

Initiating Coverage

Ganesha Ecosphere Ltd.

April 10, 2023





Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Other Textile Products	Rs. 925.5	Buy in the Rs. 917-935 band & add more on dips to Rs. 821-837	Rs. 1010	Rs. 1088	2-3 quarters

HDFC Scrip Code	GANECO
BSE Code	514167
NSE Code	GANECOS
Bloomberg	GNPL IN
CMP Apr 06, 2023	925.5
Equity Capital (Rs Cr)	21.8
Face Value (Rs)	10.0
Equity Share O/S (Cr)	2.2
Market Cap (Rs Cr)	2020.3
Book Value (Rs)	285.6
Avg. 52 Wk Volumes	74,955
52 Week High	985.0
52 Week Low	543.0

Share holding Pattern % (Dec, 2022)	
Promoters	42.3
Institutions	18.1
Non Institutions	39.6
Total	100.0



* Refer at the end for explanation on Risk Ratings

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Our Take:

Ganesha Ecosphere Ltd. (erstwhile known as Ganesh Polytex Ltd), is engaged in manufacturing of Regenerated Polyester stable fibre (RPSF), Dyed yarn and Recycled Spun Yarn. The main raw material for RPSF is waste PET bottles. GEL has its manufacturing units at Kanpur (Uttar Pradesh), Rudrapur (Uttarakhand), and Bilaspur (Uttar Pradesh), the company has a cumulative existing capacity of 1,18,800 TPA (108,600 TPA of RPSF and 7200 TPA of RPSY and 3000 TPA of Dyed and Texturised/ Twisted Filament Yarn) of rPET Fibre and yarn. Besides, recently company's two manufacturing facilities under wholly owned subsidiaries at Warangal with capacity of 53000 recycled chip and Nepal with capacity of 12000 recycled chip commenced operations on Feb 01, 2023 (Washed Pet Flakes and PPSF- Warangal; Washed Pet Flakes and chips – Nepal) and April 01, 2023 (rPet chips and Filament Yarn – Warangal). GEL has been able to maintain its leadership position on account of presence in both fibre and yarn segments in domestic market.

GEL has established strong relations and collection network across the country based on which the company mobilises ~350 tons of PET waste every day. GEL requires raw material (PET bottles) of 1,20,000 tons to 1,30,000 tons annually which is sourced from vendors'/scrap dealers across India through a network of more than 20 collection centres. The company has diversified vendor/supplier profile with top ten suppliers contributing ~29% of total purchase in FY22.

GEL expects export will continue to grow further, export sales contribution to the total sales is ~13% in FY22 vs. 8% in FY21. We expect that the company could see incremental growth due to expansion of plants and inclusion of new production facilities and export demand going forward.

Valuation & Recommendation:

GEL has an experienced promoters and management team along with dominant position of the company into RPSF business with its presence in both fibre and yarn leading to integrated nature of operations. It also has efficient raw material procurement system, established relationship with diversified customer profile and established product distribution network resulting into increased penetration in the export market.

Considering the company's strong financial profile, led by healthy profitability levels and return indicators, volume growth from commissioning of new facilities and a comfortable capital structure, we have a positive view on the stock. **Investors could buy in the Rs 917-935 band and add more on dips to Rs. 821-837 (16x FY25E EPS). Base case fair value of the stock is Rs 1010 (19.5x FY25E EPS) and the bull case fair value of the stock is Rs 1088 (21x FY25E EPS) over the next 2-3 quarters. At the CMP of Rs 925.50 the stock trades at 17.9x FY25E EPS.**



Financial Summary (Consolidated)

Particulars (Rs Cr)	Q3FY23	Q3FY22	YoY-%	Q2FY23	QoQ-%	FY21	FY22	FY23E	FY24E	FY25E
Total Operating Income	273	288	-5.4	313	-12.9	751	1,021	1,192	1,498	1,774
EBITDA	32	31	2.1	35	-8.2	84	114	128	169	215
Depreciation	7	7	-4.8	7	2.4	27	28	27	34	40
Other Income	7	1	556.6	2	297.5	9	7	11	10	9
Interest Cost	4	3	59.6	3	18.7	9	10	16	28	32
Tax	7	6	13.6	7	3.8	14	21	25	30	38
APAT	21	16	28.6	20	7.2	44	62	71	86	113
Diluted EPS (Rs)	9.7	7.5	28.6	9.0	7.2	19.9	28.4	32.4	39.5	51.8
RoE-%						8.8	11.4	11.7	12.7	14.6
P/E (x)						46.4	32.6	28.6	23.5	17.9
EV/EBITDA (x)						25.2	20.7	19.0	15.0	11.8

(Source: Company, HDFC sec)

