GANESHA ECOSPHERE LIMITED

GESL/2024-25/

February 10, 2025

To,
The BSE Limited,
Corporate Relationship Department,
1st Floor, New Trading Wing,
Rotunda Building,
PJ Towers,
Dalal Street, Fort,
Mumbai-400 001.
Fax No.: 022-22723121, 22722037
Scrip Code: 514167

To,
National Stock Exchange of India Limited
Exchange Plaza,
Bandra- Kurla Complex,
Bandra (East),
Mumbai-400051.
Tel No.: 022-26598100-8114/ 66418100
Fax No. : 022-26598237/38
Scrip Symbol: GANECOS

Sub: Transcript of Q3 FY2025 Post Results Earnings Conference Call held on February 3, 2025.

Dear Sir/ Ma'am,

Please find enclosed herewith transcript of Q3 FY2025 Post results Earnings conference call held on February 3, 2025 pertaining to Company's Unaudited Standalone & Consolidated financial results for the quarter and nine months ended 31st December, 2024.

Please take the above on record and oblige.

Thanking you.

Yours faithfully,
For Ganesha Ecosphere Limited

Bharat Kumar Sajnani

Digitally signed by Bharat Kumar Sajnani
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Date: 2025.02.10 19:59:14 +05'30'

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

Encl: As above

“Ganesha Ecosphere Limited

Q3 FY25 Earnings Conference Call”

February 03, 2025

MANAGEMENT: **MR. GOPAL AGARWAL – CHIEF FINANCIAL OFFICER - GANESHA ECOSPHERE LIMITED**
MR. PRASHANT KHANDELWAL – SENIOR VICE PRESIDENT – GANESHA ECOSPHERE LIMITED
MR. YASH SHARMA – DIRECTOR – GANESHA ECOPET PRIVATE LIMITED

MODERATOR: **MR. JENISH KARIA – ANTIQUE STOCK BROKING LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Ganesha Ecosphere Limited Q3 FY '25 Earnings Conference Call 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 star then zero on a touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Jenish. Thank you, and over to you, sir.

Jenish: Thank you, Muskan. Good evening, everyone, and thank you for joining the 3Q FY '25 Post Results Conference Call of Ganesha Ecosphere. I would like to thank the management for giving Antique Stock Broking the opportunity to host the call.

From the management, we have Mr. Gopal Agarwal, CFO; Mr. Prashant Khandelwal, Senior Vice President; and Mr. Yash Sharma, Director, Ganesha Ecopet. Without further ado, I would now like to hand over the call for opening remarks to the management, post which we shall open the floor for Q&A. Thank you, and over to you, sir.

Yash Sharma: Hello, everyone. Thanks, Jenish and Antique Stock Broking for hosting us for the Q3 Earnings Call. And good afternoon to everyone, and I welcome all the participants here for our quarter 3 FY '25 Earnings Call. So in the third quarter, which has just passed, we had a mix of experiences. On the one hand, operations and results of the rPET granule segment were on the expected lines, and we could increase the capacity utilizations and deliveries both. But on the other hand, we experienced some distress in our legacy business of rPSF as well as in yarn.

The major reasons were soaring feedstock that is the pet bottle scrap prices at the one end due to opening up multiple applications and higher demand as well as seasonal impact causing lower consumption of bottled beverages and water. On the other end, the demand in the textile industry was depressed, coupled with oversupply position in the industry, owing to which higher raw materials prices could not be passed on to the final customers.

And at the end, the gross margins got some erosion. Going forward, we are anticipating the persistence of the situation for some more quarters, it will get reversed if either the demand matches the supply or some kind of consolidation happens in the industry. Silver lining is that in the recent budget, some steps like fixing minimum duty of custom on knitted fabrics to restrict the current ongoing very-very cheap imports and increase in PLI allocation, etc., will boost the demand in the domestic textile market.

To combat the situation at our end, we are working hard in both in the export markets as well as shifting our focus from traditional yarn spinning segment to technical textile segment as well as working on some alternate and cheaper raw materials for minimizing the adverse effect on our operations. In the rPET granule segment, we operated at a 75% capacity utilization this quarter.

Our products has been well stabilized in the market already, and we have a good demand visibility for the next financial year and do not forsee any difficulty from demand side. Rather, we are now working to increase the capacity utilization so that the maximum production could be achieved in FY '26. In the recycled filament yarn segment, we are still exploring the market development and demand is yet to pick up. Noticeable ramp-up, we are expecting to pick up by Q2 FY '26.

