



GANESHA ECOSPHERE LIMITED

GESL/2021-22/

June 3, 2021

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Scrip Symbol: GANECOS

Sub: Transcript of Q4 FY2021 Earnings Conference Call with Analysts/Investors

Dear Sir/ Ma'am,

Please find enclosed transcript of Q4 FY2021 Earnings Conference Call organized with Analysts/Investors held on **28th May, 2021** post declaration of Audited Standalone & Consolidated Financial Results of the Company for the Quarter and year ended on 31st March, 2021.

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



“Ganesha Ecosphere Ltd. Q4 FY-21 Earnings Conference Call”

May 28, 2021



MANAGEMENT: **MR. SHARAD SHARMA – MANAGING DIRECTOR,
GANESHA ECOSPHERE LTD.
MR. GOPAL AGARWAL – CFO, GANESHA ECOSPHERE
LTD.
MR. B.P. SULTANIA – JOINT PRESIDENT, MARKETING,
GANESHA ECOSPHERE LTD.**

MODERATOR: **MR. MANISH MAHAWAR – ANTIQUE STOCK BROKING**

Moderator: Ladies and gentlemen, good day and welcome to Ganesha Ecosphere Limited Q4 and FY21 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, Mr. Mahawar.

Manish Mahawar: Thank you, Neerav. 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 – CFO and Mr. B.P. Sultania – Joint President, Marketing on the call. Without further ado, I would like to hand over the call to Mr. Agarwal for opening comments. Thank you and over to you Gopal ji.

Gopal Agarwal: Thank you, Manish. Good afternoon everyone. This is Gopal Agarwal and I welcome you all to our fourth quarter FY21 conference call. First and foremost, I hope that all of your family and friends are coping well during these difficult times, and all are safe.

Today, I would like to address 3 topics with you, firstly, a brief summary of the fourth quarter results, secondly, the current business situation in the COVID-19 disruption, and thirdly, our continuing progress executing our strategy and expansion project.

Let me start with the quarterly performance for Q4 of FY21.

I am delighted to say that after a strong come back in the third quarter, we have again performed fairly well in the fourth quarter as well. Fourth quarter revenue was INR 249 crores, an increase of 24% year-on-year and an increase of 6% compared to the last quarter, primarily due to 14% higher realizations. On an annual basis, our revenue for entire FY21 was 15% lower than the previous financial year. This was largely due to the underperformance in Q1 and Q2 of this financial year owing to the pandemic disruption in the country. We have achieved production volume of 31,236 tons which is almost 104% of capacity utilization.

The EBITDA is Rs. 33 Crores during this quarter which is higher by 84% year-on-year and 3% from the last quarter. In absolute terms we earned EBITDA of Rs 10,600 per ton which is higher by 2.7% from Q3FY21. On an annual basis, EBITDA is 24% less compared to the last financial year again due to the underperformance in Q1 & Q2 this year. We earned profit after tax of Rs. 18.7 crores which translated into 7.47% margins over income. This is 120 basis points lower than the previous quarter mainly due to lower investment income.

On an annual basis, we have earned PAT of Rs 45.5 crore which is 29% lower than the last financial year mainly due to underperformance during Q1 and Q2. During Q3 and Q4, we made a strong comeback and our performance is much superior than the corresponding quarters during FY20. Company has maintained 20% dividend for FY21.

Coming on to the second topic, Country is passing through a difficult time due to second wave of pandemic and like our country, we are also facing difficulties owing to the current situation of disrupted supply chains, workers availability and demand glut, we are currently running at 75% of our capacities, although we have already started seeing improvements on these fronts from the past week.

We have also increased our exports for ramp up the offtake. We foresee that current gloomy situation will improve in rapid way from next month onwards and we will be back to our potential performance starting July 2021. We are also exploring towards becoming more technology driven company in brand building as well as smoothening our operations under any unprecedented circumstances by use of latest technology in our operations. We are quite confident that FY22 will close at a much better note than FY21 both in terms of top and bottom line even after current pandemic disruption.

