



## KEY HIGHLIGHTS

### 1. RESULTS OVERVIEW:

- GRP Ltd Q2FY25 consolidated revenues came in at ₹131.65 Cr, up 15.1% YoY and up 4.3% QoQ.
- Op Profit for Q2FY25 stood at ₹9.8 Cr, down 11.6% YoY and down 23.3% QoQ.
- Op margins for Q2FY25 came at 7.4%, down 224 bps YoY and down 268 bps QoQ.
- PAT for Q2FY25 stood at ₹2.51 Cr, down 46.5% YoY and up 42.6% QoQ.

### 2. MANAGEMENT COMMENTARY:

- GRP is investing in a CAPEX project of up to 250 crores for diversification, to be executed in two phases.
- GRP has signed a 15 million euro term loan with Proparco of France to fund growth projects.
- The company is investing in a 4.3-megawatt solar plant to source 50% of its energy needs from renewable sources.

### 3. CONCALL SUMMARY

- The board has approved raising an additional up to 150 crores through equity shares or other eligible securities to fund opportunities.
- The recycling industry is experiencing a transformation, with increasing global demand for sustainable materials.
- The company is developing and commercializing grades of polyamide derived from ocean plastics and is expanding into new markets.
- Gross margins have been under pressure due to a dip in export volumes and product mix.
- Waste tire prices are linked to oil prices, while synthetic rubber reclaim prices are influenced by global trade and freight.
- The company's stated capacity for reclaim rubber is 72,000 tons per annum (KTPA), with a current utilization of 90%.
- New technology for reclaim rubber production could produce 3.5 to 5 KTPA with utilization around 30%, with plans to increase to 50-60% by the end of the fiscal year.
- The company aims to significantly improve overall margins with multiple industries to sell to and access to a larger set of raw materials.
- The company will provide more details on timelines and capacity during the Q3 results.

### 4. VALUATION AND OUTLOOK:

Company offers exposure to a niche yet rapidly growing sector. Its operational strengths, commitment to sustainability, and market leadership make it a compelling choice for long-term investors seeking sustainable returns. We initiate a “BUY” rating on the stock and value the stock at 57.20x FY26E earnings to arrive at the target of ₹3,954.

## RECOMMENDATION - BUY

CMP – 3295

TARGET – 3954 (20%)

Industry	Rubber Products
NSE CODE	GRPLTD
BSE CODE	509152
Market Cap (₹ Cr)	1765.15
Shares Outstanding (in Cr)	0.53
52 wk High/Low (₹)	4815.15 / 1174.74
P/E	77.23
P/BV	10.56
Face Value (₹)	10.00
Book Value (₹)	313.47
EPS (FY23) (₹)	42.45
Dividend Yield (%)	0.58
Debt / Equity	0.68
Interest Coverage	5.14

## SHAREHOLDING PATTERN

	Sept 24	Jun 24	Mar 24
Promoters	40.30	40.30	40.36
MF/ DII	0.00	0.00	0.00
FII/FPI	0.05	0.00	0.00
Retail & Others	59.65	59.69	59.64
Promoter Pledging	0.00	0.19	0.19

## FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2024A	2025E	2026E
<b>Crore</b>			
Sales	461.38	553.65	692.07
Sales Gr. (%)	2.30	20	20
EBITDA	50.73	66.44	83.04
EBITDA %	11	12	12
PAT	22.65	31.08	36.64
EPS (₹)	42.74	58.64	69.12
EPS Gr. (%)	62.28	37.19	17.88
<b>Ratios</b>			
RoE (%)	15.6	17.1	17.01
RoCE (%)	21.9	17.4	19.6
<b>Valuation</b>			
P/E (x)	77.09	56.19	47.67

