



GANESHA ECOSPHERE LIMITED

GESL/2021-22/

August 21, 2021

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Mumbai-400 001.
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Scrip Code: 514167

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National Stock Exchange of India Limited
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Scrip Symbol: GANECOS

Sub: Transcript of Q1 FY2022 Earnings Conference Call with Analysts/Investors

Dear Sir/ Ma'am,

Please find the enclosed transcript of Q1 FY2022 Earnings Conference Call with Analysts/Investors held on **9th August, 2021** post declaration of Un-audited Standalone & Consolidated Financial Results of the Company for the Quarter ended on 30th June, 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
Q1 FY2022 Earning Conference Call”**

August 09, 2021



ANALYST: MR. MANISH MAHAWAR - ANTIQUE STOCK BROKING LIMITED

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



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Moderator: Ladies and gentlemen good day and welcome to the Q1 FY2022 Earnings Conference Call of Ganesha Ecosphere Limited 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, Antique Stock Broking. Thank you and over to you Sir!

Manish Mahawar: Thank you Rutuja. 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 on the call. Without further delay, I would like to hand over the call to Mr. Gopal Agarwal for opening remarks, post which we will open the floor for Q&A. Thank you and over to you Mr. Agarwal!

Gopal Agarwal: Thank you Manish Ji. Good afternoon everyone and warm welcome to all of you attending this earnings call Q1 FY2022. I believe that all of you are safe and sailed through the second wave of pandemic which was much higher and devastating in its effect than its earlier version.

Starting with the quarterly performance of Q1 FY2022, I want to address that our performance of the quarter has been affected to adverse notes on two counts. Number one, a massive fire broke out on June 4, 2021 in the fiber division of our Kanpur unit. It happened due to a mechanical failure in the shaft of a critical machines and two of our production line along with the building premises were destroyed in the accident. Second, the reemergence of COVID through its second wave, which not only affected the lives of millions of people but also put on extreme pressure on economy and business as well. This significantly affected demand and supply side both particularly in domestic market.

I would rather say that the current quarter is not as hopeful as Q4 FY2021 because of the explained reasons, but it is also not as disappointed as Q1 FY2021. Barring the exceptional loss incurred due to fire accident, the company did reasonably good on operational front under the shadow of second wave of COVID.

In this quarter our revenue was Rs.198.6 Crores, an increase of 186% year-on-year and a decrease of 20% compared to the last quarter. We have achieved production volume of 27014 tons at 90% of capacity utilization. Our average capacity utilization remains at 100% plus but it was on lower side primarily due to COVID related disruptions as well as loss of production in Kanpur unit during the month of June.

We made a sale of 24161 tons as against the sale of 28822 tons during Q4 FY2021. The average sales price dropped by about 3% during the quarter; however, the company did well in exports



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and made an export sale of 26.65 Crores as against export sale of Rs.17 Crores during last quarter.

The EBITDA is 23 Crores during this quarter as against EBITDA of Rs.33.13 Crores during last quarter. In absolute terms we earned EBITDA of Rs.8500 per ton which is lower by 20% on Q4 FY2021. EBITDA margins during the quarter was 11.6% as against loss at EBITDA level during corresponding last quarter and 13.3% during immediate last quarter.

We incurred net loss after exceptional loss, of Rs. 11.6 Crores during the quarter and adjusted profit after tax, by adjusted I mean adjusted for exceptional loss due to fire, was Rs. 13.61 Crores which translated into 6.8, 5% margins over income. This is 62-basis point lower than the previous quarter mainly due to lower capacity utilization, lower realizations and higher costs.

Explaining a bit more on the fire issue, the exceptional loss by fire has been estimated to 25.13 Crores after adjusting for tax of Rs.8.45 Crores. The unit is fully insured and assessment of loss by the insurance company is in progress. We are quite confident in recouping the entire loss from insurance company; however, pending the assessment and finalization of loss by them, we would be accounting the income of insurance claim as and when the amount would reasonably be ascertained.

Things are now looking up with the revival of demand and restoration of supply chain as well as firming up prices and business is coming to normalcy in this current quarter. As the insurance claim is expected to be settled in this financial year and this loss would not figure out in the full year results as well as heat of second wave of pandemic is not crossing the first quarter, we are confident that FY2022 will close at a much better note than FY2021 both in terms of top and bottomline despite the production loss due to destruction of two production lines in fire.