Now talking about our strategy and expansion fronts, we are establishing a state-of-the-art, first of its kind recycled filament yarn and Bottle to Bottle facility in India using the best technologies available worldwide. Our expert process teams have vigorously worked with the technology specialists all over the globe for more than 2 years, to establish and successfully design the end to end processes for the same. Not only this, being an eco-friendly company at its core, our new facility will be ZLD meaning Zero Liquid Discharge by nature and additionally we will also be utilizing less water to process the same waste.

All these initiatives will also help us strengthen our brand value and we are confident that post the operationalization of this project, we will be positioning ourselves well to become a global brand name and player delivering sustainable and eco-friendly solutions to our clients.

Currently, our execution of the Telangana project is facing slight delay from the planned timelines, primarily due to lockdowns and supply chain disruptions at our suppliers' ends. We are taking all the required steps and precautions to remedy the current delay and to ensure smooth future execution as well. Equipment of Washline and Pet Chips Plant are ready for dispatch and dispatches will start from June end/ July beginning.

In Nepal project also, we faced some delay due to ongoing pandemic related lockdowns in Nepal, which delayed some regulatory approvals related to the takeover of company. We are however, now hopeful that situation will start to improve from next month onwards and things will be put on fast track. Equipment will move to the site from June end and unit will start production by September, 2021 end.

We have successfully operationalized 2.2 MW rooftop solar plant during the quarter and it has started contributing from current quarter.

Thank you very much and with this I would now hand over to the operator to put the floor open for question and answer session.

- Moderator:** Thank you very much. The first question is from the line of Swechha Jain from ANS Wealth.
- Swechha Jain:** I had a few questions, and I don't know if these questions were already covered in the previous call. I have recently started tracking the company, so I am sorry about it if they are repetitive from previous calls. The first question what I wanted to understand was what is the current pricing gap between the Virgin fiber and the PET fiber? And typically, what is the industry trend and preference over the usage of these two materials? And how is the price co-related to one another?
- B.P. Sultania:** Good afternoon to all. presently these virgin fiber is priced at around Rs. 87-88 and our fiber is priced at around Rs. 73-74. So, there is a difference of around Rs. 10%-15% overall. And round the year, the difference in the pricing of our fiber and virgin fiber it will remain the same. However, the pricing is also dependent upon the demand and supply. Nowadays more and more customers and brands, they are opting to use recycled fiber. Demands are increasing in our fiber. And it is in India as well as for exports also.
- Swechha Jain:** Just a follow-up on this. I think recently, there was some import duty that was cut under PPA which is the raw material for virgin fiber and also there was an ADD imposed earlier which was removed. So, does this impact the pricing of virgin fiber, downward trend, would the gap decrease because of this, or you think that the gap will remain in the price?
- B.P. Sultania:** Actually, the import duty on the PPA and MEG it has been affected. So, the impact has been on the pricing of the virgin fiber only. So, the pricing of our fiber, it is not at all affected because of all these factors.
- Swechha Jain:** My second question is, I believe we collect these PET bottles from the rag pickers, and we have tied up with the rag pickers in South. And then typically even our South plant caters to our plant in the North. So, I just wanted to understand that why is it that we collect majorly only from South, and we have not expanded our collection of PET bottles across the country and why we are only in South?
- Gopal Agarwal:** Swechha, it is not correct. Basically, PET bottles consumption across the country is spread evenly. We are procuring from all over the country. We are procuring from South, we are procuring from West, we are procuring from East, and we are also procuring from North.
- Swechha Jain:** And what would be our procurement cost?
- Gopal Agarwal:** We are buying from the dealers and scrap traders. We are buying at the prices which is delivered to our place.
- Swechha Jain:** So, then my understanding is wrong that means. We don't have tie-up with the rag pickers. We tie-up with dealers and traders who have a backend tie-up with the rag pickers, right?
- Gopal Agarwal:** Correct, because the rag pickers are spread across the country and there are various issues down the line. So, we are sourcing our material from the scrap dealers, not directly from the rag

pickers. Initially we started from procuring from the rag pickers and scavengers but over a period of time we stopped that and now we are procuring from the scrap dealers. We also started our own collection centers for directly dealing with the rag pickers but now we are more relying on the scrap dealers.