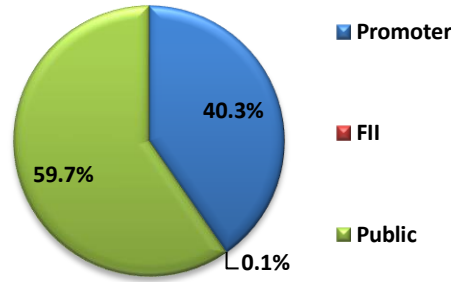
## Historical & Industrial Val Ratios

Historical P/E	77.23
Industry P/E	38.90
Historical P/B	10.56
Industry P/B	4.42



## SHAREHOLDING (Q2 FY25)

Share Holding Pattern:-



## QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

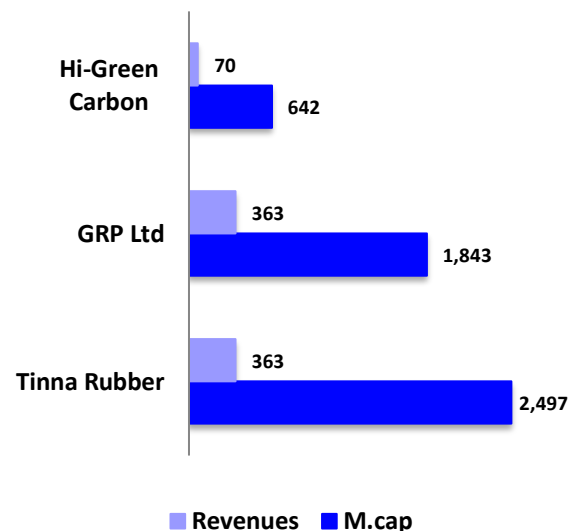
Y/E March	FY23		FY24				FY25			FY24	FY25E*
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3E*			
<b>Net sales</b>	<b>95.54</b>	<b>99.34</b>	<b>114.41</b>	<b>109.69</b>	<b>137.94</b>	<b>126.20</b>	<b>131.65</b>	<b>147.9</b>	<b>461.38</b>	<b>553.65</b>	
YoY change (%)	-14.11%	-19.98%	-2.24%	-4.02%	44.38%	27.04%	15.07%	12.34%	2.30%	20%	
<b>Total Expenditures</b>	<b>89.70</b>	<b>92.83</b>	<b>103.33</b>	<b>99.27</b>	<b>115.22</b>	<b>113.42</b>	<b>121.85</b>	<b>133.11</b>	<b>410.65</b>	<b>487.22</b>	
<b>EBITDA</b>	<b>5.84</b>	<b>6.51</b>	<b>11.08</b>	<b>10.42</b>	<b>22.72</b>	<b>12.78</b>	<b>9.80</b>	<b>14.79</b>	<b>50.73</b>	<b>66.44</b>	
Margins (%)	6.11%	6.55%	9.68%	9.50%	16.47%	10.13%	7.44%	10.5%	11%	12%	
Other income	1.16	0.52	0.43	0.48	-2.23	0.47	0.24	0.44	-1	1.60	
Interest	1.78	1.80	1.88	1.91	1.69	2.10	2.18	3.56	7	11.40	
Depreciation	2.93	2.76	2.98	3.28	3.44	3.83	3.97	3.7	12	15.20	
<b>PBT</b>	<b>2.29</b>	<b>2.47</b>	<b>6.65</b>	<b>5.71</b>	<b>15.36</b>	<b>7.32</b>	<b>3.89</b>	<b>7.97</b>	<b>30</b>	<b>41.44</b>	
Rate (%)	-20.09%	20.65%	29.32%	24.52%	23.96%	40.30%	35.48%	25%	25%	25%	
<b>Adjusted PAT</b>	<b>2.75</b>	<b>1.97</b>	<b>4.69</b>	<b>4.31</b>	<b>11.67</b>	<b>4.37</b>	<b>2.51</b>	<b>5.98</b>	<b>23</b>	<b>31.08</b>	
<b>EPS in Rs</b>	<b>5.19</b>	<b>3.72</b>	<b>8.85</b>	<b>8.13</b>	<b>22.02</b>	<b>8.25</b>	<b>4.71</b>	<b>11.28</b>	<b>42.72</b>	<b>58.64</b>	

Source: Company, Hem Securities Research.

## INDUSTRY OVERVIEW

- The Rubber Board, a statutory organization under the Ministry of Commerce and Industry, oversees the development of the rubber industry in India. In 2021, India's reclaimed rubber market was valued at USD 82.9 million and is projected to reach USD 181.9 million by 2028, with a compound annual growth rate (CAGR) of 11.9% during this period.
- India stands as the third-largest producer and fourth-largest consumer of natural rubber globally.
- The Indian tire and rubber recycling industry has the potential to grow to INR 350 billion in the next five to ten years.
- In 2022, India exported \$105 million worth of reclaimed rubber, positioning it as the world's leading exporter in this category.

