



GESL

# GANESHA ECOSPHERE LIMITED

GESL/2024-25/

August 20, 2024

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Scrip Symbol: GANECOS

**Sub: Transcript of Q1 FY2025 Earnings Conference Call held on August 12, 2024**

Dear Sir/ Ma'am,

Please find enclosed herewith transcript of Q1 FY2025 Post results Earnings Conference Call held on **August 12, 2024** pertaining to Company's Unaudited Standalone & Consolidated Financial Results for the quarter ended on 30<sup>th</sup> June, 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 Q1 FY-25 Earnings Conference Call”

**August 12, 2024**



**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  
LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to Ganesha Ecosphere Limited Q1 FY25 Earnings Conference Call hosted by Antique Stock Broking Limited.

As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your 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, Neerav. On behalf of Antique Stock Broking, warm welcome to all the participants on the 1Q FY25 Earnings Call of Ganesha Ecosphere.

Today we have Mr. Gopal Agarwal – CFO and Mr. Prashant Khandelwal – Senior Vice President and Mr. Yash Sharma – Director; Ganesha Ecopet from the Management.

Now, I would like to handover the call to Mr. Agarwal for “Opening Remarks,” post which we will open the floor for Q&A. Thank you and over to you Gopal.

**Gopal Agarwal:** Thanks Manish and Antique stock broking for hosting us. Good afternoon to all the participants and I extend a warm welcome to June 24 quarter earnings concall of Ganesha Ecosphere Limited.

The first quarter of FY25 was having a mixed bag of achievements and challenges. We achieved a tremendous quarterly growth year on year basis when Q1 of FY24 was washed out completely due to demand and price melt down of PSF and Yarn, impact of which lasted till Q2 of FY24. Turning towards the challenges, Textile industry is still struggling with huge over capacity and cheap imports from china, which is creating pressure on pricing as well as demand. As per estimate, on and average, spinning units in the country are operating at around 65-70% capacity utilization while historically, average utilization was around 80-85%. Under capacity utilization leaving a very little head room with the players in the industry to absorb any price increase in feed stock.

Further, this quarter we witnessed a sudden spike in exports of washed pet flakes to US and some countries of Europe, where PET EPR has been introduced. Because of this unprecedented increase in exports, prices of pet bottle scrap increased by almost 10% during the quarter, particularly in later part of the quarter which could not be passed on to the customers due to suppressed demand within the textile industry. Another big challenge was the multi fold increase in sea freight due to Chinese demand of containers and ships for US as well as increased geo-political tensions in middle east, which increased the transportation cost of export deliveries for orders already booked and deliveries were

scheduled. All these factors impacted the margins of legacy business by 150 bps, though we achieved higher production of 28,270 tons with capacity utilization of 106%, which is an increase of 4.5% over last quarter and 1.87% over corresponding

last quarter. We earned EBITDA of Rs. 24.95 crore as against Rs 17.18 crore earned during Q1 FY24, which is an increase of 45.2% on y-o-y basis. However, EBITDA was declined by 10.5% over last quarter number of Rs 27.89 crore due to factors discussed above. We earned net profit of Rs. 21 crore, which is 2.4 times higher than Q1 FY24 number of Rs. 8.67 crore and is at par with PAT number of last quarter with savings in interest numbers.

In subsidiaries, we achieved higher EBITDA of Rs. 22.74 Crore registering a growth of 18% over last quarter of FY 24. The growth is on the back of some capacities, which were operational during March, 24, though the pace of ramp up of our 2nd production line of rPET Granules was slower than our expectations due to some technical factors on the one hand and passing on the price increase in raw material to the customers after some time gap, generally after a month on the other. Overall, we earned an EBITDA margin of over 24.5% from businesses in our subsidiaries.

Going forward towards other quarters of current year, journey seems little bit uneven for our fibre and yarn business with addition of some new capacities in the industry intensifying the competition further and present political crises in Bangladesh, affecting our exports. However, with the moderation in pet bottle scrap prices during August and expected drop in sea freight from second fortnight of August, 24, additional cost incurred in Q1, likely to go away.

