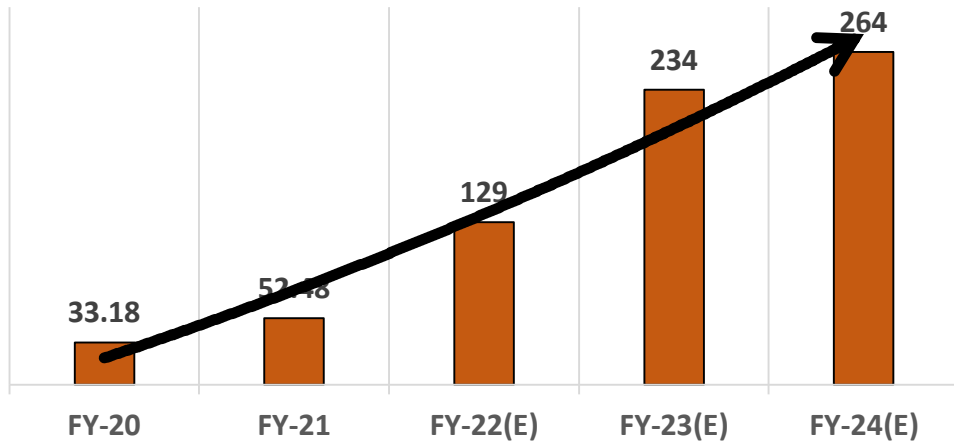
Revenue (In Cr)



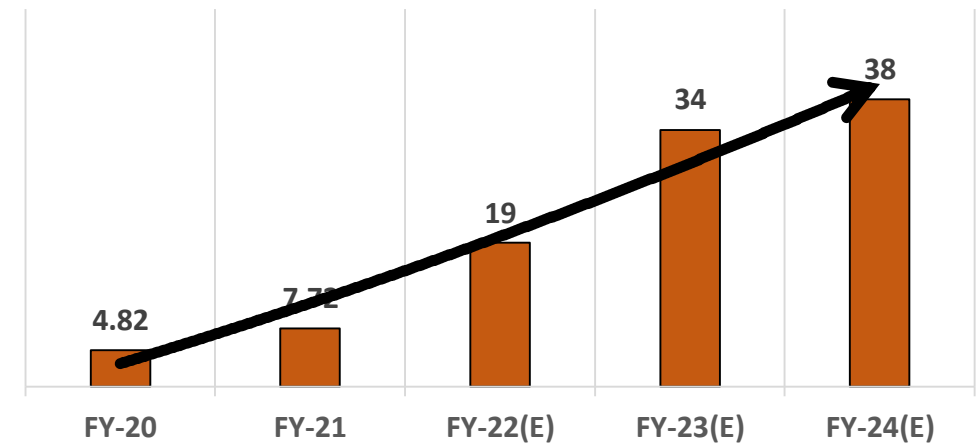
EBITDA (In Cr)



PAT (In Cr)

