



GANESHA ECOSPHERE LIMITED

GESL/2024-25/

May 31, 2024

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Scrip Symbol: GANECOS

Sub: Transcript of Q4 FY2024 Earnings Conference Call held on May 24, 2024.

Dear Sir/ Ma'am,

Please find enclosed herewith transcript of Q4 FY2024 Post results Earnings conference call held on May 24, 2024 pertaining to Company's Audited Standalone & Consolidated Financial Results for the quarter and year ended March 31, 2024.

Please take the above on record and oblige.

Thanking you,

Yours faithfully,

For Ganesha Ecosphere Limited

(Bharat Kumar Sajnani)
Company Secretary-cum-Compliance Officer



“Ganesha Ecosphere Limited
Q4 FY24 Earnings Conference Call”

May 24, 2024



MANAGEMENT: **MR. GOPAL AGARWAL - CHIEF FINANCIAL OFFICER –
GANESHA ECOSPHERE LIMITED**
**MR. PRASHANT KHANDELWAL – SR. VICE PRESIDENT
GANESHA ECOSPHERE LIMITED**
MR. YASH SHARMA - DIRECTOR - GANESHA ECOPET

MODERATOR: **MR. MANISH MAHAWAR - ANTIQUE STOCK BROKING
LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Ganesha Ecosphere Limited 4Q FY24 Earnings Conference Call hosted by Antique Stock Broking. 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 this conference, please signal an operator by pressing star and then zero on your touchtone phone.

Please note that this conference is being recorded. 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. On behalf of Antique Stock Broking, I would like to welcome all the participants on the 4Q FY24 Earnings Call of Ganesha Ecosphere. Today, we have Mr. Gopal Agarwal, CFO, Mr. Prashant Khandelwal, Senior Vice President, Mr. Yash Sharma, Director - Ganesha Ecopet from the management. Now, I would like to hand over the call to Mr. Agarwal for opening remarks, post which we will open the floor for Q&A. Thank you and over to you, Mr. Agarwal.

Gopal Agarwal: Thank you, Manish and Antique Stock Broking for hosting us. Good afternoon to all the participants and on behalf of Ganesha Ecosphere, I thank all of you for taking the time to join us and extend a warm welcome to Q4 FY24 earnings call of Ganesha Ecosphere Limited. I hope everyone got an opportunity to go through our financials and investors' presentation already uploaded on the exchanges.

The quarter gone by has ended at a better note and we achieved a good set of numbers on a consolidated basis. Though textile sector has not come out completely from woods and demand as well as prices are still under pressure, we are operating at optimal capacity level while maintaining our operating margins above 11% band. Our Warangal unit has also started contributing positive cash flows on the back of ramp up and capacity utilization.

Taking through our operational and financial performance on a stand-alone basis, company achieved production volume of 27,752 metric tons during the quarter, which is slightly lower by 2.4% on quarter-on-quarter basis and 6.4% on year-on-year basis. The drop in production happened in yarn segment where demand has still not recovered and inventories are piling up. On the back of good demand in RPSF segment, sales volume at 27,558 metric tons registered an improvement over Q3 FY24 and Q4 FY23.

The drop in prices of spun yarn has pulled down overall average realizations at INR 83,190 per ton, which is lower by 3% with average per ton realization of INR85,870 achieved during Q3. Raw material prices remained flat in comparison to last quarter.

We earned EBITDA of INR. 27.79 crores during Q4 FY24, dropped to 11.72% by 101 basis points over Q3 FY24 EBITDA margins of 12.73%. In absolute terms, we earned EBITDA of INR10,012 per ton as against INR 10,999 earned during Q3 FY24 and INR11,580 earned during Q4 FY23. The drop in EBITDA margins are due to slide in prices of finished products without corresponding adjustment in input prices.

PAT at INR 20.92 crores on the back of lower interest incidence is better than INR19.55 crores earned during Q3 FY24 and INR17.14 crores earned during corresponding last quarter. Financial performance of 12 months on stand-alone basis has affected in comparison of last year under the shadow of first quarter of FY24 where profitability had dropped significantly due to reasons discussed earlier.

Now coming to the consolidated performance, there is all-round improvement over last quarter. Production as well as sales revenue has improved significantly over last quarter by 6% and 7% respectively while EBITDA margins at 15.40% have improved by 137 basis points. In absolute terms, we achieved revenue of INR 305.53 crores and earned EBITDA of INR47.06 crores and PAT of INR21.60 crores during the quarter. Our subsidiaries have contributed EBITDA of INR19.27 crores during the quarter.