With regards to our expansion plans of 45,000 tons per annum of rPET granules in Odisha, we have decided to increase its size to 67,500 tons per annum and the revised capital outlay for the same will be estimated to around INR600 crores. We are also looking for increasing the rPET granule capacity at Warangal from 42,000 tons to 64,500 tons per annum.

So a total of 90,000 metric ton capacity will be added. And after this expansion, our total rPET capacity would reach to around 1,32,000 tons per annum. The Odisha project is on track as of today, and we have also already identified land parcel and the formalities for the acquisition are being currently under progress. Now I would like to hand over the call to Gopal for taking you through the financial numbers achieved in Q3.

Gopal Agarwal: Yes. Thank you Yash and good afternoon to everybody. I hope all of you could find the time to have a look up our numbers for Q3 FY 2025. Company made production of 40,630 tons and achieved consolidated revenue of INR397.80 crores during Q3 FY '25, which is 39.7% higher in comparison to corresponding last quarter.

Out of this INR268.02 crores has come from standalone business and INR129.78 crores has been contributed by subsidiaries. We achieved quarterly EBITDA of INR56.50 crores, which is higher by 41.3% from Q3 FY '24. Out of consolidated EBITDA of INR56.50 crores, INR23.25 crores was contributed by standalone business operations and INR33.25 crores was contributed by subsidiaries.

Consolidated EBITDA margins were at 14.2% of the operational revenue and EBITDA margins of a standalone business was at 8.68%. In absolute numbers, EBITDA per ton, basis was INR13,906 per ton as against INR12,036 per ton earned during corresponding last quarter.

On the standalone basis, EBITDA of per INR8,041 per ton was achieved, which is lower by 26.9% from Q2 FY '24, due to the details discussed by Yash. We got PAT of INR29.71 crores during the quarter, and it is 133% higher than corresponding last quarter. On a year-to-date basis, company achieved production of 117,297 metric ton (MT) and revenue of INR1,121.16 crores on consolidated basis, which is higher by 22.29% and 37.2%, respectively, from corresponding last period.

We earned EBITDA of INR159.50 crores and PAT of INR79.40 crores during 9 months period of financial year '25. These numbers for corresponding period were INR90.80 crores and INR19 crores, respectively. There is a growth of 75.7% in EBITDA and 317.9% at PAT level from corresponding period of financial year '24.

With this, we request this house to ask the question if they may have.

Moderator: Thank you. The first question is from the line of Aman from InCred Capital. Please go ahead.

Aman: So sir, the new capex that you have announced is around INR700 crores to INR750 crores. So I just wanted to know what will be the equity debt mix, or are we going to do it through the internal accruals?

Gopal Agarwal: So the capex is around INR700 crores, and we have raised the funds through QIP of INR350 crores and the promoter's preferential warrants is also there for INR150 crores. So in all, we raised INR500 crores of funds. So that was primarily for this expansion project. And currently, we are having some cash with us and some of the funds we utilize for repaying the working capital loans, which we can avail any time.

So basically, finance, debt equity and the other things have not been finalized. But more or less, we are not focusing much on the debt level, but we are funding this capex through internal accrual as well as the equity which we have already raised.

Aman: Okay, sir. Okay. And sir, another questions about our value-added business. What was the contribution of the value-added business this quarter or for 9 months?

Gopal Agarwal: So from our subsidiary businesses, we have -- almost 40% is coming from the subsidiaries and 60% is coming from a standalone business.

Aman: Okay. And sir, what are we envisioning for the next couple of years? Because obviously, we are focusing the -- on the new value-added business through go revise and focusing on rPET Granules and B2F Chips. So what kind of revenue contribution in the -- going forward in the 2, 3 years we are seeing from the value-added business?

Gopal Agarwal: So with this capacity addition of 90,000 tons, we are looking for about 65% revenue will come from the value-added products.

Aman: Okay. And so sir, I think that will uplift EBITDA margins up to, let's say, 16% -- doubling all margins?

Gopal Agarwal: Yes, we hope so. In fact, we expect the blended margin much more than that.

Aman: Okay. Great, sir. And one last question, sir. I just had a silly doubt, pardon me. I mean, what kind of plastic are we capable to handle? And what are we handling right now? Is it more on the rigid plastics side or the Flex plastic side?

Prashant Khandelwal: Good afternoon. So basically, we are handling rigid plastic and especially the PET section. We are also working on some R&D going on in some of the plant in flexible also, but mainly at present, the company is working in rigid plastic that especially in PET only.

