



GANESHA ECOSPHERE LIMITED

GESL/2020-21/

February 2, 2021

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Scrip Code: 514167

To,
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Scrip Symbol: GANECOS

Sub: Transcript of Q3 FY2021 Earnings Conference Call with Analysts/Investors

Dear Sir/ Ma'am,

Please find enclosed transcript of Q3 FY2021 Earnings Conference Call organized with Analysts/Investors held on **28th January, 2021** post declaration of Un-audited Standalone & Consolidated Financial Results of the Company for the Quarter and Nine Months ended on 31st December, 2020.

Please take the above on record and oblige.

Thanking you,

Yours faithfully,
For Ganesha Ecosphere Limited

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

Encl: As above



“Ganesh EcoSphere Limited
Q3FY2021 Earnings Conference Call”

January 28, 2021



ANALYST: MR. MANISH MAHAWAR - ANTIQUE STOCK BROKING LIMITED

**MANAGEMENT: MR. SHARAD SHARMA – MANAGING DIRECTOR –
GANESHA ECOSPHERE LIMITED
MR. GOPAL AGARWAL - CHIEF FINANCIAL OFFICER -
GANESHA ECOSPHERE LIMITED
MR. B.P SULTANIA – JOINT PRESIDENT MARKETING -
GANESHA ECOSPHERE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Q3FY2021 Earnings Conference Call of Ganesha Ecosphere 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 “*” 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: Thanks Steven. On behalf of Antique Stock Broking, I would like to welcome all the participants on the call of Ganesha Ecosphere. From the management, we have Mr. Sharad Sharma – Managing Director; Mr. Gopal Agarwal – Chief Financial Officer and Mr. B.P. Sultania – Joint President Marketing on the call. Without taking further time, I would like to hand over the call to Mr. Sharma for opening remarks. Over to you Sharad Ji!

Sharad Sharma: Thank you Manish Ji. Good morning ladies and gentlemen. We welcome all of you to our 3QFY21 conference call. I have my colleagues B.P Sultania as a Joint President; Mr. Gopal Agarwal – Chief Financial Officer. I will hand over the call to Mr. Gopal to tell you all financial number and business.

Gopal Agarwal: Thank you Sharad ji. Good morning everyone. This is Gopal Agarwal and I welcome you all. I feel pleasure in discussing about the company and its performance with everyone on the call. Ganesha Ecosphere is a leading PET bottle recycling company in India, and we are manufacturing Recycled Polyester Staple Fibre and Recycled Polyester Spun Yarn by recycling pet bottles. We have a strong diversified product portfolio which is well distributed across yarn spinning, technical and non-woven textile and filling applications. We have pan India presence with over 300 customers. We have three latest manufacturing facilities at Bilaspur and Kanpur both in UP and Rudrapur Uttarakhand.

Now coming to the quarterly performance for Q1 of the FY2020-2021 we were worried at the beginning of the current financial year. Our plants were under complete shutdown till May 6, 2020 which got restarted in phases under strict compliance of prevailing guidelines. Recovery in textile sector which was impacted worst due to pandemic was slow in comparison to other sectors. We however worked to ramp up the production and sales volume while working on cost as well as to normalize the profitability. We are delighted to say that Ganesha Ecosphere have performed better than expectations and has recorded a strong come back during Q3 of current financial year. We achieved production volume of 31,099 tons which is almost 104% of capacity utilization. We made revenue of Rs.234.5 Crores and EBITDA of Rs.32.11 Crores during December 2020 quarter which is higher by 12.7% and 5.6% respectively from December 2019 quarter. On per tonne basis EBITDA was more than Rs. 10,000 during this quarter.

We earned profit after tax of Rs. 20.6 Crores which translated into 8.66% margins over income. Average sale price improved during the quarter by about 11% from its lows during this year. Price appreciation is not so glaring as compared with the other industry however; it reached at

pre-COVID level. Going forward, we are set to improve the performance further on the back of the following factors. Our marketing units, R&D team is vigorously working on product development and innovation for increasing our product portfolio and better pricing power. Two, we are constantly working on quality improvement and our industry is also maturing. Discounts of recycled fibre over Virgin fibre are continuously narrowing down. We are working on our operational cost optimization. We are working on every component especially on power which is the largest component in our manufacturing cost. We have commissioned roof top solar installations of 1.8 megawatt in our Kanpur unit during December 2020 quarter and installation of another 2.3 megawatt capacity are underway taking the total solar power installation to 9.0 megawatts. A new revenue stream in the form of EPR certification has been started since late FY2020 contribution of which is increasing.