3rd production of rPET granules has become operational and expected production ramp up by September will improve the earnings. We are having visibility for offtake of production of all the three lines till December, 24. We are also expecting the production ramp up in rFilament yarn division by December, 24. So, working of subsidiaries are on expected lines and we are confident that FY25 will deliver excellent results on overall basis.

As regards our plans for adding further capacities in rPET segment, we are actively working on it and hopefully will come out with details on it by the time of our next concall.

This is all from our side. We now invite you with your questions which you may have.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. First question is from the line of Akash Jain from Money Curves Analytics. Please go ahead.

**Akash Jain:** I just had a couple of questions, mostly related to the RPSF business. Like you said, because of the EPR norms, there has been more export of PET flakes, which has led to the increase

in raw material prices. So, how will, this is going to remain an issue for us going forward also right, because once the EPR norms have been introduced in the US and Europe, this will continue, EPR norms is only going to increase in terms of compliances to EPR. So, I am just wondering, is the pressure raw material you see continue to be there a little bit up and down, but upward bias on raw material prices. Do you see that happening?

**Yash Sharma:** Mr. Akash, thank you for the question. Of course, we expect the pricing pressure on the raw materials for the PSF business, because just now there are the exports of PET flakes which we don't expect will be a longer phenomenon. But of course, with the introduction of the EPR guidelines from FY25 in the country, there will be pressure on the pricing of raw materials, and so the PSF business will be affected. So, on that front, we are taking couple of steps. Number one, we are going for the further value added products, introduction of value added products, where we can increase our margins and absorb the increase in prices of PET bottle scrap, number one. Number second, we are also working on some forward integration in the PSF business, where we can make the more value added and can address the issue.

**Akash Jain:** Sir, why are you saying that the export of PET flakes will not be an issue going forward, because this quarter you said it is an issue, and why will the export not be there in the coming quarters, what is the reason for that thought process?

**Yash Sharma:** So, definitely, a very good question. So, basically, you see if you look at the plastic waste management and EPR regulations. The aim of plastic waste management and EPR is that every country should be recycling their waste and should be basically consuming their waste to make rPET and recycled plastics again, that is the design of plastic waste management is to solve, every country has to solve their own problems, correct. So, as you have seen that the waste flow, like ultimately the waste flow which was earlier happening from Europe and US to all other countries, it got subdued, there were imposed restrictions on the flow of that waste material from here too. This is, we think that it is going to be future, in the future also the likelihood is there, and the design of brand and the design of PWM is such that, it needs to boost every country's own recycling infrastructure. So, currently they are dependent on flakes from outside because currently they are investing and developing their own collection and recycling and washing line infrastructure which they are currently still lagging on. They have set up the forward integration capabilities of granulation and all and consumption of the granules, they have started already, but at the back end they are still currently investing and developing. So, we expected it's a short-term phenomenon probably in a couple of quarters, years it's going to happen. But ultimately, every country is going to recycle its own waste and consume its own waste for the packaging regulations. And also to add, there is one more big factor that, yes there will be currently there is a pressure because of the gap in supply and demand. But going forward, India is currently the beverage industry is growing at 18%, 20% CAGR itself, the beverage

consumption in India is growing at 18%, 20% CAGR itself. So, the bottle generation is also increasing dramatically as well.

**Akash Jain:** On the Warangal side, the RPSF unit in Warangal is now at what capacity utilization, and just an additional question here, we earlier had guided that the Warangal RPSF is more value add. So, I am just saying, I just wanted to understand on the Warangal RPSF part, what is the capacity utilization we are seeing in Warangal. And earlier, you guys had said that the RPSF in Warangal is more value add so much higher margin than we will have in the standalone business. So, is that something that we are seeing that the Warangal RPSF margins are significantly better than the standalone, can you guide a little bit on what is happening on RPSF in Warangal versus the RPSF in the standalone business?

**Gopal Agarwal:** Yes. So, we are operating at about 80% capacity utilization of RPSF business in Warangal and we are making the value-added product, where we are making the diet fiber there, which is much value added than the normal fibers which we are making at the plants of the Ganesha Ecosphere. So, of course, we are getting the better margins there.