Moderator: Thank you. The next question is from the line of Prasun Bansal from Bastion Research. Please go ahead.

Prasun Bansal: Congratulations for a good set of numbers. So I have a couple of questions. First is, there is fall in gross margin and revenue per ton or year-on-year and sequential basis. So could you explain what might be the reason for the fall in term?

Gopal Agarwal: So, as we explained in our opening remarks, the gross margins are coming down because of the soaring raw material prices, feedstock prices. It is affecting our legacy business particularly of the standalone business of recycling PSF and yarn.

Prasun Bansal: Okay, sir. And my next question is on the competition side. So many of the competitors are also announcing expansion trends and doing capex in the chips side of business. So do we see any risk from increasing competition and if yes, then how might it impact us?

Gopal Agarwal: Yes. So as regard to competition, of course there is -- many more players are coming in this recycling rPET space because you see as per the regulations mixing of 30% rPET is must from FY '26 and it will go to 60%. So with the size of the industry which is going to be created from zero -- from scratch to about 1 million ton in the next 4 year-5 years, so certainly, a lot of capacity is required to be created. So players are coming in and no doubt players are coming in. But you see, we are having a couple of advantages. Number one, we are the first mover. Number second we are in these businesses since last 30 years, and we understand the waste very well. Number three, we are having the robust collection network across the country.

So number four, we have made a lot of R&D and we have put a lot of efforts in understanding for rPET for food grade consumption because in India, you see most of the PET consumption is in food grade, about 85% is used is food grade, 15% is only non-food grade. So for food grades, it is very, very important to decontaminate the polymer. So no leaching is done in the end of a package product.

So these are the couple of things which we are already addressing and our product is very well accepted by the brands. And we are applying since last one year to them. So we are not afraid of any kind of competition.

Prasun Bansal: Okay, sir. Thank you sir. That's all from my side.

Moderator: Thank you. The next question is from the line of Prakash Kapadia from Spark PMS. Please go ahead.

Prakash Kapadia: A couple of questions from my end. You talked about value-added products, you increased the capex. So typically, what could be the asset turns in this business? And on a steady-state basis, what could be the EBITDA margin in the value-added products?

Gopal Agarwal: So Prakash ji, if you are talking about the rPET granule, so the asset turn is about 1.25 to 1.5. Asset turn is lower because the capex is higher in this business, but of course as per the capital deployment, margins are also higher. So we are looking for EBITDA margins in the range of 22% to 25% in this business.

Prakash Kapadia: 22% to 25%. Okay. And that should come once we achieve a minimum threshold capacity, in the second year we should expect that?

Gopal Agarwal: Yes, of course, so basically it took the longer time when we start our first line, but after that second and third line did not took much time. So a quarter was taken to stabilize at the line. So we don't think it takes more than 3 or 4 months' time in stabilizing.

Prakash Kapadia: So maybe at the end of first year, we could expect these margins.

Gopal Agarwal: Yes.

Prakash Kapadia: Okay. And there was a government regulation as per plastic waste management rules, the micron thickness was scheduled to increase from 50 to 120 microns for plastic bags. How much of this is implemented. And in recycled plastic usage in plastic packaging, are these big drivers for us or not really big game changers or these are just incremental policy initiatives, which could add a bit?

Prashant Khandelwal: So basically, this 50-micron versus 120-micron is applicable to the flexible packaging. So we are working in rigid packaging only. And we are -- so flexible packaging there is a mandate of using 5% of recycled content in 2025 as against in rigid plastic, it is 30% of recycled content is to be used by all the brand owners. So there are different categories, category 1, 2, 3, 4.

So category 1 belongs to rigid plastic, category 2, 3 belongs to flexible plastics. So there is a difference between a flexible and rigid plastic. So basically for rigid plastic, the mandate is 30% in 2025. And every year, it is going to increase by 10%. So in '26, it is 40%, then in '27, 50% and in '28, it is 60%.

Prakash Kapadia: Okay. Every year, there is a plus?

Gopal Agarwal: Yes, there is a plus.

Prakash Kapadia: Thank you.

Moderator: Thank you. The next question is from the line of Anand from Avendus Spark. Please go ahead.

Anand: Thanks for taking my questions. Just probably an extension to the previous talk. Sir, how the plastic waste collection environment evolving given the EPR regulations in place? Do we see any change in the industry-wide collection mechanism that's currently in practise and what are our key sources for getting the sourcing plastic?