Next, World over there is a strong demand is generating for use of recycled stuff be it in packaging or in clothing. All the big brands are having their targets for shifting the virgin stuff with recycled stuff and are paying hefty premium for it. However, there are supply side constraints in recycling industry because of low rate of scrap/ waste collection, availability of technology, required quality and product development. Sensing the opportunity, we are putting up the additional recycling capacity of 53,000 MT at Warangal in Telangana with estimated project investment of Rs 400 crore where we are going to manufacture Recycled Filament Yarn and Recycled bottle grade Chips, apart from Recycled Polyester Fibre. This capacity is expected to be operational by Q4 FY 22. We are under process of acquiring a pet bottle scrap washing plant in Nepal where we shall be manufacturing fibre / filament grade chips from pet scrap. The estimated project cost is Rs 40 crore and project would be operational by the end of Q1 FY22.

Now I request Sultania Ji to take the audience through market and new product developments.

B.P. Sultania:

Good morning everybody. We are market leaders in recycled polyester fibre segment and our company is controlling around 15% of Indian market share. We are having enriched product basket with over 500 product variants to cater to all the possible applications. Constant research and development is our strength.

Presently, we are working on development of certain specialty fibres. It is like flame retardant fibre, antibacterial fibres and biodegradable fibres. All these fibres are specialty fibres and are being introduced for the first time in India in the recycled fibre segment. All these specialty fibre products will fetch up around 35% to 40% extra margins. This flame-retardant fibre finds its application in certain critical applications where the fire hazard is more and the antibacterial fibres it can kill 99.99% bacteria on the fabrics and the biodegradable fibre has been introduced just now. It is fully capable to biodegrade under landfill and ocean in one year and the soil left behind from the degradation will contain no plastics and it will remain perfectly fertile.

We are also going to introduce a fibre which is another sort of the specialty fibres and it will be having its application in cement and paper industries, so all these products are under different stages of developments and the trial sampling has already been done. We have also executed

certain orders in the European markets and in the Indian markets and the customers are evaluating our products.

Further, we have also sent all these samples in European labs for testing so that it can have international acceptance and acquisition. Apart from the above, we are also working on introducing recycled footprints in our products. This could be traceable until the end application of our products. Secondly, it will give us edge in the market. To summarize Ganesha Ecosphere will continue to demonstrate its ability to overcome challenges and emerge stronger. It is bent upon to demonstrate good growth and earn superior and sustainable profits over the years.

Thank you very much. With this I would like to close our opening remarks and handing over the mike to the operator to open the floor for Q&A round.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Harsh Bohra from VT. Capital. Please go ahead.

Harsh Bohra: First of all thank you for taking my question and congratulation for good set of numbers. My first question is that we understand that textile industry was amongst the worst hit industrial sector under this pandemic, so going forward, how do you see the demand and supplies scenario like do we see the uptake in demand going forward?

Gopal Agarwal: Yes, we are confident that the demand is revived in the sector and the demand is sustainable going forward. Industry has now come out from woods and is on the track now.

Harsh Bohra: Okay and second was regarding to supply chain like how is it going forward supply chain has it revived or is it on the revival mode?

Gopal Agarwal: The supply chain has been revived as the entire supply chain was cut during the lockdown but now it has been revived. The consumption has also started and collection has started at full pace.

Harsh Bohra: One more the last question was regarding the margin side, so this quarter we had an EBITDA margin of 13.7% so going forward, how do you see this margin, do you see some pressure on the margins because of the raw material cost or we can expect some expansion in margin?

B.P. Sultania: We are constantly working on development of value-added products, and our R&D team is working very hard on this aspect, so we are targeting, to increase our EBITDA margins to 15% over next one or two years' time, so we see our EBITDA margin is going up from here.

Harsh Bohra: Okay, so the incremental margin will come from the value-added products, right?

B.P. Sultania: Yes. In the existing plant it will come from the value-added products.

Harsh Bohra: Thank you. I will come back again in the queue.