## KEY PLAYERS in Rubber Products Segment



## PEER PERFORMANCE

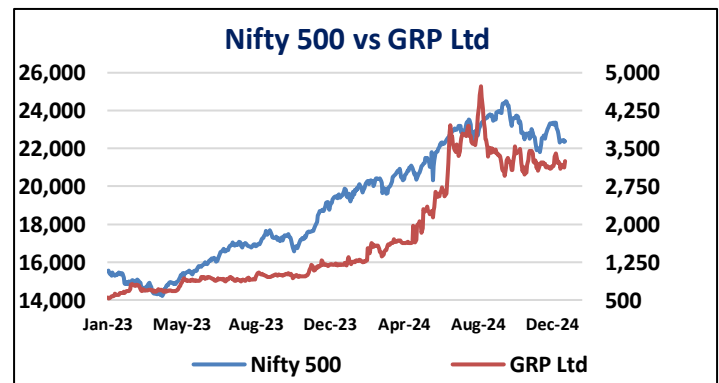
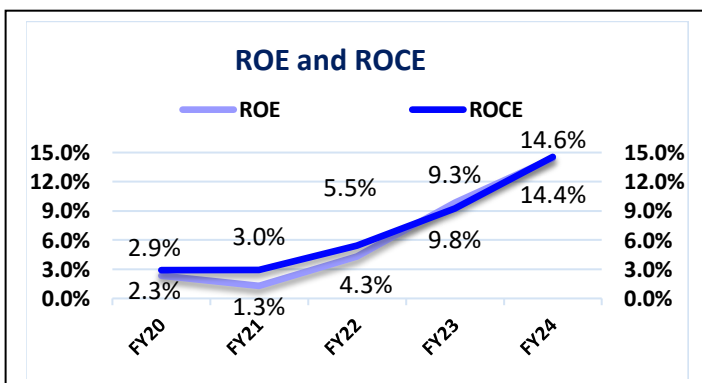
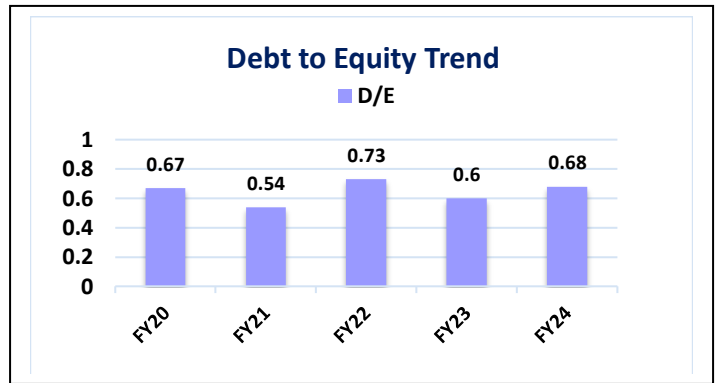