We are taking steps for reinstatement of the affected unit and apart from pet recycling we are also exploring to venture into other plastic waste recycling such as HDPE, LDPE, PP, PE etc. as the recycling industry of these products are currently unstructured and down-cycling the scrap instead of adding value. Good demand is going to be created for recycled thermoplastic with regulatory compulsions in the form of extended producer responsibility as well as pledge for sustainability by brands and corporates. There is big vacuum in terms of availability of quality products. Either way we go it will take around six to nine months' time in restoration of the lost capacity depending upon the delivery of machinery.

Currently, execution of Telangana project is facing slight delay from the planned timelines, primarily due to lockdowns and supply chain disruptions at our suppliers end. Now dispatches of some of the machinery have been started and we are taking all the required steps and precautions to remedy the current delay and to ensure smooth execution as well.



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In Nepal project also we faced some delay due to ongoing pandemic related lockdowns in Nepal which delayed some regulatory approvals related to takeover of company. A two months' long lockdown across the country, has been lifted during later part of July 2021. Now the takeover of the company in Nepal has been completed and equipment dispatches are going to start from mid of August and production is to begin by December 2021 and result would start to pour in from Q3 FY2022.

With this, I would now handover to the operator to enable us take questions from you. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Amit Zade from Antique Stock Broking. Please go ahead.

Amit Zade: Thanks for the opportunity. Sir now that there was some disruption in Kanpur, can you help us understand what would be the available capacity for the remaining nine months of FY2022 for the company as whole and what would be our revenue and volume guidance for FY2022?

Gopal Agarwal: Amit Ji around 1000 ton of production would be lost every month because of disruption in Kanpur capacity. So in next nine months time around 9000 ton production would be affected. We are roughly making production of 108,000 ton and 95,000 to 98,000 ton production would be there on a yearly basis.

Amit Zade: Sir, you said in the call that you would be getting 25 Crores from this fire insurance would we be deploying that again for raising the capacity back what we lost and how that would be spent?

Gopal Agarwal: When I am talking about the recoupment of loss, the insurance is on restatement basis and the capacity would be restated we would get the entire restated amount from the insurance company.

Amit Zade: Our capacity would be again 108,000 ton restated. Also on the realization front, how has been the realization of the alternative product such as virgin PC and cotton, I guess they were on inflationary trend, but you highlighted that the prices of recycled RPSF has been come off in the first quarter. How do you see the trend going ahead for recycled fiber prices?

Gopal Agarwal: The recycled fiber prices were under pressure during the Q1 because of the slowdown in demand because of pandemic but now the prices have started to look up and we are expecting the prices would track the virgin polyester prices going forward.

Amit Zade: So currently it would be what Rs.72 or how?

Gopal Agarwal: The current prices are about Rs.75.

Amit Zade: Rs.75 and do you believe these prices would either stay at these level or improve from here on?



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- Gopal Agarwal:** We are expecting an improvement.
- Amit Zade:** Nepal capacity you said it will start contributing from December so what kind of contribution do we expect in terms of revenue FY2022 and FY2023?
- Gopal Agarwal:** Three to four months result would come in FY2022 from Nepal capacity.
- Amit Zade:** You are saying roughly of 15 Crores to 20 Crores in FY2022 and 60 Crores in FY2023 is that correct?
- Gopal Agarwal:** Yes.
- Amit Zade:** EBITDA margins of 15%?
- Gopal Agarwal:** The EBITDA margin from this facility would be around 25%.
- Amit Zade:** Maybe I can squeeze one more question after that I will come back in the queue. On this delayed capex from south, so how should we look at our gross block for FY 2022 and gross debt, so how much could we capitalize this year? Are we expecting any contribution?
- Gopal Agarwal:** Most of the capex you can say 90% plus capex would be incurred in this year only in south plant. Around 350 Crores investment would be made in this plant this year.
- Amit Zade:** Even the peak debt of 350 Crores should be reflected in March period.
- Gopal Agarwal:** The debt of around Rs 350 Crores would come on the balance sheet.
- Amit Zade:** Any kind of contribution in the topline as is expected from this Sir or that will mainly from FY2023 only?
- Gopal Agarwal:** It is mainly from the FY2023. The contribution to the topline and bottomline would start from FY2023.
- Amit Zade:** And not even for RPSF. I am not talking for value added product?
- Gopal Agarwal:** Some part may come like two months or three months revenue may come in this year but most of the part will come in FY2023.
- Amit Zade:** I will come back in the queue Sir. Thank you for the opportunity.
- Moderator:** Thank you. The next question is from the line of Rachit Gupta an individual investor. Please go ahead.