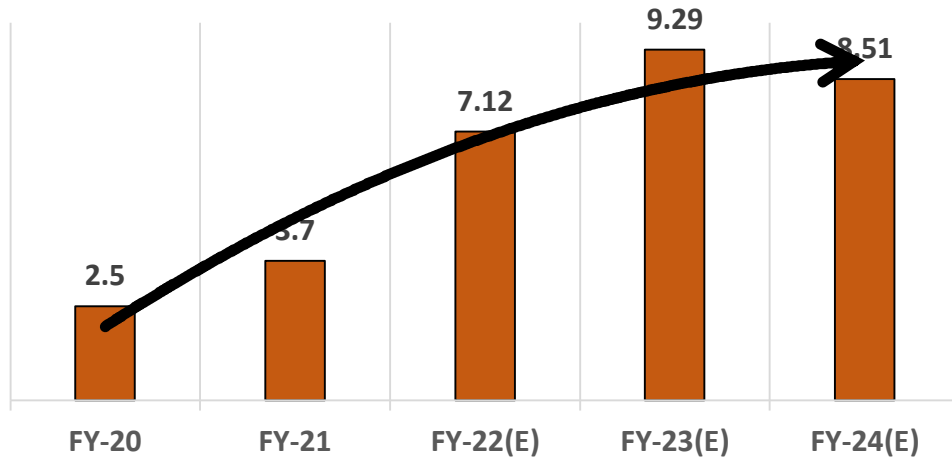


EPS

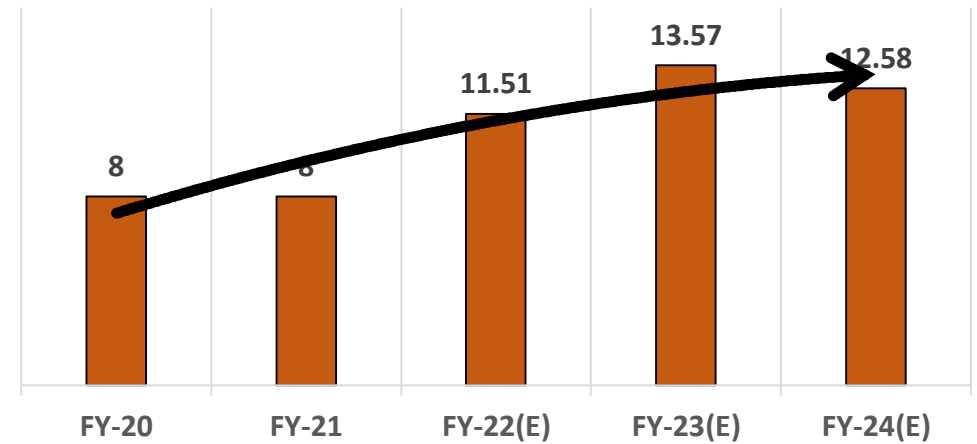


STORY THROUGH THE CHARTS

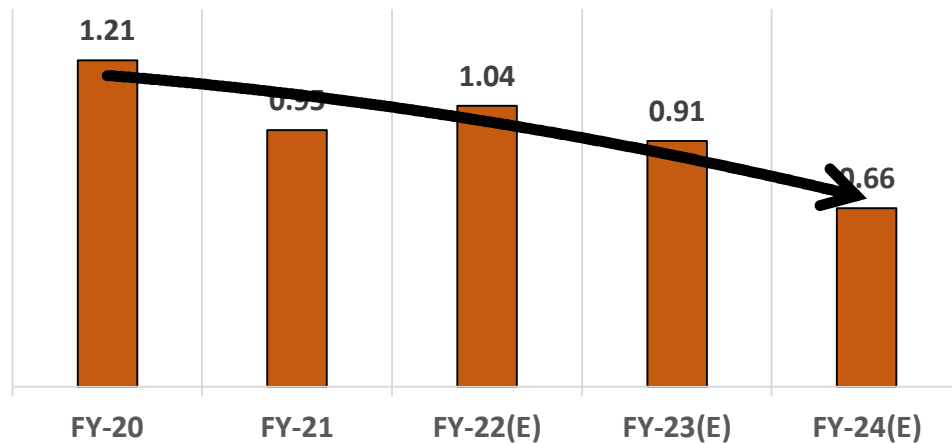
PAT Margin (%)



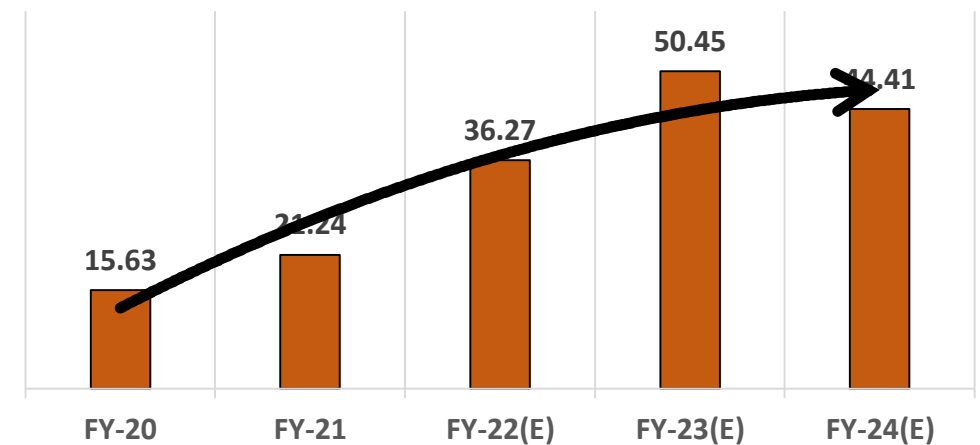
EBITDA Margin (%)



Debt to Equity (%)



Return on Equity (%)





Company Background

- Gravita India Ltd was established in the early 1990s, with the first recycling plant being set up at Phagi in Jaipur, Rajasthan in 1994. The company is headquartered in Jaipur with recycling plants located in Gujarat, Andhra Pradesh, Jammu & Kashmir, Sri Lanka (Mirigama export zone), Ghana (Accra), Mozambique (Maputo), Senegal (Dakar), Tanzania (Dar-es-Salam) and Nicaragua (Managua).
- It has 27 procurement yards (almost all abroad) with 1,400+ touchpoints and 160ktpa of scrap collection in total (in FY21). It delivers 105ktpa+ recycled products to 60+ countries including the Americas, Europe and the Middle East. It has a pan-India presence, with 200+ customers in 18 states. Amara Raja is one of the key partners for Gravita in India.
- Gravita also provides turnkey solutions (engineering and capital goods business) like Lead Rotary Furnace, Lead Refining Pots, Alloying Furnace, Pollution & Fugitive Emission Control Equipment, Battery Cutting Machine, Battery Crushing & Hydro separation System, etc. It has a facility in Jaipur SEZ. It has over 350 employees.
- Gravita is promoted by first-generation entrepreneur Mr. Rajat Agrawal, who is also the Managing Director. The promoter group holds a 73% stake in the company, while 2% is with an Employee Welfare Trust. In the last one year, promoters' shareholding rose by 0.49%. Mr. M.P. Agarwal is Chairman of the six member board. There are three independent directors. Mr. Yogesh Malhotra is the CEO and whole-time director. Senior management comprises CFO Mr. Sunil Kansal and SBU heads for all verticals designated as EDs and VPs.



Subsidiaries:

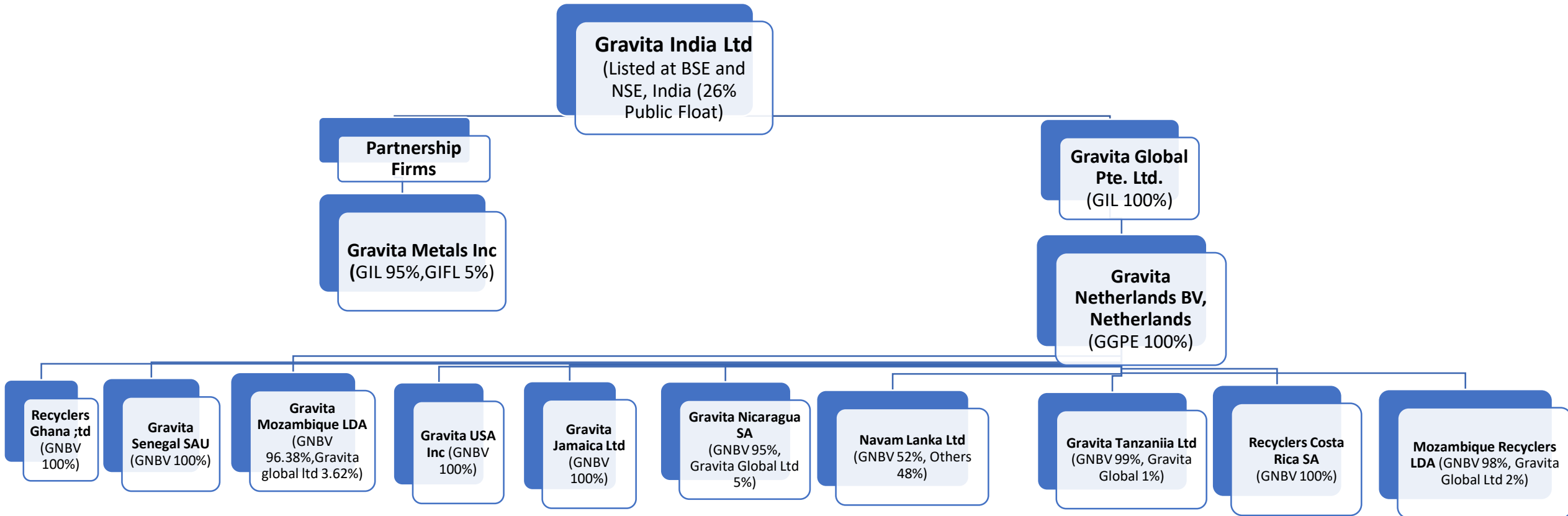
Company's major subsidiaries include:

