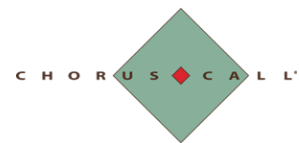




Gravita India Limited

Q1FY26 Earning's Conference Call

July 29, 2025



MANAGEMENT: **MR. YOGESH MALHOTRA – WHOLE TIME DIRECTOR
AND CHIEF EXECUTIVE OFFICER – GRAVITA INDIA
LIMITED**
**MR. NAVEEN PRAKASH SHARMA – EXECUTIVE
DIRECTOR – GRAVITA INDIA LIMITED***
**MR. SUNIL KANSAL – WHOLE TIME DIRECTOR &
CHIEF FINANCIAL OFFICER – GRAVITA INDIA LIMITED**
*** NON-BOARD MEMBER**

MODERATOR: **MR. MANISH MAHAWAR – ANTIQUE STOCK BROKING**

Moderator: Ladies and gentlemen, good day and welcome to Gravita India Limited 1Q FY '26 Earnings Con Call. As a reminder, all participant lines will be in lesson 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Manish Mahawar: Thank you. On behalf of Antique Stockbroking, I would like to welcome all the participants on the 1Q FY26 Earnings Call of Gravita India. We have with us leadership team, represented by Mr. Yogesh Malhotra, Whole Time Director and CEO; Mr. Naveen Prakash Sharma, Executive Director; and Mr. Sunil Kansal, Whole Time Director and CFO 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, Yogeshji.

Yogesh Malhotra: Thank you, Mr. Manish. Good afternoon, everyone, and welcome to our Q1 FY '26 earnings call. I trust you have had the chance to go through the earnings presentation and financial results that were uploaded on the stock exchanges. I'm pleased to share that Gravita has made an excellent start to the fiscal year, delivering outstanding performance across our key business segments.

The company reported healthy growth in revenue, EBITDA and PAT, reflecting the strength of our operations and the resilience of our business model. Supported by a net debt-free balance sheet, this performance underscores the momentum behind our continued progress. Before delving into results, I will briefly discuss the strategic highlights and project updates. On the capacity expansion front, Gravita is making steady progress with current capacity reaching 3.40 lakh metric ton per annum.

The company is well positioned to cross the 7 lakh metric ton per annum mark by FY '28, reflecting its long-term growth vision. With a capex plan of INR1,500 crores extending to FY '28, Gravita aims to deepen its presence in current businesses and diversify into new domains such as lithium-ion, paper, rubber and steel recycling.

Around INR1,000 crores is designated for existing business lines with the balance set aside for the next or emerging verticals. Aligned with our broader diversification goals, the pilot lithium-ion battery recycling unit in Mundra is advancing steadily and is expected to be operational in Q2 FY '26. Gravita remains firmly on track to meet its ESG targets for FY '27, in line with its long-term sustainability road map extended to FY '34 and FY '50.

Embedding ESG at the heart of its strategy, Gravita is cultivating responsible business practices, advancing innovation and reinforcing transparency to deliver sustained value and uplift to local communities.

Coming to the operational performance. Government tightening of BWMR and EPR frameworks has significantly boosted the availability of domestic scrap. On the volumes front,

total volumes witnessed a growth of 12% in Q1 FY '26. On a year-on-year basis, EBITDA per ton improved significantly across all segments, INR21,790 in lead, INR17,140 in aluminum and INR10,213 in plastics. Coming to the consolidated financial results for the quarter, Gravita reported revenue of INR1,040 crores in Q1 FY '26, making a growth of 15% year-on-year.

47% of this was driven by value-added products, reaffirming progress toward our VISION 2029, targeting 50% contribution through value-added products. Adjusted EBITDA increased to INR111.70 crores, reflecting a growth of 22% year-on-year. The EBITDA margin remained strong at 10.74%. Profit after tax, PAT, rose to INR93.26 crores, making a significant increase of 39% year-on-year. PAT margin stood firm at 8.97%.

In conclusion, Gravita is advancing steadily towards its VISION 2029, underpinned by a well-defined strategy to scale its core businesses and diversify into emerging sectors such as lithium-ion, rubber, steel and paper recycling. The company has set forward-looking goals, including achieving a volume CAGR of over 25%, profitability growth exceeding 35% and maintaining a return on invested capital above 25%.

It also aims to grow its non-lead segment to contribute over 30% of total revenue, derive more than 30% of its energy needs from renewable sources and reduce energy intensity by over 10%. With a legacy spanning over 3 decades, 13 environmentally responsible manufacturing units and a commercial footprint in more than 70 countries, Gravita is uniquely equipped to long-term value creation. Its growth is supported by a focused capex program, capacity ramp-up initiatives and adherence to evolving global compliance standards.