- Moderator:** Thank you. The next question is from the line of Vihang Subramanian from Samsung AMC. Please go ahead.
- Vihang Subramanian:** Thanks a lot for taking my question Sir and for keeping the conference call. One of my question I had is I understand that building in new facility in the south for pet and the process is kind of different, it is chemical process, so could you possibly highlight how different this chemical process is from the pet that has made globally by likes of Indorama etc?
- Gopal Agarwal:** The process is not different. We are into the mechanical recycling and the plant which we are going to put up in south is also through mechanical recycling although the products are different apart from the recycled polyester staple fibre which we are making presently. We sell also manufacturing the filament yarn and the bottle grade chips but the process of recycling is mechanical it is not the chemical recycling, chemical recycling is not very successful world over. Costing is very high in this chemical recycling, so it is not very successful world over. The mechanical recycling is successful.
- Vihang Subramanian:** So, we are using the same process that you have been using, right? Like historically you are making?
- Gopal Agarwal:** Yes.
- Vihang Subramanian:** Got it. The second question, I have is expansion that you have, doing the 250 Crores that you would be invest in, I think you are investing like 400 Crores but out of that it have to separate the value at it portion, if you could just broadly help me with what is the kind of ROCE and EBITDA margins that you are looking at for the Pet chips that you are getting into?
- Gopal Agarwal:** The orientation of market is changing. Now the use of recycled stuff by the brand owners and by the user industry is on very high demand because of the regulations and because of the commitments and the quality material is not available in the market, so the recycled stuff is getting higher premium in the market, so we are looking for an EBITDA margin of about 25% in our South project with ROE of over 25%.
- Vihang Subramanian:** Got it Sir and right now who would be your competition like globally if I had to look at like Pet Chips, I guess you are planning to export like some of your Pet Chips like you are up in US because you are getting machine from there and it is been FDA approved, who would be your competition you believe you are exporting these Pet Chips?
- Gopal Agarwal:** We are putting up Chips capacity of 14000 tonne which is not very big capacity. There are certain global players like Indorama Ventures, Wellman. They are having very high capacities. So we are starting with the very minimal capacity, so we do not see any competition in this segment because the demand is very high and supply side constraints are there in the market.
- Vihang Subramanian:** But if like an Indorama has the same product and they have more capacity, they would be making it much cheaper, right?

- Gopal Agarwal:** The total market size is more than 25 million tonne of Pet Chips, and only about 10% is the supply of the recycled stuff so there is huge, untapped market.
- Vihang Subramanian:** I will join back in the queue for further questions. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Siddharth Rajpurohit from JHP Securities. Please go ahead.
- Siddharth R:** Good morning Sir. Thank you for the opportunity. First question is to what has led to the revival of business in the current quarter Q3?
- Gopal Agarwal:** Sorry, can you please repeat the question?
- Siddharth R:** In the current quarter, what has led to the revival of growth?
- Gopal Agarwal:** The supply side as well as the demand side both has revived during the quarter.
- Siddharth R:** Okay but particular sector industry that you have focus here that has created the normalcy or growth in the business?
- Gopal Agarwal:** We are basically catering to the yarn spinning as well as technical and non-woven textile and both the segments doing well. The demand has revived in both the segments.
- Siddharth R:** Is there any disruption in import?
- Gopal Agarwal:** Scrap is not allowed to be imported. One has to be dependent on the domestic market. Yarn and fibre are the products so they are allowed to be imported.
- Siddharth R:** So recycled yarn is there any disruption in the import which has caused to the increase in domestic demand?
- Gopal Agarwal:** The demand was basically disrupted because of this pandemic otherwise we are always operating at around 100 percent capacity utilization, you see the pre-COVID level, we were operating at 103% capacity utilization, the demand was obstructed only because of this pandemic. So, now there is revival of the user industry the demand was picked up. Recycled yarn is not imported much into India.
- Siddharth R:** There is talk that the kind of recycle fibre that the brands want in the textile particularly India or globally player, that kind of product is not available in India, what is your comment and what is there from this new plant?
- Gopal Agarwal:** You can say that regulations has recently been introduced and the awareness has started just now in India, so it have started in India and over the next three years to five years it will be like global demand in India for these products.