- A partnership firm (owned fully by Gravita) which holds 95% stake in Gravita Metals Inc (Kathua plant). Duty benefits in Jammu & Kashmir require the holding structure to be a partnership. 5% is held by Gravita Infotech Jaipur (100% owned by Gravita India).
- Gravita Global Pte Ltd, which is a 100% owned Singapore subsidiary which owns 100% in Gravita Netherlands BV, the main holding arm for the African and American ventures.
- Gravita Netherlands owns 100% stake each in Recyclers Ghana (new entity for expanded and relocated Ghana plant, this entails tax benefits) and Gravita Senegal; 96-98% in Mozambique; 95% in Nicaragua; 99% in Tanzania and 52% in Sri Lanka. Except Sri Lanka, the residual stakes are also held by Gravita Global Pte.
- 62% of capital employed is in India (Rs4.1bn) while 38% is overseas with Rs630/780mn in Mozambique/Ghana, Rs270/380mn in Senegal/Tanzania and Rs110/230mn in Nicaragua/Sri Lanka.

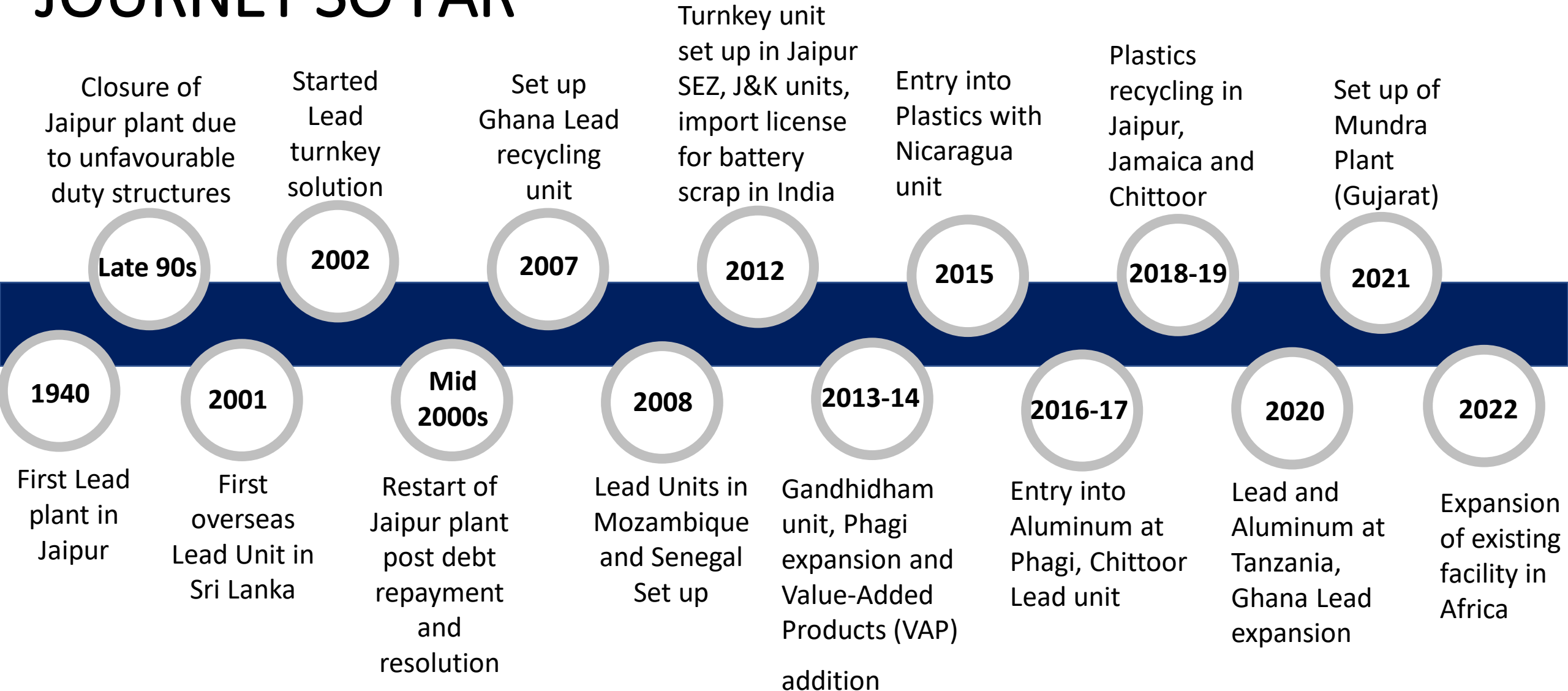
Major Subsidiaries Profile

| Subsidiaries | FY21 PAT | Remarks |
|------------------------|----------|--|
| Gravita Metals Inc | -51 | Kathua plant, loss was due to some duty related write-offs |
| Gravita Global Pte | -1 | Holding company |
| Gravita Netherlands BV | 38 | Holding company, Dividend Income (does some trading also) |
| Gravita Senegal | 54 | |
| Gravita Nicaragua | -22 | Suffered from lower volumes due to Covid (FY22 profitable) |
| Gravita Jamaica | -64 | Volumes were low, hence closed and shifted business to Nicaragua |
| Recyclers Ghana | 42 | Expanded plant, new tax benefits |
| Gravita Mozambique | 103 | |
| Mozambique Recyclers | 59 | Aluminum business of Mozambique |
| Navam Lanka | 91 | |
| Gravita Tanzania | 89 | |