At Warangal unit, RPSF line as well as 2nd rPET Granule Line started with effect from 1st March 2024 and both the lines are operating at over 80% capacity utilization during 1st month of operation. 3rd line is also expected to be operational by June end.

This is from my side. Now I hand over the call to Mr. Yash to share updates on business.

Yash Sharma:

Thanks a lot Gopal. Good afternoon to everyone. I welcome all of you to our company's quarter 4 and financial year 2024 earnings call.

I will quickly share key business updates before taking all of your queries. The financial year gone by was started in the realm of disappointments prevailing around the downturn in the textile industry with subdued demand and sliding prices due to various global and domestic macros which shadowed the performance of our company as well along with significant drop in our operating margins as well as profitability during the first quarter. Things are also moving at a slower than expected pace in our new Warangal unit where we were waiting for approvals from many brands to start the commercialization of our products.

However, financial year 2024 closed on a positive note with improvement in our company's performance not only in our legacy business but also from our new Warangal unit where operations have improved significantly. We achieved a very good set of numbers from our Warangal plant where we achieved operating profits of more than 22% during the quarter on the back of improved capacity utilization of existing Rpet granule plant as well as the start of the operations in the RPSF production line and the second production line of rPet granules. Both these lines were started in the beginning of March 2024.

Going forward, we are looking for further improvements in our performance during the current quarter and also on a full year basis. We shall be witnessing optimum utilization of our existing product lines as well as contribution from the third line of rPET granules which is expected to be operational from June 24 onwards. We are also installing a rooftop solar power plant at our Warangal unit to further our vision towards sustainable operations and to save marginal power costs on the other hand. We hope that financial year 2025 is going to be a very remarkable year for the company.

On the back of funds raised at the recent QIP as well as preferential warrants issue, we have set off entire working capital borrowings as well as repaid term debt of the holding company achieving almost zero debt status currently in Ganesha Ecosphere Limited. For seizing the opportunities available in the recycling industry, we are working on our expansion plans which will be shared as and when they are final and approved by the board.

That is all from my side. We would now invite you for any questions that you might have. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question comes from the line of Sanjay Ladha from Dastiam Research. Please go ahead.

Sanjay Ladha: Thank you for the opportunity. So, my first question would be on capex front. Hello, is my voice audible?

Management: Yes, yes. Yes, please go ahead.

Sanjay Ladha: So, my first question would be on capex front. And so, we would like to understand how much total capex has been planned on, how much has been spent on and what all the product segment capacity has been live now and any new capacity still pending to be, you know, to be introduced?

Gopal Agarwal: Yes. So, we have spent over about INR600 crores on our Warangal unit and almost all the plants have been operating, except this rPET granule line, which is expected to be operational by end of next month. And for future expansions, we are elaborating and discussing in-house. And, once the project is approved by the board, we will come out with that numbers.

Sanjay Ladha: Okay. So, if I am not wrong, there is almost INR800 crores of capex has been planned out of this INR600 crores has been spent on. So, there is still pending INR100, INR150 crores or it is, you know, we have done the capex line and all that?

Gopal Agarwal: No. So, for the capacity expansions or the new capacity setup, we have already done, except the third portion line, which will be operational in next month. And after that, there may be maintenance capex or some capex over the roof of solar installations. But 800 was not the envisaged number. The envisaged number was around INR650 crores.

Sanjay Ladha: Okay. So, that is, that has already spent in last two years.

Gopal Agarwal: Yes.

Sanjay Ladha: Okay. So my another question would be on, since we have already shared the blended EBITDA margin would be around 15%-16% after the, you know, the existing capacity and the new capacity has been fully capitalized. But can I get to know that the new capacity which has been introduced, what is the maximum sales we can do from that plant?

Gopal Agarwal: Yes. From our subsidiaries and it can be on a console basis we are looking for a sales of about INR1,700 crores to INR1,800 crores when all the plants will be fully operational.