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- Rachit Gupta:** Sir I have a question why is the plan capex cost for Telangana project gone up from estimate of 400 Crores in the last quarter to 453 Crores?
- Gopal Agarwal:** We have made some changes in the machinery configuration to make the specialty products, like specialty fiber, instead of normal fiber we will be making specialty fiber in the plant which would get the realization benefit as well as margin benefits.
- Rachit Gupta:** How would the topline be changing with this additional capex being done?
- Gopal Agarwal:** The topline would not change but the margins would be better. We are expecting a topline of 600 Crores earlier we are expecting 550 Crores now we are expecting 600 Crores from this.
- Rachit Gupta:** How do you see this China plus One opportunity for our company because most of the textile companies are having the thing going on so how do you see this for us?
- Gopal Agarwal:** We are also very much optimistic in the textile sector going forward especially the exports and demand from India will go up in European Countries after ban on some Chinese products.
- Rachit Gupta:** Do we have any export order for the upcoming facilities. I guess we plan to export 50% of the material made there. Do we have any export order as of now?
- Gopal Agarwal:** Export orders would come as and when the facility will start. There is no point to book the export order as of now until the facility is operational, but of course we would be making decent exports from that facility. Our export are also coming from the existing facilities. In last quarter we made exports of about 26 Crores.
- Rachit Gupta:** Sir how would the timeline for this Telangana project change because of the COVID?
- Gopal Agarwal:** The operation would start from Q4. Actually there are three four projects in this facility so the project would start from Q4 of 2022 and by Q1 2023 all the projects would start?
- Rachit Gupta:** This was the thing in the last quarter that we will be starting the exports from Q4 only, so has anything changed from last quarter to this quarter?
- Gopal Agarwal:** From last quarter to this quarter, there is no change.
- Rachit Gupta:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Harshraj Jadeja raj Jadeja an individual investor, Please go ahead.
- Harshraj Jadeja:** Sir as far as my knowledge, the duty on PTA has been removed, right. It is raw materials for BT as such?



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- Gopal Agarwal:** The virgin PT is produced from the PTA and MEG.
- Harshraj Jadeja:** So how will that impact our margins? It should probably reduce their choices?
- Gopal Agarwal:** The virgin pet prices are affected by the raw material PTA and MEG prices but as far as we are concerned our raw material is all together different. We are making through the pet bottle scrap. Scrap prices are dependent upon the realization of finished product.
- Harshraj Jadeja:** I get it our raw material is completely different from them but as far as I know RPSF is a supplement order to VPHS. So VPHS prices go down because of the raw materials prices going down would that impact volumes or prices?
- Gopal Agarwal:** If the virgin PSF prices go down our prices will also go down and vice versa if the prices of virgin PSF goes up our prices will also go up
- Harshraj Jadeja:** Sir how much of raw material is being imported or is it being procured domestically?
- Gopal Agarwal:** Most of the raw material is procured domestically. Import is not allowed of PET scrap anymore in India.
- Harshraj Jadeja:** So that will not affect raw material procurement. Sir last just one question in Telangana project you said we will be doing specialty fibers as well, so what would be the margin of that.
- Gopal Agarwal:** We are expecting EBITDA margin of 18% to 20% in case of fiber.
- Harshraj Jadeja:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Palak Agarwal from Prabhudas Lilladher. Please go ahead.
- Palak Agarwal** I have just one follow up question on the previous participant asked so as virgin fiber prices are expected to go down because of removal of import duty on the raw materials and on counter side you are also expecting your prices to get the hike in coming quarters?
- Gopal Agarwal:** We are not expecting any downfall in the price of virgin PSF, the demand is good and with the firm up of the crude prices, we do not see any downfall in the prices of virgin PSF also.
- Palak Agarwal** But then you also mentioned that virgin fibre prices was down then your prices will also go up?
- Gopal Agarwal:** It is a correlation. I was talking about correlation. If the prices of virgin PSF comes down, our pricing will also come down and if the prices of virgin PSF goes up, our prices will also go up.