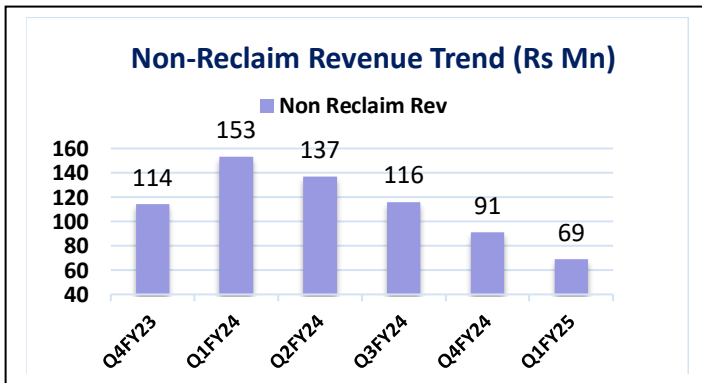
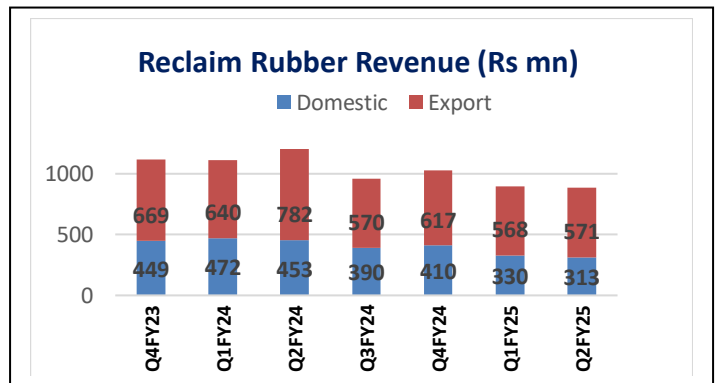
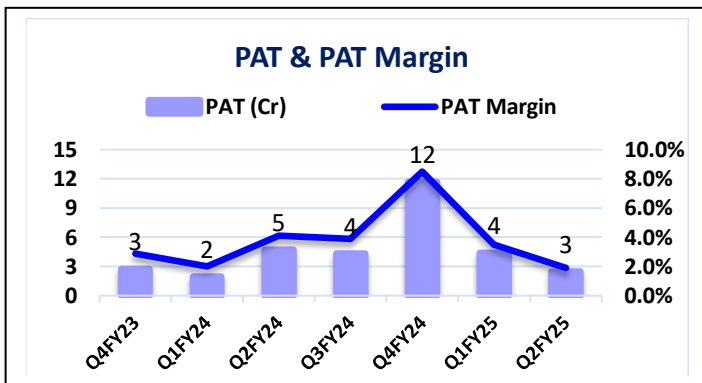
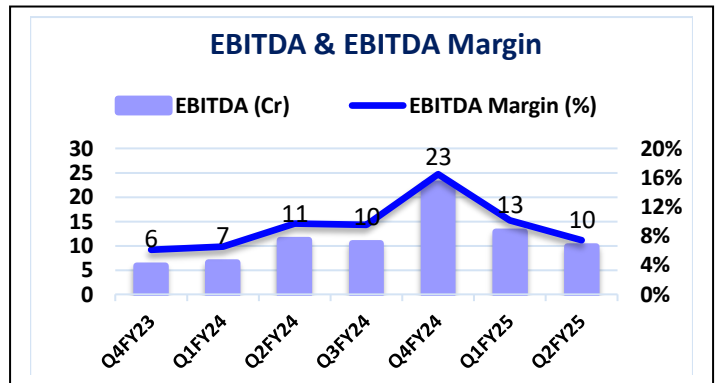
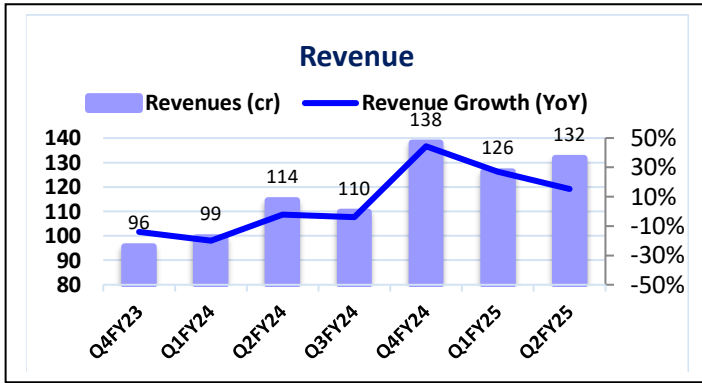
(₹ Cr)

