"Gravita India Limited 3QFY26 Post Result's Conference Call"

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MODERATOR: **MANISH MAHAWAR – ANTIQUE STOCK BROKING LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to 3Q & 9M FY 2026 Post-Results Conference Call of Gravita India Limited hosted by Antique Stock Broking Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*", then "0" on your touch tone phone.

I now hand the conference over to Mr. Manish Mahawar from Antique Stock Broking. Thank you and over to you, sir.

Manish Mahawar: Thank you, moderator. On behalf of Antique Stock Broking, I would like to welcome all the participants on the 3QFY26 Earnings Call of Gravita India.

We have with us leadership team, represented by Mr. Yogesh Malhotra – Whole-Time Director and CEO; Mr. Sunil Kansal – Whole-Time Director and CFO; Mr. Naveen Sharma – Executive Director; and Mr. Anant Jain – Investor Relations on the call.

Without any delay, I would like to hand over the call to Mr. Malhotra for opening remarks, post which we will open the floor for Q&A. Thank you, and over to you, Yogesh ji.

Yogesh Malhotra: Thank you, Mr. Manish. Good afternoon, everyone, and welcome to our Q3 and Nine Months FY 2026 Earnings Call. I hope you have had an opportunity to review the Earnings Presentation and Financial Results uploaded on the Stock Exchanges.

I am pleased to share that Gravita delivered a consistent performance in Q3 and nine months FY 2026, reflecting steady progress across operational and financial parameters in all major business verticals. In nine month FY 2026, the company delivered year-on-year growth of 9%, 15% and 32% in revenue, EBITDA and PAT.

Before delving into the results, I would like to take a moment to highlight our ongoing expansion plans and strategic updates:

There have been some delays in our capacity expansion plans, although broadly we are progressing as planned with installed capacity now at about 3.40 lakh metric tonnes per annum. We expect to cover it up in the upcoming quarters to meet our medium-term target of scaling this up to over 7 lakh metric tonnes per annum by FY 2028, in line with our focus on building a larger and more diversified recycling platform.

On the investment side:

We have earmarked a total CAPEX of Rs. 1,225 crores through FY 2028. Of this, around Rs. 850 crores is being deployed towards strengthening and expanding our existing businesses, while the balance will support entry into new recycling verticals like lithium-ion batteries, paper and steel.

During the first nine months of 2026, we have already incurred CAPEX of about Rs. 1,255 crores. At Mundra, lead capacity expansion of 80,000 metric tonnes per annum is targeted for completion by Q4 FY 2026. At Jaipur, lead capacity expansion up to 45,000 metric tonnes per annum is targeted for completion by Q4 FY 2026. The Mundra rubber project is slated for commissioning in Q1 FY 2027, with revenues expected to begin flowing from Q2 FY 2027, aided by stabilization of the Romania operations as well.

Gravita Netherlands BV, our step-down subsidiary, has approved an additional investment in Gravita Europe S.R.L through the acquisition of 3.5 lakh shares, representing a 15% stake. Post this transaction, GNBV's shareholding in Gravita Europe S.R.L will increase from 80% to 95%, further strengthening our presence in the European market.

On the operational front:

The regulatory environment remains favorable for organized recyclers. Stronger enforcement of the BWMR and EPR frameworks has enhanced accountability across producers, recyclers, and collection agencies, leading to more efficient collection channels, reduced leakages to the unorganized sector, and improved traceability. These measures have materially increased domestic scrap availability, driving higher local sourcing.

In terms of volumes:

Q3 FY 2026 saw a modest sequential improvement overall. The lead segment reported steady growth on both Y-on-Y and Q-on-Q basis. The plastic segment recorded a strong rebound, with volumes rising 55% Q-on-Q to 3,160 metric tonnes. In contrast, aluminum volumes declined on both a year-on-year basis and quarter-on-quarter basis. The decline in aluminum volumes during the quarter was primarily driven by higher metal prices in the market.

In such periods, scrap aggregators typically withhold material in anticipation of further price increases, which temporarily tightens scrap availability. This led to lower procurement and consequentially reduced processing volumes during the quarter. As prices stabilize and scrap flow normalizes, procurement is expected to improve, supporting a recovery in aluminum volumes in the coming quarters. Lead, aluminum and plastic EBITDA per metric tonnes stood at Rs. 23,000, Rs. 14,215 and Rs. 10,462 respectively.

In Q3 FY 2025 - 2026, revenue remained flat on both year-on-year and quarter-on-quarter basis at Rs. 1,017 crores. Adjusted EBITDA stood at Rs. 116 crores, up 13% year-on-year and 4% quarter-on-quarter. With margins remaining strong at 11.41% plus, supported by operating efficiencies and mix improvements, PAT increased by 32% year-on-year to Rs. 97.67 crores, with PAT margins remaining healthy at 9.60%.