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- Palak Agarwal** With respect to the fall in the virgin fibre if I assume that after the import duty removal, the prices will go down, so after that scenario what prices you would expect some here on for your products which are currently at 75?
- Gopal Agarwal:** There is a discount of about 10% from the prices of virgin PSF. In case of recycled fibre that difference would be maintained.
- Palak Agarwal** Next question I have the last question, so five years down the line what kind of vision do you have in terms of your next year topline or company's value?
- Gopal Agarwal:** We are looking for growth of 15% to 20% CAGR over the next one decade.
- Palak Agarwal** In topline?
- Gopal Agarwal:** In topline and of course on bottomline also.
- Palak Agarwal** Thanks.
- Moderator:** Thank you. The next question is from the line of Mr. Manish Mahawar from Antique Stock Broking. Please go ahead.
- Manish Mahawar:** Reliance Industries wanted to double the capacity in the south, how do you see industry shaping up in that front and how do you see the impact on us if any?
- Gopal Agarwal:** Much detail is not available in public domain, but from the news what we have heard is that Reliance is not directly putting up the capacity, but tying up with some other recycler, so we are not having the much to comment as of now, but two, three things are clearly visible from this development. One industry is going to consolidate that we are talking for since last one or two years, it is happening now. The industry is clearly consolidating the big corporates like Reliance is coming, so the industry would consolidate and the pace would be fast now, number one. Number second, collection and quality of the material would be the key in this sector. Number three, the market of recycling especially of the PET is increasing, and so the quantum of the recycling industry will also be increasing. Number four, we at Ganesha are a significant player in the market and we would remain the significant player in this industry. The industry will be benefitting from this move, we are of the opinion.
- Manish Mahawar:** What is the capacity of Reliance Industries versus our's 110000?
- Gopal Agarwal:** Presently, we are not sure, but it is about 45000 tonnes or 50000 tonnes.
- Manish Mahawar:** They are almost half of our may be less than half actually in the RPSF, and in terms of PET consumption in India if you look at how the south market, how big is the south market in terms



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of PET collection and how do you see the competition for us in the south market particularly and other market shares at the moment if you have any data available with you?

Gopal Agarwal: The total consumption is about ten lakh tonne at present in the country of PET resin and out of it around 4 lakh tonne is in south region only, 6 lakh ton is in the remaining part of the country and this consumption is increasing about 6% CAGR, so it would be around 1.85 million tonne by 2030, so we are clearly seeing that the recycling industry size would be doubled from here over next one decade.

Manish Mahawar: What is your market share and what would be the number after the south plant will come up?

Gopal Agarwal: As far as the recycling capacity is concerned, we are having about 15% markets there and we would be keeping that number intact in PET going forward.

Manish Mahawar: It should improve right because south plant once come.

Gopal Agarwal: But it takes the time to increase the capacity, if 50000 tonne south plant comes by the time, so it will take some in putting up the next capacity, so by the time industry size would also increase, some players will come. 15% to 20% market share we would be having in this market.

Manish Mahawar: We have increased the capex number from 400 to 450cr because of the value added product. What is the definition of value added products, how do you basically categorize value added products. One of the presentation slide, we were almost 25% of your products is the value added and we wanted to ramp up to 50% over the next three years, so what is the definition may be of our value added products?

Gopal Agarwal: Definition of value added products it is dope dyed fibre, it is high tensile fibre, it is short cut fibre, for special application, it is the hollow conjugated fiber, so these are the value added products which are different from the normal fibre.

Manish Mahawar: In terms of south, basically most of the product category with our RPSF, bottle to bottle are value added?

Gopal Agarwal: These products are value added products. Already it is the new product lines like rPET and rFDY, POY, these are the value added products and when we are talking this specialty fibres, it is special fibre in PSF category itself.

Manish Mahawar: Last question, we stick to our earlier guidance after the south plant which is almost Rs.1500 Crores revenue on consolidated basis with Rs.250 Crores to Rs.300 Crores of EBITDA?

Gopal Agarwal: Yes.

Manish Mahawar: Thanks.