Swechha Jain: Could you throw some sense on the volume? So, I believe we collect the PET bottles, the waste we collect. Can you tell us what kind of volume was there on the raw material side and the per tonne cost that comes on this raw material?

Gopal Agarwal: Volume at our end or the total volume in the market, you are asking?

Swechha Jain: For us. Like how much we collected in FY21?

Gopal Agarwal: We are collecting about 350 tonne material per day.

Swechha Jain: And per tonne cost for this would be?

Gopal Agarwal: The present cost is around Rs. 39 a kg.

Moderator: The next question is from the line of Rachit Gupta, an Individual Investor.

Rachit Gupta: I have a question, the Filatex in this recent concall was mentioned that they will be incurring 250 crores of CAPEX for recycling of PET only, but they will be using chemical recycling, not the mechanical one as this chemical recycling is new technology and technology for future, what would be your comment on this?

Gopal Agarwal: As far as I understand, they are going for recycling of the polyester waste not the PET bottle. Polyester waste coming from the virgin plants, and they are going for the recycling of the polyester waste from chemical recycling.

Moderator: The next question is from the line of Amit Zade from Antique Stock Broking.

Amit Zade: My question was on volume. Any particular reason our volumes fell sequentially from Q3 to Q4 because I see we did almost more than 31,000 tonnes in Q3 and 25,000 in fourth quarter. Any particular reason for volume drop sequentially?

Gopal Agarwal: Basically, at production end the volume has not dropped. In fact, the production has increased slightly. But yes, of course, at sales level our volume has dropped. That is primarily towards the end of March because of pandemic disruption has started right from March in some parts of the country.

Amit Zade: So, it was not related to any increase in realization of our end products which could have in turn impacted the demand?

- Gopal Agarwal:** No, it was not because of the demand or the prices. It is just because of the disruption in few states.
- Amit Zade:** On your South expansion project. So, you have guided that the Telangana project would be operational by fourth quarter. So, if you can help us understand more the phase 1 and phase 2 and the timelines for the same?
- Gopal Agarwal:** Earlier we planned our South project to be operational by Q4 of 2022, but due to lockdowns, availability of labor and supplies some disruptions have happened at the site. Our dispatches of machinery have also somewhat delayed because of the lockdown scenario in the sourcing country. But we are trying to keep the delay as short as possible.
- Amit Zade:** Any commissioning of the phase 1 in FY22?
- Gopal Agarwal:** Yeah. There are three production lines which will be installed one by one. The installations will start from Q3.
- Amit Zade:** In terms of capacities if you can help, so our 54,000 tonnes capacity is coming on sale, so how much will come in Q3, how much in Q4 and how much will go into first quarter of FY23?
- Gopal Agarwal:** It is in phases, there will not be much time gap between all the lines to be started. In six months' time all the lines will be started. So, you can say our chips plant will start with a capacity of about 14,000 tonnes by December. And then our filament yarn and then fiber plant will start. So, within six months' time all the plants will be started.
- Amit Zade:** So, first plant in December end and after than six months rest two plants will also be started, is that correct?
- Gopal Agarwal:** Yes. We will try to keep this period as short as possible; we are trying very hard on this front to make up for the delay.
- Amit Zade:** One last question from my side. As we have heard a lot of competitions have come and are actually planning to have their own recycled PET products. So, do you see any possibility of a supply-side glut coming from competition which could in turn impact the superior profitability of the products which we are targeting?
- Gopal Agarwal:** Some new capacities have been operational during last 1-2 quarters. But as the consumption of PET bottles are also increasing, there is a 10%-12% annual increase in the demand side of PET bottles. So, that much waste will also come into the stream. So, we don't see any much challenge on this front.
- Moderator:** The next question is from the line of Rajat Setiya from iThought Financial Consulting.
- Rajat Setiya:** My first question is, what will be the capacity of the new plants that we are going to start in South business?