Prashant Khandelwal: So basically, in India the sourcing and collection is being happened through the rag pickers. So it is -- there is a fleet of almost 60 lakhs people engaged in this business. They are collecting the scraps from all the residential societies, houses, different offices, hotels, etc. and also from the road side, from everywhere the waste is there.

So basically, it is an informal system, which is being operative in India since many years. And yes, mostly, it is the rigid plastic which is being collected. However, the flexible plastic collection is very low. That is not happening because of the light weight of the material and non-recyclable design of these flexible plastic where multilayer plastic is majorly consumed in flexible packaging.

So, yes, there have been several actions taken in the previous years for formalizing the collection system across country, different small projects have been done, but still the most feasible system is the informal collection system of the rag pickers and then it goes through different collection centers, then scrap dealers and then it comes to the recycler. This is how it is being done.

Gopal Agarwal: So it is informal sector, but it is very efficient one. So that's why the Indian collection rate is much more than the other developed countries where the collection is happening through the government agencies or through regulators.

Anand: Sir, and do we have any partnerships or with large brands like providing any EPR certificates or something on those lines?

Gopal Agarwal: Yes, we are providing the EPR certifications to various brands, the large bands also. So their EPR liability is 100% of their consumption. So whatever we are recycling, we are providing the recycling certificates to the brands.

Anand: Any new tie-ups on that side?

Gopal Agarwal: So it is ongoing. It is not a new business. It in ongoing since the last 2 -3 years.

Anand: Sure. So like to reach out to you for further queries.

Moderator: Thank you. The next question is from the line of Kartikeya Pandey from Ashika Broking. Please go ahead.

Kartikeya Pandey: I just missed out the expansion plan that you were just telling it to the other analysts. Can you just speak to for the previous expansion plans and how we have sort of announced new expansion plans and what we need as capex outlets?

Gopal Agarwal: So you see earlier, we decided the location only for the 45,000 tons. Though we are already having the plan for 90,000 capacity additions, but we could finalize the location only for 45,000 tons and balance 45,000 location was to be decided. So we announced a plan only for 45,000 tons at the first place.

So when -- now we have decided the location for another 45,000 tons. And so -- so it is not a -- basically, it is not a different expansion, but is a part of the expansion which we early start out for 90,000 tons.

Kartikeya Pandey: Okay. And what will be the additional total capacity after this expansion at Odisha – just in Odisha?

Gopal Agarwal: Now 67,500 tons in Odisha and 22,500 tons in the Warangal, that is the existing location.

Kartikeya Pandey: Okay. And what's in the capex outlay for these two expansion?

Gopal Agarwal: About INR700 crores. Earlier, we were -- for the two lands, we had a capex of INR 450 crores, but now it is 90,000 tons, it has been now INR700 crores.

Kartikeya Pandey: INR700 crores will be including both of these expansions, right?

Gopal Agarwal: Yes.

Kartikeya Pandey: So if I'm right, you had earlier -- said you would expand 45,000 per annum. Now it's 67,500 at Odisha. So additionally, you are doing...

Gopal Agarwal: No. Actually, earlier 45,000 was in Odisha so that 45,000 tons has been increased to 67,500 tons, 22,500 tons has been added to that location and 22,500 tons added to the existing location of Warangal.

Kartikeya Pandey: Thank you so much.

Moderator: Thank you. The next question is from the line of Suraj from Sampada Investments. Please go ahead.

Suraj: Sir, how much time will it take for our brownfield expansions?

Gopal Agarwal: Sorry, could you please come again.

Suraj: How much time we will take for our Warangal expansion? Because it is a Brownfield expansion, so I'm assuming that it will take a lower -- a much shorter period of time.

Gopal Agarwal: Yes, of course, we are looking for operationalizing this plant -- this expansion by the end of this calendar year.

Suraj: Okay. And sir, we had earlier given a guidance of around INR1,600 crores of revenue. In 9 months, we have done about INR1,120 crores, INR1,130 crores thereabout. So is there any revision in the guidance or we are confirmed that we will achieve INR1,600 crores revenue for this year?

Gopal Agarwal: No. So already, we have done the INR1,121 crores in 9 months.

Suraj: Yes. INR 480 crores more to go in one quarter. So until now, we have done...

Gopal Agarwal: Last quarter, we did it INR400 crores, almost INR400 crores we did it, last quarter. So the balance, it may not be -- it was only the guidance of INR1,600 crores. So always, it is not -- it may be INR1,560, or INR 1,570, but we are not far away from INR1,600.

Suraj: Okay. And sir, last question is that, from this year, the EPR guidelines will kick in? And will we get additional revenue for EPR certification that we will sell to the companies over and above whatever we are doing for recycling?