This trajectory is further propelled by the company's emphasis on operational efficiency, expansion into higher-margin value-added products, disciplined risk management, including hedging strategies, strong leadership and enduring stakeholder confidence.

So in conclusion, Gravita is advancing steadily towards its VISION 2029, underpinned by a well-defined strategy to scale its core businesses and diversify into emerging sectors such as lithium-ion, rubber and paper recycling. The company has set forward-looking goals, including achieving a volume CAGR of over 25% and profitability growth exceeding 35% and maintaining a return on invested capital above 25%.

It also aims to grow its non-lead segment to contribute over 30% of total revenue, derive more than 30% of its energy needs from renewable sources and reduce energy intensity by over 10%. With a legacy spanning over 3 decades, 13 environmentally responsible manufacturing units and a commercial footprint in more than 70 countries, Gravita is uniquely equipped for long-term value creation. Its growth is supported by a focused capex program, capacity ramp-up initiatives and adherence to evolving global compliance standards.

This trajectory is further propelled by the company's emphasis on operational efficiency, expansion into higher-margin value-added products, disciplined risk management, including hedging strategies, strong leadership and enduring shareholder confidence. That's all from my end.

I would now request to open the floor for questions and answers. Thank you, and over to you, Mr. Moderator.

Moderator: Thank you. The first question is from the line of Amit Dixit from Goldman Sachs. Please go ahead.

Amit Dixit: Congratulations for a good set of numbers. A couple of questions from my side. So if I look at the overall results, while revenue and volume growth has remained a little bit lower than the expectations, EBITDA growth has been quite good. So is it due to the -- our sourcing efficiencies continuing or we have got the semis from Africa and refine them and sold them in India to take advantage of the difference in the LME and MCX price? So just wanted to get a little bit more color on that.

Yogesh Malhotra: Yes, absolutely. So the reduction in volume also is partly because we have shifted some of the material from our African plants into India. And also the EBITDA is better because of our increased value-added product contributions, which has grown to around 47% last quarter. So both of these have contributed to increase the EBITDA margins for us.

Amit Dixit: So given the current EBITDA per ton that we have and it has increased quarter after quarter. So the current EBITDA that we see around INR21,000-odd for lead, is it the sustainable margin that we can expect going ahead as well?

Yogesh Malhotra: So, yes, around INR19 to INR20 per kg can be expected as a sustainable margin going forward also. So earlier, we were saying around INR18 to INR19, but now we see that there has been some -- because the value-added content has also increased. And if we can keep that contribution coming, the overall EBITDA would increase to around INR19 to INR20 per kg.

Amit Dixit: Okay, sir. That's helpful. The second question is on aluminum. So is it possible to provide an update on the listing of aluminum alloy on MCX? Is the trading -- I mean, when we can expect it to be listed so that we can also hedge it?

Naveen Sharma: Yes. So aluminum on MCX is already on process, and it's expected to be done in this quarter. It's already been considered in the Board of MCX and all documentation work at their end are completed. So we're hopeful that they should open their first godown somewhere in the north. These are the data which we received from the MCX office.

Amit Dixit: Sir, assuming it is done in this quarter, so what kind of exit capacity utilization in aluminum we can expect by Q4?

Yogesh Malhotra: So currently, if you look at our overall capacity in aluminum in India, it's almost under 10%, 5%. So it's actually 5% currently because we are not even using that plant. So all the volume that is coming from -- for aluminum are coming from our overseas locations only. So we believe that once this MCX will start setting up hedging mechanism for ADC12, we will start procuring material. And then I think by Q4, you can expect around 20% to 30% utilization of the plant for India.

And slowly, we will build it up depending on how much trading gets done on the exchanges going forward.

Moderator: The next question is from the line of Amit Lahoti from Emkay Global.

Amit Lahoti: My first question is on capacity utilization from existing operations. So we have seen that volumes have been flat for 3 quarters in a row. So are we not sweating our assets hard enough to get more volumes as we are just at 65% utilization?

Yogesh Malhotra: Sir, if you look at the lead capacity -- lead utilization, it's around 75% of the total, which is kind of optimal currently -- at optimal level currently. To increase capacity further, we will have to set up new capacities. And we are in line with increasing our capacities in India, specifically looking at additional raw material availability. So you will start getting some results from those capacities as we build it up from Q3 onwards.

Amit Lahoti: Okay. So when we target 25% growth for next year in terms of volumes, so how much volumes are going to come from expansion projects and how much from existing capacity ramp-up, if you could break it down?

Yogesh Malhotra: So if you look at the current scenario, around 15% to 18% could come from existing capacities only. This was 12%, as I mentioned earlier, was only because we have shifted some of the material from our overseas plants into Indian plants. So -- but if you look at the production capacity, the growth would be around 15% to 16% in the first quarter. So we expect a 15% to 16% growth from the existing verticals only. And then maybe the additional 10% would come from the additional capacity that we are going to set up.