- Gopal Agarwal:** That is our recycled capacity in South. We are the recycling player; we are not the virgin player so our capacity for South is for recycled stuff.
- Rajat Setiya:** That is what I am asking, what will be the capacity for the new plant?
- Gopal Agarwal:** Capacity is about 53,000 tonnes.
- Rajat Setiya:** What will be the debt level once the expansion is complete?
- Gopal Agarwal:** For this project we are tying up a debt of about 250 crores.
- Rajat Setiya:** So, once the expansion is complete our debt level will be 250 crores?
- Gopal Agarwal:** For this project it is 250 crores. Already we are having a debt of about 100 crores in our book. So, at consolidate level it would be around 350 crores.
- Rajat Setiya:** And how long will you take to ramp up the production to (+) 80% plus level for the new plant? How many years does it take?
- Gopal Agarwal:** As we are already in the fiber business our market and customers are set, so we don't think there is much time lag in the capacity ramp up of the fiber. For the other chips plant there is a good export demand also. So, we don't think that I will take more than six months' time to ramp up the optimum capacity utilization level.
- Rajat Setiya:** Once we ramp up the new capacities do, we expect to remain in the same margin profile, like we have been making sense to 13% margin over the last 10 years.
- Gopal Agarwal:** Basically, in South we would be getting some freight advantage and apart from this we are going for products which are value-added products, like filament yarn and recycled chips. So, there the realizations and margins are much higher. So, the blended EBITDA margins of 25% we are looking from the South facility.
- Rajat Setiya:** So, south alone will give you 25% margin on its turnover? Are you talking about EBITDA margins?
- Gopal Agarwal:** It is at EBITDA level margin from the south plant.
- Rajat Setiya:** Its EBITDA, not the contribution. Correct?
- Gopal Agarwal:** Yeah.
- Moderator:** The next question is from the line of Swechha Jain from ANS Wealth.
- Swechha Jain:** I wanted to understand even with respect to couple of cost line items, we have seen a 20% reduction in employee and power cost and close to 15% in other expenses. Can we assume that

these costs were obviously because of the COVID related where our factories were shut down and it was also impacted last year in April and this year in March? So, is it safe to assume that the cost would come back to the FY20 levels?

Gopal Agarwal: Yes. Some costs are related to the COVID related disruption in production which will go up as the production level increases. But yes, power cost will not increase in the same proportion. We have put up the 9-megawatt roof top power plant, so we would be making some good savings in the power cost going ahead.

Swechha Jain: Could you quantify the saving from the solar plant that we have put up?

Gopal Agarwal: About 5 crores annual savings we would be having.

Swechha Jain: And also, in terms of our employee cost, what I have understood this typically our outgo is more in terms of commissions as compared to a fixed kind of a salary. Am I right in doing this analysis?

Gopal Agarwal: Sorry, I could not get it.

Swechha Jain: We expense more as commission as compared to the fixed component of the salary for our outlay in terms of variable costs is more to employees as compared to our fixed cost.

Gopal Agarwal: No, it is not so.

Swechha Jain: So, maybe I have done some wrong calculation. I will just check and get back to you. Also, I think we have started a small division called as EPR certificate, can you just explain or throw some light around it, what this division is and how does it fit into our overall strategy and how is it going to benefit us?

Gopal Agarwal: Regarding EPR, Government of India has come out with the guidelines for extended social responsibility where they put the onus on all the brand owners who are packaging their products in plastic to collect all the plastic packaging and get it recycled. So, this is the EPR. The EPR has been implemented three years back but due to one or the other reasons the government has extended the timeline. But now, the pollution control boards are after all the brands to put the systems in place to comply with the guidelines. So, certainly it will benefit the recycling industry because collection of scrap is unorganized so far. So, when the large brands and large corporate will come into this place, so the industry will organize, and the existing recycler players will benefit immensely with this drive.

Swechha Jain: This EPR such effects will be tradable like how we have the RE certificates?

Gopal Agarwal: Yes, some brands are sourcing the EPR certificates from the recyclers.