Gopal Agarwal: So whatever we are recycling, we are getting the EPR on that quantity. So in future, whatever the quantity will increase, we will get the additional revenue from that source, from EPR. So presently we are doing a -- sorry?

Suraj: Sir, complete your point. Go on.

Gopal Agarwal: Yes. So whatever the quantity we are producing, in this financial year, we have produced about 115,000 tons production. And so the matching EPR we have sold. And whatever the quantity will increase, EPR will also increase in that session.

Suraj: Right? So my question was that, the EPR certificates that we will sell in the market that revenue will be over and above whatever we are doing in recycling and the EPR certificate revenue will directly flow to almost like PBT line because there will be no additional expense for it.

Gopal Agarwal: So it is built in the cost. It is built in the cost. And although it is -- you are right, there is no expenses for issuing it, but it is a part of the operation and the cost and revenue metrics.

Suraj: Okay sir, no problem. Thank you.

Moderator: Thank you. The next question is from the line of Mann Ashar from Growthsphere Ventures. Please go ahead.

Mann Ashar: Thank you for taking my question. First of all, sir, congratulations for a very great set of numbers, specifically from rPET side. Sir, I just want to understand how do you see the demand and supply scenario, right? So doubling the capacity is a very big commitment and from what I understand, there are multiple extrusion lines that are coming in India in probably FY '27, '28.

So just wanted to understand your POV because do you think that export market in itself will also be one of the things that you'll be facilitating with these lines? Or you will be only serving domestic in that case, demand supply scenario. How do you see panning out and how you have actually calculated?

Yash Sharma: So you're absolutely, right. A lot of capacity has been building, but you see what is happening currently globally is that these recycling target mandates are being implemented across the globe. And for that capacity building is happening everywhere. So for us, we are completely -- obviously, we are also exploring the export market as well.

And we are already have made a couple of good network and already they're leveraging that and even building up even more because the rPET capacity globally is currently quite low compared to the current expected demand by 2030. And all these targets, once we reach that 2030 number, you are going to be revised upward again.

And currently, what is happening is that the rPET, there are hardly a very few players, even though a lot of plants are coming up, but not everyone is getting successful. A lot of these capacities are not able to perform because running an rPET plant requires multiple competencies about collection of waste because you can't order raw material about processing the waste in the right manner.

These are the washing lines, there are no standard suppliers over there. So you really have to build your own expertise over there. And because of which, I think that for the coming 5 to 10 years, we have quite a good head start already and because of our expertise are already delivered results, we will be obviously the preferred choice of big global brands for using rPET.

So obviously, I mean, we have both the domestic as well as the export opportunity in front of us if we talk about the next 5 to 10 years.

Gopal Agarwal: The size of this market is a very large -- because this market is basically is a regulation driven. So in the next 4-5 years, we need about 1 million tonne of the rPET granule in the packaging. So the demand is huge. And so looking to the capacity addition, it is not much larger because you see capacity addition also takes 15 to 18 months' time to stabilize and then further approvals are required. So it takes about 2 years' time to come on the stream.

Mann Ashar: Got it sir. and in our opening commentary sir, you basically mentioned the fact that the scrap side bottles prices have been soaring a lot and hence, our RPSF division has been suffering due to some of the unavailability of raw materials. So do you think that the same can affect PET granules business as well or that might be -- not that harmful because at the end of the day, the margins will be protected in that case because already there is some demand supply mismatch?

Gopal Agarwal: So for the rPET granules unit we are not putting up the raw material increase in our account. So our margins are protected in that business as of now. While in case of fiber, it is not, basically, it is a commodity product. So there is issues and challenges of the sale pricing.

Mann Ashar: Sir, my last question is that on the JV that we did with Ganesha Eco, right, with Race Eco for our flakes. I just want to understand the conditions on write-off first refusal or right of first offer. Do we have the same with Race Eco? Second thing, the quality checks that will be done by our customer, will be on that washing line as well?

And the third thing that I wanted to understand is that post this, do you think that almost all the captive requirement of the flakes for granules will be completely satisfied for Ganesha as an entity?

Gopal Agarwal: So you see, this Joint Venture is for an intermediate product, the PET flakes. PET flakes we are developing this model in the 'hub and spoke' model. So we are creating the spokes and the washed flakes will be brought to our mother plant for further processing. So that material, the intermediate material will not be -- itself will be of the food grade but it will be brought to our mother plant and we will make it the food grade.