Amit Lahoti: Okay. And then my second question is on aluminum. So globally, there is a tight scrap supply, and there is also a growing call in Europe to implement export controls and tariffs on scrap because they don't really want to export their scrap outside of Europe. And on the demand side, Chinese have put up new capacities in aluminum recycling. So in that kind of market structure, how do we differentiate in terms of scrap sourcing capabilities and margin sustainability for aluminum?

Naveen Sharma: So to cover that, we are already focusing more on Africa, where we have control on the scrap supply. And as we mentioned that the Indian capacity as of now, we have kept on hibernate until we have some hedging mechanism comes in. And to ensure profitability from Africa, we are the one who got BIS approval because there's a mandate of QCO since November 2024. So our African plant got BIS approvals and we are able to feed Indian market from our African facilities. So we have focused there to cover all these.

So due to this, our EBITDA margins have also gone up from INR14 to INR15 kg to INR17 kg because there was a shortage of raw material from Europe market, and we are able to get better margins from our African supplies of alloy to India market. And being first mover in taking BIS for our African plant, we are the few suppliers who are able to bring material in India.

- Amit Lahoti:** Okay. So Africa gets scrap from Europe. And if there is any kind of export control in Europe where they are not able to export scrap to Africa, then would it not be difficult to procure scrap in African operations as well?
- Naveen Sharma:** No. Africa is dependent only within African scrap. So we have a few countries together, and we bring scrap to one location because we operate 5 plants in Africa, and there are more than 52 countries in Africa. So 5, 7 countries has a boundary shared with that location. And we are not importing anything over there. It's domestic scrap within the African continent.
- Yogesh Malhotra:** And there also, we are planning to both increase the capacities also in the existing plants and going forward, setting up new plants in geographies where we are not present.
- Moderator:** The next question is from the line of Rehan Saiyyed from Trinetra Asset Managers.
- Rehan Saiyyed:** So sir, most of the questions were already answered, and I have left with 4. So first of all, you have highlighted the target of 7 million ton per annum capacity by FY '28. So could you please update on the current execution or status of FY '26 plain capacity addition and how much of the incremental capacity expected to come online this year?
- Yogesh Malhotra:** So we are expecting a capacity increase of around 100,000 metric ton this year, which is in line with our plans to take it to around 700,000 by FY '28. So some of this will start coming up in Q3 also and some will be in Q4.
- Rehan Saiyyed:** Okay. Okay. And just my second question was just one clarification regarding your presentation mentioned increased share of value-added products around 47% Y-o-Y growth. So could you share with verticals like growth comes from the aluminum side or from lead, plastic or rubber?
- Yogesh Malhotra:** So this is a consolidated value-added content from all our existing verticals. It's not only limited to lead. It is coming from all the verticals. Plastic also, tire also, but because the volume of these tire and plastic is very less, the lead would be around 45% plus.
- Rehan Saiyyed:** Okay. Okay. And sir, last question on the export side, like on the internal operations front, partly Africa and Dominican Republic, how are currency fluctuations impacting profitability? And what hedging mechanisms are you placed beyond the back-to-back hedging of metals if you just clarify regarding this?
- Yogesh Malhotra:** Can you repeat the question again? The first part I could not get.
- Rehan Saiyyed:** Sure, sir. I'm asking about the hedging part like on the international operations front, particularly Africa and Dominican Republic, how are currency fluctuations impacting profitability? And what hedging mechanism are you placed beyond the back-to-back hedging of metals?
- Yogesh Malhotra:** So currency fluctuation does not impact us because our operations are in Africa, but we are not selling anything locally there. So all our sales and all the purchase is in local currency, but the calculation of the prices of raw material is based on USD only. And whatever we are procuring, we are selling it in USD only. So there is no impact of currency fluctuation in all our overseas operations. As far as fluctuation in metal prices is concerned, we are 100% hedged in that.

So whatever we buy on any particular day, we hedge it, either we sell it directly to the customer, price it to the customer or we hedge it on a metal exchange. So we don't take any -- I mean, risk in terms of changes in prices of metal also. So we are 100% hedged -- our global operations are 100% hedged. Thankfully not in aluminum product, but in lead. In aluminum, we are looking at MCX to start having a contract for ADC12 to start hedging aluminum part also.

Rehan Saiyyed: Okay. That I understand. And like last bookkeeping question, what is your capex bound that you have spent in this quarter? And what was the capex plan for FY '26 full year?

Yogesh Malhotra: For the quarter-to-quarter, it would be very difficult to tell you, but we are in line to add around 100,000 metric ton capacity this year. That is in line. I mean, so the overall capacity would go up to 460,000 tons by the end of this year, roundabout. And by FY '28, it will be around 700,000 tons.

Moderator: The next question is from the line of Ankit Babel from Subhkam Ventures.