**Akash Jain:** Any guidance, is it like 2%, 3% higher, 1% higher, just a broad guidance?

**Gopal Agarwal:** Yes. So, it is higher by 2% to 3%, higher than the normal business.

**Akash Jain:** So, just one last question. So, in rPET, clearly the off take has been great, and we are already talking about adding more capacity which is as per expectation, we all knew that the bottle to bottle business will do very well. The disappointment has been on the filament yarn part, so the wrap up over there is clearly been a challenge. So, can you also a little bit alluded on what challenges we are seeing, because ideally, it's only one line, and we should have really seen good ramp up and full capacity utilization by now. So, can you throw a little bit of light on what are the challenges and what do you see in the next few quarters, how filament yarn will play out?

**Gopal Agarwal:** So, Akash unfortunately, the textile industry is not doing well. It is under tremendous pressure, the textile industry, and so the ramp up of this line is really very, very slow and it is not as per the expected lines. So, we are now expecting we will be getting the optimum production by the December quarter. And in the next two quarters we are expecting it to be online.

**Akash Jain:** Sorry for an additional part, earlier my understanding at least used to be that the end consumer, which is the garment manufacturers, are going to recycled filament yarn more as a value add, as a value proposition to their end customer and there is more like a replacement to the natural yarn they may be using. So, I understand the overall demand

issue, but the replacement of filament yarn or recycled filament yarn with natural yarn should have been a phenomenon that should have continued?

**Gopal Agarwal:**

So, Yash you can address this.

**Yash Sharma:**

So, it's not a replacement of natural yarns, but it's a replacement of virgin polyester yarns basically, now you please understand that virgin polyester yarns, filament yarns, are very, very cheaper compared to recycled filament yarns. Recycled filament yarns the cost is approximately 25%, 30% higher than compared to virgin polyester yarns because of that, so recycled filament yarn is a very, very premium product. Now the brands who have to use recycled filament yarns have to use it because they are having some product line which are made only from filament yarns and not spun yarns or RPSF basically. And that is where, these sports end application brands basically are looking at using, but because of the tremendous pressure on the textile industry on overall basis, the adoption and the switch has been much, much slower than we thought of and they are currently doing the projects to take it to the final stages. All of that is parallely going on, but at the same time, the adoption has been much, much slower only because of the economical reasons and, the overall factors affecting the textile business in a much greater sense, other than yes, they do have their current strategic sustainability goes to you start using these materials, it's just that the adoption is going slower, it has to come online sooner or later.

**Moderator:**

Thank you very much. Next question is from the line of Bhavya Gandhi from the Dalal & Broacha Stock Broking. Please go ahead.

**Bhavya Gandhi:**

Sir couple of questions from my end. One, if you can tell me about the effective capacity that you have, because you mentioned the nameplate capacity that is closer to 1,96,000 but what was the effective capacity for the current quarter?

**Gopal Agarwal:**

Yes, so the effective capacity when we talk about tinplate, we are having the capacity of 108,000 tonne of all the products in our Ganesha Ecosphere and in Warangal we are having capacity about 78,000 tonne.

**Bhavya Gandhi:**

Correct. That is the tinplate capacity right, but the capacity that you are currently using?

**Gopal Agarwal:**

Yes, so all the capacity is being used, so all the plants have been operational now. So, now the entire capacity is being used.

**Bhavya Gandhi:**

Okay. So, say for example.

**Gopal Agarwal:**

Though the capacity utilization is different, different levels for the different product, all the capacities are operational now.