Gravita is progressing steadily towards Vision 2029, backed by a clear roadmap to scale its core business, while expanding into new recycling segments such as lithium-ion, rubber, steel and paper. The company is targeting strong growth metrics, including a volume CAGR of over 25%, profitability growth above 35% and ROIC exceeding 25%, alongside increasing the non-lead segment's contribution to 30% of revenue, raising renewable energy usage to 30% and reducing energy intensity by over 10%.

With more than three decades of experience, 13 environmentally responsible facilities and presence in over 70 countries, Gravita is well-placed for sustainable long-term value creation, supported by disciplined CAPEX, capacity expansion, operational efficiency, and strong governance.

That is all from my end. I would now request to open the floor for questions-and-answers. Thank you and over to you, moderator.

Moderator: Thank you so much, sir. Ladies and gentlemen, we will begin with the question-and-answer session. Our first question comes from the line of Amit Lahoti from Emkay Global Financial Services Limited. Please go ahead.

Amit Lahoti: Thanks for the opportunity. My first question is on capacity expansion projects like you highlighted there was a delay. So, what were the bottlenecks in the last two months to three months which led to this delay?

Yogesh Malhotra: Sir, we already have the installed capacity there, but there is some delays from the government authorities in giving the license to operate. Because of various reasons in Gujarat, because of this vibrant Gujarat into place, some of the government officials are not regularly attending the offices right now. So, we are expecting this to probably happen in either month end of January or maximum in Feb itself. So, in this quarter, we are expecting both the Phagi as well as Mundra plant to get the license to operate.

Amit Lahoti: Okay. So, is there a change in government's stance on recycling and hence there is no sense of urgency around the approvals? Because even for other regulations like reverse charge mechanism, we have been waiting for quite some time, but government support has not been coming so far. And then there is a delay in approval. So, is there a trend or this is just like one-off kind of a delay that we are looking at?

Yogesh Malhotra: It is a one-off kind delay because these consent to operate are given by state governments and not the central government. And I mean it is not that they have told us not, because we already have CTE, which is the Consent to Establish. So, that we have already got. So, generally, after that, they just inspect your site to see whether it is in line with the approval they have given. And once they are sure, they will give you the consent to operate. So, it is merely a formality, but because of this vibrant Gujarat theme, they are not regularly attending the office. So, that is why the delay is there. But we are very confident that it will happen now in this quarter itself.

Amit Lahoti: Okay, got it. My second question is that our margins have been holding up pretty well and above our guidance consistently, but still our guidance remains where it is like Rs. 19 to Rs. 20 per kg but we have been reporting Rs. 23 per kg. So, at what point do we leave this restraint and holding the guidance because our peer group is already talking about margin upgrades for quite some time?

Yogesh Malhotra: Sir, I think the margin would remain at around Rs. 19 to Rs. 20, as we mentioned earlier that, we sacrifice some revenues to ensure that these margins are intact. So, that is why because there are arbitrage opportunities so we shift some material from our African plants into India taking advantage of those benefits.

So, fortunately for us for the last whole year that has been the case so there has been some arbitrage opportunities which we have been able to benefit from. But consistently getting more than Rs. 19 to Rs. 20 margin we will have to probably wait for maybe six more months to see whether we can sustain these kind of margins or not.

Amit Lahoti: Okay, got it. And lastly a housekeeping question, what was our domestic versus overseas mix in Q3?

Yogesh Malhotra: Sir, domestic because as we mentioned that there were some arbitrage opportunities and also, we were having a lot of stock in place because the capacity expansion is taking place so we wanted to stock up on the raw material. So, we have reduced some local purchases. So, overall in the quarter, how much was the --

Sunil Kansal: So, quarter it was 25% from domestic and 75% was imported. But overall, we should be back to the normal one which is around 45% from domestic and 55% from the imported one. So, once we have the capacity live.

Amit Lahoti: Sure, okay. Thank you so much.

Moderator: Thank you so much. Our next question comes from the line of Nilabja Dey from Asmo Research. Please go ahead.

Nilabja Dey: Sir, thanks for the session, sir. One question is that, going as per your opening remarks, whatever you mentioned, since the top-line growth is not expected to pick up before FY 2028, is my understanding correct? Because the metal is already boiled currently and people are expecting it is also moving up. And you are telling that procurement of the raw materials is a challenge because the suppliers are holding it. And then your capacity expansion also gets delayed. So, would you interpret these two issues?

Yogesh Malhotra: Yes. So, in terms of capacity expansion, as I mentioned that we are very confident of getting the expansion in line in the next few quarters. So, the Indian capacity expansion is going to be there in Q4 itself. As far as the vendors holding up scrap is concerned, generally it is a short-term thing because their holding capacity is also not that huge.