Ankit Babel: Sir, a couple of questions. One was that this quarter, the volume growth was 12%, which is way below your 25% volume growth guidance. So, I mean, what kind of growth you are looking at for the full year, considering the first quarter performance in terms of volume growth?

Yogesh Malhotra: I think year-on-year, we are expecting a -- I mean, so as I mentioned that the growth is not going to be linear. So the 25% growth rate that we are targeting is for a period of 3 years because capex, as I mentioned earlier, also will not take place every quarter. So it will take some time for us to set up new capacities.

So the growth will not be very linear. But you can expect somewhere in the line of 25% only year-on-year also. So in some cases, it will be 22%, 23%. In the other year, it would be around 27%, 28%, but it will be 25% in the next 3 years linear growth.

Ankit Babel: This year also, at least you expect 20%, 22% growth.

Yogesh Malhotra: Absolutely, it will be in line. So as I mentioned earlier also, some of the capexes that we are doing will start giving us results from Q3 onwards. So the overall volume increase, part of it is going to happen from the existing capacity, which will be in the line of 15% to 16% and the balance 7% to 8% would come from new capacities that will be increased in the next 2 quarters.

Ankit Babel: Okay. So will it be possible to give you some volume guidance on your products, mainly the lead and the aluminum and plastic, what volumes you are targeting this year?

Yogesh Malhotra: See, we are more concerned about the profitability part, and that is why whenever there is a chance we bring some of the material from our overseas plant into India. So you will not see that impact on the volume front, but you will see it on the profitability front. If you see even this year, the volume growth is only 12%, but the EBITDA growth is around 22% year-on-year. So that is because we have sacrificed some of the volume to have higher profitability. So that will keep on happening.

So on volume camps, you may see that sometimes it will be 25% plus, but there would be times when you will not see 25% growth in volume. So that is not the right criteria to focus only on volumes. You will also have to look at the EBITDA margins or the profitability also.

Ankit Babel: Okay. So the improvement in your lead EBITDA is...

Yogesh Malhotra: Because the production volume growth will not always reflect on the sales volume growth because sometimes we bring that material into India and then it does not get reflected in the overall volume growth.

Ankit Babel: Okay. And your EBITDA per ton on the aluminum was lower both on Y-o-Y and Q-o-Q basis. So what was the reason for that? And where do you expect this to stabilize?

Yogesh Malhotra: So on a yearly basis, we have always said that there are times when there is some arbitrage opportunities or some other price fluctuations that makes it difficult to ascertain EBITDA per ton on a regular basis. But on a sustainable basis, around INR14 to INR15 EBITDA margins are our guidance for future. And even this quarter also, we have done more than that. It's around INR17 per kg. Because in aluminum, currently, there is no mechanism for hedging.

So there are times when we don't get the margins, it does not get reflected in the P&L. So if you look at last financial year, it was higher, but financial year prior to that, it was lower than -- I mean, it was around INR12 only, INR12 per kg. So this is all because there is a variability in the prices of aluminum, which gets reflected in the profit and loss. But if you talk about on a sustainable basis, around INR14 to INR15 per kg is a sustainable margin in aluminum.

Ankit Babel: Sir, but how change in aluminum prices impact your EBITDA because you hedge your...

Yogesh Malhotra: So we are not hedging aluminum, as I mentioned. We are only hedging currently lead. Aluminum is not hedged.

Ankit Babel: Okay. And sir, coming back to the volume guidance, if you can give for this year, lead, aluminum and plastic?

Yogesh Malhotra: I mentioned that, I mean, volume guidance in terms of productivity, around 15% to 16% would come from existing businesses. And as and when we put up capacities, there would be around 7% to 8% increase from that additional capacity that we are expecting in this year. So it will be in the range of around 22% to 28%.

Moderator: The next question is from the line of Sagar Shah from Spark PWM.

Sagar Shah: First of all, congratulations for a healthy set of numbers. I had some few questions. My first question was related to your drivers behind the increase in the lead margin. This quarter, we had -- we saw our lead margins actually increasing. I'm talking on the EBIT level.

So I think we have reached 12.5% as compared to the -- even quarter-on-quarter, we have a jump of around 150 bps. So what are the drivers of the lead margin? Is it because of the increase in lead prices because -- or is it something else or operating leverage? What is it exactly?