- Bhavya Gandhi:** So, let me ask you in another way, if you can give product wise capacity utilization for the Warangal plant, so your rPET, filament yarn and RPSOI, if you can give separately?
- Gopal Agarwal:** So, basically for internal reasons we give the capacity utilization at console level, of the Warangal plant.
- Bhavya Gandhi:** But Warangal plant is subsidiary, so that gets consolidated with the traditional business. So, if you can give only for the Warangal plant, if not product wise?
- Gopal Agarwal:** Yes. So, in June quarter the capacity of only 64,000 was operational, and not the 78,000, 14,000 line was operational in, started from July 1st. So, it is in the current quarter. So, out of 64,000 tonnes production we are roughly using the 55% capacity utilization.
- Bhavya Gandhi:** Okay, 55% capacity. Now that helps, perfect. And sir if you can tell more about the washed flakes because wash flakes are getting exported, but we procure PET bottles. So, our pricing has to be different, because we, any which way, procure PET bottles and get it converted to wash flakes. `So, in terms of raw material, how has it impacted with respect to washed flakes, if you can explain the entire trajectory how it works?
- Gopal Agarwal:** So, basically, the wash flakes is produced from the PET bottle scrap. We are buying the PET bottle scrap, and we are processing and washing it, and then we are making the PET flakes, which are used in our production line for making the final product. So, what is being is the PET bottle scrap is contained to washed PET flakes and that is being exported. So, the raw material is same for the washed flakes being exported and the raw material which we are using.
- Bhavya Gandhi:** So, are we seeing an increase in PET price procurement, that is what I want to understand?
- Gopal Agarwal:** Yes, so the PET procurement prices have increased because of that.
- Bhavya Gandhi:** How much is it possible to quantify in terms of percentage, maybe last quarter what was differential?
- Gopal Agarwal:** In the last quarter it was by about 10% the input cost was increased.
- Bhavya Gandhi:** Okay, and that similar range has been seen at washed flakes level also PET as well as washed flakes level?
- Gopal Agarwal:** Yes, because of, these are getting the good prices from exports of washed flakes, so they bought it at higher prices.



- Bhavya Gandhi:** Okay. And do we export washed flakes?
- Gopal Agarwal:** No, we do entire captive consumption.
- Bhavya Gandhi:** Okay, captive consumption.
- Gopal Agarwal:** We don't have spare capacity for making exports or selling it.
- Bhavya Gandhi:** Okay. And has the procurement prices improved after because you mentioned in the PPT that prices have now stabilized in August?
- Gopal Agarwal:** Yes, so what happened is, now as the sea freight has increased multi-fold, the cost of washed flakes has also increased. And so the exports have come down. And so, pressure has been released on the feedstock now.
- Bhavya Gandhi:** So, is it back to normal level minus 10%, the increment of 10% is now again getting subsidized?
- Gopal Agarwal:** It may or may not, but certainly it has started to come down.
- Bhavya Gandhi:** Okay, it has started to come down. And also with respect to the on-ground situation of EPR, are you seeing that the inquiries are increasing because I know that we have been working with beverage companies, but beyond that, any other companies have also started procuring from us. And if you can name few of the clientele that we have, who started procuring from us?
- Yash Sharma:** Yes, surely. So, a couple of more FMCG brands have also started using now, although the volumes are, see basically the PD rPET consumption in the beverage segment is the highest, so they are going to be the, ultimately the biggest customers for us, but FMCG segment is also now started using so there are a little bit of quantities, 10%, 15% that we are now supplying to FMCG segment as well.
- Bhavya Gandhi:** Okay. Can you quantify in terms of number, if not in terms of name, how many customers are procuring from us?
- Yash Sharma:** Around 10 to 12 different converters we are now supplying for FMCG segment.
- Bhavya Gandhi:** Okay, got it. And with respect to further CAPEX, as you know, EPR is going to get kick in from 1st April. So, have we thought of any further CAPEX and are we in the process of announcing any further CAPEX?

- Gopal Agarwal:** Yes, so we are working on the expansion plan in that segment, and as I covered in my opening remarks, hopefully we would come out with a complete plan by next concall, next quarter.
- Moderator:** Thank you. Next question is from the line of Pradeep Singh from Pinterest Capital. Please go ahead.
- Pradeep Singh:** Sir, can you guide us on high value products across HDPE, LDPE and PE, your focus is of high value products?
- Gopal Agarwal:** So, Pradeep we are into PET bottles, and we are not into the HDPE and PP.
- Pradeep Singh:** But, in your presentation sir you have displayed that you are focusing on high value products. So, can you guide us?
- Gopal Agarwal:** So, high value products is in our product range itself.
- Pradeep Singh:** You can give something brief idea how can you forte into this products and in all that? Sir can you, actually expansion plan in regard to this value-added products, so can you brief something related to that products, and what are the revenue guidance for FY25?
- Gopal Agarwal:** So, value added products, we are talking about the forward integration in the fiber business itself. So, where fiber is used in the technical and non-woven textile. So, we are studying some of the products in the technical non-woven textile, where a good value addition can be made for fiber and we can put it in our company, in our extension plan.
- Pradeep Singh:** So, you are focusing future in revenue guidance or something?
- Gopal Agarwal:** So, we are expecting a revenue of about 1500-1600 crore this year.
- Moderator:** Due to no response, we move on to the next participant. Next question is from the line of Manas Thakar from MDA Advisors. Please go ahead.
- Manas Thakar:** Sir, I just wanted to ask about the operating margin. Will it be sustainable throughout the year, of around 14%, 15% on console basis?
- Gopal Agarwal:** Yes. We are expecting it will be on sustainable basis.
- Manas Thakar:** So, this Bangladesh issue which is going on right now. So, won't it negatively impact on our exports and the margins which are usually coming from there?
- Gopal Agarwal:** Actually, we are expecting the sea freight which has been increased multi fold in last one quarter, they will be rationalized from this month itself. And so our exports will be

