GRAVITA

GRAVITA INDIA LTD.

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CIN:- L29308RJ1992PLC006870

13th February, 2025
GIL/2024-25/254

To,

The BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai- 400 001 Fax No.: 022- 22721919 Scrip Code- 533282	The Listing Department The National Stock Exchange of India Ltd. Exchange Plaza, C-1, Block G, Bandra- Kurla Complex Bandra(E), Mumbai- 400 051 Fax No.: 022-2659 8120 Company Code- GRAVITA

Sub: Intimation of Revision in Ratings under the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015

Dear Sir/Madam,

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, In accordance with the said Regulation(s), please find below the details of revision in ratings for Company:

Name of Company	Credit Rating Agency	Instrument Type	Amount (Rs. Cr.)	Rating Assigned
Gravita India Limited	India Ratings and Research Pvt Ltd	Fund-based/non-fund based working capital limits	100	IND AA-/Stable/IND A1+
		Proposed short-term loans	50	IND A1+

We are enclosing herewith copy of rating letter dated 13.02.2025 as received from India Ratings and Research Pvt Ltd.

This is for your information and record.

Yours Faithfully
For **Gravita India Limited**

NITIN GUPTA

Digitally signed by NITIN GUPTA
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Nitin Gupta
(Company Secretary)
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Encl.: As above

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We Recycle to Save Environment

India Ratings Assigns Gravita India's Bank Facilities 'IND AA-'; Outlook Stable

Feb 13, 2025 | Diversified Metals

India Ratings and Research (Ind-Ra) has rated Gravita India Limited's (GIL) bank facilities as follows:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating Assigned along with Outlook/Watch	Rating Action
Fund-based/non-fund-based working capital limits	-	-	-	INR1,000	IND AA-/Stable/IND A1+	Assigned
Proposed short-term loans	-	-	-	INR500	IND A1+	Assigned

Analytical Approach

Ind-Ra has fully consolidated GIL's wholly owned subsidiaries while assigning the ratings in view of the strong legal, operational and strategic linkages among them. GIL has provided tangible support to all of its subsidiaries in the form of a 100% equity stake. All the subsidiaries are in the same line of business as GIL and their management roles are supported by GIL.

Detailed Rationale of the Rating Action

The ratings factor in the strong business profile marked by GIL's global presence, established sourcing network, diversified supplier base and distribution channel, along with strategic locations of the manufacturing facilities resulting in cost savings. The ratings reflect GIL's robust risk management policies and higher share of value-added products resulting in higher and stable EBITDA margins compared to peers. The ratings also reflect the agency's expectation of sustenance of reasonable revenue growth on the back of increase in capacity utilisation, consistent offtake from the recently completed capex and likely volume growth following the completion of ongoing projects supported by stringent law around waste battery management and Extended Producer Responsibility (EPR), thus helping organised players and end-to-end recyclers.

The ratings are also supported by a notable improvement in the consolidated credit profile, following a qualified institutional placement (QIP) in December 2024. The company raised INR10 billion in equity, with an aim to strengthen its financial and liquidity position, and operational capabilities. A majority of these funds will be used to prepay long-term debt obligations of its subsidiaries, as well as reduce working capital borrowings, resulting in a robust liquidity position. The remaining proceeds are designated for funding working capital requirements, capex and acquisition purpose. Any higher-than expected cash outflows towards capex or acquisition will remain a key monitorable.

The ratings are, however, constrained by intense competition in the industry due to the presence of several organised and unorganised players in the domestic market, and susceptibility to regulatory and geopolitical risks in the overseas business, which would remain a key monitorable. Moreover, the company is exposed to risks associated with changes in government policies related to environmental norms.

List of Key Rating Drivers

Strengths
- Strong business profile
- Comfortable credit profile supported by equity infusion
- Healthy revenue and volume growth from capacity additions; likely to continue in medium term
- Profitability likely to remain stable in medium term
- Regulated industry framework; favourable growth prospects

Weaknesses
- High customer and product concentration
- Inherent industry risks
- Forex and geopolitical risks

Detailed Description of Key Rating Drivers

Strong Business Profile: GIL is a conglomerate of 25 subsidiaries with various manufacturing units in multiple countries (including India). GIL has a diversified supplier base and procurement networks providing geographic diversification for sourcing, which is a key competitive advantage. GIL's African subsidiaries benefit from duty-free access to European Union for import of scrap. Furthermore, the company benefits in terms of diversified presence and locational advantage as its plants are favourably located in proximity to ports and/or its key customer – Amara Raja Batteries (ARBL), resulting in repeat orders and lower logistics cost. Apart from geographical diversification, GIL has diversified business verticals with over 3,00,000-tonne-per-annum capacities in lead, aluminium, plastic and rubber recycling.