Q3FY23 Result Update

- Net consolidated revenue was down by 5.4% YoY to Rs 273 crore in Q3FY23 and 12.9% QoQ, due to decline in sales volume. The company reported sales volume at 26,732 in Q3FY23 MT vs. 28,091 MT in Q2FY22 while, production volume stood at 29,904 MT in Q3FY23 vs. 27,907 MT in Q3FY22. Capacity utilization at 110.35% in Q3FY23 vs. 101.4% in Q3FY22. EBITDA per Ton stood at Rs 11433 vs. Rs 11,423 in Q3FY22.
- EBITDA increased by 2.1% YoY to Rs 32 crore in Q3FY23. On QoQ, while it was down 8.2%. EBITDA margin stood at 11.8% in Q3FY23 vs. 10.9% in Q3FY22, and 11.2% in Q2FY23. Higher EBITDA margin was supported by lower other expenses in the quarter.
- Net profit stood at Rs 21 crore in Q3FY23 vs. Rs 16 crore in Q3FY22. On QoQ, net profit growth was at 7% and net profit margin stood at 7.7% in Q3FY23 vs. 5.7% in Q3FY22 and 6.3% in Q2FY23.

Recent Triggers

Greenfield capacity expansion is expected to strengthen GEL's operational efficiency

GEL's greenfield capacity expansion under the wholly owned subsidiaries is expected to strengthen GEL's consolidated operational profile. The project is involving an estimated capital outlay of around Rs 453 crore, funded through a debt of Rs 325 crore and promoters' contribution of Rs 128 crore.

GEL through its subsidiary has two new facilities including Warangal at Telangana, and washing and chips plant in Nepal. Both new facilities at Warangal and Nepal commenced operation from Feb 01, 2023/April 01, 2023.



GEL's 53000 MTPA green field capacity expansion for manufacturing Recycled Chip in Warangal (Telangana) will enjoy superior EBITDA margin of 25%+ vs existing RPSF capacity of 15%+ supported by 50% capacity dedicated to high margin products like B2B PET chips and filament yarns and rest 50% RPSF capacity will benefit from ease in procurement, reduce logistics cost and further attaining operating efficiencies. Further, south facility is expected to get incentives from government of (Rs 25-30 crore/per annum). Warangal will add Rs 600- 650 crore and Nepal washing line will add some Rs 70-75 crore. Nepal plant is set to produce pet flakes and pet chips and the capacity is about 12,000 tons per annum roughly translating into 1,000 tons per month. Expansion as well as modernization plans to enter into new business could bring more opportunities going forward.

Robust demand of PET recycled products supported by government's recycling policy, rise of marquee apparel & life style brands and awareness of eco conscious products

The Indian Government has announced a recycling policy for rigid plastic packaging effective from FY24-25, it brings GEL's business into the mainstream and has widened its platform to accelerate growth. The company could capitalise on this by opening a new manufacturing facility in Warangal (South India).

The demand for quality recycled products by marquee apparel and lifestyle brands is on rising trend. Many among the big brands have partnered with GEL, like Nike, Adidas and Rebook etc. for supplying high quality and sustainable recycled fibers, yarn & fabric. The company is introducing the branded and non commoditised value-added products under the new "Go Rewrite" brand. This brand symbolises wise recycling, a platform for the next round of the company's growth.

The awareness of eco conscious products are rising, retail customers and trade partners are willing to pay higher for preferred branded and recycled products. The company is using latest cutting edge technologies and efficiency in operations to address the customer's expectations of superior quality.

Expectation of better realization due to better product mix and better pricing strategy

GEL's average realization was 4% YoY lower in Q3FY23 due to decrease in sales volume. However, GEL is eyeing a far bigger opportunity size of largely unorganized market through its HDPE/PP recycling facility in Kanpur and food grade bottle to bottle (B2B) PET chips in Warangal, Telangana. The company is in the process of improving its product mix and is adding capacities in high margin value add products. The company successfully commercialized various products in the last five years and recently launched the brand Go Rewrite for its premium category products.



Long term Triggers

Experienced management, strong leadership position, diversified product portfolio, strong R&D and wide presence

GEL management and promoter team has an extensive experience. Mr. Shyam S. Sharma (the promoter and Chairman) has five decades of experience in the textile industry including 25 years with various Birla group companies. He is supported by his son Mr. Sharad Sharma (Managing Director) who takes care of daily plant management and overall operations of the company. The company has professional management having rich experience in the textile industry.

GEL has a strong operational profile, characterised by a long track record of over two decades in the industry, large scale of operations, track record of repeat business from a diversified client base and an established supplier network. The resultant healthy utilisation of its installed capacities, over the years, has facilitated a compounded average growth rate of over 10% in GEL's revenues during the last 10 years.

With a RPSF's total installed capacity of 108,600 MTPA, GEL continues to be one of the largest RPSF players in India with sizable market share. GEL has been able to maintain its leadership position on account of presence in both fibre and yarn segments.