- Siddharth R:** Correct but the global players like Uniqlo, Zara, these brands wants certain kind of recycle fibre for their products, that type of product are we or other player making in India?
- Gopal Agarwal:** Filament, yarn etc., is needed, in filament yarn also recycling capacities are not there even in India, only one or two players are making, so not much availability is there here, that is why products are not there.
- Siddharth R:** Okay but do we have these products which we supply to them?
- Gopal Agarwal:** Going forward, we will start making these products, filament yarn we are making so that will be the product that will be used by the Zara and all those brands.
- Siddharth R:** Does that will happen in Warangal plants or our R&D developing then will be introduced?
- Gopal Agarwal:** Right now we are not making filament yarn, we are making only recycled Polyester Fibre. Filament yarn we are going to add in our Warangal plant.
- Siddharth R:** What are the assets turn for these new plants?
- Gopal Agarwal:** We are expecting turnover of about 500 Crore from this plant.
- Siddharth R:** 25% of EBITDA for utilization?
- Gopal Agarwal:** Yes.
- Siddharth R:** And by what time utilization will be completed?
- Gopal Agarwal:** It will be fully operational by the end of FY2022.
- Siddharth R:** By the end of FY2022 it will be operational but at what stage we will be fully utilizing the plants?
- Gopal Agarwal:** By Q2 we will be able to make it fully operational at optimum capacity utilization.
- Siddharth R:** Q2 FY2023?
- Gopal Agarwal:** Yes.
- Siddharth R:** Thank you Sir. I will come back in the queue. All the best.
- Moderator:** Thank you. The next question is from the line of Swechha Jain from ANS Wealth. Please go ahead.

- Swechha Jain:** Thank you for giving this opportunity. I had few questions. You were talking about you are exporting the new products that you are developing, we have certain orders for the European and the Indian market that we have received, would you be able to give us the order size for this?
- B.P Sultania:** Right now, all these specialty fibres are under introduction stage. We are at trial stage in the Fire Retardant, antibacterial and in the biodegradable fibre, after having approval of the European labs we will be further expanding all over the world and also in the Indian market. It will take some time but certainly the initial outcome is very encouraging.
- Swechha Jain:** One more question with regards to capacity addition, I think I kind of missed that part, if you could just sum up in short as to, what are the current capacity which we have and the current capacity utilization and also what kind of capacities are we looking to add?
- Gopal Agarwal:** We are having capacity of 118,600 tonne in our existing units and in the Q3 quarter we utilized 104% capacity utilization in these plants, so it is almost at the top level and we are putting up the capacity of 53,000 tonne in Warangal which is ~50% capacity of the existing plant.
- Swechha Jain:** Okay and the Warangal would be basically catering to filament fibres, right?
- Gopal Agarwal:** It would be having 44% capacity for the fibre and 27% for the filament yarn and 27% for the chip. So, it is bifurcated into three segments.
- Swechha Jain:** Understood and I just missed EBITDA per tonne number that you were giving in your commentary, if you could just give that again Sir?
- Gopal Agarwal:** We have EBITDA of more than Rs.10, 000 per tonne earned in Q3 FY 2021.
- Swechha Jain:** Okay, Sir that was for Q3 or that was for nine months?
- Gopal Agarwal:** That is for Q3.
- Swechha Jain:** Can you share the nine month per term realization?
- Gopal Agarwal:** Nine months EBITDA was about Rs 7,300 because our Q1 was completely washed out and Q2 also the production was not come up to the scale.
- Swechha Jain:** I will just come back in the queue for more questions. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Abhinav Gupta from Share India. Please go ahead.
- Abhinav Gupta:** Thank you for the opportunity Sir and congratulations on such a good set of numbers. My question is regarding the new capacity that you are bringing at Warangal, just wanted to understand the timeline specifically. Is that capacity increase or the entire capacity would be operational at one go by the end of Q4 fiscal year 2022?

- Gopal Agarwal:** Abhinav, thank you. It will be operational one by one, because there are three segments, the Fibre and the Filament yarn and the Pet Chips. So, it will be in phases, by Q4 FY 2022 all of them will be operational.
- Abhinav Gupta:** So, any segment that we are looking so the entire plant would go at one go or that has people sent or?
- Gopal Agarwal:** Within a period of six months all the plants will be live. So, the first plant will be started from October.
- Abhinav Gupta:** Okay, the plant would be started, so they will be working at subdued capacity in the meanwhile before the entire construction takes place?
- Gopal Agarwal:** Yes.
- Abhinav Gupta:** Just wanted to understand the EBITDA breakup from the new plant. So, as you said it has three plants, so I believe you are looking at 25% of the blended EBITDA margin from that plant and in that totally what would be the breakup of Fibre, Filament and Chips if you give me any light on that?
- Gopal Agarwal:** Product wise we are looking for 18-19% EBITDA margin in Fibre, 22-23% EBITDA margin in Filament Yarn and around 30% in Pet Chips. So, the blended contribution comes to 25%.
- Abhinav Gupta:** Okay, also I would just like to understand the cost structure associated with it, whether is there any cost efficiency as far as the raw material procurement is concerned in that area, South India because it is our first venture in South India for now?
- Gopal Agarwal:** Yes, of course the raw material efficiency is there because most of the raw material collected in South India is coming to North India or West India for recycling. So, the freight factor is the point because of which raw material cost will be lower.
- Abhinav Gupta:** On per ton basis?
- Gopal Agarwal:** Per ton about Rs. 2 per kg we will be saving the freight cost, Rs.2 to Rs. 3 a kg.
- Abhinav Gupta:** Okay, and Sir you have told that the entire Rs. 400 Crores would be the capex that you are looking at from the first plant so, it would be spent out across the year I believe for the entire plant so, the entire Rs.400 Crores capex would be done in the next year itself from fiscal year 2022 completely?
- Gopal Agarwal:** Yes. We have already spent 55 crs by now, some 45crs will be spent by March this year and the remaining amount will be spent next year, most of the investment will be made in FY2022.
- Abhinav Gupta:** That would be all from my side. Thanks a lot for the opportunity.

