



GANESHA ECOSPHERE LIMITED

GESL/2022-23/

February 16, 2023

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Scrip Symbol: GANECOS

Sub: Transcript of Q3 FY2023 Earnings Conference Call with Analysts/Investors

Dear Sir/ Ma'am,

Please find enclosed herewith transcript of Q3 FY2023 Earnings Conference Call organized with Analysts/Investors held on **9th February, 2023** post declaration of Unaudited Standalone & Consolidated Financial Results of the Company for the quarter and nine months ended on 31st December, 2022.

Please take the above on record and oblige.

Thanking you,

Yours faithfully,
For Ganesha Ecosphere Limited

(Gopal Agarwal)
Chief Financial Officer

Encl: As above



“Ganesha Ecosphere Limited
Q3 FY'23 Earnings Conference Call”
February 09, 2023



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

MODERATOR: MR. MANISH MAHAWAR – ANTIQUE STOCK BROKING

Moderator: Ladies and gentlemen, good day, and welcome to Ganesh Ecosphere Limited Q3 FY '23 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 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 from Antique Stock Broking. Thank you, and over to you Mr. Mahawar.

Manish Mahawar: Thank you, Tanvi. On behalf of Antique Stock Broking, I would like to welcome all the participants on the call of Ganesh Ecosphere. Today, we have Mr. Yash Sharma, Director, Ganesh Ecopet, Mr. Gopal Agarwal, CFO, and Mr. Prashant Khandelwal, Senior Vice President 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. Thanks to all the participants for taking the time to join us today and on behalf of Ganesh Ecosphere, I extend a warm welcome to all of you at the Company's Q3 earnings conference call. I hope all of you might have had a chance to look into our quarterly numbers and investors' presentation uploaded on the exchanges.

Though global macroeconomic environment has largely been unchanged during the quarter in comparison to second quarter, uncertainties and fear of recession is not so strong. Commodity prices, particularly crude and gas prices are softening and inflation has also started to soften. However, things have not been improved for textile sector which is looming under lower demand, falling prices and pile up of inventory.

As our major revenue is coming from yarn spinning sector, we also faced some heat in the form of increase in inventory due to slower offtake and falling prices though we could achieve better margins and higher profitability due to higher production levels achieved during the quarter.

On a standalone basis, during December quarter of FY '23, company achieved production volume of 29,904 metric tons, which is highest during last six quarters. Production level was 27,469 metric tons during corresponding last quarter. Revenue from operations was INR 270.72 crores during Q3 FY '23 versus INR 288.25 crores during Q3 of FY '22. Turnover was lower because of decrease in sales volume as well as drop in average realizations by about 4%. Contribution of fiber and yarn is 85% and 15%, respectively, in sales numbers.

In geography terms, we made an export sale of INR 30 crores during quarter 3 as against INR 34.45 crores during corresponding last quarter due to slowdown in the global market.

During the quarter, we earned EBITDA of INR 34.19 crores, which grew by 3.6% on a quarter-on-quarter basis and 7.6% on a year-on-year basis on the back of higher production numbers. In terms of per ton EBITDA, it was almost flat at INR 11,433 in comparison to year-on-year number of INR 11,423 and slightly lower in comparison to quarter-on-quarter number of INR 11,810 per ton.

PAT during the quarter at INR 20.93 crores is higher by 4.86% on a quarter-on-quarter basis and 14.54% on a year-on-year basis.

On year-to-date basis, numbers are pretty good and we achieved revenue of INR 877.81 crores with production of 85,499 metric tons in comparison to corresponding numbers of INR 734.97 crores and 82,853 metric tons respectively. EBITDA is also higher by 12.2% at INR 94.6 crores as against INR 84.3 crores during nine months of FY '22, PAT is at INR 56.18 crores as against the corresponding number of INR 49.73 crores, excluding extraordinary items during nine months of FY '22.

Now I hand over the call to Mr. Yash for his comments on the operations of the Company.