In the journey to become a premium and sustainable player in the market, GEL has been strengthening its R&D capabilities and developing newer value-added products such as antimicrobial products, fibres for paper and construction industry, micro filament fibre, mono fibre and biodegradable fibre, etc. These products provide great impetus to its vision of becoming a responsible corporate committed towards converting waste into wealth and exploring the potential to consume alternate or virgin materials to produce the final products and develop new supply chains.

Availability of raw material and healthy capacity utilization and established relationship with customers

GEL has established strong relations and collection network across the country based on which the company mobilizes ~350 tonnes of PET waste every day. GEL mainly procures its raw material (~80% of the required raw material) from vendors/scrap dealers across India and has more than 20 collection centres. The company has diversified vendor/supplier profile with top five suppliers contributing 16%-22% of total purchases over past three years.

The top 10 customers contributed ~20.64% of total income during FY22 (PY:18.02%), thus indicating diversified customer profile in terms of revenue. The company sells its products to textile players, and it is also a supplier to key OEMs. In terms of segment diversification, around 65% of the total sales of the company are to spinning segment, 25% are to technical non-woven segment and balance 10% are to stuffing segment. The diversified customer profile has resulted in increased export sale of the company in FY22. Export sales contribution to the total sales is ~13% in FY22 (PY:8%).



New Regulation for Environments Protection and utilisation of recycled products

For environment protection, new regulations are being implemented globally mandating the blending of recycled products with virgin products and responsible organizations are pledging themselves for making their products environmental friendly. In India also, regulations have been introduced whereby all the brand owners and manufacturers are required to have 30% recycled contents in their plastic packaging from FY 2025-26 and this limit would be extended by 10% every year till it reaches to 60%, i.e., by FY29.

Over the past six months, a panel at the European Food Safety Authority (EFSA) has reviewed PET recycling technologies from EREMA, Kreyenborg and Starlinger, and has given the green light to several different technologies to recycle post-consumer PET and polyolefins into 100% recycled-content food and drink packaging (Source: Link).

Taking the recent development across the globe for utilization of recycled products, we expect the exponential growth in the industry. Besides, the government has come out with the regulations for compulsory consumption of 30% bottle-to-bottle consumption in plastic packaging for the beverages and food industry, it is positive for GEL. GEL expects to report 28% to 30% EBITDA margins in bottle-to-bottle segment.

Sustainable efficiency to increase profitability

- With aim to move towards sustainable efficiency the Warangal facility is equipped to recycle 90% of water required in operations and only 10% fresh water would be needed. Apart from a zero discharge facility at Warangal, the company has designed various processes to ensure minimum water consumption which will consume 75% less water than other PET recyclers. All of its future projects would be working on the same set of values as well.
- The company's existing operations are already meeting 17% of their energy requirements through roof-top solar panels and has also set up group captive power arrangements with Amplus RG Solar in Uttar Pradesh for 17 MW.
- Partnered with a leading IPP for supplying of 17.43 MWp Solar Power for captive consumption, supply started in Q3FY23
- Apart from a zero discharge facility at Warangal, the company has designed processes to ensure minimum water consumption which will consume 75% less water than other PET recyclers.

GEL and Applied DNA to Deploy CertainT® Platform to Secure Recycled Polyester Supply Chain

GEL announced signing a mutual collaboration agreement with Applied DNA Sciences, Inc. (Applied DNA), a leader in Polymerase Chain Reaction (PCR)-based DNA manufacturing and nucleic acid-based technologies company in October, 2021. Applied DNA is commercializing LinearDNA™, its proprietary, large-scale polymerase chain reaction ("PCR")-based manufacturing platform that allows for the large-scale production of specific DNA sequences.



Under the terms of the Agreement, GEL will deploy the CertainT[®] platform, Applied DNA’s traceability system, to tag an initial pilot production of recycled polyester (rPET) at GEL’s facilities in India and conduct confirmatory samples testing at Applied DNA’s laboratories in India and the U.S. The collaboration between the two companies will provide brands and textile manufacturers with a trusted solution to support their sustainability goals for rPET and confirm raw material authenticity at all stages of the textile value chain. The Agreement enables Ganesha to introduce and apply CertainT-verified rPET to provide assurance for the raw material with textile and apparel customers.

GEL will also employ Applied DNA’s recently introduced SigNature[®] T-100 tracer system that enables rPET source material to be quantified in polyester blends by the CertainT platform. SigNature T-100 is a proprietary molecular-based tracer system used to identify, analyze, and verify rPET, polypropylene, acrylic, and potentially other man-made materials for claims of both identification and quantification of the raw material tagged and subsequently spun into yarn for various textile products.