- Sanjay Ladha:** Okay. Got it. So, my second question would be so we have also shared the rigid plastic capacity of HDPE and PP you have said in Q2 concall and it is taking time during that time. So, what is the current status on the same and how we are planning on that front?
- Gopal Agarwal:** Yes. So, we are slowly moving up in that direction, but we are not very fast and now we are focusing on the rPET granule side. So, we are not very much aggressive on that front, but of course, we are moving ahead with that slowly.
- Sanjay Ladha:** Any strategic reason we have chosen that because I understand B2B are the granule chips which we are saying has the better margin and has been on the demand, but HDPE and PP we are not doing and previously we are doing any specific reason or we have chosen not to pursue further?
- Gopal Agarwal:** Yes. So, Prashant will answer it.
- Prashant Khandelwal:** So, the reason behind going slow with HDPE, PP or I should say non-PP segment is that the regulation for approval from FSSAI for food safety of HDPE, PP is still pending. The FSSAI and EFSA both are not very much clear. It is still the EFSA, European Food Safety Council has also not decided the particular process with which we can obtain the food grade materials.
- So, this is one of the reasons behind going slow into this because for non-food grade HDPE, PP recycling we are having a very vast unorganized sector which is recycling these materials in India and for a corporate organization like us the food grade is a better sector where we can expand faster and we can serve the big brands who are using food grade PP and HDPE granules.
- So, at one side, the regulation is still going very slow and the second side we are also working on the supply chain system because a proper traceable supply chain system is still in the emerging stage for HDPE, PP and all other non-PP plastic. So, these are the two things which are slowing down the pace for development in this non-BT segment.
- Sanjay Ladha:** Understood, sir. Another would be, we have done a collaboration with two to three entities, one which is applied DNA for US-based entity then there is a Manjushree entity which is Coca-Cola-based for B2B granules. So, can I understand what is the strategic benefit we will get out of them and if you can explain me a little bit more about the strategic collaboration it could be really helpful?
- Prashant Khandelwal:** So, for applied science DNA with US partner it is traceability system where you can trace the product by doing a few testing at the consumer end and it is easily identifiable that whether the recycled fiber or recycled yarn has been used in that garment or whatever the end product, end consumer product.
- Gopal Agarwal:** Yes, so in this testing the DNA signature is put into our fiber through this technology and which can be traced at the consumer end.
- Prashant Khandelwal:** So, basically, it was the demand from the brands few of the brands were asking for this since long. So, we have done the trials and now we are ready to launch this. But yes somebody has to -- it has to come from the brands, from the market that they need this traceability to give, I should

say a confidence to the consumer that whatever they are claiming for the recycled or green fabric or product they can give confidence to the consumer.

- Gopal Agarwal:** It can also be demonstrated.
- Prashant Khandelwal:** So, now we are ready for this with the technology and waiting for the brands to come out.
- Sanjay Ladha:** And, sir, any update on Manjushree?
- Moderator:** Sorry to interrupt. We request you to please rejoin the queue for further questions.
- Sanjay Ladha:** Yes, thanks a lot.
- Moderator:** Thank you. The next question comes from the line of Dhruv Bhatia from Bank of India Investment Managers. Please go ahead.
- Dhruv Bhatia:** Hi, sir. Thank you for the opportunity. Sir, my first question is just to understand your current capacity for rPET granules currently is 28,000 tons?
- Gopal Agarwal:** Yes, Dhruv. It is 28,000 tons at present.
- Dhruv Bhatia:** Okay. And you are saying it's running at 80% utilization?
- Gopal Agarwal:** Right.
- Dhruv Bhatia:** Okay. And another 14,000 tons of capacity is going to get commissioned in June of 2024?
- Gopal Agarwal:** Right.
- Dhruv Bhatia:** So, post that, I mean as you said that you are still evaluating. So, if we put up a new capacity, what will be the timeline for say if you announce one today how long will it take for you to commission a new facility?
- Gopal Agarwal:** So, it takes about 15 months to 18 months' time to commission the new facility fully operational.
- Dhruv Bhatia:** Okay. And the current one which you are running at 80, I mean, what can be the, I mean, is this peak utilization or is it can you go a little further up?
- Gopal Agarwal:** No, we can go a little further. We can go by more than 90%.
- Dhruv Bhatia:** And sir the second thing I wanted to understand is that if I look at the subsidiary numbers, because it covers Nepal and Warangal, I think these are the two subsidiary entities going by the EBITDA per ton this quarter or EBITDA per kg you have done somewhere about INR30 per kg and an EBITDA margin of 22%.
- Whereas what we understood earlier was that this facility, I mean, at least the PET business, the rPET business would be 20% margin and the other parts of the business which is more the filament which would be on the lower side. But still on a blend basis at the subsidiary level you're still doing 22% margin. So, how is this achievable and is it sustainable?

Gopal Agarwal: So the numbers are quite achievable and in future also. So, we are working and initially the regulation is to be started from FY26, from April 25. So, we are, in fact, looking for the improvement in margins going ahead.