- Yogesh Malhotra:** First of all, the lead prices have gone down in last quarter, and it has been going down regularly for the last 3 to 4 quarters. So it has not impacted the additional margin. What has happened is, if you look at our margin profile for the last 3 years, you can see a regular -- there is another voice coming.
- Moderator:** Sorry to interrupt sir, there's a background noise from Mr. Sagar.
- Sagar Shah:** Yes, sir.
- Yogesh Malhotra:** Yes. So if you look at the overall margins in lead, you can see a steady increase in some of the margins over the years. And part of it is because of economies of scale as we have grown the business, the overall overhead remains almost same. So that has contributed to some extent to increase the margins overall.
- And the value-added content has also gone up. In the last quarter, the total value-added products that we have sold is around 47%. So that also contributed to increase in margins over the years. And then market arbitrage also plays a role because we have global operations. So sometimes when the Indian market prices are higher or the global market prices are higher, we take advantage of that.
- And that also contributes to the increase in overall margins for us. On a sustainable basis, our guidance is that, we can get around INR19 to INR20 per kg of EBITDA margins on a sustainable basis.
- Sagar Shah:** Okay. Fine, sir. My second question was related to our plastics segment. The plastics segment, our margin has -- in this quarter has come down actually. So going ahead, what's your view on this segment, sir, basically because we saw a huge drop in the plastic margins, as well as I wanted some few aspects on the rubber segment?
- We haven't incurred -- we haven't actually got any revenue from the rubber segment, although you have guided that going ahead, you'll be selling some other products, wireless soil and some other products from the rubber segment outside of our -- to the industry. So what are the updates on that segment as well as on plastic?
- Yogesh Malhotra:** So in the plastic segment, the EBITDA per ton is similar. It's the same. It's INR10 per kg, which is a steady margin. The only thing is that, the volumes have not gone up as much as we wanted it because it's a long -- developing plastic products is going to take some time, but it's under developmental phase right now. And we expect that by the end of this year, you can see some growth in plastic volumes because currently, some of the developments have started taking place already.
- As far as rubber is concerned, the Romania plant where we have bought it, we're getting a EBITDA ton of around INR7 to INR8 per kg, but it's in the stabilizing phase right now. Hopefully, by Q3 or Q4, we'll be able to -- you will be able to start getting some results from that plant also. In addition to that, we are also putting up a plant of rubber recycling in India, which -- within this year itself. So then you will start getting some results of that also coming either in Q4 this year or maybe Q1 next year.

- Sagar Shah:** Okay. So since the EBITDA per ton is quite stable, so is it fair to assume that the plastic realization was lower and that led to the drop in the EBIT margins?
- Yogesh Malhotra:** Sorry? Yes, yes. So the volumes were lower.
- Sagar Shah:** Okay. Fine. My last question was related to the capex. Can you highlight that what kind of capex is going to get incurred in FY '26 by segment, how much are you planning in lead, rubber, copper and aluminum?
- Yogesh Malhotra:** So in current year, we are planning to put up -- I mean, to increase the capacity to 100,000 metric ton per annum. Another -- so this will be mostly in India because we see a lot of scrap availability in India. So we have kind of increased the pace of setting up plants in India. So maybe that mostly the capacity expansion will take place, followed by rubber and lithium-ion. So these are the 3 segments we are targeting in current fiscal year. And the total capacity that we are targeting is around 100,000 metric ton.
- Sagar Shah:** So can you highlight the amount, sir, the amount to be incurred in each segment...
- Moderator:** Sorry to interrupt, sir. Sir, do you have any follow-up question you can re-join the queue? There are several participants waiting in the queue.
- Sagar Shah:** Yes, but that was the last question, actually, which sir was going to answer.
- Moderator:** Sir, but there are several participants waiting for their questions. The next question is from the line of Sani Vishe from Axis Securities.
- Sani Vishe:** Congratulations on another set of good results. So my first question is a kind of follow-up on the earlier discussion. So we said our volume growth was partially lower because of value-added product addition. So is my understanding correct that if you have some additional value-added products, the end volume is lower than the initial volume. Is that correct?
- Yogesh Malhotra:** No, sir, actually, what we mentioned was that our volume growth was lower because we shifted some of the material from our African plants to our Indian plants.
- Sani Vishe:** Right. But then the volume should in the end increase, right, in terms of value-added products, somewhere it should reflect?
- Yogesh Malhotra:** No, no, sir, what we do is --. Sorry?
- Sani Vishe:** The volume should somewhere reflect, right, even if it is shifted from Africa to India?
- Yogesh Malhotra:** So what happens is that, because the Indian market is higher, generally, we do partially some process in Africa and shift it to India for the balance processing. So because of this, you can only count it. So there is a process -- either we can sell it overseas or we can bring it to India and then do some processes in India. It's not entirely a value-added product that we make. We make normal products also, but some of the processes we shift to India only. And that is why it does not get -- it gets eliminated when you do the consolidation.