- Swechha Jain:** I have two more questions. Can you give me a breakup segment -wise? I believe we are into three segments, fiber, filament, and chips. Can you give me the revenue breakup for these three segments and the EBITDA margins in these three for FY21 and for Q4?
- Gopal Agarwal:** For Q4 roughly PSF contributes the largest by around 80% revenue is coming from the PSF business. From spun yarn we are getting the 16% revenue and rest 3%-4% revenue is coming from dyed textile yarn. We are having about 13% EBITDA margins in PSF business. 16% is spun yarn business and 7%-8% in textile yarn business. The blended EBITDA is about 13.5%.
- Swechha Jain:** And with the south coming in, at a company level the EBITDA would probably go up to 18% or something?
- Gopal Agarwal:** Yes, we are looking for 18% kind of EBITDA from the consolidated business operations.
- Swechha Jain:** And I was listening to the last call recording, I could not participate I'm sorry. But I think there we had mentioned about the Speciality fiber, that we have come up with a lot of innovative products and there was some interest coming in from Europe and also some entities in India. So, do we have any firm order book on the Speciality fiber side?
- B.P. Sultania:** Speciality fiber, it is still in infant stage. Actually, we have already bagged certain orders from India and from abroad. And these orders have also been executed also. But all the companies are asking for the certification. So, we have already applied for the certification with European labs and the certification work must be over by the end of September. So, once the certification is over, we can have good amount of sales and orders in this segment. We are very-very aggressively pushing up all these value-added Speciality fibers.
- Swechha Jain:** And target revenue that we have for 2022, 2023 or say within three years, Speciality fiber should contribute x percentage in our overall revenue, do we have such kind of a target?
- B.P. Sultania:** Actually, still it is in introduction stage. So, hopefully end of this year we will have some more clarity about the volumes of the business in this segment. Right now, I think we cannot have any surety about how many quantity business in this Speciality fiber.
- Swechha Jain:** And my last question, what I understand from our Nepal plant, we are going to get the chips. So, I want to understand what is the rationale behind making the chips in Nepal and not making the end product and selling it from Nepal, and then bringing the chips here and then processing and then addressing the market?
- Gopal Agarwal:** Nepal market is not much larger. For putting up the fiber plant or the end product, enough raw material is not there. We are going to put up the washing line there but of late the government of India put ban on import of washed slabs, so now we are going for making the chips and as the chips market is growing decently because of EPR compulsions and the statutory regulations, the chips market is commanding good premium over the virgin chips. So, we are having the option either to sale the chips to other markets or to bring the chips to India for our operations.

- Swechha Jain:** And our effective tax rate is 26%, right?
- Gopal Agarwal:** Tax rate is 25% for our existing operations and for our south plant it is 17%.
- Moderator:** The next question is from the line of Rajat Setiya from iThought Financial Consulting.
- Rajat Setiya:** For the current value-added products that we make, what kind of margins are we making there?
- B.P. Sultania:** In the value-added products the margins are around 30%-40% on an average.
- Rajat Setiya:** EBITDA margin?
- B.P. Sultania:** Yeah.
- Moderator:** The next question is from the line of Rachit Gupta, an Individual Investor.
- Rachit Gupta:** In Q4 what was the percentage of exports in revenue added?
- Gopal Agarwal:** We made an export of 60 crores during FY21, that is around 7% of the total turnover.
- Rachit Gupta:** And in Q4?
- Gopal Agarwal:** In Q4 the decent exports, we made an export of 17 crores in Q4.
- Rachit Gupta:** And after the commissioning of the south plant do you think this exports percentage to grow?
- Gopal Agarwal:** Yeah, of course. We are going for 100-percent export of the chips plant and some fiber and filament yarn also to be exported. So, we are looking for around 50% of our turnover will come from exports in south plant.
- Moderator:** The next question is from the line of Swechha Jain from ANS Wealth.
- Swechha Jain:** Nepal plant you said it's going to be delayed and will be operational by September end. And you also said that it's also going to contribute to our revenues because either we will directly sell the chips from Nepal, or we will bring it here and do a backward kind of an integration which obviously will lead to a cost saving. So, what kind of revenue contribution do we expect from this Nepal plant once it is fully operational?
- Gopal Agarwal:** We are expecting a revenue of around 70-75 crores from this plant.
- Swechha Jain:** Per annum, right?
- Gopal Agarwal:** Annually, yeah.
- Swechha Jain:** So, the big chunk of it is obviously going to come in 2023 because the plant is being delayed?