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- Gopal Agarwal:** We are at the similar number.
- Moderator:** Thank you. The next question is from the line of Harshraj Jadeja raj Jadeja an Individual Investor. Please go ahead.
- Harshraj Jadeja:** One question on the revenue segment, can you just give the segmentation, how much percentage is coming from this quarter?
- Gopal Agarwal:** We could not get what the mean of segmentation?
- Harshraj Jadeja:** What is your segment contribution like Europe polyester staple fiber how much is contributing to your revenue, how much is spun yarn contributing?
- Gopal Agarwal:** 85% is revenue coming from the PSF division and 12.5% is coming from the spun yarn division and 2.5% from the dyed yarn segment currently.
- Harshraj Jadeja:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Palak Agarwal from Prabhudas Lilladher. Please go ahead.
- Palak Agarwal:** I have some followup questions. Do you have any update on government in terms of which you might be there?
- Gopal Agarwal:** The government is coming out and the government have already come out with the plastic waste management rules in 2016 and modified version in 2018 for putting the extended producer responsibility on the companies and plants who are packaging their products in plastic. Now the government is putting the pressures on everybody who does not stick the guideline.
- Palak Agarwal:** How much will Ganesha benefit from the incentive?
- Gopal Agarwal:** As such incentive is not there, nobody getting the incentive as such. Government is not giving the incentives, but the industry is consolidating, the demand of the good product, the demand of the inclusion of recycled products and the virgin product is increasing, so the industry would benefit from that. At present, the recycle PSF is being sold at the discount to the virgin PSF, but when the full demand is there, when there is a demand, there is a compulsion for using the recycle PSF with virgin products, so the demand would increase and so the prices would also increase. In that sense, the industry would benefit.
- Palak Agarwal:** Okay and my next question is that in last quarter if I remember during your raw material at Rs.39 per kg, so what is the current price of that now?
- Gopal Agarwal:** It was not Rs.49, it was around Rs.42, Rs.43, presently, it is about Rs.45 per kg.



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- Palak Agarwal:** Our raw material cost has increased?
- Gopal Agarwal:** Yes, raw material cost has increased and so the prices of PSF have also increased.
- Palak Agarwal:** Thanks Sir.
- Moderator:** Thank you. The next question is from the line of Amit Zade from Antique Stock Broking. Please go ahead.
- Amit Zade:** Thank you for the opportunity again. Sir, we had done exports of roughly Rs.27 Crores this quarter versus Rs.17 Crores, what has changed in this quarter Sir, our export have significantly improved?
- Gopal Agarwal:** Basically there were two reasons. One is, there was a pressure on demand in the domestic market during the Q1, so we resorted to the export market. and the demand in export was not that much suppressed as was in India's domestic market, so our exports increased.
- Amit Zade:** How is the margin in export versus domestic, is it be more in export or how?
- Gopal Agarwal:** The margins in exports are presently not that good as in domestic market, because of the higher shipping cost. The shipping cost is very high at present.
- Amit Zade:** Okay, may be when domestic demand comes back we might see this?
- Gopal Agarwal:** The domestic demand has resumed in current quarter, so we are hopeful that we will resort to the normalcy in this quarter.
- Amit Zade:** Which is around 5% to 7% of our total sales right?
- Gopal Agarwal:** Yes, exports are 7% upwards you can say.
- Amit Zade:** The other question, you have said that for exploring these new segments of HDPE, PP, if you can throw some more light on what could be the industry size, what kind of investments you are looking forward and what are the application for this product it may go, and what kind of margins and realization are there in this product?
- Gopal Agarwal:** We are exploring this segment. Much light cannot be thrown for the margins etc, but of course the market is much larger than the PET market. The total segment of plastic is around 100 million tonne in the country and PTE is only one million tonne out of that, so 90% is the other plastic and what is happening is that, their recycler industry is completely unorganized and they are down-cycling and it is eroding the value instead of adding the value, because of the technology, because of the capital constraints and because of the unorganized sector. After the government rules on the PWM, Plastic Waste Management rules, now the compulsion is there for



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the extended producer responsibilities and given the pledge by the big corporates and the brand owners a sizable portion would be required of the recycled stuff to be used in virgin stuff, so we are clearly seeing that good demand is going to be created for the quality material in time to come, so we are exploring this field also. Basically we are in plastic recycling and so we want to extend ourselves beyond PET.

Amit Zade: The customers we are looking or would be the component who is currently using this HDPE, PTE 100% and they would be reducing that some 100% to may be 80% and 20% would be recycled material?

Gopal Agarwal: Most of the big corporates and brands have already pledged to use recycled plastic 10%, 20%, 25% over next one, two, three years, so the demand has started to come in for these quality products. The problem before them is that they are not getting the quality products whatever recycling is being done, it is eroding the value instead of creating the value.

Amit Zade: One last question if I may, we have question of the earlier participant on the incentive so but I guess are the incentives may be what we would be getting is roughly that is more on the south capacity right Sir, that number is still intact due to exemption, lower power tariff and all that full impact right Sir

Gopal Agarwal: These incentives are available for our project. State government has given certain incentives to the industry in their state, particularly the textile industry.

Amit Zade: To the tune of the annual contribution would be about Rs.20 Crores, Rs.25 Crores right?