- Moderator:** Thank you. The next question is from the line of Siddharth Raj Purohit from JHP Securities. Please go ahead.
- Siddharth Raj Purohit:** Thank you for the opportunity again. Sir, what is the percentage of exports in the total sales?
- Gopal Agarwal:** We are making export about Rs.60 Crores annually, so it is 6% to 7% in total turnover.
- Siddharth Raj Purohit:** Okay, and is the margins better in export Sir, then the domestic sales?
- B.P. Sultania:** It depends; sometimes margins are better and sometimes margins are not better.
- Siddharth Raj Purohit:** Okay.
- B.P. Sultania:** Sir, we are only exporting, if the margins are higher in exports otherwise, we can export more also. We are having our exports to around 16 countries to 17 countries and our products have been accepted in the market so, our company is exporting, only and only if the prices are higher in the international market as compared to Indian market.
- Siddharth Raj Purohit:** Okay, and Sir, what is the key focus region for exports?
- B.P. Sultania:** It is exported in United States and European countries, Bangladesh, Nepal, Saudi's, Morocco's, African countries like that.
- Siddharth Raj Purohit:** Okay, and Sir, what is the share of value-added products in the total sales, Sir?
- B.P. Sultania:** Our Company is making products for the spinning and non-woven and fibre segment. So, right now the share of the products for the value added, it is around 30% to 35% of the share it is for the product other than the spinning sector. So, in the non-woven and fibre sector the margins are higher, and our company is endeavoring to have this share up to 45% to 50%.
- Siddharth Raj Purohit:** Okay, that will lead to the margin expansions which we are targeting. And Sir, what is the more upside left in the existing plant. To what extent utilisation may go, we are already at 104%?
- Gopal Agarwal:** The capacity utilisation is optimum; it cannot go much from the existing plant.
- Siddharth Raj Purohit:** Okay, and Sir, our gross debt what is it now?
- Gopal Agarwal:** Total debt is Rs.139 Crores as on the date and as against that we are having the investment of Rs.105 Crores in the liquid funds. So, on net basis the debt is only Rs.34 Crores.
- Siddharth Raj Purohit:** Okay, and by Q4 FY2022 end what would this debt to?
- Gopal Agarwal:** Right now, not much has been invested into the project and till March end our investment would be around Rs 100 crs, which will be mostly deployed from internal sources, so same debt level will be carried till March.

- Siddharth Raj Purohit:** Means this capacity when we expand then debt will increase or maintained?
- Gopal Agarwal:** Now, that we are working on debt, discussing with the banks for the closure of the same but, management internal view is that our interest outgo must not be more than Rs.25 Crores to Rs. 30 Crores annually. Accordingly our debt equity ratio must not be more than 0.5% to 0.55%, so we would be finalizing the borrowings on that parameters only.
- Siddharth Raj Purohit:** Okay, and Sir, what is our long-term vision, or the target for three year to four years, what are we targeting for growth and margins, Sir?
- Gopal Agarwal:** After this project we are targeting our turnover would be around Rs.1500 Crores and we are looking for a blended EBITDA of about 18% to 20%.
- Siddharth Raj Purohit:** Okay, thank you Sir. Thank you very much and all the best, Sir.
- Moderator:** Thank you. The next question is from the line of Harsh Janwar from Centrum PMS. Please go ahead.
- Harsh Janwar:** Sir, I had only one question. Sir, with this new plant coming in, I just wanted to understand is there enough raw material available across the country for us to fulfill all the incremental capacity, the inner wastes is there in pet bottles?
- Gopal Agarwal:** Yes, the domestic consumption of PET Chips is about 1 million tonne and the recycling capacity is about 70% of this product. So, already there is 30% material which is to be collected and recycled further the PET resin CAGR growth is about 8% to 10% per annum. So, again 1 Lakh tonne is added every year to the waste stream. Further, the South market is having about 40% consumption of PET resins as against the 60% rest of the country. So, we do not see any problem in getting the required quantum of raw material for us, for our plant.
- Harsh Janwar:** Okay, Sir that is all from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Amit Zade from Antique Stock. Please go ahead.
- Amit Zade:** Hello! Good afternoon sir. Sir, my two questions Sir, number Sir, Nepal facility we have guided that that would be operational by first quarter of FY2022, so what kind of products will be manufactured from that plant, number one and what kind of revenue and EBITDA it can make Sir. So, that was my first question?
- Gopal Agarwal:** We would be making the fibre grade pet chips in that plant. The capacity is about 12000 tons per annum, and we are looking for the turnover of around Rs.70 Crores from this plant with EBITDA of 25%. In fact, Nepal is land locked country and there are no recycling facilities, although bottle consumption is there. So, we are putting up this plant to capture the possibilities in this country, the raw material is cheaper than India, so the margins are better there.