But generally, when there is an increase in prices, they generally tend to hold some of their inventories. But the moment the prices stabilize, they will start releasing those inventories. So, I do not think that it is going to be -- and even if the prices increase from here onwards, because their capacity is limited, they will not be able to hold more than that. So, it has already started coming to us. And we believe that we will be back to the normal numbers in the coming quarters.

Nilabja Dey: Okay. And see, another thing, if I take the raw material prices are elevated, then your margins will get hit or you are taking a cost-plus approach so that you do not think that will be an issue?

Yogesh Malhotra: No, not at all. Because we buy scrap at a discount over the LME prices. When the prices increase, also the absolute price of the scrap increases, but the percentage of the scrap remains the same. So, the margin between the selling price and the buying price remains intact, more or less.

Nilabja Dey: Okay. Thank you. Thanks a lot.

Moderator: Thank you. Our next question comes from the line of Amit Dixit from GS. Please go ahead.

Amit Dixit: Yes. Good afternoon, everyone, and thanks for the opportunity. A couple of questions from my side. One is more of a macro question on the adoption of EPR and BWMR. What is the progress of the trading of aluminum alloy on MCX? So, if you can briefly highlight these, because these are some of the tailwinds that will drive over performance. That is my first question.

Yogesh Malhotra: Okay. So, on the part of EPR and battery waste management rules, this has already been reviewed and yesterday NITI Aayog has recommended a few recommendations strengthening the EPR process, strengthening the portal and linking of all data from GSTN portal and there are further collection rules are also being framed.

So, we are hopeful that by April 1st, 2026 these rules will be amended or modified and SOP will be created for collection site in battery-based management rule and also audit rules are also being formed for EPR. And when it comes to MCX on aluminum, so this is also under consideration with MCX and I am hopeful in FY 2026 it should come by Q1 of FY 2026 - 2027.

Amit Dixit: Sir, just wanted to understand the constraints behind that because we have been expecting this for over a year and there has been a very limited progress around particularly the trading of aluminum on MCX, so just wanted to understand where the bottleneck lies or is it something regulatory or something that is being discussed with the government or there is some data that they are looking at, just wanted to understand the key constraint.

Yogesh Malhotra: Yes. Constraints are over, the key constraint was that it has to get passed through under Security Contract Regulation Act, so that took almost 1.5 year, and it came from Ministry of Finance and Ministry of Mines and BIS.

Now the second part was creating a contract that also has been formed by MCX. Now it is a call of MCX, their business call, because they will be the one who will be the beneficiary as a platform, exchange platform. So, there was certain gap because there was change of their highest authority, CEO change was there somewhere in November and it has already been discussed in their meeting. And frankly speaking the call has to be taken by MCX, regulation is over and that is their business call and they also created specification committee also, but anytime they should do it.

Amit Dixit: Okay, sir. The second question is more of a book keeping question if you can mention the revenue and profit from oversees I mean percentage terms?

Yogesh Malhotra: I mean it is not right to understand about profitability from overseas and you cannot differentiate the overall profitability, as we mentioned earlier also, that there were areas when we import those materials that we process overseas into India for further processing because Indian market is better. So, the profitability would keep on changing. But just for your knowledge around 72% of the profits, revenue came from India and 28% of the profit or the revenue came from overseas. So, as per profits also 76% was from India and 24% was from overseas.

Amit Dixit: Great, sir. Thank you so much and all the best.

Yogesh Malhotra: Thank you.

Moderator: Thank you. Our next question comes from the line of Sucrit Patil from Eyesight Fintrade Private Limited. Please go ahead.

Sucrit Patil: Good afternoon, team. As Gravita scales in recycling operations across lead, aluminum and plastics, how do you see capacity utilization and product mix evolving over the next one to two quarters? Specifically, what technical levers such as process automation, backward integration or efficient improvements are you using to enhance the process and maintain global competitiveness, while maintaining ESG commitment? That is my first question. I will ask my second question after this. Thank you.

Yogesh Malhotra: Yes. So, if you look at our best capacity utilization, in India more than 90% capacity utilization is there. So, incidentally we also have our own project division which works with the operational division to keep on reinventing things on how processing is being done, how to bring in automation, how to improve technology and that is why in terms of our operational cost and yield we are better than the competitors across the globe. And not only do we use our own plant and machinery, we also supply turnkey solutions to people doing lead and aluminum recycling across the globe. So, that gives us an edge as compared to all other competitors. And what was your other question, sir?

Sucrit Patil: My other question is to Mr. Sunil. With margins supported by steady cash flow, how are you planning to sustain profitability while funding expansion into new recycling verticals? From a technical standpoint, what is your framework for managing working capital cycles, hedging raw material price volatility and optimizing capital allocation to ensure ROE stays steady over the medium term? Thank you.