remunerative going further and of course, we are having some concerns in Bangladesh, because unless and until the scenario is not clear there, our export will be impacted to Bangladesh.

**Moderator:** Thank you. Next question is from the line of Naman Parmar from Niveshaay Investment Advisory. Please go ahead.

**Naman Parmar:** First question is regarding what new product pipeline are there in HDP, in ITP, et cetera?

**Gopal Agarwal:** So, Naman, we are not into HDP, etc.

**Naman Parmar:** Okay.

**Gopal Agarwal:** Yes. We are primarily PET players. So, our main raw material is PET, and we are making products which is made from the PET.

**Naman Parmar:** Okay. And all the raw material prices are fully passed on to the consumer?

**Gopal Agarwal:** Yes, so in case of B2B granule, rPET granule of course it is passed on, though with some lag of time say one month and in case of PSF, generally we are able to pass it on to the customer. But given some change in the scenario just now because of the exports or the PET flakes return, alternate use is there and also the down turn in the textile industry, we could not pass on the increase in raw material prices to the customers in PSF segment for this quarter.

**Moderator:** Thank you. Next question is from the line of Himanshu Dugar from Sales Gains Financial Advisors. Please go ahead.

**Himanshu Dugar:** You spoke about the price inflation for the RM, specifically the recycle plastic that you are sourcing. I just wanted to understand the realization, how do they move in line with the increases in RM inflation, because there would be, you would also be passing on the price inflation, obviously you said that some of it is already coming down, but are you looking at some pricing

action as well here?

**Gopal Agarwal:** Yes, so Himanshu there was till now the PET bottle scrap is having only one application that is for the making the recycled PSF. So, recycled, whenever there was a variation in the prices or changes in the prices of RPSF, we are able to pass it down to the raw material suppliers. So, we are managing it very well, but now the alternate use of the PET has emerged especially, we are looking for the after the EPR guidelines, the use of PET bottle would be in B2B segment also. And also, there is a short term phenomena of this PET bottle flakes. So, these two alternate use has emerged which are putting pressure on the prices of

the raw material, and because the textile industry is not in good shape, we are feeling some pressure on the pricing front.

**Himanshu Dugar:** Sorry, did you say that PET bottles are getting exported as well from India? Then that would be a decline in domestic supply for you as raw material?

**Gopal Agarwal:** No, this is not like that but as the exports have started, so the alternate consumption has developed for the PET bottle and so as they were getting the better prices from export markets, so they bought the PET bottles at higher rates.

**Himanshu Dugar:** Understood. So, now that most of these countries are especially the desert market are having more and more focus on EPR guidelines. This is going to become a phenomenon when we were able to source some of the raw materials cheaply, that thing is almost now gone. And even domestically, there could be some amount of RM inflation, which will be sustainable as well. This is not something that this is a temporary spike in prices, and it will once again come down. So, when things, kind of sustainably go up, the RM inflation kind of becomes, there's a new normal in the RM cost for you, in that situation and especially now that the texture continues to, you can't say how long it will be like this, but it continues to be benign. Do you see, especially for the next three, four quarters, some kind of margin pressure building up, or you think that can be handled out with the passing on of some inflation?