Dhruv Bhatia: So, I mean you're saying that earlier you used to talk about INR20 per kg for this business. Now, you're at 30 you're saying there's a scope to even improve this?

Gopal Agarwal: Yes, because the regulation has not started and all the brands have started our products on trial basis and also we are having the good margins in other products. So actually when we are talking then we have not started the actual sale or actual turnover. So, that was our expected margins, but now the margins are the actual one.

Dhruv Bhatia: And currently have you locked in a customer in terms of a long-term contract or all these currently sales are all on spot basis as and when required?

Yash Sharma: So, basically, it's a mix of the two. We have a few customers whom we have locked for year-long contracts and the multi-year contracts also already under discussion. And there are some sales that we are currently doing on spot basis itself basis on the demands from domestic as well as the export markets.

Dhruv Bhatia: Okay. And sir what would be FY25 capex that you will be spending?

Gopal Agarwal: So, for FY25, we are finalizing the capex plan which will be finalized very soon. So, after finalization of the plan we will come back with the numbers. So, as of now there is not a great expenditure because we have to spend some amount on the solar installation which is about INR30 crores to INR32 crores and some maintenance capex are there and the capex for the third line is already there. And we have also to make some modifications in the machinery for improvement of the capacity. So, roughly, as of now, we are having the capex plan about INR70 to INR80 crores, but for capacity expenses we will come out with the plans very soon.

Dhruv Bhatia: Okay. And sir lastly just on your legacy business or the base business just to understand because there is still pressure in this business. We have seen both realizations per ton as well as the EBITDA per ton falling off further and even the demand hasn't picked up materially. So, where are we in this stage I mean when are you looking at recovery in your base business? And how should we think about profitability here?

Gopal Agarwal: So, you see, our major products is going to the textile sector. Mainly 60%, 65% we are selling to the textile sector and the textile sector is not in good shape at all since last one year and so. So, now we are looking for the recovery in the textile sector which seems to be happening around July and August month.

But even though we are not doing very bad in our textile business, we are still maintaining our margins of over 11% except the quarter one and two when the prices dropped off quickly and we suffered. So, after that we have come back and now we are earning more than 11% EBITDA margin and historically, we are on 11% plus band in legacy business.

- Dhruv Bhatia:** Okay. Because the reason I ask is that generally customer would provide you or give you an order visibility 3 months to 4 months prior to when he's seeing what type of offtake he's already seeing. So, from that point of view are you seeing next 6 months any improvement in growth visibility versus the last 3 months?
- Gopal Agarwal:** So, in our legacy business order book is not of 3 months and 4 months. It is hardly 1 to 2 months only, but we are seeing the improvement in the sector from August onwards.
- Dhruv Bhatia:** Okay. And, sir, lastly, on the debt number because of obviously you're still work in progress for the capex in FY25 where can the peak debt be in your opinion from where we are currently?
- Gopal Agarwal:** So, the debt in our book is around INR400 crores as of now. So, and we are already having the cash of INR180 crores, INR185 crores with us and also all the units have started to contribute towards the cash profits. So, we don't see any uptick in the borrowings in near future, but exact numbers we will be able to inform once we have finalized our capex plan.
- Dhruv Bhatia:** Okay, sir. Perfect. Thank you so much and all the best.
- Gopal Agarwal:** Thank you.
- Moderator:** The next question is from the line of Jenish Karia from Antique Stock Broking Limited. Please go ahead.
- Jenish Karia:** Yes. Thank you for the opportunity. So, firstly, some bookkeeping questions. If you can just help us with the production and sales volume product-wise for FY24 and the revenue for this year?
- Gopal Agarwal:** Sorry, Jinesh, I missed your voice. Can you please repeat?
- Jenish Karia:** Yes. So, I just wanted FY24 product-wise production volume and revenue numbers – production volumes, sales volume and revenue numbers?
- Gopal Agarwal:** So on our standalone basis we have made the – for FY24 we made the production of 1.04 lakh ton in PSF segment and 8800 ton in yarn segment for the whole year on a standalone basis.
- Jenish Karia:** And sales numbers?
- Gopal Agarwal:** Yes. Sales number is – in PSF segment we have made the 1 lakh 400 ton sale and for yarn we have made 8600 ton of sale.
- Jenish Karia:** Okay. And for the subsidiaries, if you can just help with the similar number?
- Gopal Agarwal:** So for subsidiary we have made production of about 11,500 ton of chips and 1000 ton of PSF and 1600 ton of filament yarn.
- Jenish Karia:** 1500 tons.
- Gopal Agarwal:** Yes.