Particulars	GRP Ltd	Hi-Green Carbon Ltd	Tinna Rubber & Infra Ltd
Market Cap	1,843	642	2,497
Net Sales	461.4	70.2	363.0
EBITDA	46.1	17.9	63.2
PAT	22.6	10.3	40.3
EPS(₹)	42.4	4.1	23.5
EBITDA MARGIN %	10.6	26.0	17.8
PAT MARGIN %	4.6	14.6	11.1
ROCE %	14.5	22.1	32.8
ROE %	14.4	20.6	36.0
P/E TTM	77.2	61.8	44.1
P/B TTM	10.6	8.25	15.5
EV/EBITDA	34.3	38.9	29.5
Dividend Yield %	0.3	0	0.4
MCap/ Sales TTM	3.5	9.0	5.2

Source: Company, Hem Securities Research.



**STORY IN CHARTS**





## INVESTMENT RATIONALE:

- Company is a leading player in the recycled rubber segment in India, with a strong reputation for sustainability and innovation. The company serves international markets, enhancing its revenue streams and hedging against domestic market fluctuations.
- GRP manufactures a wide range of products, including reclaimed rubber, engineered plastics, and rubber composites, catering to various industrial applications.
- Continuous investments in research and development help the company stay competitive by introducing high-value, innovative products.
- With a robust industry outlook and increasing demand for sustainable products, GRP is well-positioned for long-term growth.
- GRP mitigates this by leveraging its strong supplier network and operational efficiencies. GRP's technological edge and market position provide a strong moat.

## RISK / NEGATIVE FACTORS:

- Company relies on scrap rubber as a primary raw material. Fluctuations in its availability or price can impact production costs and profitability.
- The performance of GRP is closely linked to sectors like automotive and construction, which are cyclical and sensitive to economic downturns.
- Import/export restrictions or logistical challenges can affect raw material procurement.
- GRP operates in a highly competitive industry with established players like Apcotex, Elgi Rubber, and Indag Rubber. This can lead to pricing pressures and market share erosion.

## COMPANY RECAP

- GRP Ltd. is one of the pioneers in India's recycled rubber industry. The company specializes in producing reclaimed rubber and rubber composite materials from end-of-life tires and post-industrial rubber waste.
- GRP exports its products to over 60 countries across North America, Europe, the Middle East, and Asia. International markets contribute significantly to its revenue, emphasizing its strong export-oriented business model.
- The company's processes help conserve natural resources by substituting virgin rubber with reclaimed materials, thereby lowering carbon emissions and energy consumption.
- Company operates multiple state-of-the-art manufacturing facilities across India with a focus on operational efficiency, quality, and environmental sustainability.
- Company is led by a team of experienced professionals with expertise in the rubber and recycling industries.

## ANNUAL PERFORMANCE

### Financials & Valuations

#### Income Statement

	(₹ Cr)						
Y/E March	2020	2021	2022	2023	2024	2025E	2026E
<b>Revenue from operations</b>	<b>348.70</b>	<b>279.77</b>	<b>388.42</b>	<b>451.00</b>	<b>461.38</b>	<b>553.65</b>	<b>692.07</b>
Growth YoY (%)	-2.43%	-19.77%	38.84%	16.11%	2.30%	20%	25%
<b>Total Expenditure</b>	<b>329.76</b>	<b>262.85</b>	<b>365.22</b>	<b>426.21</b>	<b>410.65</b>	<b>487.22</b>	<b>609.02</b>
(%) of sales	94.57%	93.95%	94.03%	94.50%	89.00%	88.00%	88.00%
<b>EBITDA</b>	<b>18.94</b>	<b>16.92</b>	<b>23.20</b>	<b>24.79</b>	<b>50.73</b>	<b>66.44</b>	<b>83.05</b>
EBITDA Growth (%)	-24.30%	-10.64%	37.11%	6.84%	104.63%	30.97%	25.00%
EBITDA Margin (%)	5.43%	6.05%	5.97%	5.50%	11.00%	12%	12%
Depreciation	13.64	12.65	12.39	12.50	12.46	15.20	18.80
<b>EBIT</b>	<b>5.29</b>	<b>4.27</b>	<b>10.81</b>	<b>12.29</b>	<b>38.27</b>	<b>51.24</b>	<b>64.25</b>
EBIT Growth (%)	-50.37%	-19.27%	153.06%	13.65%	211.38%	33.89%	25.39%
Net Interest Expenses	8.18	5.39	4.51	6.49	7.28	11.40	17.00
Other Income	0.63	1.87	1.15	9.51	1.60	1.60	1.60
<b>Earnings before Taxes</b>	<b>-2.26</b>	<b>0.75</b>	<b>7.45</b>	<b>15.31</b>	<b>30.20</b>	<b>41.44</b>	<b>48.85</b>
EBT Margin (%)	-0.65%	0.27%	1.92%	3.39%	6.55%	7.48%	7.06%
Tax-Total	-5.22	-0.93	1.68	1.35	7.54	10.36	12.21
Rate of tax (%)	231.64%	-126.93	22.58	8.86	25.00	25.00	25.00
<b>Net Profit</b>	<b>2.96</b>	<b>1.69</b>	<b>5.77</b>	<b>13.96</b>	<b>22.65</b>	<b>31.08</b>	<b>36.64</b>
PAT Growth (%)	-44.29	-43.07%	242.01%	141.98%	62.28%	37.19%	17.88%
PAT Margin (%)	0.85%	0.60%	1.49%	3.10%	4.91%	5.61%	5.29%
Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Adjusted PAT</b>	<b>2.96</b>	<b>1.69</b>	<b>5.77</b>	<b>13.96</b>	<b>22.65</b>	<b>31.08</b>	<b>36.64</b>
<b>EPS</b>	<b>5.59</b>	<b>3.18</b>	<b>10.89</b>	<b>26.34</b>	<b>42.74</b>	<b>58.64</b>	<b>69.12</b>
EPS Growth (%)	-44.29%	-43.07%	242.01%	141.98%	62.28%	37.19%	17.88%