- Amit Zade:** Sir turnover of Rs.70 Crores at full capacity on next year or for nine months?
- Gopal Agarwal:** No, it is full capacity.
- Amit Zade:** Okay, got it Sir, and Sir second question on our South facility, Sir the kind of products we are making you have guided that blended margins of more than 20% - 25%, with 30% in PET grade and all. So, if you can bifurcate in terms of realizations as well, we are currently at Rs.70 - Rs.75 per kg realization. So, in the three products we would be entering what kind of the realizations are there in those products, Sir?
- Gopal Agarwal:** The fibre we are currently, selling price of around Rs.75 average price, so the same price we are looking for there. The only difference is that we would be saving the freight cost in raw material as well on finished goods which we would be selling in the South and for the Filament yarn we are looking to a realization of Rs. 90 plus and for chips we are looking the pricing of Rs 100 plus.
- Amit Zade:** Okay, and Sir this generally recycled PET chips what is the benchmark or parameter, how much is the difference compared to virgin bottle grade PET chips?
- Gopal Agarwal:** Quality wise it is the same as virgin PET chips, only thing is that because of the regulations and because of the compulsions and the commitments to sustainability, brands are striving to use the recycled stuff and the supply side constraints are there and therefore the demand is high and therefore recycled stuff is getting the premium.
- Amit Zade:** Okay, Sir so what kind of premium does the recycled PET chips garner?
- Gopal Agarwal:** Recycled PET chips are getting the premium of 35% to 40% over the virgin one.
- Amit Zade:** Okay, 35% to 40% got it is Sir, and Sir last question on our net debt. What could be the net debt figure by end of this capacity, you guided 0.5X so in terms of numbers would it be Rs. 250 Crores?
- Gopal Agarwal:** Yes, around 0.50 -0.55x of new worth.
- Amit Zade:** Okay Sir, got it. That is, it from my side. I will join back in the queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Atul Bhole from DSP Investment Managers. Please go ahead.
- Atul Bhole:** Good afternoon Sharad Ji and Gopal Ji and congratulations on the good set of numbers. Gopal Ji, you have mentioned around 25% margin from the South India but, I understand this South plant will have lot of government incentives from the state government, electricity cost etc., so this 25% are inclusive of those incentives or the incentives will be over and above this kind of margins?

- Gopal Agarwal:** Atul Ji, these margins that we are talking, government incentives are not included. Government incentives are certainly there like, there is 75% of interest rate subsidy, there is power subsidy of Rs 2/- per unit, there is a refund of state GST. Capital subsidy is also there but we have not considered all these subsidies in our numbers because these will be accounted on receipt basis and will be accounted for accordingly. So, this will be over and above the numbers which we are talking about.
- Atul Bhole:** Okay, good and my second question will this plant be eligible for that 15% income tax scheme or not?
- Gopal Agarwal:** Yes, that plant is eligible for 15% income tax that is why we have put it in our subsidiaries instead of parent company.
- Atul Bhole:** Right, okay done. That is, it from my side. Thank you and all the best.
- Moderator:** Thank you. The next question is a follow up from the line of Abhinav Gupta from Share India. Please go ahead.
- Abhinav Gupta:** Thank you Sir, for the opportunity again. Just wanted to take more clarity on the blended EBITDA of the entire company that you mentioned you mentioned the blended EBITDA once the Warangal is completely operational would be around 18% to 20%, wanted to take clarity. So, currently we are doing 118000 tons at around 13% of capacity and you have mentioned the fibre would be around 44% of the new capacity so that would be at around 18% EBITDA margin and only the remaining part of the 50000 ton the additional capacity that we are building would be around 25% to 30%. So, is there any value addition that we are doing at the current plant to take the blended EBITDA for the entire company to around 18% to 20%?
- Gopal Agarwal:** Yes, we are making the value-added product, we are rigorously working on that, we have already explained in our opening remarks. We are working towards development of value-added products where we will be increasing our EBITDA margins.
- Abhinav Gupta:** So, any hedge upon when from the stand-alone unit, the current working unit of around 118000 ton you believe that these value-added products would be the products which will improve and hence the EBITDA margin from this unit will improve?
- Gopal Agarwal:** Yes.
- Abhinav Gupta:** Any timeline by what time we believe that these products will start margins?
- Gopal Agarwal:** By next one year to two years.
- Abhinav Gupta:** Okay, next one year to two years.