Mann Ashar: Got it, sir. So it will be 100% for our captive consumption only, right?

Gopal Agarwal: Correct. Correct.

Mann Ashar: Thank you so much.

Moderator: Thank you. The next question is from the line of Nitesh Dutt from Burman Capital. Please go ahead.

Nitesh Dutt: Thank you for the opportunity. I had a question regarding our subsidiary performance. If I just do a consol minus standalone math, I think our EBITDA in subsidiaries was INR33 crores versus a revenue of roughly INR130 crores. So that gives an EBITDA margin of more than 25.5%. This EBITDA margin, if I calculate for the last quarter was roughly 21%-odd. So I just want to understand what has driven this uptick in the EBITDA margins in our subsidiaries? And which I'm assuming is the Warangal business.

Gopal Agarwal: So number one, the capacity efficiency has been done. So the more capacity utilization is there and the sale is also more than the production -- so it also drove the EBITDA margin. And further, in last quarter, some of the raw material increase, we could not pass on to the end customer. So that has also been passed in this quarter. And largely also, the EBITDA margin will move in the range of 22% to 25%. That's why I told in earlier remarks, EBITDA margin will move 22% to 25%.

Nitesh Dutt: Understood. Can you split the INR130 crores revenue from Warangal into different product categories as well as give an idea of realize volumes and realization across product categories?

Gopal Agarwal: Sorry, I couldn't get your question. Can you please come again?

Nitesh Dutt: I just wanted to understand the breakup of the INR130 crores revenue. Is INR130 crores revenue from Warangal across our rPET and different products? And also, what kind of volumes did we do across rPET and other products?

Yash Sharma: So actually, due to the sensitivity, I don't think we can do give a product level breakup of the Warangal unit currently?

Mann Ashar: Sure, sure, no worries. Just one more question from my side. When do we see the other products picking up other than rPET from our Warangal facility?

Gopal Agarwal: Yes, please, go ahead.

Mann Ashar: I was asking when do we see our other products, the filament yarn and PPSF picking up from our Warangal facility/

Gopal Agarwal: As of now, we are expecting it will take another 2 to 3 quarters and we are expecting it will take off by September '25.

Moderator: The next question is from the line of Bhavya Gandhi from Dalal & Broacha Stock Broking.

Bhavya Gandhi: Sir, my first question is regarding the split of INR700 crores of capex between Orissa and Warangal. What is the split between Orissa and Warangal? And what would be the ramp-up time for each of the projects?

Gopal Agarwal: Yes. So Bhavya, in the open remark itself, we have informed that Odisha project would be costing around INR600 crores and another INR125 crores will be from Warangal.

Bhavya Gandhi: Okay. And sir, just wanted to ask what would be the ramp up? How long will it take to ramp up the Warangal settlement because that is the brownfield one so?

Gopal Agarwal: So brownfield, I also answered, is the operational by -- we are expecting it to be operational by December.

Bhavya Gandhi: By December. Okay. December this year. And Orissa will take at least 15 to 18 months?

Gopal Agarwal: Yes.

Bhavya Gandhi: Okay. But will we see incremental revenue in FY '27 from Orissa?

Gopal Agarwal: Of course.

Bhavya Gandhi: Okay. Sir, is it possible to share what is the asset -- on expectation for year 1 and year 2 post capital -- I mean, commissioning of the plant?

Gopal Agarwal: So you see it takes about 3 to 6 months' time stabilization of the capacity. So the last 2 expansions we completed the stabilization 3 to 4 months' time. So we are expecting that the same time here also.

Bhavya Gandhi: Okay. Okay. And just wanted to understand, sir, what is the current cash balance as of now that we have on our books, including investments, liquid investments?

Gopal Agarwal: Above INR150 crores.

Bhavya Gandhi: INR150 crores, right. And almost 6 months are away for the warrant conversion of our promoters. So that would add another INR125-odd crores, INR112 crores?

Gopal Agarwal: Yes.

Bhavya Gandhi: Okay. Okay. And another INR300 crores, we would be raising debt?

Gopal Agarwal: So you see we have already raised up funds INR350 crores through QIP in Feb'24 and that funds were deployed temporarily in the working capital of the company. And we had repaid the working capital loans at that time. So we are already having that facility. And whenever the project goes on, we will drop the funds from the working capital facilities.

Bhavya Gandhi: Okay. Got it, sir. And with respect to the traditional business, that was like a INR70 crore, INR80 crore PAT business. So...?

Moderator: I just request you to follow in the queue, sir, please. The next question is from the line of Mr. Dinesh from Antique Stock Broking.

