

## Gravita India (GRAV) - ADD

### Company Update

Current Market Price (CMP)

**Rs. 2451**

Target Price

**Rs.2800**

### Rationale:

- Penalties on battery OEMs for missing recycling obligations: Boost to recycling.
- RCM (reverse charge mechanism) on metal scrap: Boost to formalization.
- Share of unorganized market to shrink significantly in coming years.
- We expect earnings per share (EPS) to grow by 31.8% in FY25E & 35.8% in FY26E.
- Stock is currently trading at valuation of 39.5x P/E FY26E EPS.
- We increase earnings and Fair Value to Rs2,800 (from Rs1,650).

### Company Update:

#### **Positives:**

- GRAV's pan-India presence provides sourcing benefits and fungibility.
- Scrap imports declined over FY16-22 led by improving domestic availability.
- GRAV has a pan-India network across 22 states.
- We expect lead volumes to ramp up over FY24-26E led by higher domestic scrap availability

#### **Negatives:**

- We expect declined in EBITDA margin going ahead.

[Click here](#) For detailed report dated 16 Sept 2024. Note: CMP & valuation may differ due to difference in dates.



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