#### Balance Sheet

Y/E March	2020	2021	2022	2023	2024
Equity Capital	1	1	1	1	1
Reserves	126	130	135	146	165
Borrowings	86	72	101	89	113
Other Liabilities	56	44	59	50	63
<b>Total Liabilities &amp; Equity</b>	<b>269</b>	<b>248</b>	<b>296</b>	<b>287</b>	<b>342</b>
Fixed Assets	122	110	122	103	160
CWIP	2	2	0	11	1
Investments	1	0	15	16	2
Other Assets	144	135	158	156	180
<b>Total Assets</b>	<b>269</b>	<b>248</b>	<b>296</b>	<b>287</b>	<b>342</b>

Source: Company, Hem Securities Research.



## Ratios

Y/E March (Basic (INR))	2020	2021	2022	2023	2024
<b>Profitability and return ratios</b>					
Net profit margin (%)	0.81	0.56	1.40	2.91	4.58
EBITDA margin (%)	5.33	6.32	5.91	7.15	10.58
EBIT margin (%)	1.61	2.06	2.90	4.54	7.58
ROE (%)	2.31	1.29	4.30	9.84	14.41
ROCE (%)	2.91	2.95	5.45	9.25	14.55
<b>Working Capital &amp; liquidity ratios</b>					
Payables (Days)	48.38	52.86	41.03	35.42	34.57
Inventory (Days)	40.54	55.30	42.92	38.00	35.27
Receivables (Days)	65.07	79.22	66.44	59.60	65.23
Current Ratio (x)	1.25	1.58	1.49	1.59	1.25
<b>Valuations Ratios</b>					
EV/sales (x)	0.46	0.58	0.73	0.96	2.12
EV/EBITDA (x)	8.19	8.68	11.70	12.56	18.70
P/E (x)	28.08	63.43	32.24	24.62	38.26
P/BV (x)	0.66	0.80	1.36	2.33	5.19
Dividend Yield (%)	0.88	0.31	0.65	0.66	0.58
Return on Assets (%)	1.14	0.65	2.11	4.73	7.09
<b>Leverage Ratio</b>					
Debt/Equity (x)	0.67	0.54	0.73	0.60	0.68

## Cash Flow Statement

Y/E March	2020	2021	2022	2023	2024
<b>CF from Operating activities (A)</b>	<b>7</b>	<b>25</b>	<b>2</b>	<b>25</b>	<b>27</b>
<b>CF from Investing Activities (B)</b>	<b>-11</b>	<b>1</b>	<b>-38</b>	<b>-5</b>	<b>-42</b>
<b>CF from Financing Activities (C)</b>	<b>8</b>	<b>-20</b>	<b>23</b>	<b>-19</b>	<b>15</b>
Net Cash Flow	4	5	-13	0	0
Add: Opening Bal.	4	8	14	0	1
<b>Closing Balance</b>	<b>8</b>	<b>14</b>	<b>0</b>	<b>1</b>	<b>0</b>

Source: Company, Hem Securities Research.



## RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

## RECOMMENDATION SUMMARY

DATE	RATING	TARGET
02 Jan 2025	Buy	3,954

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Name of the Research Analyst: Mohit Arora

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1.	Research Analyst or his/her relative's or HSL's financial interest in the subject company(ies)	No
2.	Research Analyst or his/her relative or HSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3.	Research Analyst or his/her relative or HSL has any other material conflict of interest at the time of publication of the Research Report	No
4.	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5.	HSL has received any compensation from the subject company in the past twelve months	No
6.	HSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7.	HSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8.	HSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9.	HSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10.	Research Analyst or HSL has been engaged in market making activity for the subject company(ies)	No

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