The group follows a robust risk management policy and hedges risk arising from fluctuations in commodity prices through London Metal Exchange (LME). The back-to-back sales purchase model for lead and commodity hedging strategy through forward contract dampen the impact of volatility in commodity prices and foreign exchange rates. This results in stable operating margins for the company providing an advantage over its peers.

Comfortable Credit Profile Supported by Equity Infusion: Ind-Ra expects GIL's financial risk profile to remain healthy over the medium term, driven by an improvement in cash flow from operations and debt prepayments during FY25. The company's financial risk profile marked a notable improvement following the QIP in December 2024, through which the company raised INR10 billion in fresh equity. Of the total proceeds, INR5.3 billion will be directed towards prepayment of its long-term debt obligations and reducing working capital borrowings over FY25-FY26, thereby strengthening the liquidity position. The remaining QIP proceeds will be utilised for funding working capital requirements and capex. As of December 2024, GIL became a net cash entity as against consolidated net leverage (net debt/operating EBITDA) of 1.40x in FY24 (FY23: 1.09x).

GIL has undertaken capex of INR5,000 million-6,000 million and INR8,000 million-INR9,000 million towards acquisition over FY25-FY28 to expand into existing and new product verticals. As per management, any major expansion through organic or inorganic route will be funded by internal accruals to maintain a low balance sheet leverage. The company incurred INR982 million of capex in FY24 (FY23: INR1,078 million; FY22: INR728 million) to increase capacities in India as well as overseas. Ind-Ra expects the consolidated net leverage to remain comfortable below 1.0x over the medium term and in line with management's guided range. However, Ind-Ra will closely monitor for any deterioration in the credit metrics, led by a moderation in the operational performance and/or any significant debt-funded capex or acquisition.

On a consolidated basis, the interest coverage (EBITDA/gross interest expense) remained comfortable at 5.5x-6.5x and net leverage 1.0x-2.0x during FY22-FY24 supported by management's conservative capital structure policy, coupled with a healthy EBITDA per tonne. The interest coverage improved to 7.96x and net leverage was negative due to net cash position as of December 2024. Any large capex, inorganic expansion or acquisition, resulting in a sizeable long-term debt, will remain a key rating monitorable.

Healthy Revenue and Volume Growth from Capacity Additions; Likely to Continue in Medium Term: On a consolidated basis, sales volume grew 22% yoy to 1,49,670 metric tonnes (MT) during 9MFY25 (FY24: 9%, 1,69,631MT; FY23: 17%, 1,55,872 MT), owing to increased capacities and higher share of value-added products with better sales realisation in the lead segment. The consolidated revenue stood at INR28,317 million during 9MFY25 (FY24: INR31,455.5 million; FY23: INR27,897 million). Revenue from the lead segment (contributing around 90% to total sales) improved by around 25% yoy in 9MFY25 and 19% yoy in FY24 due to 12% yoy and 17% yoy volume growth, respectively. GIL's lead capacity increased to 2,36,559MT in FY24 (FY23: 1,73,119 MT; FY22: 1,59,519MT) and the company plans to add 24,000MT in FY25, 27,000MT in FY26 and 30,000MT in FY27. Furthermore, the company is expanding capacities in existing verticals – aluminium, plastics and rubber. The company is also setting-up a greenfield capacity in new product lines such as lithium. Ind-Ra expects the company to achieve robust growth in revenue and sales volume over the medium term, driven by the continued ramp-up of its operations supported by the stringent law around waste battery management and EPR. Any lower-than-expected ramp up will be a key rating monitorable.

Stable Profitability; Likely to be Maintained in Medium Term: The EBITDA per metric tonne (including operational income in the form of gain from commodity forward contracts) remained stable at INR19,709 during 9MFY25 (FY24: INR19,660; FY23: IN18,627) driven by volume growth of value-added products. The consolidated EBITDA margin remained stable at 10.4% in 9MFY25 (FY24: 10.6%; FY23: 10.4%). The company has been able to maintain its per tonne profitability, despite volatility in prices due to its focus on improving value-added sales mix (46% of revenue share as 9MFY25) and back-to-back sales purchase model having fixed-price orders and commodity hedging strategy. Ind-Ra opines GIL will be able to maintain EBITDA per tonne in the medium term on the back of an expected better-fixed cost absorption from volume growth. The return on capital employed was 25%-30% over FY22-FY24.