Corporate Structure



JOURNEY SO FAR



Geographical Presence

1. America

a) Nicaragua (Managua)

2. Africa

a) Ghana (Accra)
b) Senegal (Dakar)
c) Mozambique (Maputo)
d) Tanzania (Dar-es-Salam).

3. India

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

4. Head Quarter

a) Jaipur, Rajasthan



Business Model

- “Used Lead Acid Batteries” is the main raw material for Lead production while other sources are cable scrap, etc. Gravita collects scrap both **domestically and from overseas** (African country scrap is recycled there itself). Domestic sourcing includes 1) tolling which is back to back **buying-selling from-to battery OEMs** like Amara Raja, HBL, etc. and 2) from institutional (corporate) clients like telcos (Airtel, VI, Indus Tower), Tata Group, Sukam, etc. **Overseas sourcing happens from 70 countries** (import license requires 3-4 years of domestic scrap collection experience). Gravita also brings **re-melted Lead (RML) from Africa** for further processing into refined Lead (RL) and VAPs. Gravita’s customers include battery manufacturers, metal traders and various end-users.
- The recycling process involves **crushing and hydro-separation** (producing Lead paste and powder), furnace charging with chemicals-additives, rotary furnace treatment for re-melted Lead, refining furnace for further chemical-additive treatment and finally ingot production. **One ton of battery scrap as a thumb rule yields 0.6 ton of Lead.**
- Major cost heads include **logistics-freight** (scrap from supplier’s center to Gravita’s collection center and further to recycling plant and distribution costs associated with finished products), power and fuel (furnace oil, etc.) and **repair & maintenance. Employee cost is also there.**



About Overseas Business

- A) Gravita's overseas business centered in **Africa** has been historically profitable and is relatively more attractive. Africa accounts for **30% of total revenues but >60% share of profits**.
- B) Gravita entered **Africa in the mid-2000s**, thanks to plentiful availability of **inexpensive scrap, lower logistics costs, favorable government policies and duty benefits for exports, and over time, the company attained a dominant position**. It engages in a 'reverse B2C' model, whereby scrap collection is done through small collection centers (termed yards).
- C) Gravita is further expanding in **Africa with the addition of 14ktpa of Lead recycling capacity** in Ghana by FY23, as well as **3.6/6.0ktpa in Plastics/Aluminum**.
- D) They are entering in Togo, starting with **3ktpa Aluminum by FY23, and 4ktpa for Lead by FY25**.
- E) Gravita then expanded its presence considerably in **Africa, setting up facilities in Ghana, Mozambique, Senegal and Tanzania**. The combined Lead recycling capacity in **Africa is 40ktpa**, while the Mozambique and Tanzania units also have **10ktpa of Aluminum recycling capacity**.
- F) Company runs almost its **entire overseas business through various subsidiaries**.

Gravita's Existing Overseas presence

| Capacity (ktpa) | Lead | Aluminium | Plastics | Total | Other Details & Benefits |
|-----------------|-------------|-------------|------------|-------------|--|
| Sri Lanka | 9.0 | | | 9.0 | Refined Lead sold to India, FTA with zero duties |
| Ghana | 16.2 | | | 16.2 | Refined Lead-alloys sold to EU; Has FTA with zero duties |
| Mozambique* | 4.5 | 4.0 | | 8.5 | Re-melted Lead produced, 80-85% brought to India for VAP* (LDCs-zero duty), rest to Europe through traders (no benefits) |
| Senegal | 4.5 | | | 4.5 | |
| Tanzania | 6.0 | 6.0 | | 12.0 | |
| Nicaragua | | | 9.6 | 9.6 | Food-grade PET sold to US also |
| Total | 40.2 | 10.0 | 9.6 | 59.8 | |



Gravita's overseas expansion plans

| Overseas | New Capacity (Ktpa) | Capex (Rs mn) | Commissioning By |
|--------------------|---------------------|---------------|------------------|
| Lead | 19.3 | 300 | |
| Ghana-1 | 4.2 | 35 | FY22 |
| Ghana-2 | 9.6 | 95 | FY23 |
| Mozambique | 1.5 | 20 | FY23 |
| Togo | 4.0 | 150 | FY25 |
| Aluminium | 18.0 | 310 | |
| Senegal | 3.0 | 70 | FY23 |
| Togo | 3.0 | 70 | FY23 |
| Ghana | 6.0 | 70 | FY24 |
| Others(Africa) | 6.0 | 100 | FY26 |
| Plastics | 10.6 | 100 | |
| Mozambique | 1.5 | 15 | FY22 |
| Senegal | 1.5 | 15 | FY22 |
| Ghana | 3.6 | 30 | FY23 |
| Sri Lanka | 2.0 | 20 | FY23 |
| Tanzania | 2.0 | 20 | FY24 |
| Grand Total | 47.9 | 710 | |