Yash Sharma:

Thanks, Gopal and I extend my warm welcome to all the participants. On operations side, this quarter was better and we achieved higher production amidst the slowdown in demand. In the short term, though the demand from consumer industry is sluggish and prices are also impacted but in long term, we have a larger picture before us and see an upturn in the industry due to improving global economic environment and increase in confidence.

For the recycling industry, we see an encouraging scenario due to increasing awareness and realizing the need of circular economy from the society, from corporates as well as from regulatory organization. As an example, just yesterday, our honourable Prime Minister, Mr. Narendra Modi was present in the Parliament wearing a jacket made from used pet bottles and IOCL has announced their “unbottled project” for use of pet bottles in the uniforms for all of its employees throughout the country. These moves symbolise the need of circular economy and recycling.

Two out of three of our subsidiaries have become operational during the current month and we are hopeful in ramping up the capacity by end of March. So these units will start contributing to the top line and bottom line from Q1 FY '24. We are in the process of starting the commercial operations in Ganesh Ecopet most likely by the end of current financial year. This will add further growth to the Company and its performance starting next financial year.

This is all from our side, and we thank all of you for your kind attention. We will be happy to take any questions which you may have.

Moderator:

First question is from the line of Gunjan Kabra from Niveshaay.

- Gunjan Kabra:** My first question is with respect to food grade bottle-to-bottle chips. Sir, there are too many players coming on with capacities and also getting Starlinger machine by which I believe this was a differentiator for us. So when we interact with Starlinger people they have so many orders from India is what they also guided. So I wanted to understand how are you seeing this competition going forward? And can this also become like more like a commoditized product and reduce margins, which we think are pretty high currently?
- Gopal Agarwal:** Thanks, Gunjan, as there is a big opportunity going to be opened up in the sector post FY '24 because of the regulators. So certainly, there will be more than one player in the sector. We are not looking for the entire opportunity size in fact. So other players will also be there. We are not going to expect the players who are coming into it, but we are confident that we would be having the significant stake in this sector.
- Yash Sharma:** Adding on to this point, I would also like to say that the Starlinger machine is not just what helped you achieve high-quality, good food-grade rPET productions. The heart of this process lies in the washing quality and the decontamination efficiency of the unstandardized waste coming in. And since we have 30 years of legacy in understanding and handling how to derive the most out of and the best out of the Indian PET waste, we are sure that the capabilities and the superiority of qualities that we possess everyone will not be capable of achieving that.
- Gunjan Kabra:** So sir, will the new players when they come in can that --we are targeting EBITDA margins of around 25% to 30% for this product so can that margin reduce when so many players come or because we have a technical expertise, the margin will continue to be on premium side?
- Gopal Agarwal:** Yes. We are confident in achieving the EBITDA margins. We are expecting it, though the actual margins will come after the start of the production. But we are quite confident in achieving because of the quality and the product we are having, which is the best-in-class.
- Yash Sharma:** Adding on to this, the expected demand that is coming up is currently for the next seven years, there is a significant gap in the demand and supply numbers according to the current capacity is also coming up. The current expected demand is running almost 2x to 2.5x of what the current suppliers are for the next five years to seven years.
- Gunjan Kabra:** Sir, also in the presentation, you mentioned that there are some global brands doing auditing is in progress. So is there any update on that?
- Gopal Agarwal:** So actually, when you are working with the big brands and big corporates, so there is a procedure in which they made apart from the technical strength and technical properties, they also look for the social audits and everything. And they conduct the social audits, with different organization empanelled by them. So that is a part of the process onboarding with the big brands.
- Gunjan Kabra:** Sir, is there any time-line where we can expect or will it take some more time loose?

Gopal Agarwal: Yes, we are expecting to start to commercialize the operation project of a chips plant is by the end of this quarter. We are pretty hopeful to start the operations by end of this quarter.