Regulated Industry Framework; Favourable Growth Prospects: GIL operates in a regulated industry framework where EPR policy is applicable to each manufacturer, producer, refurbisher, dismantler and recycler, and requires registration on the portal developed by Central Pollution Control Board for conducting any business. Management expects the availability of domestic scrap to increase significantly on account of the EPR regulations in the non-ferrous metals sector. A draft rule has been proposed that will require battery manufacturers to adhere to EPR mandates starting April 2025, which will include the use of recycled material content in the finished products. As per the management, with the imposition of stringent laws around waste battery management, the organised players are likely to gain market share. Any change in government policies impacting operations of the group, will be monitorable.

High Customer and Product Concentration: GIL's top five customers (excluding tolling) contributed around 60% to its total sales in FY24. Including tolling, the top five customers contributed around 80% to its total sales in FY24. GIL's single-largest customer ARBL accounted for 30%-35% of the consolidated revenue (including tolling) and 12% (excluding tolling) during FY24. GIL has a yearly rolling contract with ARBL, which provides the estimates of its requirement of lead alloys to the GIL. The pricing mechanism with ARBL is based on the monthly average LME prices, plus a premium in US dollar. GIL plans to increase the tolling business with battery manufacturers who supplies waste batteries and in turn procure recycled lead metal. Battery industry is concentrated and ARBL has a leading industry position, leading to a high customer concentration risk. However, GIL caters to reputed clients (original equipment manufacturers) in the domestic market with over 10-15 years of relationships, ensuring steady inflow of orders. The contracts are generally for one year and the memorandum of understanding is renewed annually.

GIL's product portfolio is concentrated towards lead, which contributes 85%-90% to the total revenue and EBITDA. The company operates through four primary recycling segment – lead, aluminium, plastics and rubber (consumed captively), along with turnkey solutions. Lead is the highest revenue contributor with 89% contribution in 9MFY25 (FY24: 88%; FY23: 84%; FY22: 85%), followed by the aluminium segment at 9% (8%, 12%; 9%) and plastic at 1% (2%, 4%; 6%). Furthermore, management plans to improve the product diversification with increase in capacity in aluminium, rubber, plastic and lithium and other materials, which is likely to increase to about 30% by FY27.

Inherent Industry Risk: The lead metal industry is susceptible to changes in government policies and environmental norms. The lead industry falls under the category of industries that are hazardous to health, and it is governed by strict environmental laws and regulations. Any non-compliance with these laws and regulations could affect the company's business. Any change in government policies impacting operations of the group, will be monitorable. GIL's profitability remains susceptible to the competition prevailing in the market, given the fragmented nature of the lead alloy manufacturing industry, low product differentiation and high price sensitivity. The lead market is inherently competitive with the presence of several unorganised players. Roughly two-thirds of the capacity would be with unorganised market. Furthermore, scrap availability and prices could be unpredictable and introduce volatility in cash flow.

Forex and Geopolitical Risk: GIL is exposed to currency risks; however, the forex risk is mitigated to a large extent through a natural hedge as 50%-60% of the raw material requirement is imported and exports form 40% of the revenue, both of which are in US dollar terms. The balance position is hedged through a forward cover. Although the company is 100% hedged through forward cover for the lead business, it remains exposed to commodity risks in the aluminium and plastic recycling businesses, which is likely to be reduced from the expected commencement of the hedging mechanism for aluminium through the Multi Commodity Exchange. GIL's major subsidiaries presence in African nations entails a high sovereign risk due to any geopolitical risk.

Liquidity

Adequate: Ind-Ra expects GIL's liquidity to remain healthy over the medium term with a likely improvement in its operating cash flows. The liquidity is supported by the equity raise through the QIP of INR10 billion in December 2024. The amount raised will be used to reduce the consolidated debt burden by reducing working capital borrowings and prepaying its long-term debt. The unutilised amount has been earmarked for capex and acquisition plans, along with funding working capital requirement. GIL's average utilisation of its fund-based and non-fund-based facilities (interchangeable) stood at 62% during the trailing 12 months ended December 2024 and the agency expects it to reduce further by FYE25. GIL's subsidiaries have INR377 million and INR745 million of repayment obligations in 4QFY25 and FY26. As per management, GIL will be net debt negative by March 2025.

GIL had a free cash balance of INR8,780 million at 9MFYE25 (FYE24: INR368.9 million; FYE23: INR304.2 million). GIL's net working capital cycle increased to 118 days in FY24 (FY23: 100 days) due to an increase in the receivable period to 31 days (FY23: 18 days; FY22: 18 days) owing to higher share of OEM in the debtor mix and continued long inventory holding period of 96 days (95 days; 107 days). The free cash flow turned negative to INR1,226.9 million in FY24 (FY23: positive INR494.5 million in FY23) and likely to remain negative due to the ongoing capex and higher working capital requirements.