Robust fundamentals

- GEL financial profile remains healthy marked by stable earnings, sizeable network, and strong liquidity with large cash reserves, healthy capital structure and coverage metrics. GEL reported 36% YoY consolidated revenue growth and crossed thousand crore mark to Rs 1021 crore and net profit grew by 42.4% YoY basis to Rs 62 crore in FY22.
- The company has achieved substantial and sustained growth in revenue and profit, revenue and PAT CAGR 12% over the past 11 years. The company is expected to report 20% and 22% CAGR for revenue and PAT growth over the FY22 to FY25E, respectively.
- Because of cost rationalization efforts, the company could see growth in profitability as well as better return ratios in the future, we expect RoE at ~13% and ~15% in FY24E and FY25E, respectively.
- GEL has a liquid surplus of Rs 65 crore as on Sept 30, 2022, against modest working capital debt of Rs 173 crore. GEL has strong liquidity position to pay its liability, supported by strong cash levels, positive cash flow from operations and a moderate capex requirement.
- Its receivable day of overall business (consolidated) decreased to 42 days in FY22 vs. 51 days in FY21, and inventory fell to 70 days in FY22 from 84 days in FY21. Payable days was increased to 23 days in FY22 from 17 days in FY21.

Promoters and Institutions holding on increasing trend

	Jun-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Promoters +	39.9	40.1	40.4	40.4	40.9	42.1	42.1	42.1	42.2	42.3	42.3	42.3	42.3	42.3
FII's	0.0	0.0	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	2.0	1.7	1.3	1.4
DII's	15.4	15.6	15.6	15.6	14.6	14.9	15.5	15.8	15.8	15.8	16.1	16.7	16.6	16.7
Institutions	15.4	15.6	15.7	15.7	14.7	14.9	15.6	15.9	15.9	15.9	18.1	18.4	17.9	18.1
Public	44.7	44.3	43.9	43.9	44.4	43.0	42.3	42.0	41.9	41.7	39.5	39.2	39.6	39.4



Key Shareholders (Institutions)

	Jun-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
DII's -	15.4	15.6	15.6	15.6	14.6	14.9	15.5	15.8	15.8	15.8	16.1	16.7	16.6	16.7
SBI MF	9.3	9.2	9.2	9.2	8.2	8.5	7.3	7.6	7.6	7.6	7.0	6.4	6.4	6.4
DSP Eq Fund	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.9	8.1	8.1	8.1
Tata MF							2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1

Industry Overview

Indian Textile and Apparel industry

The Indian textile and apparel market is expected to recover and grow at a CAGR of 10% from 2019-20 to reach USD 190 billion by 2025-26. The share of apparels stands at ~73% of the total textile and apparels market in India. The exports are expected rebound to touch USD 65 billion by 2025-26, growing at a CAGR of 11%. Moreover, the restriction imposed by USA on imports from China will also increase the opportunity for India to increase its exports. The Textile Ministry expects more market access for the Indian textiles and clothing sector in order to achieve its full potential. Production linked Incentive (PLI) scheme worth USD 1.44 billion (Rs. 10,683 crore) for manmade fibre and technical textiles over a five-year period.

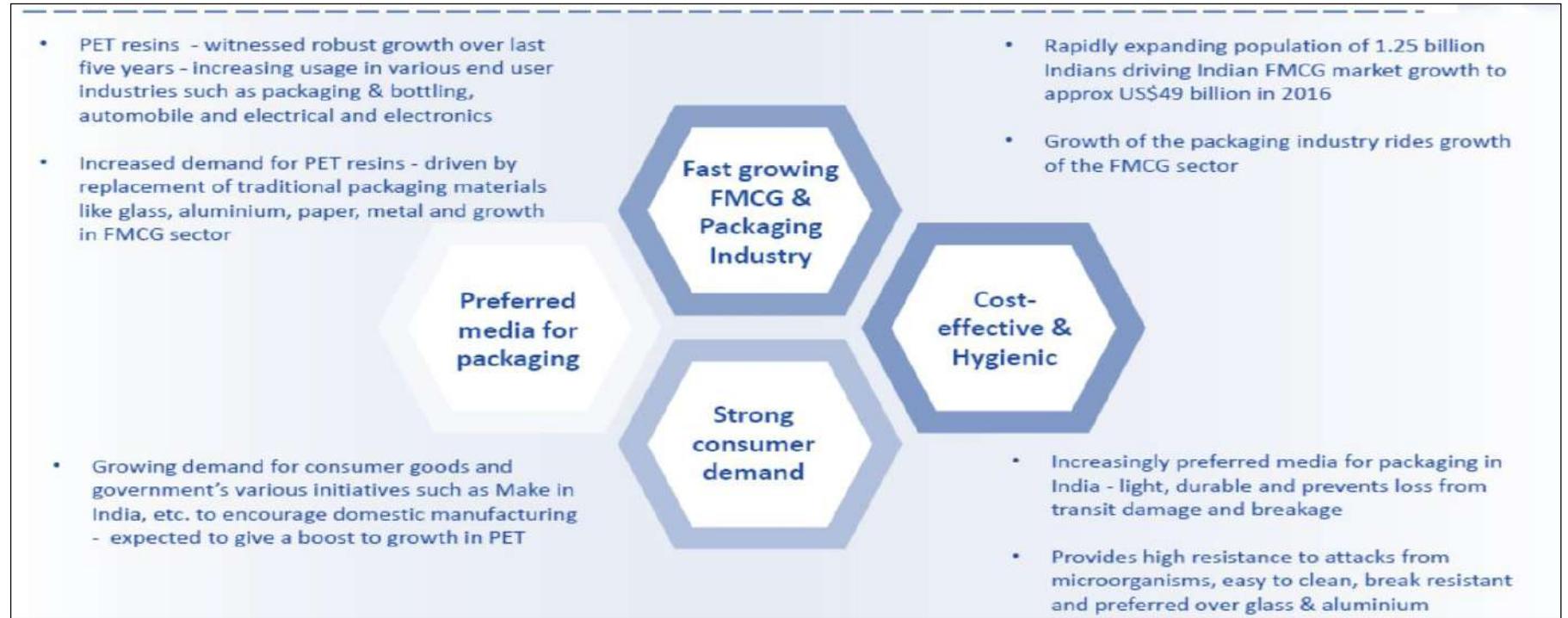
Key Growth Drivers:

- Growing e-commerce industry and rise in online shopping, providing larger selling platform and reach.
- Rising awareness towards sustainable clothing and manufacturing.
- Increase in demand for natural fibres and recycled materials such as use of recycled plastic as thread.
- Growth of smart textile across segments.
- Increase in demand for lightweight and multifunctional fabrics.

PET industry – opportunity in India

Polyethylene terephthalate (PET) market demand in India is expected to reach 1.84 million Tons by FY 29-30, growing at a healthy CAGR of 6.12% until 2030. The Indian PET bottle market is expected to reach US\$ 556.8 million by 2027, growing at a CAGR of 7.89% during 2021-2027. In India, approximately 90% PET is utilised to pack food, out of which beverages comprise almost 80% of the packaging sector.

The growth of rPET is being driven by the private sector and government regulations. The Indian plastic recycling industry is also expected to benefit from government regulations to reduce plastic waste; in June 2022, Government of India issued a mandate to use at least 30% recycled content in new PET bottles from 2025 and this percentage is likely to increase, widening industry opportunities. Major FMCG companies like Hindustan Unilever, Nestlé and P&G have established sustainability targets to reduce the use of virgin plastic in packaging to half by 2025.



What could go wrong?

- The end product of company is used in Textile Industry and packaging/bottling. So the fortune of company is tied with growth in Textile and packaging Industry. Also there are many providers of Synthetic fabrics (yarn) to textile industry.
- The main raw material for the company is the PET bottles. Any price increase in PET bottles due to shortage of supply or rise in the cost of making these bottles could affect GESL's revenue and profitability. Besides, the inability to procure raw material adequately at the right cost could impact operations. Besides, an increase in operating cost could adversely impact profitability.
- GEL is the largest PET recycling player in the country with about ~25% market share. There are about 14-15 companies engaged in the business similar to GEL but in an unorganised market and lacking economies of scale. The only large player is Reliance Industries, but for the Reliance, rPSF is a very small business and the conglomerate is not quite interested in expanding it.
- Recycled PSF prices are indirectly linked to the crude oil price and virgin PSF prices, though the relationship is not that significant as with virgin PSF. Downward movement in the oil prices could affect the realisation of PSF, thus affecting margins.
- Any slowdown in the man-made fibre industry, especially in polyester, will affect the demand of recycled polyester which can affect the company's revenue. However, increase in demand of green products can mitigate this risk.



- Fluctuations in foreign currency could result in variations in margins for the company. However, the company's primary sourcing is done nationally, with strong base for its collection centres. In addition, with strong demand for its finished products across the globe, the company stands to gain with currency depreciation for its increasing exports.
- The Synthetic yarn has market share of around 50% but is very competitive as well. This may hamper or make growth of company difficult in future.
- ROCE has fallen from 22% over the last five years. However, given that capital employed and revenue have both increased it appears that the business is currently pursuing growth, at the consequence of short term returns.
- Imposition of ban on import of PET waste, affected domestic PET waste availability. Nevertheless, GEL's large scale of operations, which allows bulk procurements as well as its organised and extensive sourcing network, mitigates the risk to a large extent.
- GEL has single source of raw material that is PET bottle, scarcity or disruption in supply of pet bottle could impact its operation. However, GEL is coming up with rigid plastics.
- Any postponement of the new regulations by the Govt could postpone the sales growth for GEL.

Company Profile:

Ganesha Ecosphere, (erstwhile known as Ganesh Polytex Ltd), is engaged in manufacturing of Regenerated Polyester staple fibre (RPSF), Dyed yarn and Recycled Spun Yarn. The main raw material for RPSF is waste PET bottles. GEL has its manufacturing units at Kanpur (Uttar Pradesh), Rudrapur (Uttarakhand), and Bilaspur (Uttar Pradesh) Ganesha has a cumulative existing capacity of 1,18,800 TPA (108,600 TPA of RPSF and 7200 TPA of RPSY and 3000 TPA of Dyed and Texturised/ Twisted Filament Yarn) of rPET Fibre and yarn. Besides, recently company's two manufacturing facilities at Warangal with capacity of 53000 recycled chip and Nepal with capacity of 12000 recycled chip commenced operation. At present, GEL has the largest capacity for manufacturing RPSF in the domestic market.