Gunjan Kabra: And also, sir, from the textile perspective, how should we evaluate competition in this space also because, for instance, all the global players like Indorama or Far Eastern in Taiwan and the Mexico Company, they are almost doubling their capacity, which definitely shows that the recycling strength is very-very high. But for these companies, the major revenue comes from the man-made fibres and they have this revenue contribution is getting small but then size is pretty big.

So can we expect like IOCL is also doing 100 million PET thing So can you expect some call, for the say ESG compliance also for similar kind of structures to be built up in India also going forward? Maybe the margins for them would not be as high as that we do, but maybe the supply can increase from that perspective, I wanted to understand.

Yash Sharma: So in this time, I would have to tell you that these big organizations, they are always going to enter into the end products using recycled materials. Like, for example, even IOCL, if we talk about, they have this project in which they want to get the uniforms for their employees. So this is from the -- if you talk about Far Eastern, let's say, so what Far Eastern is doing is, they are procuring the raw materials, which is the rPET Granules that players like us will be manufacturing and they will be using that as an input for them to produce textiles and further integrations into those products.

So big companies like these, they're definitely going to start using recycled materials, but the heart of recycling lies at the waste recycling steps and which is the converting the PET bottle waste into flakes and into granules, which becomes then the raw material. And that is something which -- for which we need a very robust supply chain network and distributors, the partners and the technical process, which only a couple of handful of firms companies like Ganesha would be possessing.

Gunjan Kabra: Sir, also, I wanted to understand how the global bottle to bottle chips recycling scenario is? Because in Europe, for instance, the waste aggregation is very inefficient. So are they able to do it like, are they able to have like good margins and cash flows? Or is it that we have a very good opportunity to export to these nations also?

Gopal Agarwal: In fact, yes, Europe collection rate is increased. Europe, in fact some of the countries of the Europe, the regulations has made it to see that the use of certain percentage of the rPET into the -- with the virgin one So as -- so because of the Ukraine war, something that Europe was somewhat sluggish implementing the regulations, but now they have started it again. And within next one year or so, there will be very hard regulations going to be implemented in Europe.

Moderator: The next question is from the line of Jenish Karia from Antique Stock Broking.

- Jenish Karia:** Congratulations, on commercialization of the Nepal and South India plant. The first question is with regard to if you can have the EBITDA margin for the trading and yarn business separately for the quarter?
- Gopal Agarwal:** Do you want to know the margins of the yarn business?
- Jenish Karia:** Yes, Trading and the yarn business, what cost may be?
- Gopal Agarwal:** So the consolidated trade level on our existing business, margins are about 12% out of which for spun yarn, we are having the EBITDA margins about 15% to 16% .But though quantity is very small, it is not even 10% of the total production quantity. So the impact is not much. The rest of the EBITDA is coming from the PSF business.
- Jenish Karia:** So, the next question is with regards to Nepal plant. So earlier before commercialization you were evaluating on a cater to the export market, you were capturing. So now we are commercialized any view on that, how the realization will look like the customer profile, anything from that front?
- Gopal Agarwal:** Yes. In Nepal we are making PET flakes, that is out of the PET bottles. And so the flakes is being transported 100% over North Indian plants. So we are not setting it outside, but we are using it captively.
- Jenish Karia:** So, in that case, how much of the cost savings will it be because North India- earlier we are sourcing from the North India and primarily sourcing it will for pan-India, now we will be importing from Nepal so how different would be the cost structure in that case?
- Gopal Agarwal:** Yes, the PET bottles is cheaper in Nepal. So there will be a cost advantage, we'll be getting in importing the flakes from Nepal, towards North Indian plant.
- Jenish Karia:** So if you can just help us any number in percentage on how much of cost savings can happen from that?
- Gopal Agarwal:** So the cost savings would be around 12% to 15% from the material procurement from Nepal.
- Jenish Karia:** And just one last question. Since we have commercialized part of the plant in South and Nepal full plant, how much of the depreciation and interest cost will flow through P&L because of that for the quarter?
- Gopal Agarwal:** So for the Nepal plant, we are -- as far as the interest and depreciation concern for the Nepal Plant, it would be around INR 5 crores on annual basis. And for the Ganesh Ecotech, which we have commercialized, depreciation and interest is about INR 15 crores to INR 20 crores, on annual basis.
- Jenish Karia:** And INR 15 crores to INR 20 crores is for part of the capacity, that we have commercialized and for the rest of, it will be even higher... for full year?