Rating Sensitivities

Positive: A substantial increase in the revenue and profitability, along with product diversification, while maintaining a healthy liquidity position and strong credit metrics on a sustained basis will be positive for the ratings.

Negative: A significant decline in its profitability or any disruption in operations due to geopolitical issues leading to a stretch in the working capital cycle, and/or liquidity position, along with any large debt-funded capex or acquisition, resulting in the consolidated net adjusted leverage exceeding 1.75x on a sustained basis will lead to a negative rating action.

Any Other Information

Standalone Financials: GIL's standalone revenue was INR23,625 million in 9MFY25 accounting for around 83% of the consolidated revenue (FY24: INR26,640 million, 85%; FY23: INR25,140 million; 90%). However, the standalone EBITDA contribution was 56% in 9MFY25 (FY24: 70%; FY23: 55%). The EBITDA margin was 7.2% in 9MFY25 (FY24: 8.8%; FY23: 6.3%). The interest coverage was 8.0x in 9MFY25 (FY24: 7.35x; FY23: 4.6x). The company was net cash positive in December 2024 (FY24 net leverage: 1.14x; FY23: 1.76x).

About the Company

Incorporated in 1992, GIL is engaged in the recycling of non-ferrous metals such as used lead acid batteries, lead scrap, cable scrap/other lead scrap, aluminium scrap, plastic scrap and rubber scrap. GIL also provides turnkey solutions for recycling processes. The company carries out smelting of lead battery scrap/lead concentrate to produce secondary lead metal, which is further transformed into pure lead, specific lead alloy, lead oxides (lead sub oxide, red lead and litharge), aluminium alloys, plastic granules and value-added products such as lead sheets, lead powder, lead shot and other such products. The company has its presence in over 70 countries and headquarters in Jaipur with 11 recycling plants across Asia, Africa and Central America with over 1,700 global touch points and 31 own scrap yards. GIL has recycling facilities in India - five plants -two in Jaipur, and one each in Chittoor, Kathua and Mundra) and six plants in Africa (Ghana, Mozambique, Senegal, Tanzania and Togo) and Asia (Sri Lanka). As of January 2025, GIL had an aggregate recycling capacity of 3,08,659 metric tonnes per annum for five business verticals - lead, aluminium, plastic, rubber (rubber set-up in FY23; consumed internally) and lithium (yet to start operations). Approximately 38% of the revenue was from exports in FY24. GIL is listed on BSE Ltd and National Stock Exchange of India Limited.

Key Financial Indicators

Particulars (INR million; Consolidated)	9MFY25	FY24	FY23
Revenue	28,317	31,456	27,897
EBITDA	3,004	3,335	2,904
EBITDA margin (%)	10.6	10.6	10.4
Interest cost	378	518	435
Interest coverage (x)	7.96	6.44	6.67
Total debt	3,393	5,476	3,477
Net leverage	NM	1.49	1.09
Source: GIL, Ind-Ra NM – not meaningful			

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook		
	Rating Type	Rated Limits (million)	Rating
Fund-based/non-fund-based working capital limits	Long-term/Short-term	INR1,000	IND AA-/Stable/IND A1+
Proposed short-term bank loans	Short-term	INR500	IND A1+

Bank wise Facilities Details

The details are as reported by the issuer as on (13 Feb 2025)

#	Bank Name	Instrument Description	Rated Amount (INR million)	Rating
1	NA	Proposed Short term loans	500	IND A1+
2	HDFC Bank Limited	Fund/Non-Fund Based Working Capital Limit	200	IND AA-/Stable/IND A1+
3	ICICI Bank	Fund/Non-Fund Based Working Capital Limit	200	IND AA-/Stable/IND A1+
4	South Indian Bank	Fund/Non-Fund Based Working Capital Limit	200	IND AA-/Stable/IND A1+
5	RBL Bank	Fund/Non-Fund Based Working Capital Limit	200	IND AA-/Stable/IND A1+

6	Yes Bank Ltd	Fund/Non-Fund Based Working Capital Limit	200	IND AA-/Stable/IND A1+

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Fund-based/non-fund-based working capital limits	Low
Proposed short-term loans	Low

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity- indicators.

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About India Ratings and Research: India Ratings and Research (Ind-Ra) is committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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Solicitation Disclosures

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APPLICABLE CRITERIA AND POLICIES

Parent and Subsidiary Rating Linkage

Evaluating Corporate Governance

Short-Term Ratings Criteria for Non-Financial Corporates

Corporate Rating Methodology

The Rating Process