**Gopal Agarwal:** So, Yash would you please answer this question?

**Yash Sharma:** Yes, sure Gopal Ji. So, basically you see, first of all this increase in raw material prices first of all it has been temporary only, again currently as we speak from the past couple of weeks we have seen, we are seeing that they have started to go down. The downfall has started, so currently what is happening is that there are a lot of new balances being formed between bottle-to-bottle, between bottle-to-flakes as an export alternative and bottle-to-fiber. So, a new balance is currently being created and so there might likely be a little bit of ups and downs in terms of the raw material pricing and all of that, but we think that historically we have able to been pass on this delta to our consumers, to our clients, customers, and adding to the same in the future as well. So, textiles, while this quarter we were not able to pass on because of the pressure in the textile industry overall in general, there was a big price and demand pressure, which was bounding up and was affecting the trade happening. So, that was the reason it did not happen this quarter. But everything in the longer-term vision, it should get normalized as it has before also. Ultimately, waste has to be recycled otherwise there is no other use really. So, the cost of collecting and cost of recycling the waste has to be absorbed by the industry. The longer term, it's bound to happen that what we think.

**Himanshu Dugar:** Got it great, thanks for that answer. Just one small data point, like you said the correction in the last two weeks. So, if you could, you earlier said that there is a 10% quarter-on-

quarter jump that you saw in the RM cost. So, is that a similar amount of correction that you have already witnessed or you think that could happen in the coming months?

**Gopal Agarwal:** I am sorry, Pradeep I couldn't get, your voice was not audible.

**Himanshu Dugar:** I was asking, sometime back you mentioned during the call, that overall you seem broadly 10% kind of hike in the raw material prices, but in this month, you have seen some kind of moderation as well. Is that back to the level that was in say 4Q 24 or we are still somewhere above the range?

**Gopal Agarwal:** Yes, so as I answered earlier also the prices have started to come down, but it depends upon the demand of the PET bottles, whether it will be come down by 10% or it will be in between, but certainly the price has started to moderate.

**Moderator:** Thank you. Next question is from the line of Bhavya Gandhi from the Dalal & Broacha Stock Broking. Please go ahead.

**Bhavya Gandhi:** Sir one with respect to 1600 crore of revenue guidance, if we were to achieve that, what sort of capacity utilization do we need for Warangal plant for the full year and what sort of realizations are we looking at so that we can achieve the 1500, 1600 crore revenue guidance?

**Gopal Agarwal:** So, the incremental revenue will come from the Warangal plant only because the capacity has been put up there, and the capacity utilization is increasing so and so the turnover is increasing.

**Bhavya Gandhi:** I get it sir, but what sort of capacity utilization you will require to achieve that 1600 crores of revenue for the full year?

**Gopal Agarwal:** So, that is about 85% capacity utilization.

**Bhavya Gandhi:** Okay. At 85% capacity utilization you will be able to achieve 1600 crores of revenue on a full console basis, right?

**Gopal Agarwal:** Yes, right.

**Bhavya Gandhi:** And with respect to EPR, who would be the final authority monitoring the EPR getting implemented, is it the state pollution control board or the central boards, and who is going to look at the enforcement end?

**Gopal Agarwal:** I think Prashant can reply to it very well.

**Prashant Khandelwal:** So, for implementing the EPR guidelines, the issuing authority is MOEF, Ministry of Environment and Forest, and the implementing authority would be CPCB, Central Pollution Control Board they have to monitor so every manufacturer or brand owners and recycler has to submit quarterly data with CPCB portal for their consumption of virgin PET, rPET, and for recycler, the total quantity they have produced and supplied to whom. So, the whole system will be monitored by the Central Pollution Control Board, CPCB, if it is not implemented then they will take action accordingly.

**Bhavya Gandhi:** Okay. And sir, are we seeing participation from the players? On CPCB I understand lot of people have registered, but are you seeing that the data is getting updated and, I just want some ground level feedback as to implementation of this?

**Prashant Khandelwal:** Most of the brand owners, the big manufacturers, the converters, and the manufacturers of the polymer has already registered there, and they are submitting their data. There may be slow registration process for the very small converter and user of the PET because it has been framed in such a manner that even if a manufacturer of virgin PET or an importer of virgin PET cannot sell their material to any unregistered person, so they have to submit all the data. So, it is the owners on the manufacturer and manufacturer you can see there are very few manufacturers of virgin PET and importers, so it is going to be implemented very fast.