- Gopal Agarwal:** Yes
- Moderator:** The next question is from the line of Harsh Jhanwar from Centrum PMS.
- Harsh Jhanwar:** My question was regarding the bottle-to-bottle capacity. So sir, how are we thinking in terms of selling? Will we look to sell only to MNC international customers who are auditing our plan? Or from Q1 onwards, we will also sell the balanced capacity in the domestic markets?
- Gopal Agarwal:** So, we are tying-up with the brand and it may be both for the domestic as well as the export market.
- Harsh Jhanwar:** And sir, as you have said that this opportunity is huge, and there will be a huge gap in demand and supply for the next five year to seven years. So sir, what are our plans over next three year to five years in bottle to bottle per se, Are we planning any new capacity after Warangal?
- Gopal Agarwal:** Of course, given the size of the opportunity, we would be expanding further in the bottle-to-bottle in the field. But of course, as currently, we are focusing only on the tying up and ramp up the capacity, which we are putting in. So when it will start we will look for the expansion projects.
- Harsh Jhanwar:** Revenues from this bottle to bottle will start coming in from Q1 FY '24, right?
- Gopal Agarwal:** We are expecting from Q1. Yes, we are expecting to start by Q4, by end of Q4, and the results will come from the Q1 for '24.
- Harsh Jhanwar:** And sir, my last question was regarding the -- so we were planning a small pilot plant of rigid plastic at our Kanpur facility and then planning to scale it up. So sir, what is status there?
- Yash Sharma:** Yes. So basically, we do have this pilot plant established at Kanpur, where we are doing some R&D and trials in these other plastics, HDPE and PP recycling. But there are some issues that we're currently facing in the terms of supply chain ramping up in terms of product development, which can go into higher end use applications. So there is quite a lot of R&D and trials to be done there on that side.
- But definitely, we are still working on that and trying to figure out also along with technology suppliers and how we can deliver a good quality product out of that and overcome the challenges that are currently there in the existing plastic waste.
- Gopal Agarwal:** Moreover, our core strength is in PET, so we are looking for the PET business, where the possible size is also big and we are having our core strength in that sector. So we are more focused on the PET business and therefore other plastic recycling is on the back burner as of now.
- Moderator:** The next question is from the line of Jenish Karia from Antique Stock Broking.

- Jenish Karia:** So my question is with regards to competition on the bottle -to-bottle segment. So there are some capacities which have come up in South India. Varun Beverages has also announced a joint venture with Indorama Ventures. So how do you see the raw material trend, firstly, what is the capacity of the competitors, the raw material trends, and how do you see the market shaping up in India and the Ganesh position as an exporter of bottle-to-bottle to see initially and then catering to the Indian market?
- Gopal Agarwal:** You see the demand of PET is increasing fastly, you see because of the technical properties, the PET is a superior product as you can see the best product in all of the polymers because of the its recyclability in 'n' number of times. Other polymers are not suitable for recycling 'n' number of times. They have two, three cycles like that.
- So the application of PET is increasing. Because of the regulations, because of the circular economy, the PET is the most suitable and therefore, the demand of PET is increasing and so the availability of raw material is also increasing. So, we don't see any kind of bottleneck in availability of raw materials going forward. And as regard the opportunity size and looking to the Ganesh's overall situation in the market, we are the prominent player in the PET recycling segment as of now and we will remain the significant player in that segment also.
- Jenish Karia:** But sir, any more sense on what capacity, the competition was putting and we are primary present in South India. So, to cater to any bottler within India, we need to have presence pan-India. So any sense on that, how you're planning to expand pan-India capacity over the next two years?
- Yash Sharma:** Yes. So basically, we are working with a lot of -- I'm talking -- discussing with a lot of bottlers, there are definitely small capacities which are coming up here and there. but we don't see any one -- any major capacities or projects coming up. For example, in instance, you mentioned about Indo Rama, Indonesia and Varun Beverages. So even their capacity is not planned as of today.
- And the project is currently quite a lot delayed. But as of today, as far as the market intelligence that we have, we are the largest in the bottle-to-bottle capacity, and we are planning and ramping up also in the same way to be able to grab the maximum market share possible in this field as well. So definitely, we will try to develop ramp pan-India capacities along with our bottling partners, brand partners, as their demands grow and as we grow along with them.
- Jenish Karia:** One more question with regards to price trends. So, you mentioned that the fiber and yarn business, we are seeing some real pressure on realization. So how much shaping for the fourth quarter? And how do you see it going for FY '24.
- Gopal Agarwal:** Certainly, the textile sector, particularly the spinning sector is in demand recession at present and almost -- and the inventory piling up is there in the sector. That's why demand is sluggish and the prices also come down. So, in the fourth quarter, the prices are yes, they are down. But going forward, we see when the things are going to be more certain and the uncertainty going