- Jenish Karia:** And everything will be sold or sales volume are different?
- Gopal Agarwal:** Yes. And the sale number is more or less of the same.
- Jenish Karia:** Okay. Next is on the guidance in terms of revenue and margin for FY25 as we see ramp-up of the South plant. So, where do we see the revenue and the margin for the next year?
- Gopal Agarwal:** Yes. So, we are looking for a sales turnover of over INR1500 to INR1600 crores on consolidated basis and margins should be now to 16% on blended basis.
- Jenish Karia:** Okay. That's it. So, next is on the inventory days. So, our inventory days in FY25 was higher because of the slow moving textile business, but as we see the textile demand improving from second half of FY24, do we see the inventory days coming down and what would be the guidance on the net working capital also?
- Gopal Agarwal:** Yes, of course. So, with the improvement in the textile business the current working capital cycle is around 91-92 days which we are looking for to bring back to 80 days on average basis.
- Jenish Karia:** Okay. So, next is on the capex like you earlier mentioned the plans are not yet done, but even if we finalize the plan in the next couple of months or by next quarter there will be no capacity addition in the bottle-to-bottle chips till beginning of FY27. Is that assumption correct?
- Gopal Agarwal:** Yes. So, we are finalizing our expansion plans and we are very much hopeful to make the additional capacity -- the expanded capacity operational. Whatever we finalize will be operational by end of December 26 or from December 26 to March 27.
- Jenish Karia:** Okay. That's helpful. Next is on the warrant conversion of the promoter.
- Gopal Agarwal:** I'm sorry. I missed. It was not December 26. It was December 25 to March 26.
- Jenish Karia:** Okay. But sir, you mentioned that the lead time for machinery is 15 months to 18 months. So, the December 27.
- Gopal Agarwal:** Yes. So, if we move in next one month or so we would be having the machinery delivered towards the site by September to December 25.
- Jenish Karia:** Okay. No problem. That's helpful, sir. Next is on the warrant conversion. So, any conversion that will happen in FY24? This is with regard to the dilution of equity in FY24 or the dilution will happen next year itself?
- Gopal Agarwal:** Yes, sir. The warrant currency is for 18 months and we have allotted the warrants in January itself. So, the 18-month period is up to September 25. So, based on the requirement of the funds, we will convert the warrants in trenches also we can, but as of now there is no plan to convert in this financial year.
- Jenish Karia:** Okay. That's helpful. Lastly, on the plastic waste management rules, how is the on-ground implementation going? What changes do you see with regards to your sourcing or changing raw

material pricing or competitiveness with regards to sourcing the raw material? So, any color on that front?

Gopal Agarwal: So, as of now there is much clarity on the ground for the implementation of the rules from the April 25 onwards. Even the Ministry of Environment has notified the penalties also for default in using these recycling stuff in packaging products.

Jenish Karia: But do you see any increase in the price of raw materials or any percentage increase that you have observed and you want to quantify anything on that?

Gopal Agarwal: So, we don't see any major change as of now looking at the availability of the material and the increase in the consumption of PET.

Jenish Karia: Okay. That's helpful. So, lastly, one thing. Manjushree has taken 1% stake in our South India subsidiary. So, it will be reported as minority interest in the financial statements going forward. That is correct?

Gopal Agarwal: Yes. Though we have made the terms with them, but it has not been operative as of now. So, the shareholding agreement has not been executed so far maybe we may do it in the next quarter or so.

Jenish Karia: Okay. Thank you so much and all the best.

Gopal Agarwal: Thank you.

Moderator: Thank you. The next question is from the line of Bhavya Gandhi from Dalal & Brocha. Please go ahead.

Bhavya Gandhi: Yes. Hi. Thank you for the opportunity. So, if you can just throw some light on the regulation that was there for FY '25 that was with respect to recycling. I mean, the regulation started somewhere in FY '22. Then there was something in FY '25. And then FY '26 onwards, the 30% recycled plastic that one has to use. If you can throw some light on that.

Gopal Agarwal: So, the regulation was notified in May '22 to be effective from April 25. And this timeline is intact. So, they have made some changes in between regarding the penalties and all those things. But the timeline is intact.

Bhavya Gandhi: No. So, there were some -- so, basically, there are three stages, if I am not wrong. One was with respect to recollecting the entire plastic, then recycling and reusing, right. So, if you can throw light on the entire timeline, how this implementation was going to take place. Like FY '22 EPR became effective, if I am not wrong.

Yash Sharma: Right.