- Gopal Agarwal:** Yes.
- Moderator:** The next question is from the line of Rajat Setiya from ithought Financial Consulting.
- Rajat Setiya:** Just wanted to understand if you can talk a little bit about your customers and how easy or difficult is it to on-board a new customer? Like we are coming up with a new plant and you said we will be able to ramp it up very quickly. So, do we already have the contracts in place to sell capacities from there? If a new player comes with new capacities so how easy or difficult is it for them to on-board a new customer or let's say replace us there?
- B.P. Sultania:** Actually, about selling the products of this South project we are already having serious inquiries from several customers. Basically, it is from abroad. So, they are very-very seriously asking when we can supply them chips and flakes and the filaments, etc. So, at present we don't at all anticipate about any problems in selling the products which will be manufactured in our south plant. It will be sellable in India also.
- Rajat Setiya:** How easy or difficult is it to on-board a new customer?
- B.P. Sultania:** Actually, on-board customers have also for this project.
- Gopal Agarwal:** We are already having marketing base in South, and we are making some supplies from our existing plants to South India but because of the freight and other costs we are not focusing much on South market as of now. But with the coming up of our PSF business, certainly we are having the existing customer base and the new customer base is already there which we will capture.
- Rajat Setiya:** And do we sell to distributors or go to the textile manufacturers directly?
- Gopal Agarwal:** We are selling directly to the customers.
- Rajat Setiya:** And these customers get into long-term contracts with us or is it like very short-term or one month or one week contract, how is that?
- Gopal Agarwal:** Normally as per the industry trend there is no long-term contract. The contracts are on short-term basis.
- B.P. Sultania:** It is ongoing every month.
- Rajat Setiya:** And if our competitors give a slightly lower price so this business can go there, right?
- B.P. Sultania:** Actually, every customer has to understand his pricing also much so far little bit variation is there, then the customer will always buy from me, not from a competitor.
- Gopal Agarwal:** We are having a big basket of products with us, we are having product for every application for the customers. So, customer benefits because we are having ready products for them, so they prefer to buy from us.

- Rajat Setiya:** And who is your competitor, who do you think is a more respectable competitor of yours?
- Gopal Agarwal:** Apart from us there are 35-36 more recyclers in the country having varied kind of capacities. Of course, we are the largest one and we are having the advantage because of our large production base and large customer base.
- B.P. Sultania:** Our company is commanding 18% of the Indian market share of this recycled fiber. We are making all kinds of fiber. So, if a customer has any requirement of any kind of fiber our company can supply that. It is our Speciality.
- Rajat Setiya:** And what will be the size of the second largest company after us?
- B.P. Sultania:** I think it is Reliance Industries.
- Gopal Agarwal:** Reliance Industries, JB Fibers.
- Rajat Setiya:** And the similar business of theirs would be how big? Similar to us or they will be smaller than us?
- Gopal Agarwal:** The capacity is around 50,000-60,000 tonnes per annum, so they are almost 50% to our capacity.
- Rajat Setiya:** Overall, what is the capacity situation in this space? Overall, in the country a lot of capacities coming up.
- Gopal Agarwal:** The total capacity of recycled PSF is around 650,000 tonnes in the country.
- Rajat Setiya:** Are now capacities coming up, or we are not aware of them?
- Gopal Agarwal:** So far, no new capacity is coming up in the industry in the near future. It may be after the pandemic is over, but as of now there is no recycling capacity adding up.
- Rajat Setiya:** Would you be aware about the industry size say two years back? Like right now it is 6,50,000 tonnes. What was this two years back?
- Gopal Agarwal:** Two years back it was roughly around 450,000 tonnes.
- Rajat Setiya:** What is the total CAPEX that we are incurring for the south plant?
- Gopal Agarwal:** It is around 400 crores.
- Moderator:** Ladies and gentlemen, that will be the last question for today. I will now and the conference over to Mr. Manish Mahawar for closing comments.