out of from the international market, demand will pick up from the Q1 '24, and we see the prices will also start to pick up.

Moderator: The next question is from the line of Arvind Kothari from Niveshaay.

Arvind Kothari: I was just wanted to ask that in terms of the criticality of the washing line that you were alluding to, how difficult is it to crack and for example, the experience that we have for so many years, are there other players which can be able to solve that fast? Or do you believe that will take a lot of time for people to have the washing line, which can cater to the bottle-to-bottle food grade chips easily?

Prashant Khandelwal: Basically, for this, you have to go a little into the technical details of the specifications required for bottle-to-bottle grade chips because it is a product, which is going to be used in food packaging, there is a lot of strict adherence has to be taken up while deciding the specification. There is a technology. You see earlier also some questions came about the Starlinger technology, which is available for everybody.

But you see Starlinger, also specifies that this set of parameters would be required for their machines to make a food-grade bottle-to-bottle recycling chips, so they give you a strict-parameters. You have to fall into the parameters. You have to be in a position to bring the wash flakes below these specifications allowed impurities inside the material, then only you can get a good quality of food grade rPET chips.

Basically, if I elaborate it a little bit, we are working into recycling of bottle to fiber, since last 30 years. In fibers, we used to -- for common commodity fiber, we are allowing contaminants up to 600 ppm to 700 ppm of impurities, in the flake. For a few good quality or specialty fiber, it is constant to use below 400 ppm. But when we are talking about a good food-grade rPET Chips, you have to control it well below 50 PPM.

So when we are talking about the impurities in the material, which is post-consumer waste and we have to bring down the impurities to the level of below than 50 PPM to control, then there is a few technical things. You have to control the benzene level. You have to control the toluene, phthalates and acetaldehyde. So you have to control all these chemical impurities in the final rPET pellets. There are limitations from the regulations like FSA, US FDA and FSSAI. But apart from these regulatory barriers, the brand owners are maintaining their own specifications.

So brand owners are more stringent, they are following a level well below 50% of what these regulations are allowing. So brand owners are more aggressive on this, to control the quality of the rPET Chips. They are not following what regulations are saying. They are saying that, okay, regulations are seeing these levels, but we want the material with 50% of what regulations are asking.

They are more stringent on this area because ultimately, it is their brand value. So it is not that easy to everybody, for everybody to take a Starlinger machine and make the rPET pellets and

supply to the brand. Okay. The market is very big. It is 1.2 million tons of PET being consumed last year in India and a huge opportunity is there for rPET also because it is going to be mandated in coming days.

And the capacity required will also be very big, but we are confined to the high quality, highest quality possible from the available waste, available post-consumer PET bottles. So when you are ensuring the best quality, you are ensuring the supplies to the best brands, of course your EBITDA and your margins would be far better than what others are going to do.