- Gopal Agarwal:** In next one year to two years we are looking for EBITDA margin of 15% plus in the existing plant.
- Abhinav Gupta:** Okay, 15% plus and, I just wanted to take a clarity on the Nepal unit that you have said, just missed, is it of flake unit or a washing line or whatever plan from there, I just missed those comments earlier?
- Gopal Agarwal:** We are going for the flakes where we will be making the bottle flakes from bottle scrap and we will be making fibre- grade chips from these flakes.
- Abhinav Gupta:** Fibre unit in Nepal itself for that plant?
- Gopal Agarwal:** No fibre unit is planned, only up to the chips we will be making, and the chips will be exported either to our existing plant in India or we will export to other countries outside Nepal.
- Abhinav Gupta:** Okay, so all your chips would be sold. So, we are expecting a Rs.70 Crore turnover on the chip's unit itself?
- Gopal Agarwal:** Yes.
- Abhinav Gupta:** And that would be at 25% of margin you believe?
- Gopal Agarwal:** Yes.
- Abhinav Gupta:** If I must look at the chips in the Indian market itself what is the EBITDA margin on the chips only in India unit?
- Gopal Agarwal:** Sir, there are two factors, number one is the raw material is cheaper in Nepal than India and secondly recycled Chips are getting premium pricing. So most of the margin expansion will come from lower raw material in that unit.
- Abhinav Gupta:** Okay, Sir just wanted to understand because you are saying on an Rs.70 Crores turnover you are looking at 25% of EBITDA margins on the chip's unit itself while for the fibre we believe 15% in the current entire year. So, the entire cost efficiency is coming from the raw material prices?
- Gopal Agarwal:** Basically, there is demand of recycled chips is very high in the world market. So, we would be getting the good realizations of fibre grade chips also, not as good as the bottle but the fibre grade is also being sold at premium.
- Abhinav Gupta:** Okay, thank you. That could be all from my side. Thanks a lot for the opportunity.
- Moderator:** Thank you. We take the next question a follow up from the line of Vihang Subramanian from Samsung Asset Management. Please go ahead.

- Vihang Subramanian:** Sir, you mentioned that in the PET chips like we are more of a supply side constrained and compared to the demand but just wanted to know that if the process is not different and if there is already a ready demand so, that by the other manufacturer probably also not expanding their capacity and making PET chips?
- Gopal Agarwal:** Sir, on international level some plants are coming for the recycled chips but, given the constraint in collection, the collection rate if you take the entire world is not more than 50%. So, the raw material supply side constraint is there. Plus the selection of right technology is also a constraint because the technology is not easily available. Very few manufacturers are providing this technology and so the delivery time is very high for these kinds of plants. So, there is constraint for increasing the supply side and when I am talking about 25 million tonne PET chips consumption, world over and only 50% has been collected and most of them is being used to the fibre side. So, very little is available for the chip side.
- Vihang Subramanian:** Okay, but you mentioned globally, what about the other players who are already making RPSF like domestically I think there are already lot of players in this?
- Gopal Agarwal:** Yes, the reason is that presently consumption is not there of food grade recycled chips in India because Indian government has not made any BIS standards for consumption of bottle grade recycled chips. So, we are entirely going for export of these chips.
- Vihang Subramanian:** Your bottle grades chip should get only exported then, right?
- Gopal Agarwal:** Yes.
- Vihang Subramanian:** Okay, and Sir when you are getting into the export market, how these customers who are giving you orders, how do they compare you because you have not got into this stuff before, right this is the first time you are making the PET chips. So, is there any quality bench mark they must compare you against the quality or cost benchmark?
- Gopal Agarwal:** Sir, as far as the quality is concerned, we are putting the technology which is USFDA approved and our product and plants will also be having the USFDA approval. So, the quality is at par with the requirement of the clients. Already, a good demand is there with the established players and the bottling companies world over and we are already in touch with few of them.
- Vihang Subramanian:** Got it, and lastly just I think you had probably repeated this before, but I understood you could just kind of highlight your capex how much Crores that you are investing in the Southern plant and if you could just broadly remind that the asset terms and EBITDA margin that one can expect like that are useful, Sir and that is it from side.
- Gopal Agarwal:** Sir, estimated capex in South plant is Rs 400 crs. The asset turn is around 1.25-1.3x and expected blended EBITDA margins are 25%.