Expansion Plans in India

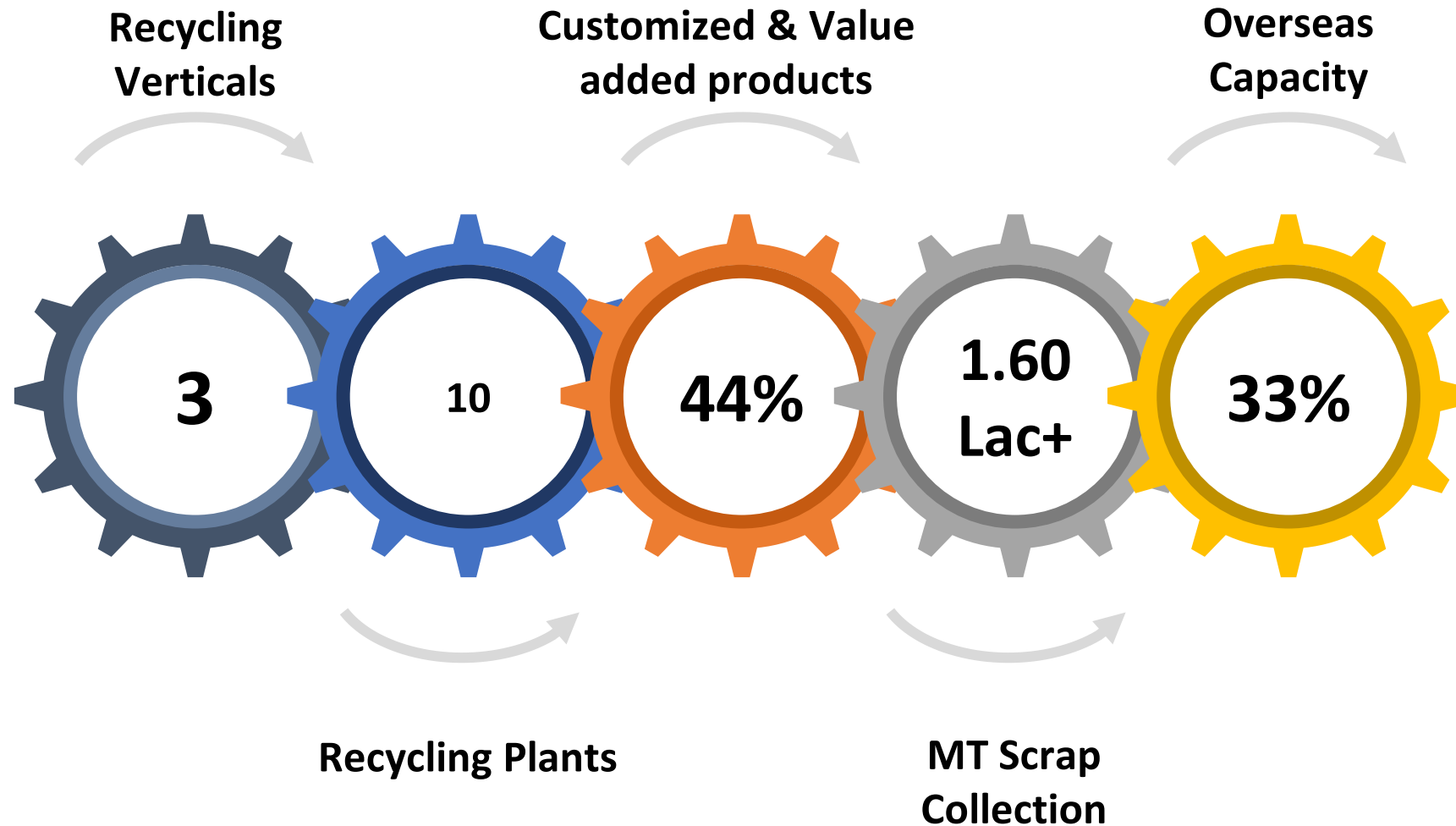
- A) Gravita aims to further diversify into segments such as Rubber, Copper & Brass, Steel, Paper and Lithium-e waste.
- B) A new 5.3ktpa Rubber unit in Ghana and a 1.6ktpa Copper-Brass unit in Tanzania are expected to be commissioned by H1CY22.
- C) The Mundra facility should see the addition of 24ktpa of Copper capacity by FY25.
- D) The company is also targeting a 90ktpa new Steel recycling facility in Africa by FY24-25, and a 96ktpa Paper unit in Nicaragua by FY25-26.
- E) Lithium recycling is aimed by the end of the decade as scrap availability is very low as of now.
- F) It is tying up with technology partners in Israel-Europe.



Gravita's Capacity expansion plans in India

| Plant (Ktpa-Rs mn) | Capacity | Capex (Rs mn) | Commissioning By |
|----------------------------------|--------------|---------------|------------------|
| Lead | 132.2 | 1,620 | |
| Mundra-1 (commissioned recently) | 19.5 | 320 | H2FY22 |
| Chittoor | 28.2 | 100 | FY23 |
| Mundra-2 | 28.5 | 300 | FY23 |
| East India | 48.0 | 600 | FY26 |
| Others | 8.0 | 300 | FY26 |
| Aluminium | 12.0 | 120 | FY23 |
| Mundra -2 | 3.0 | 70 | FY23 |
| Plastics | 57.0 | 670 | |
| Mundra-2 | 12.0 | 100 | FY23 |
| Mundra-3 | 12.0 | 100 | FY24 |
| Chittoor | 6.0 | 50 | FY24 |
| Jaipur | 3.0 | 20 | FY25 |
| Others New | 24.0 | 400 | FY26 |
| Grand Total | 201.2 | 2,410 | |

Key Points





GOVERNANCE

The company's external auditor is Walker Chandiook LLP (Grant Thornton), while the internal auditor is KPMG. The external auditor is generally changed every five years. The internal auditor is changed every two years. Local auditors are there for overseas subsidiaries.

The company's regular related-party transactions include rentals to promoter group-related entities-individuals (total Rs14.2mn in FY21), relevant management remuneration (Rs40.2mn in FY21), etc. No material transactions were highlighted in FY21. Independent directors form 50% of the board strength.