Arvind Kothari:

Also, sir, I wanted to understand that how this market has behaved in Europe because there, the trend has come early. In India, in states needs to be seen how it emerges in the coming two years, three years when the regulation hits us?

In terms of how the prices of the recycled granules move with respect to the virgin you can say, material. So have they been correlated or the premiums have been constant or they've been fluctuating. If you can throw a color of how the recycled premiums have moved vis-a-vis virgin in markets which have a long history of maybe Europe or somewhere?

Yash Sharma:

So basically, if you look at the ICIS price indexes for rPET, which is currently the Europe major price index for rPET, you will understand that the premiums of rPET in Europe with respect to Virgin have moved from 30% to 80% in the past two years. So usually, they stay at a 30% to 40% premium levels from Virgin. And when the demand goes higher, it has also risen to 80% of some premium from virgin prices. So that's how it has been in the past two years for now.

Arvind Kothari:

And the regulations over there are also maturing. So what is the export market, if you would have studied like, how are the volumes over there and some people from maybe Asia might be supplying. So how were the supplies from Asia moved? And what is -- if it gives a color of the size of the opportunity of our exports maybe, if you could be clarifying that?

Yash Sharma:

So basically, what was happening in Europe was that the brands had started to consume rPET voluntarily. So the regulations were not existing for the past years. They are starting to kick in from this year from starting 2023. Some countries have 10%, 15%, some have 25% mandatory use of recycling. But what was happening is for the past two year to three year, there was no regulation, but the brands were consuming it voluntarily.

Now they were able to do that because they had their own sustainability targets and the economy was going good. But what happened last year was that in the past six month to eight month, since the economy went down since the Russia-Ukraine war and the energy crisis happened, their voluntary consumption came down drastically because of which the market size shrank in the past six month to eight month.

But starting from 2023, starting this year, the regulations are kicking in and there are penalties of EUR 500 a tons to EUR 800 a tons depending on country, area regulation. And everyone

has to automatically start consuming the rPET regulatorily, so the market is starting to expand again aggressively.

- Moderator:** The next question is from the line of Hemant Soni, Individual Investor.
- Hemant Soni:** Sir, we have the commencement of the Warangal and the Nepal project. So sir, what kind of revenue can we expect -- what kind of revenue growth basically we can expect in FY '24?
- Gopal Agarwal:** You see from the Nepal, we are expecting a turnover of INR 70 crores to INR 75 crores on annual basis and from the Warangal project, which has been operational, we are looking for the turnover of about -- basically, it is in two part, fiber & washed flakes, as of now, in our B2B plant, plant is just operational, it could be consumed captively. So basically, it will not add to the turnover, but add to the bottom line. And the fiber turnover will be around INR 150 crores to INR 180 crores, from that facility. And the total turnover from the Warangal project we are looking in the range of INR 550 crores to INR 600 crores, when operating on the full capacity.
- Hemant Soni:** Basically, it's around INR 600 crores from Warangal and INR 75 crores to INR 80 crores from Nepal?
- Gopal Agarwal:** Yes, INR 550 crores to INR 600 crores from Warangal and INR 70 crores to INR 75 core from Nepal. So total INR 600 crores to INR 650 crores, in total.
- Hemant Soni:** So are we seeing any demand slowdown due to a slowdown in the textile industry?
- Gopal Agarwal:** Yes, the demand slowdown is there presently in the textile sector. Because of the international conditions, where the export has been decreasing and some of the spinning units are operating at below capacity.
- Hemant Soni:** So sir, we could have postponed our expansion projects then, if there is a given slowdown?
- Gopal Agarwal:** No, our expansion is in the field of PET resin as well as in the field of PSF, we are not going to the spinning or something other, so we are going forward with our expansion and which in fact, we are in the last leg of the expansion, some part has started and some part going to be started by end of this quarter.
- Hemant Soni:** Sir, what kind of capacity utilization currently we are having apart from the Warangal project and Nepal project
- Gopal Agarwal:** In our existing facilities, in the last quarter, we already -- we almost clocked a 110% capacity utilization.
- Moderator:** We'll move to the next question from the line of Arvind Kothari from Niveshaay.
- Arvind Kothari:** Sir, I wanted to ask on the textile sector, for example, yesterday, you highlighted that our PM itself was wearing a jacket, which was made of pet bottles. So in terms of the spun yarn,

filament yarn, and the other yarns that will go into textiles, what is the opportunity over there and the brand types that we can do? How will that part also shape up if you could elaborate?