- Sani Vishe:** So sir, that is what I'm asking. If it is not reflected in Africa, it will reflect in India volumes, right? Somewhere it will reflect?
- Yogesh Malhotra:** But India volume, it reflects, but India volume is already at optimal capacity utilization. So that is why it does not -- so it cannot you cannot count it -- so the point is that, we can sell it overseas directly to value-added product there and -- sorry, do all the processing in those units there and ship it overseas or we bring it to India, process it in India and then sell it to Indian customers. So it gets eliminated. The overseas overall volume gets eliminated and it shows only in the India volume.
- Sani Vishe:** Okay. And that leads to better EBITDA per ton?
- Yogesh Malhotra:** Overall, yes.
- Sani Vishe:** Yes. So sir, but we have been always guiding EBITDA per ton around INR19 per kg. But it seems we keep adding value-added products, it can easily sustain above INR20 like it has happened in this quarter. Is that correct?
- Yogesh Malhotra:** Yes, definitely. But what happens is that, over the years, our overall Indian scrap availability is also increasing, which does not give you as much margin as the imported material does. So what we expect is that, it will remain on the same vicinity because the Indian volume will increase. But at the same time, the value addition will also go up. So it will remain in the same band of around INR19 to INR20 per kg.
- Sani Vishe:** Okay. Fine. And one small question. So our other income, which includes, I think, the hedging gain, hedging income. So that hedging income, I think, would be around INR11 crores this quarter. That's a rough calculation. So if you exclude, there is still around INR19 crores of other income that is left and which was a similar amount last quarter also. So this remains higher compared to earlier -- all earlier quarters. So can you just throw some light on it? And can we expect it to be around this level going forward?
- Sunil Kansal:** Yes. So basically, this INR19 crores belongs to our treasury income, the money which is kept ready for future capex and the working capital. So till the time we spend this money to -- for expansion of our existing business and upcoming business. So then after which this treasury income will not be there, but there will be some operational income. So gradually, we are utilizing this liquidity for expansion of the business. Till the time we are getting this treasury income, which is close to INR19 crores in this quarter.
- Sani Vishe:** Okay. So that's why it increased after the QIP, understood, sir.
- Moderator:** The next question is from the line of Sumangal Nevatia from Kotak Securities.
- Sumangal Nevatia:** Sir, my first question is on capex. So if you see last 2, 3 years, we've been targeting around INR200 crores annual capex, but '24, '25, both we've spent around INR100 crores only. So one is, just want to understand what has been the reason? Is it -- I mean, some visibility on growth which we are looking at or some other constraint, which has led to lower capex? And then on this year and next year, we have a very significant jump in capex being planned.

So how confident are we of putting the capacities on time? And if we put such significant capacity, I mean, what is the scrap availability situation we are looking at? Are we confident of running the plants at decent utilization?

Sunil Kansal: Yes. So basically, capacity expansion, whatever we planned for this year and for upcoming years, it is 100% on -- we are 100% confident of execution of that capacity expansion plan. So we -- as already mentioned that this year, we are going to increase approximately 100,000 tons of capacity addition as the plan from current capacity around 340,000 tons to approximately 440,000 tons. So that's the 100% online. And in future also, we are going to stick on the plan of taking it to 700,000 tons by FY '28.

Sumangal Nevatia: And sir, any reason why last 2 years, we have spent only INR100-odd crores. Was it a capital constraint or some other issues?

Yogesh Malhotra: So frankly speaking, part of it was because most of that was going to take place in some newer -- I mean, diversification, newer verticals. And we couldn't go and do it because -- and I mean, lithium-ion, we started doing it now. But in paper and steel, which were major -- going to be a major contributor to this capex, we have put them in back burner because right now, in the existing verticals, we are seeing growth rates.

So we are going ahead and putting up capacities in lead, rubber, lithium-ion and to some extent, aluminum recycling. And maybe the steel and paper and other verticals will take place in the later part of the 3-year period.

So earlier, we were focusing on these things, and it was taking more than because we had to understand the technologies also. So that is why we could not do those capexes. But because now these capex that we are targeting now in the next 2 years are going to be in the existing verticals majorly. And looking at the scrap availability in India, most of this is going to take place in India. So we are fairly confident that those expansions will take place now.

Sumangal Nevatia: Understood. Sir, my second question is with respect to M&A opportunities. Now we have a very comfortable balance sheet. So one is, which areas are of interest to us? And are there any sizable opportunities available in those areas which we are in the process of evaluating?

Yogesh Malhotra: So we are looking at opportunities in geographies like Eastern Europe, Middle East, Asia Pacific for the existing verticals. These are the areas we are looking at for opportunities for merger and acquisitions. We have set up a new division, which is looking at only at opportunities for merger and acquisition. So we are fairly confident that we'll do some acquisition in the next maybe 1 year, 1.5 years, major acquisition.

Sumangal Nevatia: Understood. And this will be new commodities or existing commodities?

Yogesh Malhotra: So mostly existing commodities only. New commodities, we would like -- in new commodities, we would want to set up our own plant first to understand the technology better rather than going and acquiring a new plant anywhere else.

Sumangal Nevatia: Understood. And just one last question on BWMR...