The company has incorporated three wholly owned subsidiaries named Ganesha Ecopet Private Limited (GEPPL), Ganesha Ecotech Private Limited (GETPL) and Ganesha Overseas Private Limited (GOPL) for development of green field projects in the same line of business including manufacturing of Regenerated Polyester Staple Fibre (RPSF), Recycled Partially Oriented Yarn (RPOY), Recycled PET (RPET), Polypropylene Staple Fibre (PPSF) and Washed PET Flakes.

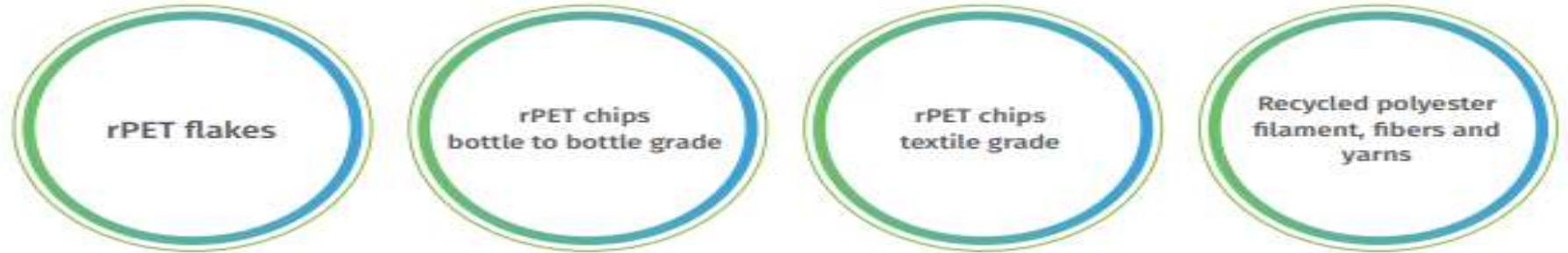
The company commissioned its first manufacturing plant in Kanpur (UP) followed by a second plant in Rudrapur (Uttarakhand) in 2006 and third plant in Bilaspur (UP) in 2014. GEL's new plant in Warangal and Nepal has become operational recently. The company has more than 100 varieties of RPSF and can customise products as per customer needs.

The Company's manufacturing units are ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007-certified. It also has received authorisation to use the Oeko-Tex mark from the Hohenstein Institute, Germany. This signifies that the products produced by GESL conform to the highest ecological standards.



Business Overview

Products



Product Offerings

Offerings

rPET Flakes

- High-quality and anti-contaminated rPET Flakes used for manufacturing high quality end products
- Available in PSF, Filament, and Bottle grade variants.

rPET Chips Bottle Grade

- USFDA and EFSA approved rPET chips for packaging
- Available in Food and Non-Food grade variants

rPET Chips Textile Grade

- GRS and Oekotex certified rPET chips for high end textile applications (apparel, textile, sheets etc.)
- Available in Filament, Fiber and Sheet grade variants

rPET FDY

- GRS and Oekotex certified rPET Fully Drawn Yarn with high consistency and strength
- Available in Semi-dull, Bright & Trilobale Bright grade variants



Key Operating Metrics

Capacities

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Manufacturing facilities								
Kanpur (Uttar Pradesh)	30000	30000	30000	30000	30000	30000	30000	30000
Dyed texturised yarn	3000	3000	3000	3000	3000	3000	3000	3000
RPSF	27000	27000	27000	27000	27000	27000	27000	27000
Rudrapur (Uttarakhand)	39600	39600	39600	39600	39600	39600	39600	39600
RPSF	39600	39600	39600	39600	39600	39600	39600	39600
Bilaspur (Uttar Pradesh)	14200	28200	28200	49200	49200	49200	49200	49200
RPSF	7000	21000	21000	42000	42000	42000	42000	42000
Recycled spun yarn	7200	7200	7200	7200	7200	7200	7200	7200
Total Capacity	83800	97800	97800	118800	118800	118800	118800	118800*

*Out of 118800 MT, ~12000 MT production capacity fallen due to fire broke out at Kanpur plant during the FY22.