- Vihang Subramanian:** Or you have capacity expansion. Your expansion plans for now if you just could highlight the capex and margins?
- Gopal Agarwal:** No, we are presently not getting into any expansion plans on existing capacities. Our expansion plan is in South and Nepal only as of now. So, after completion of these expansions we will work out for further expansions.
- Vihang Subramanian:** Okay, thank you, Sir.
- Moderator:** Thank you. The next question is a follow up from the line of Harsh Janwar from Centrum PMS. Please go ahead.
- Harsh Janwar:** Sir, I had one question, you highlighted that PET chips have similar quality to virgin PET. Sir; I just wanted to know what is in case of virgin fibre when we compare our recycled fibre to virgin so, how is the quality and what is the pricing differential?
- B. P. Sultania:** The quality of fibre being produced in our plant, it is well comparable to the virgin fibre except the whiteness of the fibre. But still, we are commanding a fair price of our fibre and are selling around the prices of virgin fibres only. So, our quality and prices it is well comparable to the virgin fibre at present. Further we are also focusing on the value-added products like the non woven sectors etc., where the prices of our fibres it is even higher than the virgin fibre and furthermore, we are also selling our fibre as a sustainable fibre. So, in those areas we are even commanding certain premium over the prices of the virgin fibre.
- Harsh Janwar:** Okay, and Sir the trend has been similar historically also that we that we are selling at par or at premium prices or something has changed in recent times?
- B. P. Sultania:** Actually, two year-three years ago we were selling -5%, -10% as compared to the virgin fibre. But now it is almost the same because we have shifted our focus from the yarn spinning to the non-woven sector, so we do not have any pressure to sell and second thing our company is having its sales and marketing set up all over India around the South, North, East, and West. So, we never have any kind of the selling issues and we are having a very niche product portfolio also and we have the fair prices of our products.
- Harsh Janwar:** Okay and Sir going forward you expect the prices to be similar or recycle fibre at a premium?
- B. P. Sultania:** It must be around the same, plus-minus is always there.
- Harsh Janwar:** Okay, thank you. That is all.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to Mr. Manish Mahawar for closing comments.
- Manish Mahawar:** Thank you Steven. Mr. Sharma would your like to make any closing comments.

Sharad Sharma: Manish ji, Hope all are satisfied with the answers given to the questions. Can I share my vision with you all? I can say that this recycling business at this moment is very mature and this is the golden period right now if you see from my angle. And in future the opportunities are good, as the government regulations are coming. Also, commitments of brands, the corporates relating to sustainability, evolving technology, efforts are being made by plastic packaging consumer industry and the recycling industry for organizing the value chain right from scrap collection to recycling. Such efforts are opening new opportunities in the industry. We can be sure that Ganesha is not having any issue from any angle. Ganesha has dedicated team which is continuously giving good results every year and scaling the Company to new heights. Now, had this corona factor not there then this year also we would have crossed new heights. But this year we have lost due to pandemic else we could have seen in new horizon this year itself. Anyways, this will continue to happen but still our margins are getting better as new products are being developed. We are also working on new geographies, evaluating new markets and thinking of entering those new markets. Apart from business, we are also working on corporate governance, health safety, and environmental standards. We also believe that our company will achieve a double digit CAGR growth in top-line and bottom-line in the next decade. I am very much hopeful with our business and if anyone has further questions I am also available. I thank all of you for the sitting in the call.

Manish Mahawar: Thank you, Sharad Ji. On behalf of Antique Stock Broking, I would like to thank the team of Ganesh Ecosphere for providing us an opportunity to host the call. Yes, Steven you can close the call now. Thanks.

Moderator: Thank you. Ladies and gentlemen, on behalf of Antique Stock Broking, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.