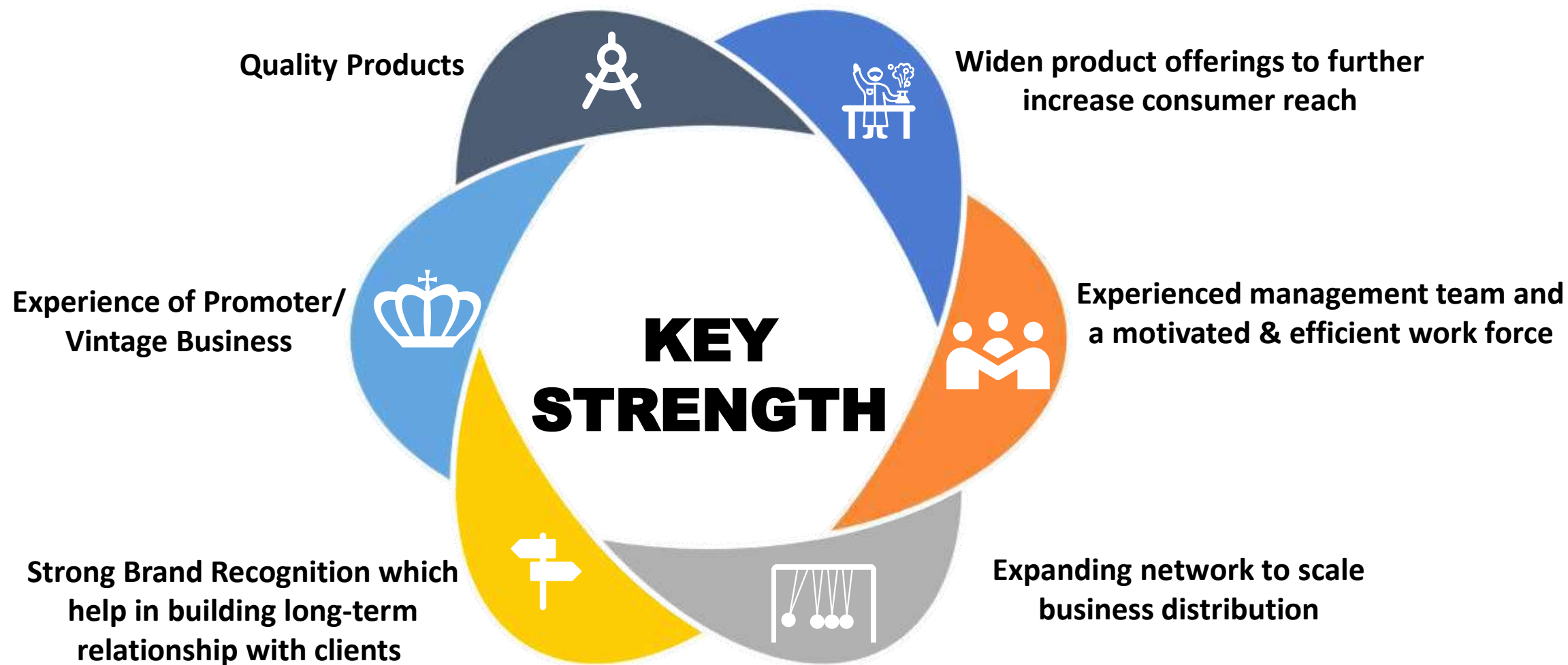


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Gravita India Ltd





01

Adverse global commodity prices, economic & industrial slowdown, macro events, oversupply and broader cyclicity can impact **realizations, margins and volumes**.

02

Operational risks pertaining to plant outages and breakdown, supply chain disruptions, HR and local issues.

03

Country risks in overseas operations, especially in Africa.

04

Capital misallocation and/or weak performance of planned new ventures.

05

Risks from **competitors** and the entry of miners and OEMs into recycling.

Awards

| | | | | | | |
|--|--|--|--|---|--|---|
|  <p>Award 1</p> <p>Niryat Shiromani Puraskar— May 22 2017</p> |  <p>Award 2</p> <p>Government of India: Star Export House— Sep 1 2017</p> |  <p>Award 3</p> <p>Udyog Bharti award— Jan 27 2017</p> |  <p>Award 4</p> <p>MSME National Award —Sep 02 2010</p> |  <p>Award 5</p> <p>Business Excellence Award— July 16 2018</p> |  <p>Award 6</p> <p>Proud Winner of India SME 100 Awards – Aug 05 2014</p> |  <p>Award 7</p> <p>Niryat Shree Award— Dec 02 2014</p> |
|  <p>Award 8</p> <p>Best Employer 2015 – Nov 10th 2016</p> |  <p>Award 9</p> <p>FIEO Northern Region Export Excellence – Mar 30 2017</p> |  <p>Award 10</p> <p>Best performing company in non ferrous metals--Sep 08 2017</p> |  <p>Award 11</p> <p>RCCI Excellence Award— April 01 2018</p> |  <p>Award 12</p> <p>Three Star Export House— Feb 22 2019</p> |  <p>Award 13</p> <p>ISO 14001:2015— Jan 24 2020</p> |  <p>Award 14</p> <p>ISO 9001:2015— Jan 30 2020</p> |



Management Team



Rajat Agrawal, a first generation entrepreneur, has over 24 years of rich experience in the manufacturing sector. GRAVITA is one of the largest recyclers of non-ferrous metals in India. Established in 1992 and having its headquarters at Jaipur, GRAVITA is anchored by around 250 forward looking professionals and employees more than 1000 people. GRAVITA, today has diversified into Manufacturing, International Trade, Turnkey Solutions in nonferrous metals, Plastics industry and in Information Technology. It has its offices and plants in India, USA, Singapore, Netherland, Srilanka, Ghana, Mozambique, Senegal, Tanzania, Jamaica, Mali, Mauritania, and Nicaragua

Rajat is a strong believer in innovation, research and development. He has made significant investments towards the same, especially in the field of sustainable recycling, to ensure that green technologies are developed and deployed throughout the world and this can be seen in 50+ turnkey solutions operating successfully both in third world countries and developed economies.