Yogesh Malhotra: Sir, I can answer your question, because it has been the policy of the group that whatever new verticals we would go into or whatever ground field expansions also we do should meet one of the criteria and that is the return on investment of around 25% from all our new ventures. So, that is intact and that is why whatever products we choose whether it is currently lead, aluminum, plastic or going forward we are planning to go into steel, paper, lithium-ion. We would ensure that it meets the criteria of 25% ROCE.

So, that remains the core of the business strategy that we have. But overall on the funding side we plan to spend approximately Rs. 1,200 crores in the next two years to three years for CAPEX and approximately Rs. 1,500 crores will be needed for working capital. So, we have something in liquidity which we generated through QIP in last year and remaining is to be funded from the internal accruals which we generate as cash flow in next two years to three years.

And additionally, we may take some debt to a limited extent where we plan to raise some debt up to within some limits. So, we are fully competent of taking this growth, fully funded from internal accruals and liquidity we have.

Moderator: Thank you. Our next question comes from the line of Aniket Madhwani from Steptrade Capital please go ahead.

Aniket Madhwani: So, hi. I just want to know the volume generated this quarter I mean in lead, aluminum and plastic as you mentioned, there is a decline in volume in aluminum. So, could you just clarify on the numbers?

Yogesh Malhotra: Numbers, can you show?

Sunil Kansal: So, the lead total quantity that we sold in lead is around 46,269 tonnes. We sold around 3,500 tonnes of aluminum, 3,550 tonnes and 3,160 tonnes of plastic scrap. So, total overall numbers are 52,982 tonnes.

Aniket Madhwani: Okay. And so have we recognized any revenue from rubber or lithium-ion segment I mean --

Yogesh Malhotra: Lithium-ion is not functional right now. It will probably come in this quarter. The consent to operate for lithium-ion is also expected to come in the next couple of days probably, it is in process. Whereas rubber definitely currently we are just using it for in-house consumption only, so there has been no revenue coming from rubber. It is a very significant revenue which is coming from our Romania facility, which is just started in this quarter itself, which is almost Rs. 3.5 crores in this quarter itself. But going forward, we have plans to scale up this Romania facility also in rubber.

Aniket Madhwani: Okay, got it. And so you previously mentioned that you are targeting to achieve a 25% CAGR and volume done so that should be reflected in your top line as well, right? As approximately 90% of your revenue comes from the lead segment. So, here I can see in the last three quarters, you have achieved around Rs. 3,000-odd crores, so what are you expecting to close in Q4?

Yogesh Malhotra: Sir, there are two things here, I mean, although when we talk about volumes, we generally talk about the production volumes, because as I mentioned earlier that some of the material that we produce in our Africa plants, when there is arbitrage opportunity, we move that material into India and process it again here, so it gets eliminated when we talk about the overall revenue growth in terms of volume.

But if you consider that, then we have grown at around 8% to 9% overall, if you do not eliminate that part. In Q4, as I mentioned that we are expecting some expansions to take place, capacity expansion to take place, because of that, we would see some volume increase coming in the Q4.

Moderator: Thank you. Our next question comes from the line of Kunal Devendra Kothari from Nuvama Wealth Management. Please go ahead.

Kunal Devendra Kothari: Yes, thank you for the opportunity. So, my first question is that we are adding up around 125 KT of lead in quarter four FY 2026. So, by when you think we can optimize fully, does it take a quarter or two, or we can ramp up it fully? This is my first question.

Yogesh Malhotra: In H1 next year, we will be able to ramp up it. Some of the volumes will start coming from Q4 itself, but major incremental volume will start coming from Q1 and Q2 of next financial year.

Kunal Devendra Kothari: So, by Q2, will we be able to fully ramp up?

Yogesh Malhotra: Absolutely, sir.

Kunal Devendra Kothari: Okay, sir. So, second question is on CAPEX. So, we did around Rs. 125 crores CAPEX in first nine months, but trend what we are seeing is declining from around Rs. 650 million in quarter one, Rs. 400 million in quarter two and now Rs. 200 million in quarter three. So, what is the specific reason for the declining trend?

And secondly, you had target of around Rs. 200 crores of CAPEX for the entire FY 2026. So, how much you think that it is achievable? And adding to that by FY 2028 as you mentioned the total CAPEX will be higher of Rs. 1,200 crores, so with this declining trend how you see that you will be able to catch up and achieve this target?

Naveen Prakash Sharma: I could not hear your first question properly, but to answer your second question we have already done a CAPEX of around Rs. 125 crores till now. And we are expecting it to cross Rs. 200 crores by Q4. So, we will meet the target that we set for FY 2026 for capacity expansion.