Dinesh: Yes. Sir first question is with regards to the yarn business revenues this quarter?

Gopal Agarwal: Yarn, we made about 15%, 16% from the yarn.

Dinesh: Okay. 15%, 16% of the console revenue is from the yarn segment?

Gopal Agarwal: Console revenue, yes, yes, perfect. Yes.

Dinesh: Sir, second is on the collection efficiency within the system. So earlier understanding was within India, there is 80% efficiency with regards to headquarters. Is that understanding still correct?

Gopal Agarwal: Yes, correct, already -- 80% collection is happening in the country.

Dinesh: So the question here comes is with us setting up a JV with Race Eco Chain, how will the raw material sourcing move ahead in future. Earlier we used to source everything on our own and then process it. Now with Race Eco Chain, whether we will procure it from the JV or it will be both? How will the mix shape up going forward?

Gopal Agarwal: So you see we are sourcing the PET bottles across the country with more than 300 vendors. So Race is already collecting from these vendors and they're presently collecting about 12,000 tons to 13,000 tons material in a month. So with the agreement with them, we are having the offer of 75% of their quantity, which we can have on the market terms. So we are having this cushion for expanding our capacity.

Dinesh: Okay. So if I understand it correctly, whatever we are sourcing correctly, that will stay. Additional 10,000 tons of raw material is what we can source from Race Eco Chains, roughly?

Gopal Agarwal: Correct, correct.

Dinesh: Sure. Perfect. And sir, is there any change in the lead time for machinery from Starlinger. Earlier, it was around 1, 1.5 years. So that still remains because the Warangal brownfield expansion is coming at a very short span of time, around 9 to 10 months, we are expecting the commercialization. So is there a change in the lead time from the machine manufacturer?

Gopal Agarwal: Yes, basically, Dinesh we have already booked the machine earlier 4, 5 months earlier, much earlier. But the announcement could not be done regarding as whether it's 45 tons, because we couldn't decide on the place and location where we are going to put the machine. The lead time is same, but as we have already booked the machine much earlier. So we are getting it in time.

Dinesh: Perfect. Sure. Perfect. And just one last thing. Sir, what can we expect in terms of the quarterly interest run rate? So I believe it has increased slightly on a quarter-on-quarter basis. But as our debt and working capital requirement increases and we are expecting a peak debt of around INR600 crores. What should be the quarterly interest run rate we should assume?

Gopal Agarwal: Yes. So presently, our total debt position is about INR500 crores. So going forward, when we draw down our working capital facilities, the debt may go up to INR700 crores, INR750 crores.

Dinesh: Okay. And that will be from first quarter of FY '26 only?

Gopal Agarwal: It will ramp up in stage. It is not in one go.

Moderator: Our next question is from the line of Manohar K Manu, an Individual Investor.

Manohar K Manu: What kind of revenue are you expecting next financial year?

Gopal Agarwal: Sorry, sorry?

Manohar K Manu: What kind of revenue are we expecting next financial year, sir?

Gopal Agarwal: Next financial year, we are looking at around INR1,800 crores to INR1,900 crores revenue.

Manohar K Manu: Okay. I have one more question. For example, do we have any kind of a moat, for example, if there is any new entrant big entrant comes into this business. Are we able to hold this business, sir?

Gopal Agarwal: Yash, you take this.

Yash Sharma: Yes, sure, sir. Yes, absolutely, absolutely. So see, basically, what happens when you talk about rPET, the conversion process from PET bottle daily waste to rPET granules is not a very standardized process. You need to understand how the washing is to be done. So there are 2 parts. The first part is washing, cleaning of the PET bottle into flakes and then flakes to granules. The first part is particularly very, very complicated.

And for you to create a very good quality of flake for the end RPD application, you need to understand very closely and build your own process design because there are no EMs currently in the world available who can give you a committed quality guarantee on the bail-to-flake part of the process. Because in the bail it's ultimately -- it's post-consumer waste and there are no quality standards whatever you talk about.

So this understanding and this expertise is what we have developed over the years and running this plant with a very high operational efficiency. Because generally, these washing plants from bail-to-flake, they've done at very subpar efficiencies. So we know how to run those plants on very-very high efficiency at high efficient models. And then thirdly, the collection network that we have built over the years.

So in case of waste, there is no single point where you can just order the raw material, you have to build your collection network. It's completely informal in India. So we have an established relationship with almost more than 350 vendors across the country, today who are supplying to us on a daily basis, a very -- there is few quantities of based on a daily basis. So this is something which is very, very difficult and very costly to replicate today for anyone else.