Volume-Yearly

MT	FY17	FY18	FY19	FY20	FY21	FY22
Production	88131	97290	121916	122291	101421	111250
Sales	82355	89833	114946	109212	98893	106806
Revenue	686	758	1021	889	752	1022
EBITDA	79	86	127	112	85	117

Volume- Quarterly

MT	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23
Production	28173	11179	27937	31099	31236	27024	27928	27901	28397	27645	27950
Sales	26388	10237	28629	31205	28822	24161	26913	28091	27642	27240	29232
Revenue	202	69	198	235	249	199	248	288	287	293	313
EBITDA	18	-6	12	21	33	23	30	32	33	27	35

Project Status

Nepal rPET Flakes/Resin:

- Product trials successfully completed and commercial production commenced from beginning of February 2023

rPET FDY

- Erection completed and services installation going on and commissioning and trials are expected to start during Q1FY24



Washline – rPET Flakes

- Product trials successfully completed with excellent product quality. Commercial production commenced from beginning of February 2023.

PPSF – Fibres

- Product trial successfully completed; commercial production commenced from February 2023.

Bottle-to-Bottle Chips

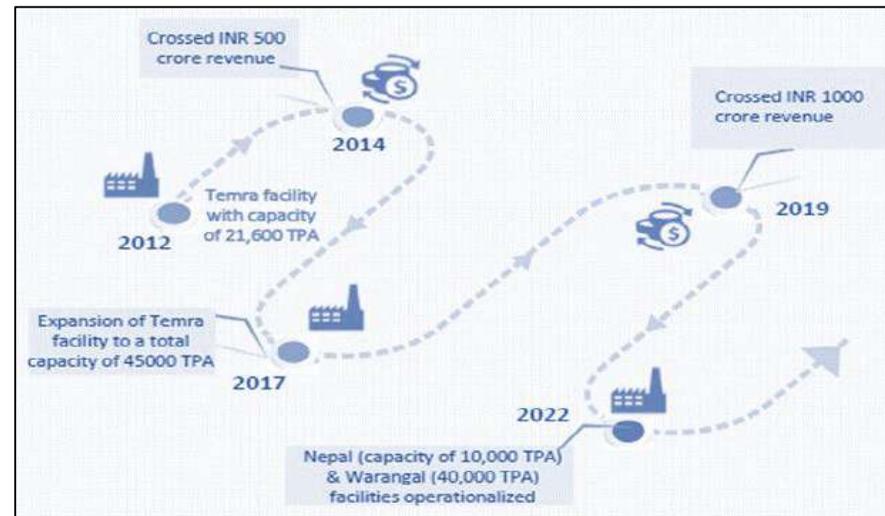
- Product trials ongoing with multiple local & international customers
- Approvals obtained - EFSA positive opinion along with USFDA approved for food contact, GRS and ISO 9001:2015. FSSAI and CEDEX in-progress, Global brand-owner audits and assessments in progress.
- Domestic sale to accelerate post Standard notification by BIS for rPET & exports sale to start post brands assessment.

Bottle-to-Filament Chips

- Product trials successfully completed with some local customers and many more ongoing internationally
- The product quality is well accepted and positively appreciated by customers
- Ongoing conversations with global textile brands to get on boarded in their supply chain

A decade journey

GESL has grown exponentially over the last 10 years,



- Rs 1021 crore revenue in FY22 with a 10.4% CAGR growth in the last 10 years
- 140,000 tons of bottles recycled in FY22 compared to 46,800 tons recycled in FY12 and a CAGR of 11.6% in the last 10 years
- 4 new facilities (Temra, Bilaspur, Nepal & Warangal) added in the last 10 years
- 500+ customers being served compared to less than 150 customers served in 2012.

As of March 31, 2022

- 6 billion+ PET bottles recycled annually
- 108600 MTPA PET waste converted annually
- 500+ customers, 250+ supplier network, 500+ product variants



Financials (Consolidated)

Income Statement

(Rs Cr)	FY21	FY22	FY23E	FY24E	FY25E
Net Revenues	751	1021	1192	1498	1774
Growth (%)	-15.5	36.0	16.7	25.7	18.4
Operating Expenses	667	908	1064	1330	1559
EBITDA	84	114	128	169	215
Growth (%)	-24.4	34.8	12.5	31.5	27.4
EBITDA Margin (%)	11.2	11.2	10.8	11.3	12.1
Depreciation	27	28	27	34	40
EBIT	57	86	101	135	175
Other Income	9	7	11	10	9
Interest expenses	9	10	16	28	32
PBT	58	83	96	116	152
Tax	14	21	25	30	38
RPAT	44	62	71	86	113
APAT	44	62	71	86	113
Growth (%)	-31.6	42.4	14.2	21.7	31.2
EPS	19.9	28.4	32.4	39.5	51.8