Kunal Devendra Kothari: Okay. Just --

Naveen Prakash Sharma: And the second thing is that you should also look at the total capacity rather than the CAPEX done because in some of the cases we have done capacity expansion in brown field projects rather than green field projects. So, the oil CAPEX required to do that has been lower than what we had envisaged earlier, so that is probably the reason why the CAPEX is lower, but the capacities would be in line with what we have told that would happen by FY 2028.

Kunal Devendra Kothari: Sir, any specific reason that bulk of the CAPEX is coming in quarter four?

Naveen Prakash Sharma: Sir, some of these CAPEX are supposed to come in Q2 also, but as I mentioned, there have been some delays from our side in terms of setting the plant up and then there have been some delays for getting those approvals also. Otherwise, some of these CAPEX was expected in the Q2 and Q3 also, but there have been some delays we admit that.

Kunal Devendra Kothari: Okay. Thank you, sir. All the best.

Moderator: Thank you. Our next question comes from the line of Sagar Shah from Spark PWM. Please go ahead.

Sagar Shah: Yes. Thank you so much for the opportunity and congratulations, sir, for better than expected margins actually. Now my first question was related to actually our CAPEX you highlighted we incurred around Rs. 125 crores in CAPEX. So, just wanted to clarify one thing, the 30,000 tonnes additional capacity in lead, which you highlighted in Q2, has it been fully commissioned in this quarter? And another one, 45,000 tonnes of lead which was going to come up in Q4, so is it on track? My first question is this on the CAPEX front, then I will highlight my second question.

Yogesh Malhotra: So, to answer your question, one plant in Jaipur, we are expecting a capacity increase of 45,000 tonnes by Q4 of this year. And in Mundra, we are expecting 80,000 tonnes capacity in Q4, further increase of 80,000.

Kunal Devendra Kothari: So, in all in this Q3, another 30,000 tonnes has already been commissioned in the Phase 1 lead expansion.

Yogesh Malhotra: So, Q4 125,000 tonnes of lead capacity expansion would be expected, not in Q3, Q4.

Kunal Devendra Kothari: Okay, so basically by Q4, 125,000 tonnes will be commissioned by Q4 FY 2026, that you are highlighting, right?

Yogesh Malhotra: Yes.

Kunal Devendra Kothari: Okay. And in our plastics and aluminum, there is also some sort of capacity expansion also. So, is it safe to assume that the capacity expansion will be done in these two segments also or only lead you are planning to expand?

Yogesh Malhotra: Not in this year, but next year definitely there are some capacity expansion. In aluminum, the capacity expansion, we are holding up because we want to get MCX approval first. So, as Naveen ji mentioned that we are expecting it by Q1 of next year and then we will start starting expansion in aluminum capacities. But plastic capacities will start happening in next year also.

Naveen Prakash Sharma: And in addition to this, we are also getting capacity in India in next year. And lithium oil also is expected in Q4. So, all these capacities would come in next year.

Kunal Devendra Kothari: Okay. My second question was related to the plastic segment. Plastic segment, we are running at low capacity utilization, but our margins have come very friendly actually. So, the capacity utilization hovered at around 40% if we compare these nine months actually. So, going forward, I wanted some color on the plastics demand and on the kind of products that we are dealing in this segment. And what is the outlook going ahead as well in this segment?

Yogesh Malhotra: As I mentioned that plastic growth will all depend on how the industry would take to secondary plastics going forward because most of the industry is not using secondary plastic for their primary packaging. They are using it for secondary or tertiary packaging. But primary packaging has yet not started in most of the cases.

So, we are targeting that segment because that is more profitable compared to other segments and it is a slow process in the sense that you have to develop that product, you have to start testing those products, start using those products for years before you go ahead to start using that product on a regular basis.

So, it is a slow process. But we are very confident we are making inroads into this, we are developing new products for new customers and. And we are very hopeful that although the direction is right but the moment it will start happening it will just take off. But currently you can expect a slow growth of around 8% - 10% for the next couple of quarters and then probably we can see an increase further.

Kunal Devendra Kothari: So, can you highlight what are the products that you are planning to make in plastic, is that PP granules or what kind of products?

Yogesh Malhotra: We are making PP granules, but that is specific to the customers' requirement of their packaging requirements. So, for example, Asian Paints require recycled plastic for their buckets or battery manufacturers require PP granules for their battery boxes and so on and so forth. So, all the brand owners require different kinds of products and it is a little difficult to develop those products from secondary plastic. But we are working on with some of these OEMs and developing products for them.

Kunal Devendra Kothari: Okay, fine sir. Thank you so much and I will come back in the queue. Thank you so much and all the best.

Moderator: Thank you. Next question comes from the line of Vinayak Kariwal from Xponent Tribe. Please go ahead.

Vinayak Kariwal: Hi sir, thank you for the opportunity. Sir, my question was on the lead volumes growth. So, what we are selling in the export market, we are mostly selling to South Korea, UAE. But according to some reports, the lead volumes demand in these countries are saturated. And thus, many of our peers are starting to sell a big chunk of their lead volumes to Singapore and these traders sitting there.