Bhavya Gandhi: So, what was that stage one, recollect?

Yash Sharma: So, basically...

- Bhavya Gandhi:** So, what exactly one has to do?
- Yash Sharma:** Yes. So, basically, you see all the packaging manufacturers and brand owners who are putting out packaging products, packaging products out in the market. So, the first stage is that they have to ensure that the plastic gets collected and gets recycled.
- So, this is what is called an EPR certificate or Extended Producers Responsibility. So, what is happening right now, for example, is that all the brands like Coca-Cola, Pepsi, Bisleri, etc., all of them, whatever plastic they are putting out in the market, they are buying EPR certificates from recyclers. So, for example, like we recycle plastic.
- So, we give out certificates of that, you know, we have recycled plastic of this much quantity on the behalf of so-and-so brand. And so, that's the first category or the first liability, which is that all the brands should ensure and should collect these recycling certificates from the recycler that the material is actually being collected and being recycled. Whatever use it is being put to is another question.
- And then the next stage, basically, is then that, you know, that they have to ensure that they start using the recycler itself in their products and applications from 2025 onwards. So, the EPR has started long back in 2021 to itself. So, from that long back itself, you know, the recyclers have been selling recycling certificates to these packaging manufacturers.
- And then the next stage now, which is starting from next year, is to actually use it into a circular economy application.
- Bhavya Gandhi:** I get your point, sir. So, in FY '25, I'm just trying to understand the recycle process is already started, right? So, stage 2 FY '25, which mentions about recycling. So, what exactly is the difference between FY '25 regulation and FY '26 regulation?
- Gopal Agarwal:** From FY '25, there is no regulation. There is no timeline for the FY '25. The actual timeline is from the FY '25, i.e. FY '26.
- Bhavya Gandhi:** Okay, got it.
- Yash Sharma:** FY '25 regulation is that they need to buy 100% of their EPR certificates. So, if they are putting out 1000 tons of plastic, let's say, out in the market, they have to ensure they are also buying certificates equivalent to 1000 tons. So, 100% recycling, they have to ensure. They have to buy the certificates for. And the next year, the FY '26 commitment, which is starting, is to actually use the recycler in packaging itself from 30%.
- Bhavya Gandhi:** Got it. Fair enough. And, sir, another question is with respect to revenue from Warangal. So, if I subtract the console and standalone figure, it comes to closer to INR70 odd crores at 86% utilization. And barring the capacity, I mean, Line 3, which is going to come up, if I extrapolate, our revenue comes closer to INR320-INR340 odd crores, even if we are able to do, you know, sort of 90% capacity utilization. If you can just help me understand the INR600 crores revenue figure that we are targeting.

- Gopal Agarwal:** Yes. So, you see, our second production line of rPet and RPSF line has started in March itself. So, only one month production is there. And with the third production line to be operational from next month. So, we would be getting almost full year numbers with us.
- Bhavya Gandhi:** Okay.
- Gopal Agarwal:** So, 42,000 ton is the rPet capacity and 12,600 ton is for the RPSF capacity. And rest is the filament yarn and polypropylene staple fiber. So, taken together, all these things, we would be having a turnover of INR500 to INR600 crores.
- Bhavya Gandhi:** Okay. Got it. And is it possible to quantify the absolute debt reduction that we've taken place? And what would be the interest savings for FY '25?
- Gopal Agarwal:** So, we have reduced the debt of about INR200 crores.
- Bhavya Gandhi:** Okay. And what would be the overall average cost of borrowings at this stage post-debt reduction?
- Gopal Agarwal:** The cost of funds is about 8.5%.
- Bhavya Gandhi:** 8.5%. Okay. Thank you so much. I'll get back in the queue.
- Moderator:** Thank you. We have the next question from the line of Kavita from PhillipCapital. Please go ahead.
- Kavita:** Yes. Thank you. Sir, I just wanted to understand our sourcing strategy. So, the EPR, as per the EPR guidelines from FY '26 onwards, the company will have to use 30% of the recycled product. So, can you just elaborate on your sourcing strategy? Have we tied up with forfeits or from where are we sourcing the raw materials from?
- Gopal Agarwal:** So, as you see, we are already in this field since last 30 years. We are having quite a grassroots level sourcing network. So, you see, we are already collecting more than 150,000 tons of material on a yearly basis. And with the ramp-up of our capacity in Warangal, we have already put the network in place for getting the raw material.
- Kavita:** But do you see any corporates coming and approaching you in order to comply with the EPR guidelines?
- Gopal Agarwal:** So, the EPR guideline is on the brands and packaging companies. It is not on us.
- Kavita:** Correct. So, have they come and approached you in order to get their material or product recycled?
- Gopal Agarwal:** Yes. So, we are already providing the EPR certifications to some brands.
- Kavita:** Okay. So, what kind of contracts are these? Are these long-term contracts with them or just a one-time contract with them?