- Moderator:** Sorry, to interrupt. Sir, I request Mr. Sumangal to re-join the queue for the follow-up question.
- Sumangal Nevatia:** Okay. No problem.
- Moderator:** The next question is from the line of Vikash Singh from ICICI Securities.
- Vikash Singh:** Sir, I see that in our future growth, the next highest growing segment is rubber. So just wanted to understand what kind of the revenue and margin contribution we can expect from this segment?
- Yogesh Malhotra:** So the margin contributor, I think we've already mentioned that we are expecting around INR7 to INR8 per kg EBITDA margins from rubber. But it will change from geography to geography depending on what is the prices of the end product in that particular geography. So it will be really changed. And we are planning a revenue of around INR300 crores to INR400 crores by FY '27, '28.
- Vikash Singh:** Understood, sir. Sir, second question pertains to our sourcing basically. So given our capacities are increasing across segments, is the sourcing -- entire sourcing would be available, especially for the lead will be in India or because you just said that you are bringing some material from Africa. So are we facing some problem with the sourcing and enough material is not available in that system?
- Yogesh Malhotra:** No. So we are focusing both Indian sourcing also and overseas sourcing also. The only thing is that, earlier Indian scrap was not available to us. But now we have started getting Indian scrap also, and that is why we are increasing the total capacities in India much faster because now we have both overseas scrap also available to us and the Indian scrap also available to us because of EPR regulations.
- Vikash Singh:** Understood. And just a second part of the question that, are we facing near-term sourcing challenges because we are importing some material from Africa and foregoing phase there?
- Yogesh Malhotra:** No, no, we are not facing any sourcing problem. The only thing is that, imported material gives you better margins. So that is why we'll keep importing material as far as possible, but we will keep increasing the capacities as and when more Indian scrap will get available. The sourcing is not going to be a problem for -- at least for the next 2 to 3 years.
- Moderator:** The next question is from the line of Ashish Kejriwal from Nuvama Institutional Equities.
- Ashish Kejriwal:** Sir, quickly, one, is it possible for you to guide the effective tax rate for the year? Because tax rate has been increasing quarter-on-quarter.
- Sunil Kansal:** Yes. So basically, the effective tax rate for the operational part is approximately 13% to 14%. But since on a temporary basis, we have some treasury income also. So till the time we use this money, treasury money for the expansion of the business, which is planned, we are going to have this treasury income, which is attracting a full tax. So instead of some locations where we have the tax exemptions, so this treasury income is going to affect the tax rate.

So currently, with this treasury income, we are expecting a tax rate -- effective tax rate of approximately 15% to 16%. But currently, it is slightly higher because of some jurisdiction in Africa, we got some -- the tax exemption got expired, but we have another option to spend -- do some capex and expand this tax rebate in that geography.

So we are doing that. And hopefully, we will get the tax rate -- effective tax rate that's seen at 15% to 16% at this moment with the treasury income. When the treasury income is not there, it is used in the business, the effective tax rate will come back again to 13% to 14%. But for this year, you can assume it to be near by 15% to 16%.

Ashish Kejriwal:

That's great, sir. And secondly, in terms of capacity expansion, we understand that, obviously, you are going to expand capacity by around 100,000 tons in FY '26 and the work is also going on the ground. So -- but I don't know whether we have started work on FY '27 numbers also where we are expanding capacity.

So my question is, one, this 100,000 tons, is it possible to break into different segments? And what about FY '27? Have we started the work over there? And thirdly, on capex, how much we have already spent in first quarter because our overall capex guidance is around INR375 crores for this year?

Yogesh Malhotra:

So in terms of verticals, I think it will be very difficult to shine the capacity increase in different verticals. But majority, I can tell you, is going to be in lead, followed by rubber and lithium-ion recycling in this year. And there would be some increase in capex in aluminum also. But we have also started work on FY '27. And we have plans to set up a plant in East India also.

That is also part of the process. And then some of the capacities that are going to come in FY '27 is overseas Dominican Republic expansion that we have plan -- new greenfield project in Dominican Republic that we are planning. So that is also -- we are expecting a license by Q4 this year for that capacity also. So we are in line with setting up capacity expansion for FY '27 also.

Ashish Kejriwal:

And sir, capex in first quarter, how much we have spent?

Yogesh Malhotra:

We spent around INR60 crores in capex in the first quarter.

Moderator:

The next question is from the line of Alisha Mahawla from TRUST Mutual Fund.

Alisha Mahawla:

Sir, is it possible to say how much is the lead capacity going to increase by after this capacity expansion that you're talking about? And when in Q3, is it expected towards the end of Q3?

Yogesh Malhotra:

Yes. So some of the capacity would be happening in Q3 and part of it would happen in Q4 also. So roundabout around 50,000 to 60,000 tons of capacity increase you can expect in this year in lead.

Alisha Mahawla:

And what kind of -- and is it possible to quantify in FY '27 how much will our capacity expand by, like in '26 we are targeting 100,000 tons? How much is it in '27?