**Bhavya Gandhi:** Okay, got it. And sir last thing, can we use the rPET flakes and granules for any other purpose, like any other types of plastics, or is it only for PET bottles that the sole purpose, or can we use it for any other sort of plastics also?

**Prashant Khandelwal:** So, already we are using our PET flakes for textiles. So, textiles, it is being used since long and now due to the regulation the rPET granules consumption in PET bottles has started. So, it is going already in textiles and then the bottles.

**Gopal Agarwal:** So, Bhavya, basically there are different kinds of polymers, and each kind of polymer has its own set of properties. So, one cannot mix the one with another. So, PET cannot be used in HDP or PP applications like that.

**Moderator:** Thank you. Next question is from the line of Akash Jain from Money Curves Analytics. Please go ahead.

**Akash Jain:** Just one follow up question. So, we are very smartly looking at doing power integration and doing more value add in the RPSF business. Because in times to come, with PET and EPR becoming more and more significant, percentage wise in India, maybe the raw material pressure will continue on RPSF business. I just want to understand, how long the journey do you see that, and is there significant CAPEX that will be involved in the power integration on the RPSF side?

- Prashant Khandelwal:** So, basically, you see for RPSF value added products we are planning to consume the RPSF in-house. For RPSF, there will be reshuffling of the raw material mixing. So, right now we have more percentage of rPET flakes consumption (PET flakes) consumption in making RPSF. But going forward, we are also increasing the uses or consumption of the textile waste as a raw material for our RPSF. So, this exercise we are doing on the raw material front, as well as for having a larger value chain, we are also working for converting this RPSF in a value-added product. So, we are looking for several segments where we can consume our RPSF in-house and increase the total value chain. So, it is very, at this level it would be very difficult to give you a number ballpark figure for the investment required. But yes, as, and when we are taking decisions, we will let you know about these all things.
- Akash Jain:** And this textile usage in the value chain for RPSF is that a pilot we are running because this is something that we are just first time I am hearing it, earlier in our conversation you had mentioned that finally textile should cater to textile and PET bottle should cater to PET bottle. That was the, in the long term that is what the solution is. But on the textile side, are we running a pilot on using?
- Prashant Khandelwal:** So, we are already doing some in-house discussion, R&Ds, et cetera and it is at very initial level so a concrete path.
- Gopal Agarwal:** So, we have not finalized any plan so far, we are in the identification process of the project and the products which we can put up. So, we will come out with the details once we finalize it, or some clarity comes to us.
- Moderator:** Thank you. Next question is from the line of Kaustub Shanbang from KOS Invest. Please go ahead.
- Kaustub Shanbang:** So, I had a question on the bottle-to-bottle capacity. So, we came across an article where Varun Beverages was partnering up with Indorama for their recycled PET requirement. And there are other capacities also coming up from different players. So, do you see that as a challenge to ramp up your capacity and do you see that as competition increases, it will be difficult to get a larger share from these brands?
- Yash Sharma:** So, you see with the regulations kick in from the next financial year, there is a huge demand is going to generate, and no single supplier can feed it. So, certainly, a number of suppliers are coming up with their capacities and plant. So, Indorama is one of them, so we are not much worried about the capacities which are going to be put up, because we know we are having only capacity of as of now, 42,000 tonne, and we are going to working on adding some further capacities. But that will not be sufficient for the industry itself. So, certainly some other players will come in.