- Gopal Agarwal:** No, it is not a long-term contract. It is a short-term contract. Quarterly contracts are there.
- Kavit:** Okay.
- Prashant Khandelwal:** So, basically, how is this working? You see, in energy exchange, we are having REC certificates for renewable energy consumption. You have to consume a certain percentage of renewable energy against any supply through the exchanges. So, the similar sort of EPR certification portal has been generated by Central Pollution Control Board, CPCB. And every recycler is getting their quantity of material recycled, uploaded on the portal, and then they get a certification for per metric ton of recycled materials. And this certificate is able to sell to the brand owners and it has to be transferred on the portal.
- So, on the portal, if I do a contract with Coca-Cola or Bisleri for recycling of 1000 tons of material on their behalf, I have to transfer 1000 certificates to them on the portal, against which they are paying certain charges for EPR certificates. So, this is working like this only.
- Kavit:** Okay. Understood, sir. And, sir, where do we see the demand coming from in the next couple of years? Because, more so, we have been catering to the textile sector. So, now, do we see a shift in terms of revenue from textile to, let's say, recycling of bottles? Where do we see the demand coming from? How will our revenue change?
- Gopal Agarwal:** Yes. So, in our legacy business, most of the sales, as we discussed, is from the textile sector. 65% sales is from the textile sector, from through conventional textile sector. But, going forward, as we are moving ahead on the putting of more and more rPET general capacities, the major turnover, will come from the major sale will come from the packaging industry.
- So, going forward, say, in the next one or two years, we are seeing almost 50% contribution in sales will be from the packaging sector, 50% from the textile and technical textile sector.
- Kavit:** Okay. So, you are saying that in the next one or two years, the revenue...
- Moderator:** Sir, sorry to interrupt, but you are not audible clearly, sir.
- Kavit:** Yes. So, you are saying that in the next one to two years, we are seeing equal share of revenue from packaging and textile?
- Gopal Agarwal:** Yes.
- Kavit:** What is the demand we are seeing from the packaging and because of the EPR norms?
- Gopal Agarwal:** Yes.
- Kavit:** Understood, sir. Thank you so much.
- Moderator:** Thank you. The next question comes from the line of Divyam Gupta from Gupta Family Office. Please go ahead.

- Divyam Gupta:** Good afternoon, sir. I just have one question. In the last earnings call, you had guided for a INR1600 to INR2000 crores top line and for 16% to 18% operating margins on a consolidated basis. And in today's call, you mentioned the lower end of your guidance, which is INR1600 crores, that's 16%. So, are you being conservative or has something changed for us?
- Gopal Agarwal:** No. Actually, the 1600 to 2000 guidance is on the fully operational capacities of our Warangal plant. So, in FY '25, some of our unit, some part of our 1% line will be operational by July itself. So, we are not having the full effect of that capacity as well as ramp-up of our filament yarn capacity is slowly ramping up. So, taken together, we are looking for turnover of about INR1800 to INR2000 crores.
- Divyam Gupta:** Okay. So, when at full capacity, it can reach about INR2000 crores at around 17%-18% margins, right? And for FY '25, we can account for around INR1600 crores at 16%.
- Moderator:** Thank you. The next question comes from the line of Zalak Rathi from Agility Advisors. Please go ahead.
- Zalak Rathi:** Could you please help me in understanding how do we achieve capacity utilization of more than 100%? Like in our PPT, we have mentioned that capacity utilization is 107%. So, how do we achieve that?
- Prashant Khandelwal:** So, basically, I think this is for RPSF. So, for RPSF, what has happened in past 25 years? We are gaining a lot of knowledge and understanding of the equipment's supplied by our OEMs. And we have do the regular de-bottlenecking in the process itself. And in few lines, we are even able to achieve 115% of capacity utilization because the de-bottlenecking process has been done in the process.
- Gopal Agarwal:** So, the capacity utilization number is in respect to the nameplate capacity, actual capacity versus nameplate capacity.
- Zalak Rathi:** And do we have any plan to forward integrate in yarn or fabric business?
- Gopal Agarwal:** So, we are not having. Our core focus is now on the recycling only and mainly on the rPET granules. So, we are not having an immediate plan in going into the yarn or the fabric business in Ganesha Ecosphere.
- Zalak Rathi:** Forward integration in rPET business?
- Gopal Agarwal:** No plan is there for the going ahead into moving further in the rPET business. But yes, it is not ruled out completely. Whenever we will get any opportunity or any business proposition, we may move it from the rPET granules to further value addition.
- Zalak Rathi:** Thank you.
- Moderator:** Thank you. The next question comes from the line of Bhavya Gandhi from Dalal & Brocha. Please go ahead.