Yash Sharma: Yes, definitely. So Arvind, basically, we have already been doing spun yarn. We have some small capacity of spun yarn already installed. But in filament yarn, we are also beginning our filament yarn trying -- we are also beginning to build up our filament yarn capacity where -- the recycled filament yarn, has a significant premium over virgin yarns and that is because the technicality and the production of recycled filament yarns is very- very difficult and critical to achieve.

And we are already under way on our developments with several brands for our filament yarns currently, since we have our -- so filament a Tier 2 scope for major brands if you see because after filaments yarns, it comes a stage of fabric and then final garmenting. So the filament as soon as we have our filament yarn capacities, we will be in the scope covering of major brands directly. But as of today, since we have granules, we are supplying to the suppliers, who are manufacturing these yarns, and we are already -- have a good pipeline of good suppliers and brands in place, where we are discussing potential collaborations with them for recycled filament yarns.

Arvind Kothari: So that is visible also in a lot of, you can say, brands like Decathlon and all are highlighting that, these jackets or these things are made from the recycled PET threads. But the question is that will these players mandate their garmenters that they want to use the Ganesha's products? Or does garmenters themselves have an option that whatever player they want to choose they can choose themselves?

Gopal Agarwal: No. Basically, these are the mandates they have. Basically as per the process, these brands give the mandate to more than one supplier. They are not dependent on one supplier only. So globally, they have a number of suppliers, and their OEMs are free to source from any of those suppliers, so, depending upon the quality and the prices and other things.

Yash Sharma: So basically, the major competitive advantage that we are going to get with these brands is that we have the bottle to yarn deliverable facility now, which offers the brands 100% transparency of the process and of where the waste and bottles is coming from. This is something which these major brands value a lot if you'll talk to them about this. And this is why they have been discussing with us and giving us preferential treatment currently as of today because we have the capability of establishing end-to-end transparency and traceability systems for them, which today, if we talk about, there will be no player you'll find with that capability in India.

Arvind Kothari: Yes, that's what I was wanting to allude to is that, is the seriousness among brands in terms of traceability emerging? Because there have been instances where maybe the garmenter is more focused towards reducing the cost. And in that process, will we maybe use materials, which may be substandard, but just gives him a tag of being recycled, you can say fiber? Or they will be looking for checks, which are actually qualitative and have the traceability till the end?

Yash Sharma: Correct. Yes, definitely, you're right.

Prashant Khandelwal: You are very correct that there will always be some market for both types of buyers. One side, there will be buyers who will -- who are willing to buy a cheap product, irrespective of the end-to-end traceability of the material coming from. But yes, this is going to be a very small percentage of buyers who are doing all these wrong practices. For brands, their goodwill, their brand value is very important. So they have never compromised.

In our past experience, also in last 25 years, we are dealing with different brands like Target, Vardaman and Trident and all those top brands, they always maintain end-to-end encryption of the material availability. Even now, there are a few more products coming -- emerging with a high premium like ocean bound plastic (OBP). So now, Ganesh is also doing this OBP, we are OBP certified for supplying our fiber and filament from ocean bound plastic also.

So yes, there will always be two level of markets, one where the cost is important and the second one, where the end-to-end encryption of the material is more important as compared to the premiums. So there are -- of course, we are looking to that band of the market, where we are going to get a good premium for maintaining all these high-end clarifications or transparency.

Moderator: The next question is from the line of Manish Mahawar from Antique Stock Broking.