Rajat is former Chairman of CII (Rajasthan Chapter), he is playing a pivotal role along with other industry leaders to formulate, guide and implement government policies for the overall development of industry in India.

Rajat, also believes that learning is a continuous process and takes times from his strenuous schedule to attend seminars and training programs. He is currently pursuing OPM from Harvard University as part of his continuous self-development.



Lead Industry

Lead Industry

Lead is an anti-corrosive and anti-radioactive agent. 85% of Lead globally is used in batteries, followed by 5% in pigments, etc. In India, 5-6% of Lead is used by the cable industry. Lead products and usage:

- A) Pure Lead and alloys used in batteries, cable sheathing, galvanizing, soldering, etc.
- B) Lead sheets used in radioactive protection, soundproofing, roofing, tank lining, etc.
- C) Lead bricks used in walls, partition, glove-boxes.
- D) Red Lead used in paints & pigments, ceramic & glasses and explosives.

BMHR regulations

The organized sector is driven by stricter regulations such as Batteries Management and Handling Rules, 2001 (BMHR) (and subsequent amendment 2010) and Draft Battery Waste Management Rules 2020. These are part of Extended Producer's Responsibility (EPR) framework for India. The BMHR mandates Lead acid battery manufacturers to achieve up to 90% organized recycled batteries as the share of total batteries sold, while actual run-rate was 30% in FY21. As per the latest framework, manufacturers are mandated to achieve 70% this year, which should progressively rise by 5% points annually to 90%

Lead acid battery outlook

The Lead acid battery sector is the key user and provider of Lead, with an 80% share in overall scrap and 80-85% end-user share as well. Despite the advent of EVs, starter batteries should continue to be Lead acid (only one Tesla model does not have this mechanism). Thus, demand should continue to grow, especially in emerging economies of Asia and Africa, including India. Further, about 35% of Lead acid batteries are used in non-auto applications, including telecom, emergency power, energy storage and other mobility.

Indian Lead Market and Segmentation

| mmt | FY16 | FY21 | FY26E | FY 16-21 | FY 21-26E |
|--|-------------|-------------|-------------|------------|------------|
| Demand Size | 1.00 | 1.20 | 1.40 | 4% | 3% |
| Mining | 0.15 | 0.18 | 0.25 | 4% | 7% |
| Imports | 0.25 | 0.25 | 0.23 | 0% | -2% |
| Recycling | 0.60 | 0.77 | 0.92 | 5% | 4% |
| Share of Recycling | 60% | 64% | 66% | | |
| Share of organized | 20% | 30% | 75% | | |
| Organized Volumes | 0.12 | 0.23 | 0.69 | 14% | 24% |
| Unorganized Volumes | 0.48 | 0.54 | 0.23 | 2% | -16% |
| Gravita India's output | 0.02 | 0.06 | 0.12 | 27% | 15% |
| Domestic Sales | 0.01 | 0.04 | 0.10 | 34% | 19% |
| <i>Implied share of Gravita in organized</i> | <i>8%</i> | <i>18%</i> | <i>14%</i> | | |
| <i>Gravita's overall market share in India</i> | <i>1%</i> | <i>4%</i> | <i>7%</i> | | |

INCOME STATEMENT

Value In Cr

| Particular | FY20 | FY21 | FY22E | FY23E | FY24E |
|--------------|---------|---------|----------|---------|---------|
| Total Income | 1,347.8 | 1,409.7 | 1,809.39 | 2,521.2 | 3,100.3 |
| Expenditure | 1,250.3 | 1,297.8 | 1,601.21 | 2,180.3 | 2,710.2 |
| EBIDTA | 97.5 | 111.9 | 208.2 | 340.9 | 390.1 |
| Other Income | 1.0 | 7.2 | 6.7 | 7.6 | 8.1 |
| Depreciation | 18.1 | 20.3 | 26.7 | 36.8 | 44.5 |
| EBIT | 79.3 | 91.6 | 188.2 | 311.7 | 353.7 |
| Interest | 28.2 | 27.9 | 32.7 | 40.9 | 42.7 |
| PBT | 51.1 | 70.9 | 155.48 | 270.8 | 311 |
| Tax | 10.3 | 14.1 | 26.7 | 36.7 | 47.3 |
| PAT | 33.2 | 52.5 | 128.8 | 234.1 | 263.7 |
| EPS | 4.8 | 7.6 | 19 | 34 | 38 |



BALANCE SHEET

SOURCES OF FUNDS

Value In Cr

| Particular | FY20 | FY21 | FY22E | FY23E | FY24E |
|--------------------------------------|---------------|---------------|----------------|----------------|----------------|
| Share Capital | 13.81 | 13.81 | 13.81 | 13.81 | 13.81 |
| Reserves | 211.00 | 255.00 | 341.3 | 450.20 | 580.00 |
| Shareholder's Fund | 224.81 | 268.81 | 355.11 | 464.01 | 593.81 |
| Total Non Current Liabilities | 279.00 | 261.00 | 372.00 | 424.10 | 395.00 |
| Long Term Borrowings | 279.00 | 261.00 | 372.00 | 424.10 | 395.00 |
| Long Term Provisions | - | - | - | - | - |
| Total Current Liabilities | 110.00 | 196.00 | 281.00 | 351.00 | 396.00 |
| Trade Payables | 86.00 | 159.00 | 200.00 | 210.00 | 240.00 |
| Advance from customers | 1.00 | 10.00 | 15.00 | 18.00 | 24.00 |
| Non Controlling Int | 5.00 | 9.00 | 20.00 | 20.00 | 22.00 |
| Other Liability | 18.00 | 19.00 | 46.00 | 103.00 | 110.00 |
| Total Liabilities | 614.00 | 725.81 | 1008.11 | 1239.11 | 1384.81 |