Balance Sheet

As at March (Rs Cr)	FY21	FY22	FY23E	FY24E	FY25E
SOURCE OF FUNDS					
Share Capital	22	22	22	22	22
Reserves	495	552	618	699	805
Shareholders' Funds	517	574	640	721	827
Long Term Debt	32	236	311	356	331
Net Deferred Taxes	19	17	18	19	20
Long Term Provisions & Others	10	23	24	25	26
Minority Interest	0	0	0	0	0
Total Source of Funds	578	850	993	1121	1205
APPLICATION OF FUNDS					
Net Block & Goodwill	311	300	444	637	755
CWIP	17	276	221	177	142
Other Non-Current Assets	27	56	52	54	61
Total Non Current Assets	356	632	717	868	958
Current Investments	72	69	79	32	0
Inventories	173	196	212	267	316
Trade Receivables	106	116	137	168	199
Cash & Equivalents	15	23	28	18	23
Other Current Assets	26	58	49	52	36
Total Current Assets	392	462	506	537	575
Short-Term Borrowings	95	121	126	161	186
Trade Payables	35	64	49	66	83
Other Current Liab & Provisions	39	59	54	57	59
Total Current Liabilities	169	245	229	284	328
Net Current Assets	223	218	277	253	246
Total Application of Funds	578	850	993	1121	1205

(Source: Company, HDFC sec)



Cash Flow Statement

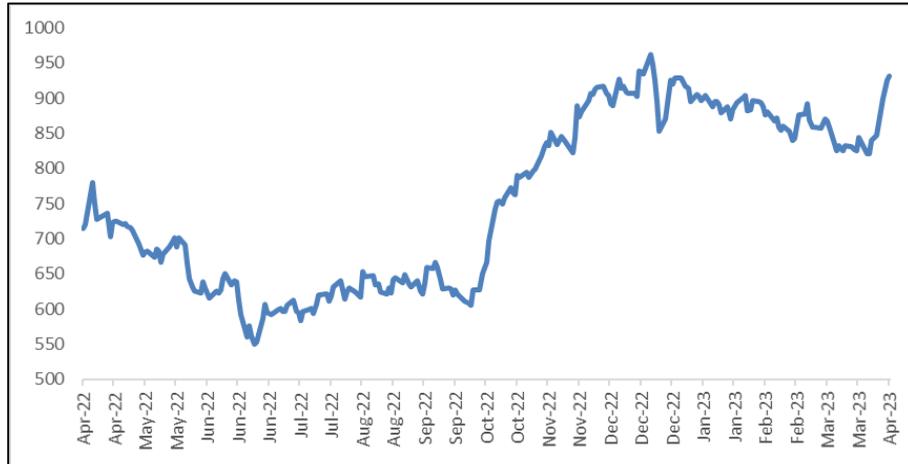
(Rs Cr)	FY21	FY22	FY23E	FY24E	FY25E
Reported PBT	58	83	96	116	152
Non-operating & EO items	-9	-9	11	10	9
Interest Expenses	7	9	16	28	32
Depreciation	27	28	27	34	40
Working Capital Change	-42	-23	-49	-69	-45
Tax Paid	-14	-23	-25	-30	-38
OPERATING CASH FLOW (a)	27	65	77	89	149
Capex	-58	-273	-125	-190	-130
Free Cash Flow	-31	-208	-48	-101	19
Investments	6	17	-11	47	31
Non-operating income	2	2	5	-2	-7
INVESTING CASH FLOW (b)	-49	-255	-131	-145	-106
Debt Issuance / (Repaid)	35	222	80	80	0
Interest Expenses	-7	-9	-16	-28	-32
FCFE	-3	4	16	-49	-13
Share Capital Issuance	0	-1	0	0	0
Dividend	-4	-4	-4	-5	-7
Other	0	2	0	0	0
FINANCING CASH FLOW (c)	23	209	59	46	-39
NET CASH FLOW (a+b+c)	1	20	5	-10	5

Key Ratios

Particulars	FY21	FY22	FY23E	FY24E	FY25E
Profitability Ratio (%)					
EBITDA Margin	11.2	11.2	10.8	11.3	12.1
EBIT Margin	7.6	8.4	8.5	9.0	9.9
APAT Margin	5.8	6.1	5.9	5.7	6.4
RoE	8.8	11.4	11.7	12.7	14.6
RoCE	8.4	8.6	7.9	8.1	9.2
Solvency Ratio (x)					
Net Debt/EBITDA	0.5	2.3	2.6	2.8	2.3
Net D/E	0.1	0.5	0.5	0.6	0.6
PER SHARE DATA (Rs)					
EPS	19.9	28.4	32.4	39.5	51.8
CEPS	32.4	41.4	45.0	54.9	70.1
Dividend	2.0	2.0	2.0	2.5	3.0
BV	236.8	262.8	293.2	330.1	378.9
Turnover Ratios (days)					
Debtor days	51	42	42	41	41
Inventory days	84	70	65	65	65
Creditors days	17	23	15	16	17
VALUATION (x)					
P/E	46.4	32.6	28.6	23.5	17.9
P/BV	3.9	3.5	3.2	2.8	2.4
EV/EBITDA	25.2	20.7	19.0	15.0	11.7
EV / Revenues	2.8	2.3	2.0	1.7	1.4
Dividend Yield (%)	0.2	0.2	0.2	0.3	0.3



One Year Price Chart



HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

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This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicity of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.



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