And that is the reason the way we have grown in this market in the recycled PET market over the last years in India. No one has been able to do that, do whatever. So I don't think that even if someone big comes into, which is already happening, they are not really afraid because the kind of size, the kind of momentum, the kind of quality and consistency that we provide, it's very -- it will take years for other -- for anyone else for a new entrant to be able to reach that space?

Manohar K Manu: Yes, thank you so much for the answer, sir. Because off-let, I've been seeing lot of -- some of the companies which are trying to get into this business. So as per my understanding, there is some learning curve they have to go through. It is not like just with money they'll be able to do things.

Yash Sharma: Exactly. You're absolutely right.

Moderator: The next question is from the line of Bhavya Gandhi from Dalal & Broacha Stock Broking.

Bhavya Gandhi: Sir, just wanted to understand what was the consolidated capacity utilization and standalone capacity utilization?

Gopal Agarwal: So the standalone capacity utilization is about 106%.

Bhavya Gandhi: 106%. And consolidated capacity utilization?

Gopal Agarwal: Consolidated capacity utilization is about 65%.

Bhavya Gandhi: 65%. And for the entire Warangal plant, if you may have?

Gopal Agarwal: So sorry, it is about the Warangal plant -- it is not a consolidated one. Warangal is 65%.

Bhavya Gandhi: Okay. And for the consol capacity utilization, if you have.

Gopal Agarwal: Can be worked out.

Bhavya Gandhi: Okay, no worries. Sir, just one more thing because we are putting this kind of capex, INR700 crores of capex, almost INR750 crores of capex. Have you finalized any long-term agreements with any of the players because I think this kind of visibility is only possible if you have any long-term agreement?

Yash Sharma: So sir we're already -- we are currently discussing long-term agreements with big players as well that is also already happening in parallel. Currently, we are doing annual agreements, annual capacity agreements. But you see that as the regulation gets implemented, these stocks will be happening because the market needs to settle down, the industry needs to develop.

So from both the sides, it is currently just a discussion about -- So we've already -- it is happening or it will take some time to finally materially and enter into that. But nonetheless, the kind of regulation, the implementation, which is coming into picture. And currently, the state of the market where enough capacity is not available. It's just a matter of time until all of the industry ramps up.

So I mean, as of today, we already have visibility of much more demand. I mean, currently, we are handling than we can actually produce when it comes to this rPET segment, this targeting segment. So we don't see any such difficulty in the coming years. And it's not just domestic, I mean it's a global phenomenon that is happening. So those long-term discussions will also be -- will also materialize in the coming time as well.

Bhavya Gandhi: Got it. Sir, just one more thing on the traditional business because over there, the raw material prices are now weighing on the overall consol number. So what -- you are making around

INR70 crores, INR80 crores of PAT in that business -- I mean, on a steady-state business? So what sort of PAT should we expect maybe 2, 3 years down the line from this kind of business because that would sort of have been on that traditional business?

Gopal Agarwal: So it cannot be -- we cannot be projected as of now what will be the position after some of the quarters, because currently burdened with the overcapacity as well as demand constraint. So ultimately, it will be moved. So after 2 quarters, 3 quarters, 4 quarters the industry will turn up. So it is very difficult as of now to comment on the profitability for this business for the next 2 years to 3 years.

Bhavya Gandhi: Okay. Got it. And sir, with respect to the warrant conversion, any outlook from the promoters?

Gopal Agarwal: So it will be converted as per the schedule.

Bhavya Gandhi: It will be converted as per schedule.

Moderator: The next question is from the line of Kartikeya Pandey from Ashika Broking.

Kartikeya Pandey: Sir, I was just trying to understand your value added segment, I see it has a very good margin profile. So these years, down the line what kind of new business and contribution you're looking from this segment.

Gopal Agarwal: So you see that the market size is also quite large, and it is going to be created in the next 3, 4 years. And supply position will remain tight. So we see that the margins will remain there at least for the next couple of years.

Kartikeya Pandey: Okay. And then what kind of contribution you are looking at the consol numbers from this segment then going 2, 3 years forward?

Gopal Agarwal: I think we have described enough about the competition in this field in this call.

Moderator: Thank you. As that was the last question for the day, I now hand the conference over to the management for closing comments. Over to you, sir.

Gopal Agarwal: Thank you, Ms. Muskan and thank you, Jenish. Thank you to all the participants. Good day to all of you. Thank you.

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