BALANCE SHEET

APPLICATION OF FUNDS

Value In Cr

| Particular | FY20 | FY21 | FY22E | FY23E | FY24E |
|---------------------------------|---------------|---------------|----------------|----------------|----------------|
| Total Non-Current Assets | 196.6 | 185.4 | 261.2 | 331.9 | 362.7 |
| Gross Block | 199.70 | 192.7 | 276.9 | 358.7 | 393.2 |
| Less: Accumulated Depreciation | 18.10 | 20.3 | 26.7 | 36.8 | 42.5 |
| Net Block | 181.60 | 172.4 | 250.2 | 321.9 | 350.7 |
| Capital Work in Progress | 15.00 | 13.00 | 11.00 | 10.00 | 12.00 |
| Total Current Assets | 418.00 | 540.00 | 746.91 | 907.21 | 1022.11 |
| Inventories | 224.00 | 358.00 | 484.61 | 550.00 | 620.00 |
| Sundry Debtors | 68.00 | 59.00 | 65.00 | 75.00 | 90.00 |
| Cash and Bank | 20.00 | 20.00 | 52.3 | 58.21 | 64.1 |
| Other Current Assets | -1.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Short Term Loans and Advances | 107.00 | 103.00 | 145.00 | 224.00 | 248.01 |
| | | | | | |
| Total Assests | 614.60 | 725.81 | 1008.11 | 1239.11 | 1384.81 |



CASH FLOW STATEMENT

Value In Cr

| Particular | FY20 | FY21 | FY22E | FY23E | FY24E |
|-------------------------------------|--------|--------|--------|--------|--------|
| Cash From Operating Activities | 34.00 | 77.00 | 85.00 | 93.00 | 99.00 |
| Cash Flow from Investing Activities | -14.00 | -19.00 | -22.00 | -39.00 | -49.00 |
| Cash from Financing Activities | -21.00 | -57.00 | -31.7 | -48.09 | -44.11 |
| | | | | | |
| Net Cash Inflow / Outflow | -2.00 | 1.00 | 31.30 | 5.91 | 5.89 |
| Opening Cash & Cash Equivalents | 22.00 | 20.00 | 21.00 | 52.30 | 58.21 |
| Closing Cash & Cash Equivalent | 20.00 | 21.00 | 52.30 | 58.21 | 64.10 |



PROFITABILITY & TURNOVER RATIOS

| Particular | FY20 | FY21 | FY22E | FY23E | FY24E |
|--------------------------------|-------|-------|-------|-------|-------|
| EBIDTA Margin (%) | 7.20 | 7.90 | 11.51 | 13.57 | 12.58 |
| PAT Margin (%) | 2.45 | 3.72 | 7.12 | 9.29 | 8.51 |
| Return On Equity (%) | 18.10 | 21.20 | 36.27 | 50.45 | 44.41 |
| Return on Capital Employed (%) | 16.60 | 18.70 | 25.00 | 26.60 | 27.30 |
| Return on Invested Capital (%) | 18.90 | 18.90 | 27.60 | 28.70 | 29.40 |
| Debt/Equity(x) | 1.10 | 0.90 | 1.04 | 0.91 | 0.66 |
| Debt/EBIDTA(x) | 2.60 | 2.10 | 1.79 | 1.24 | 1.01 |

VALUATION RATIO

| Particular | FY20 | FY21 | FY22E | FY23E | FY24E |
|------------|-------|-------|-------|-------|-------|
| P/E | 44.00 | 27.80 | 14.40 | 14.70 | 15.79 |
| P/B | 6.50 | 5.40 | 4.10 | 3.10 | 2.30 |
| EV/Sales | 1.30 | 1.20 | 0.80 | 0.70 | 0.60 |
| EV/EBIDTA | 17.60 | 15.10 | 9.40 | 7.20 | 5.70 |



PEER COMPARISON

FINANCIALS COMPARISON

FY-21

| COMPANY NAME | Revenue | EBIDTA | PAT | EBITDA Margin % | PAT Margin | Debt/ Equity | ROE % | Rev CAGR (F19-FY21) | PAT CAGR (F19-FY21) | Stock Price CAGR (FY19- FY21) | CMP |
|--------------|---------|--------|------|--------------------|---------------|-----------------|-------|------------------------|------------------------|-------------------------------------|--------|
| GRAVITA | 140.97 | 11.19 | 5.25 | 7.90 | 3.72 | 1.00 | 23.00 | 11.00 | 6.00 | 17 | 329.15 |
| PONDY | 100.43 | 2.34 | 1.08 | 2.30 | 1.08 | 0.90 | 7.00 | 2.00 | -28.00 | 18.00 | 521.20 |
| NILE | 53.64 | 2.48 | 1.38 | 4.60 | 2.57 | 0.40 | 10.00 | -5.00 | -16.00 | 21.00 | 513.05 |

VALUATIONS COMPARISON

FY-21

| COMPANY NAME | PE | PB | EV/EBITDA | PAT Growth |
|--------------|-------|------|-----------|------------|
| GRAVITA | 43.70 | 5.40 | 15.20 | 58.00% |
| PONDY | 14.80 | 1.50 | 16.50 | -34.00% |
| NILE | 13.00 | 1.00 | 7.80 | 27.00% |

VALUATION OUTLOOK

Gravita India Ltd has shown strong set of numbers with ROE and ROCE of 21% and 19% each which gives a set of belief in the strong fundamentals of the company. Going forward , management expects company to grow at decent CAGR of 25% in topline while bottom-line is expected to grow at 35% CAGR from FY22 to FY24E. Hence, we initiate “BUY” on the stock and value the stock at 15.79x FY24 earnings to arrive at the target of Rs 600/- per share.

KEY DOWNSIDE RISKS

- A) Volatility in volumes/margins led by commodity prices-hedging strategies plus an increase in the share of value added products would help mitigate this risk.
- B) Project Delays
- C) Adverse Regulations

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Name of the Research Analyst: Deepanshu Jain

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