- Manish Mahawar:** Thank you Neerav. Gopal ji, I have two questions to ask. First, in terms of revenue guidance. Once this Nepal plant and the south plant comes up, what type of revenue and EBITDA margins on a consol basis you are looking out?
- Gopal Agarwal:** When we reach to the optimum capacity utilization from our new capacities and facilities, so we are looking for a combined revenue of about 1500-1600 crores.
- Manish Mahawar:** And what is the EBITDA margin on a blended basis?
- Gopal Agarwal:** On blended basis it is around 18% of the total turnover.
- Manish Mahawar:** And this margins what you are talking about it is excluding the government benefits or incentives, whatever we will receive, right?
- Gopal Agarwal:** Yes. We have not accounted for the government benefits which are available to our site. That will be accounted for as and when received.
- Manish Mahawar:** Any ballpark number in terms of government incentives we will get per annum basis?
- Gopal Agarwal:** We are having 3-4 government benefits there. One is the power subsidy, that is around Rs. 2 per unit. We are having 75% interest rate subsidy and we are having the capital subsidy there and we are also having the reimbursement of state GST. So, on rough basis 20 to 25 crores incentives will be available to us on a yearly basis.
- Manish Mahawar:** And how many years we will be get this benefit?
- Gopal Agarwal:** It is for 8 years.
- Manish Mahawar:** And the last question from my side, it's a large CAPEX we are doing south. And the customer side we don't have any long-term contracts, so how confident the management is to basically ramp up the capacity in maybe first or second year to the 100%.
- Gopal Agarwal:** There is a large market for PSF and filament yarn. In PSF the recycled capacity is quite large, and the market is expanding. So, the incremental demand is being met by the recycled fiber which is around 40,000-50,000 tonnes per annum. And south market there is a big textile market. So far, the textile market was dominated by cotton and virgin polyester. Now the market is shifting from cotton to PC Yarn (polyester cotton yarn), blended yarn, they are shifting. So, the demand is increasing for polyester also. The kind of capacity which we are putting up there is not very big capacity. So, we don't see any problem there. We are already having the customer base. And as far as the filament yarn, there is not much recycling capacity in the country, only 1 or 2 players are there so far. And market is larger than the PSF market. And with the kind of requirement of recycled stuff by the brands and the large manufacturers, the demand is much-much higher. So, we don't see any problem in selling the filament yarn. In chips side also there is a very high demand in developed countries like Europe and US. So, we are having some good enquiries and we are also trying with few brands. So, the capacity is not very high in terms of

the demand, so we don't see any problem in selling the entire material and ramp up the capacity in six months period. We are very optimistic to ramp up the capacity in six months period after the plant is operational.

Manish Mahawar: And in terms of chips in the follow-up from this question, when you said the global players are there in that chips product. So, what different will we provide to the customers, is it the pricing or quality of the product, where we are able to compete with the global players?

Gopal Agarwal: The chips plant which we are putting state of the art plant. We are already getting the US FDA approval for this product. And quality would be at par with the virgin fiber, with the recycled tag. So, there is 35%-40% premium for the recycled chips as against the PET chips.

Manish Mahawar: Thanks, that is all from my side. Sharadji, would you like to make any closing comments?

Sharad Sharma: Thank you Manish ji. Last time in the concall I had told that there is a golden period coming for the recycling industry. But due to COVID the whole world is now facing the second phase. Now things are improving, so I think all this should get over fast. I know the things that have got delayed, because of that the lockdown this quarter results will not be good. But after this quarter we will come back to our old track, and we will make things better again. Our south project is also getting a bit delayed. But our endeavor is to catch up on the time and make that operational as soon as possible. We are excited even now about the new projects and as soon as our new project starts, our golden period will start for our recycle industry. The golden period for the recycle industry and the new projects, many things are linked to that. Recycle industry had to face a lot during this COVID period but the whole industry had to face it, it was not only us. All industries will come out of these troubled times in the next quarter, after that everything will be positive. We have a lot of opportunities, and it will be encashed by us as soon as we can. Thank you. Please stay safe all of you.

Manish Mahawar: Thank you for your comments Sharad ji. Neerav, we can close the call now.

Moderator: Thank you very much. On behalf of Antique Stock Broking Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.