Gopal Agarwal: Rs.20 Crores, Rs.25 Crores per annum.

Amit Zade: Last question on the south capacity Sir, so we would be starting from say first quarter FY2023, so what kind of contribution should we see in revenue for FY2023, 100% should come back or 50% or 60% utilization level Sir?

Gopal Agarwal: We are looking about 75% to 80% capacity utilization in FY2023.

Amit Zade: Roughly about Rs.450 Crores to Rs.500 Crores of topline in FY2023 additional?

Gopal Agarwal: About Rs.300 Crores to Rs.350 Crores, we are expecting to add to our balance sheet.

Amit Zade: And margin of 25% in south?

Gopal Agarwal: Margin is about 25%.

Amit Zade: That is all from my side. Thank you.



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- Moderator:** Thank you. The next question is from the line of Atul Bhole from DSP Investment Managers. Please go ahead.
- Atul Bhole:** Good afternoon Sir. You had mentioned about fixed debt of Rs.350 Crores because of the south plant coming in, so does it include the working capital requirement at the plants fixed up to 80%, 10% utilization in the next year, so does it include working capital debt?
- Gopal Agarwal:** No, it will not be including the working capital debt, but the working capital requirement would not be much there, because we are going to sell the existing set of customers, PSF would be going to be sold to existing set of customers.
- Atul Bhole:** But the debtors that will be normal in line with the current debtor, so some requirement will be there if you would?
- Gopal Agarwal:** The additional working capital requirement will be there, but not to the extent of our existing operations, we are looking some 20%, 25% lower working capital estimation.
- Atul Bhole:** Okay, good and regarding the fire which has happened, so how fast you expect those two lines to come back on stream?
- Gopal Agarwal:** It will take about six to nine months time depending upon the delivery of the machinery, in case of PSF also, the machinery would be imported and in case we go for the other plastic recycling, the machinery would also be imported one, so depending upon the delivery of the machinery, the reinstatement time would be around six months to somewhere near nine months.
- Atul Bhole:** The insurance claim would be received after the reinstatement of machinery?
- Gopal Agarwal:** Yes.
- Atul Bhole:** Okay and is there be any loss or profit policy or is just a plant and machinery?
- Gopal Agarwal:** There is no loss of profit policy. It is only the just fire policy for plant and machinery and the building and the inventory.
- Atul Bhole:** My last question is you mentioned about entering into other areas of plastic, so it may be early, but any studies you have done in terms of the economics of entering into other areas plastic recycling like margins, the capex intensity or the return profile, will it be similar to our PSF recycling or is different?
- Gopal Agarwal:** We are exploring it, but of course the margin profile or the return profile would be better than our existing PSF business.
- Atul Bhole:** The collection mechanism will also be similar?



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- Gopal Agarwal:** Yes, the collection mechanism would be same, same set of vendors from which we are sourcing the PET bottles, so the collection would be almost from the same set of vendors or from the same markets.
- Atul Bhole:** Probably you will start with any kind of a pilot plant for entering into newer areas, so how far away we are from those kind of initiatives I mean hitting the ground?
- Gopal Agarwal:** We are exploring all the technologies, plant, cost, margin, so I think it would take about one more month to decide on the same. By middle of September we will come out with the final thing which we are going to put up.
- Atul Bhole:** Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Rachit Gupta an Individual Investor. Please go ahead.
- Rachit Gupta:** Thank you for the opportunity. Sir, Filatex is taking a recycling project where they will be using chemical technology and as mentioned by them, there will be using polyester waste plus the PET waste even, so can this technology affect us or how does this technology affect us, because they will be even using PET waste, but the technology would be different, chemical technology?
- Gopal Agarwal:** Chemical technology is there, but so far the chemical technology is not much successful because of the cost constraint. The conversion cost is higher, because you first recover the raw material from the scrap and then you convert the raw material again into the polymer while the mechanical recycling is most successful because of the lower cost. The world over if you see, the most of the recycling industry is using the mechanical process, and chemical recycling is rare.
- Rachit Gupta:** Thank you.
- Moderator:** Thank you. As there are no further questions from the participant, I would now like to hand the conference over to Mr. Manish Mahawar for closing comments.
- Manish Mahawar:** Thanks Rutuja. 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. Gopal, you would like to make a closing comment?
- Gopal Agarwal:** Thanks to all the participants and we can close the call.
- Moderator:** Thank you. On behalf of Antique Stock Broking that concludes this conference. Thank you for joining us. You may now disconnect your lines.