So, why are we not selling our volumes to these traders sitting in Singapore and do you see any benefit to selling your volumes in Singapore because of the demand saturation in these countries?

Yogesh Malhotra: Sir, currently our volumes are so low that even if there is a decreasing demand, we will be able to sell all the material that we produce or manufacture to the OEMs directly in Southeast Asia. Generally, in Singapore, you sell it to traders and not directly to OEMs, which does not give you the higher margins that we get. And our target is to keep selling 70% to the OEMs and 30% to the traders.

Currently, we have long-term tie-ups with major OEMs also and some of the biggest traders also, whether it is Trafigura, Glencore, Thyssen. We work with almost all the traders and we work with almost all the major OEMs within India also and outside India also. And whatever products we are making, we are just trying to sell it at the highest price. So, if there is any pressure from those OEMs, then we may think of shifting it to other geographies.

But till the time we are getting enough orders from them, which can fulfill all our production, then we do not need to go to these other markets. We want to maximize the profits by selling it to the highest bidder, basically.

Vinayak Kariwal: So, you are not seeing any demand saturation from these OEMs currently and comfortably you could maybe push in the incremental volume from your capacity to these OEMs?

Yogesh Malhotra: Sir, and then I mean we also have applied to LME, and we probably would get our LME license also in Q4. We are expecting the license in Q4 itself. So, once that license is there, then we can sell any amount on the exchanges also. Currently, we are selling it at MCX and in future, we would have LME exchanges also as our market. But that said, it gives you lesser volumes, I mean, lesser realization than sell to exchanges rather than sell directly to the OEMs.

So, we prefer to sell it to the OEMs. And if there is any pressure in the future, then LME exchanges are there for you to sell to.

Vinayak Kariwal: Mostly, currently you are not selling.

Yogesh Malhotra: No. In the near future, we do not see any pressure at all. Whatever we are producing, there is enough market available both in India as well as overseas, which can take our products.

Vinayak Kariwal: Thank you.

Moderator: Thank you. Our next question comes from the line of Amay Sharda from Purnartha Investment Advisors. Please go ahead.

Amay Sharda: Hi, sir. Thank you for the opportunity. I just had one or two questions. First was what was the percentage of revenues from Exide Industries in the last quarter?

Yogesh Malhotra: So, Exide is a very small portion we do because we have just started with Exide. But going forward, we are working both models supplying directly to Exide also and we are taking some scraps also like we do with Amara Raja. So, the volumes will grow significantly in next upcoming year.

Amay Sharda: But currently it is like lower single-digit kind of numbers, right?

Yogesh Malhotra: It is not in the top 10 customers of Gravita currently.

Amay Sharda: And it continues to grow going forward.

Yogesh Malhotra: Sorry, sir?

Amay Sharda: Yes, is it going?

Yogesh Malhotra: Sir, again as I mentioned that, so the overall requirement of lead is more than what we produce. So, we will keep on selling to the customers where we get the highest realization. So, for us currently there are better opportunities. If we get better opportunity from Exide or when we grow our volumes more than what we can currently serve, then in those cases we may look at other OEMs also in future.

Amay Sharda: Okay. Got it, sir. Thank you so much.

Moderator: Thank you. Our next question comes from the line of Gaurav Shah from Nitya Capital. Please go ahead.

Gaurav Shah: Yes. Thank you for the opportunity. My question was more on the volume. So, while we see that the volume is remaining stagnant over the last few quarters between 50,000 tonnes and 55,000 tonnes and we are increasing capacity in terms of volume. How do we calculate the capacity utilization at 90%?

Naveen Prakash Sharma: So, the volume is constant because the capacity increase has not taken place in India. And that is why we are running it at an optimal capacity of 90%. Sorry, the optimal capacity is even less than that but because there is enough scrap available and enough demand from the customers, we are currently running it at 90% of capacities in India. And we are increasing, because we have scrap availability and we can manufacture those products. But we lack the capacity. So, once the capacity is there, we can use it further to make more products in future.

Gaurav Shah: Sir, can I understand that the that the overseas capacity is not getting fully utilized for now?

Naveen Prakash Sharma: So, overseas capacities will generally keep a higher capacity in overseas locations because scrap availability is not continuous. And in our case, the capacity should not be a constraint because, the CAPEX to revenue is around 8x to 10x. So, we generally keep a higher capacity in overseas locations, keeping in mind that we can get a higher scrap also in future. And currently, if you look at our overseas capacity utilizations, it is at around 65%.