- Yogesh Malhotra:** Sorry? I didn't get...
- Alisha Mahawla:** I wanted to understand the capacity expansion that we're targeting for FY '27? In '26 I think we're adding 100,000 tons, how much would we be adding in FY '27?
- Yogesh Malhotra:** So, in FY '27 it would be around 125,000 to 150,000 tons. Overall, total capacity increase.
- Alisha Mahawla:** Understood. And considering that most of our capacity is coming towards the back end of the year, would it be possible for us to achieve 20% plus kind of volume growth...
- Moderator:** Sorry to interrupt.
- Yogesh Malhotra:** Ma'am, your voice is not very clear.
- Moderator:** Yes, sir. There's a background noise from Mr. Alisha's line.
- Alisha Mahawla:** Sir, just wanted to understand since most of our capacity is coming in H2 of the year. Will it still be possible for us to do the 20% plus kind of volume growth in this year?
- Yogesh Malhotra:** Yes. But as I mentioned earlier that it may not reflect in the actual numbers because sometimes we bring some of the material from our overseas plants into India. So in the end, you'll have to look at the EBITDA numbers and that will reflect around 20% plus growth in any case in FY '26. So the total production growth would be around upwards of 20%, but whether it reflects in the revenue numbers or not, we'll see. But yes, the capacity will definitely impact the numbers this year.
- Moderator:** The next question is from the line of Shweta Dikshit from Systematix Group.
- Shweta Dikshit:** Sir, just I missed the capex number for this year and how much was it in first quarter?
- Yogesh Malhotra:** So the overall capex number in this year, I can't accurately tell you, but we've spent around INR60 crores already this year. The plan is to spend upwards of INR350 crores this year and add additional capacity of 100,000 tons. So we are in line with adding that 100,000 metric ton capacity this year. It will be done in this year. We are very confident of doing that.
- Shweta Dikshit:** Okay. And sir, 2 other questions. Firstly, on the rubber side, as you said that your plant in Romania is currently making INR7 to INR8 per kg and it is ramping up or stabilizing as well. Similar thing is expected when the India plant comes on stream. So even after operational efficiencies are achieved and the capacity ramps up, are we still looking at INR7 to INR8 per kg of EBITDA per ton in rubber or can we expect this number to be higher? That's on the first side. And second --. Yes, please continue.
- Yogesh Malhotra:** So yes, the EBITDA number would be in the same -- sorry, please continue. Ask me the second question also.
- Shweta Dikshit:** Yes. And the second question is on lithium-ion, while it is expected to be a part of -- major like following lead and rubber, this is going to be the third largest capex drawer for the year. But since this is just a pilot project, any light that you can throw on the financial side, whether it is

expected to contribute to profitability as well? Or is this just something that's going to be a capex allocation, but not yet to contribute to profitability since it's a pilot project?

Yogesh Malhotra:

Yes, absolutely. So lithium-ion project, we don't see that it is going to contribute at least this year because there are a lot of variables that will affect this lithium-ion project. It's partially a plan for the future because we believe that actual scrap will start coming around 2 to 3 years from now. So we just want to be future-ready as far as lithium-ion battery recycling is concerned. And technology also, we need to work on to finally streamline technology for lithium-ion battery recycling as well.

So it will not contribute actually. If it contributes, that will be additional to what we have said so far. As far as rubber is concerned, the margins are going to be around INR7 to INR8 per kg. The only thing is that, when the actual -- when we streamlined the operations in Romania and in India, the volumes will keep on increasing. And that is when it will start adding to the bottom line.

Shweta Dikshit:

Understood. Sir, again, a follow-up on the volume side. I understand that you expect a major chunk of volume growth this year from your existing operations and around somewhere between 7% to 10% from the new expansions have come on stream, but that's happening at Q3, Q4.

But when we look at Y-on-Y growth in FY '27, since we will already be at the peak utilization level of our existing capacity, how do we see growth panning out in FY '27 when we achieve the maximum operational -- optimum utilization of existing capacity?

Yogesh Malhotra:

As I mentioned, some of the capacity increase will start giving results in Q2 also and some will -- but major part of that will come in Q3 and some part will come in Q4 also. So overall, from Q2 onwards, you will start seeing some improvement in the overall volume growth. So overall, 6% to 7% when we say it takes into account that the capacities will start coming from Q3 onwards.

Because if you look at the total capacity increase, it's around 100,000 tons. So that is around 30% increase in capacity -- new capacities. So even if you start getting it partially, they will start giving you some impact of the total 7% to 8% for the entire year.

Shweta Dikshit:

And in FY '27, this entire 1 lakh should operate at optimum utilization?

Yogesh Malhotra:

Yes.

Moderator:

Thank you. Ladies and gentlemen, this was the last question. I now hand the conference over to the 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. On behalf of Gravita India Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.