- Bhavya Gandhi:** Yes, hi. Thanks for the second opportunity. Somewhere I saw that you mentioned that you want to gain 25% market share in the rPET granules. And somewhere it's quoted around 1 million tons would be the total capacity which would be needed. So, can you throw some light? I mean, where do we get this data from? And how do we intend to get to that capacity? Yes.
- Gopal Agarwal:** So, you see, presently there is about 1.2 million tons of PET chips consumption, virgin chips. So, by regulation, from April '25 onwards 30% will have to be recycled and the rPET granules have to be mixed with the virgin. So, there is a requirement of 300,000 to 350,000 tons.
- And this 30% is going to be 60% by 2028. So, the requirement of rPET will be doubled from 350,000 tons to 700,000 tons. Plus, there is a 15% growth in the PET industry. So, the consumption of 1.2 million tons is expected to be 2 million tons by 2039. So, 60% is around 1 million tons requirement is there.
- Bhavya Gandhi:** Okay. Got it. And can you just throw some light on the absolute capacity that we have as of now closing for FY '24?
- Gopal Agarwal:** It is overall capacity or you want the rPET capacity? Overall capacity. So, the overall capacity is basically it is 148,000 tons.
- Bhavya Gandhi:** 148,000 tons?
- Gopal Agarwal:** Yes. Which has been operational.
- Bhavya Gandhi:** Okay. 148,000 tons. And we will add only 14,000 more to the total capacity, right?
- Gopal Agarwal:** Yes.
- Bhavya Gandhi:** Okay. And that is it from my end.
- Moderator:** Thank you. Ladies and gentlemen the next question comes from the line of Sanjay Ladha from Dastiam Research. Please go ahead.
- Sanjay Ladha:** Yes. Sir, just a bookkeeping question. In the investor presentation of page number 23, we have given segment-wise revenue and export data. That is for FY '23 or '24? Because they have written FY '23.
- Gopal Agarwal:** Sorry, sir. I couldn't get.
- Sanjay Ladha:** So, sir, in the investor presentation on the page 23, in the segment-wise revenue and export data, we have written FY '23. And the data is... So, the current year is going on FY '24. So, just wanted to understand, it is for FY '23 or '24?
- Gopal Agarwal:** Yes. So, it is FY '23 only. Sorry, we couldn't update it. We skipped to update it. It is for 23.
- Sanjay Ladha:** So, sir, if you can share that data for FY '24, it will be...
- Gopal Agarwal:** Of course, we will update it.

- Sanjay Ladha:** Thanks a lot, sir.
- Moderator:** Thank you. The next question is from the line of Pratik Kothari from CR Kothari Stock Broking. Please go ahead.
- Pratik Kothari:** Sir, if you can throw some color on the competition in the rPET business, where do you see our competitors coming up in the next couple of years and what kind of capacity is coming up in the rPET business in the sector as a whole? If you can give us some guidance or something.
- Yash Sharma:** Yes, sure. So, basically, you are absolutely right. There are a couple of players who are coming up with capacities. The existing fiber recycling players, some of the bigger players like JB Ecotech Alliance, VLS etc., have also announced their rPET capacities as well. Each of them are coming up with one line capacity currently. And other than that, in terms of big players, Indorama is also coming up with capacity for rPET in the coming up years.
- So, as of today, the current expected capacity for the rPET industry by FY '25 end would be around 200,000 to 250,000 tons, which is currently under installation.
- Pratik Kothari:** Okay. That's helpful. That's about it from my side. Thank you so much.
- Moderator:** Thank you. As we have no further questions, I would now like to hand the conference over to the management for closing comments. Over to you, sir.
- Gopal Agarwal:** Thank you very much to the Antique team and the host. I hope we have been able to address all your queries. We thank all of you. Thank you. Have a good day.
- Moderator:** Thank you.
- Prashant Khandelwal:** Thank you. Thank you, Manish.
- Moderator:** Thank you, sir. On behalf of Antique Stock Broking, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.

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