Yogesh Malhotra: So, basically the overseas capacity is because we are not able to import in those countries. So, it is mostly dependent on the local scrap. As compared to other countries, in India we can import the scrap. So, that is the reason we are increasing the capacity in India. We can import overseas also, we can take domestic also. So, that is the reason India is looking more volumes.

Gaurav Shah: Understood. Thank you, sir.

Yogesh Malhotra: And also, as we mentioned earlier, that we are importing some of our scraps from overseas locations into India because there is a better arbitrage opportunities. So, in that case also, some of the overseas capacities remain unutilized.

Gaurav Shah: Understood. Thank you so much.

Moderator: Thank you. Our next question comes from the line of Sumant Kumar from Motilal Oswal Financial Services Limited. Please go ahead.

Sumant Kumar: My first question is, any impact and can you quantify the new labor law for us?

Yogesh Malhotra: Sir, currently we do not see any impact, but definitely the impact would come from the recalculation of gratuity and leave encashment for the labor. And we are expecting overall, in future going forward, we expect an overall impact of around Rs. 4.2 crores going downwards. Sorry, this year, not in the next year.

Sunil Kansal: In this year, the total impact of this amount was approximately Rs. 4.2 crores, out of which Rs. 3.5 crores was pertaining to previous years and roughly Rs. 60 lakhs to Rs. 70 lakhs was pertaining to these nine months.

Sumant Kumar: So, this Rs. 4.2 crores you are talking about for annual, right?

Sunil Kansal: For annual number, yes. Absolutely.

Sumant Kumar: Okay. So, the FY 2027, we can see this kind of impact, correct?

Sunil Kansal: Right.

Sumant Kumar: Okay. And then the next question is regarding aluminum, I have seen a significant decline 50% decline and 5% growth in lead site. so, what is happening in aluminum? Why our growth is significantly down since volume growth?

Sunil Kansal: Sir, we mentioned earlier that there has been some increase in aluminum prices and when such things happen, then the scrap dealers tend to withhold the scrap and do not sell it to the recyclers. And this causes packing of scrap availability and that has led to lower volumes in the quarter. But going forward, we are expecting the normalcy to continue and we will start getting more aluminum scrap going forward.

Sumant Kumar: Okay. And that is why we have seen a margin expansion from Rs. 10 per kg to Rs. 14 per kg because of rising aluminum prices?

Sunil Kansal: No, it is around the same. Rs. 14 per kg was, even in last quarter, we had around Rs. 14 per kg. So, this is the normal --

Sumant Kumar: In the November Quarter, we had Rs. 10 per kg.

Yogesh Malhotra: This Rs. 10 was in plastic, not in aluminum.

Sumant Kumar: Okay, sorry, yes, it was Rs. 20.

Sunil Kansal: Rs. 20 was specifically higher because of increasing aluminum prices last year, because we imported a lot of material into India and because of that, there was an increase in the overall profitability coming out of higher prices of aluminum.

Sumant Kumar: Profitability in aluminum has gone down Y-o-Y?

Sunil Kansal: Yes, sir.

Sumant Kumar: Okay. Thank you.

Moderator: Thank you. Our next question comes from the line of Sumangal Nevatia from Kotak Securities. Please go ahead. Sumangal, you may please proceed with your question.

Sumangal Nevatia: Yes. Good afternoon, sir. Thank you for the chance. Most of the questions are answered. I just want to know, excuse me if I missed, is it possible to give some volume guidance for FY 2027 given that we have such significant capacity addition and decent visibility on scrap?

And, I mean, if you look at last four to five years, now our volume CAGR, assuming similar, some ramp-up in fourth quarter, for last five years our CAGR of volume is around 16% - 17% now versus 25% guidance. So, how fast we can catch up over the next one year to kind of get the CAGR back as per our long-term target? So, I think guidance for 2027 volumes across division would be very helpful.

Yogesh Malhotra: So, as we are mentioning that, there may be some volatility in terms of this volume growth on a year-on-year basis, but overall, our target of 25% remains intact. But more than that, we talk about 30% to 35% growth in the bottom line numbers. That is the EBITDA numbers or the PAT numbers because, as I mentioned that sometimes although the volume that we have done is higher, but it does not reflect in the overall consolidated statement because some of the materials, we move from Africa into India. So, the top-line numbers may vary, but you can expect the same kind of bottom-line numbers of around 30% to 35% increase in EBITDA numbers in next year and then going forward also.

Sumangal Nevatia: Okay. And, sir, when do we start expecting contribution of external sales of rubber division? From which quarter?

Yogesh Malhotra: So, as Sunil ji mentioned, there was some contribution from rubber coming in last quarter also, but it was not significant. So, it was not shown in the segment-wise numbers. But from next quarter onwards, we will start sharing the numbers for rubber also.

Sumangal Nevatia: Sure. Thanks a lot. Thanks. Thank you.

Moderator: Our next question comes from the line of Netra Deshpande from Mirae Asset Sharekhan. Please go ahead.