Manish Mahawar: Some book keeping questions on our company. One, in terms of for the quarter, other income has been higher on a Q-o-Q basis, if I look at what was the reason for the higher other income?

Gopal Agarwal: Other income in comparison to corresponding last quarter, you are asking?

Manish Mahawar: Yes.

Gopal Agarwal: So, there is some interest income and some --income on the investments.

Manish Mahawar: And what is the right now RPSF realization, if I look at on a Q3 average and current price.

Gopal Agarwal: RPSF realizations for the December quarter was about INR 89.

Manish Mahawar: INR 89. And what was the price right now?

Gopal Agarwal: It is around that those levels INR 88-INR 89.

Manish Mahawar: It's stable actually since post the quarter?

Gopal Agarwal: Yes. But as you look at it from the September quarter, it is down in December quarter- is about INR 95, so it comes down to INR 90 to INR 89.

Manish Mahawar: And in terms of capex perspective, which is Warangal one is INR 450-odd crores. So how much we capitalize the amount in the fourth quarter, right, in the March quarter, correct?

- Gopal Agarwal:** Yes, it will be from project to project -- so for Ganesh Ecotech, it has been capitalized from 1st of February, since company started so all the capex has been capitalized and now onwards everything will come in the revenue side.
- Manish Mahawar:** But how much amount will come in this year in the gross block? And how much will come to the next year? Can it possible to share that number because bottle to bottle will come by March?
- Gopal Agarwal:** So basically, we are looking for the commercializing the operations of Ecopet also by the end of this quarter. So, if that happens. So, everything will be capitalized by the end of this year.
- Manish Mahawar:** But out of this INR 450 crores, what was the amount, maybe possibly from bottle to bottle. What will be the capex for quarter-to-quarter?
- Prashant Khandelwal:** The utilities all are common -- most of the infrastructure is also common. So, it is quite difficult to identify -- you can have a direct equipment, which is attributed to a particular product only. But yes, of course, there is a big cost of utilities like effluent treatment, boilers and all those big utilities, which are common for all the facilities.
- Manish Mahawar:** So large part of your depreciation and interest costs will come from the fourth quarter onwards, right, because 1st of Feb is a commercialization date?
- Gopal Agarwal:** Yes. So, it will come from the first quarter. So only the depreciation for the Ecotech is concerned -- it will come from this quarter. And for the entire plant, it will come from the next quarter.
- Manish Mahawar:** And what is the right now debt amount, gross and the net in the balance sheet as on 31, December?
- Gopal Agarwal:** So, for 31, December, we are having a total debt about INR 475 crores, including the existing business of Ganesh Ecosphere.
- Manish Mahawar:** It's a gross amount, right?
- Gopal Agarwal:** Yes, it is a gross amount.
- Manish Mahawar:** And what is the net one?
- Gopal Agarwal:** So on net basis, if we give effect the long-term investments we are having with us, it is around INR 60 crores. So, it is roughly INR 417 crores on net basis.
- Manish Mahawar:** And how much amount it will basically -- by March and what will the amount you expect in terms of...?
- Gopal Agarwal:** At peak level, we are expecting it would be around INR 550 crores on a gross basis.

- Manish Mahawar:** The incremental roughly INR 75 odd crores will come by -- in this quarter, roughly and last one, in terms of government incentives, what is the plan to commercialize, right, and we'll start from maybe 1st of April, I assume all the lines. How do you recognize in the accounts, government is on a cash basis or accrual basis?
- Gopal Agarwal:** No, it will be on cash basis only. Because we are going to submit our claims with the government from this quarter onwards, but we will account for -- as and when there is certainty just between getting the amount.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to management for closing comments.
- Gopal Agarwal:** We would like to thank you, everyone, for joining us on this call. I hope we have been able to address all your queries and for further queries, if any, you may be connected to our team. We are also thanks to Mr. Manish for hosting this call. Have a good day. Thank you.
- Moderator:** Thank you very much. On behalf of Antique Stock Broking, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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