- Kaustub Shanbang:** The guidance was that they will use their full captive requirements from that partnership. Is that the case, or that is not the case, what is the ground feedback that you have or ground intelligence you have?
- Gopal Agarwal:** So, basically not really. So, you are right that they have launched that partnership JV, to build up that plant. And they are currently, they have started building up the plant, but we don't see the first of all, the consumption that they are having is also growing at a very high speed. And they currently have finalized only one plant, which will be also operational by the end of next year. And even after that, it takes approximately six months to 10 months to get approvals from Food Safety Authority and everything else. And then add on top the layer, the extra complicated layer of collection of post-consumer waste from India which is also very complicated and not easy to do. So, we think that we are going to be always at a much ahead of all the other players which are currently coming in and anyways, their current partnership that they have, they only have access to 50% of the capacity that Indorama is going to set up. So, only 50% access is what Varun Beverages currently has. So, we don't think that it's going to deter us in scaling and maintaining our position as a market leader in the industry.
- Moderator:** Thank you. The next question is from the line of Varun, Individual Investor. Please go ahead.
- Varun:** Just quick one question, the PET-to-PET recycling line that we started in March, what's the capacity utilization of that and you mentioned there is some delay in ramp up of that line. So, what is that regarding and when do we expect it to ramp up properly?
- Gopal Agarwal:** So, whenever we put any new line, the ramp up takes some time so, we would be able to get the optimum production level in this quarter itself.
- Varun:** Okay. And what about the third line?
- Gopal Agarwal:** So, third line has started in 1st of July, so it will take one quarter, and we are expecting the ramp up would be by end of September.
- Varun:** Okay. And so, let's say by the end of this year, what kind of utilization do we expect from these three lines, like 42,000 is capacity, right?
- Gopal Agarwal:** We are targeting more than 90% utilization.
- Varun:** By the end of this year?
- Gopal Agarwal:** Yes.
- Varun:** And what should be the revenue that would translate into 90% utilization?

- Gopal Agarwal:** So, the total overall, overall revenue growth, the revenue which we have informed is about 1500 to 1600 crore, so 1000 crore is from the legacy business and 500 to 600 crore from the subsidiaries.
- Moderator:** Thank you. Next question is from the line of Krishna Agarwal, Individual Investor. Please go ahead.
- Krishna Agarwal:** So, I have a question on the new project that we are in the R&D stage let's say HDP, LDP and for HDP, I remember that about two to three years back also we had started a small production at Kanpur plant, but then we focused on the PET side. And I was seeing there are some listed players as well in HDP they are getting about let say 15% EBITDA margin. So, what you're your thoughts on this, and as the EPR policy comes, it would come in the whole plastic chain, not only in the PET so what's your view on this?
- Gopal Agarwal:** Prashant can answer it.
- Prashant Khandelwal:** So, basically, for HDP PP, we have done a small plant at Kanpur, and we are still exploring the products to be made, because the biggest issue with the HDP PP is the supply chain. The supply chain of HDP PP waste scrap is still not developed, and there is a lot of different mix of material available because every cosmetics and the consumer product packaging is different, and to make a quality product there is very difficult number one and number two, the odour is also a big problem for HDP and PP. So, still we are working and doing a lot of R&D in that segment, but yes, we are trying to find the right technology which can create a product which can be used by these big consumer products company for their packaging.
- Krishna Agarwal:** Okay. And are we looking at the chemical recycling side because recently there have been many developments and the new technologies coming up, and many players are putting up capacities as well. So, what's the view on chemical recycling?
- Prashant Khandelwal:** So, yes, we are having discussions with some of the technological suppliers for chemical recycling, but it is at very initial stage once anything formalized, we will let you know.
- Gopal Agarwal:** So, the chemical recycling as of now is very costly and it's not a viable technology, though at the end, it's at a very nascent stage. So, we are keeping tap with the technology, and we are having the discussions also with the technology suppliers. But so far, we are not satisfied with the performance of this technology. So, as and when it is available on the large scale, commercial level, so definitely we will go for it.
- Krishna Agarwal:** Okay. So, just a view that I wanted to share that, in the battery recycling so they get a lot of HDP as well. So, they are doing good in the HDP plastic that they get from the batteries. And margins are good because they are having already a good sourcing for the lead acid battery. So, that kind of supply chain can we also explore, or we can partner with someone

to increase their plastic side, and they would do the battery side. If something that sort of thing we can explore?

**Gopal Agarwal:** Certainly, we are having these things in our mind. But right now our key focus is on the PET recycling. So, definitely we have started some pilots, but we are not much focused on this HDP and PP, but definitely once we will ramp up our required capacities in the PET line, PET segment, we will look for the other segments.

**Moderator:** Thank you very much. As there are no further questions, I will now hand the conference to the management for closing comments.

**Gopal Agarwal:** Thank you, Manish. Thanks to all the participation for dropping by, hope to see you soon for our next quarter earning calls, and thanks again to Antique for having us here. Thank you very much to all the participants. 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. Thank you.

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