Netra Deshpande: Hello. Thank you, operator, for giving this opportunity and thank you, management. I just would like to ask you, there are the global headlines and the geopolitical issues which are going in the global trend. So, definitely, the commodity prices are very volatile. Just like other nonferrous metals, specifically, we are seeing lead, aluminum, all that stuff.

So, any other kind of a hedging that you have opted and how much would be the percentage and what would be the impact on the overall margin, can you please bring? And, secondly, any other plans for copper addition in this scrap or just like as you have mentioned, the rubber, paper, steel, lithium, they are going to get into this. So, by any chance, the copper, zinc or nickel, the non-ferrous segment? Thank you.

Yogesh Malhotra: Yes. So, to answer your first question, as far as lead is concerned, we are totally hedged. So, there will be no impact of these fluctuations on lead. Both in, I mean, it may have impact on the top line, but there would be no impact on the bottom line because we go 100% hedged in lead. Aluminum, we are looking at some options to hedge. But currently, because we do ADC-12, which is not traded on any of the exchanges, so we find it a little difficult to hedge and that is why we have kept our volumes low in aluminum.

We are not doing any aluminum recycling in India currently, but the moment that hedging mechanism is in place, we will start doing aluminum recycling also. So, that will give us some growth in aluminum also going forward. And we are looking seriously on all recycling verticals including solar panels, paper, steel and specifically copper also, because of the recent ecosystem that is happening in copper. And how the copper is behaving and the requirement of copper going forward. So, we believe that in future copper can also be one of the segments that Gravita would go into.

Netra Deshpande: Okay. Thank you. Thank you so much.

Yogesh Malhotra: Thank you, Netra.

Moderator: Our next question comes from the line of Devang Shah from Allvest Investment managers Private Ltd. Please go ahead.

Devang Shah: Yes. Hi. Good afternoon, sir. My first question that in this particular quarter, we came out with an overall operating margin improved by 200 bps to somewhere close to 12% as far as overall margin is concerned. And this margin is improvement due to better price realization or operation efficiency? That is first question. And secondly, moving forward, what kind of trajectory we can expect? It will expand or continue to remain in this particular reach?

Yogesh Malhotra: So, from a quarter-to-quarter, I mean, generally it comes from better realization and not from improvement in operations because it takes time for operational improvement to take effect. But going forward, we believe that what we have said is that in lead, aluminum and plastic, we have given you per tonne number that would remain there.

And also, because there has been some better opportunities in India and that has impacted our top-line. We have sacrificed some of the top-line growth to get better EBITDA numbers also. But going forward, you can expect what we have already mentioned that around Rs. 19 to Rs. 20 in lead, around Rs. 14 to Rs, 15 in aluminum, and plastic would give you around Rs. 10 to Rs. 12.

Devang Shah: Okay. So, we may continue, similar kind of trajectory in an optimism way, right?

Yogesh Malhotra: Yes, but in future, in long term, you can definitely expect some additional benefits coming out of better operational efficiencies and better procurement network also and more value-added products going forward. But that would be more in a long-term basis. So, by FY 2028, you can expect probably Rs. 0.5 to Rs. 0.75 per kg improvement in all the three segments.

Devang Shah: Okay. And my second question, even, as far as volume growth is concerned, because in our presentation, aspiration to be a 25% kind of guidance. As far as our overall vision is concerned, that has been highlighted. But somewhere we are stuck, and in this quarter also, it is been reflected that, overall, Y-o-Y also we have not been able to come out with a good volume.

So, moving forward, as far as FY 2027 and 2028, I do not want any number but you can say somewhere close to your guidance or somewhere close to 20% kind of thing, we can expect. As far as total volume growth is concerned.

Sunil Kansal: Yes, absolutely. Because part of this volume growth, as I mentioned, we sacrificed because to get higher profitability, but part of it was because the capacity expansion that we were planning to have in Q2 and Q3 did not happen. There was some delay and these capacities are going to come in Q4 this year.

So, definitely, going forward, from Q1 onwards, you can see some improvements coming from lead. And in aluminum and plastic also, because the capacities are there, we can expect some higher numbers. So, definitely, there will be some improvement in terms of volumes coming in the next year.

Devang Shah: Okay. Thank you, sir.

Moderator: Thank you. Ladies and gentlemen, due to the time constraint, that was the last question for today. I would like to hand the conference over to management for the closing comments. Thank you, and over to you, sir.

Yogesh Malhotra: Thank you, everyone, for participating in this call. We trust that we have addressed all your queries during the session. However, if there are any remaining questions, please feel free to reach out to our Investor Relations team. Once again, we extend our gratitude to all the participants for joining us today. Thank you and have a great day.

Moderator: Thank you, sir. On behalf of Antique Stock Broking Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.