GESL

GANESHA ECOSPHERE LIMITED

GESL/2026-27/

August 11, 2026

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 Q1 FY2027 Earnings Conference Call held on August 4, 2026.

Dear Sir/ Ma'am,

Please find enclosed herewith transcript of Q1 FY2027 Post results Earnings conference call held on August 4, 2026 pertaining to Company's Unaudited Standalone & Consolidated Financial Results for the quarter ended June 30, 2026.

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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pseudonym=07cd50fdbf124476a2c42b874662cc72,
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serialNumber=392760be8a34d87f58591458c62f857385d329f7
9eb8bceb76c90c4f9dafe3fe, cn=Bharat Kumar Sajnani
Date: 2026.08.11 18:46:38 +05'30'

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

Encl: As above

Ganesha Ecosphere Limited

Q1FY27 Earnings Conference Call

August 04, 2026

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. MANISH MAHAWAR – ANTIQUE STOCK BROKING LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Ganesha Ecosphere Limited Q1 FY27 Earnings Conference Call. As a reminder, all participant lines will be in 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 your touchtone phone. Please note that this conference is being recorded.

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

Manish Mahawar: Thank you. I'm pleased to host today's earnings call of Ganesha Ecosphere. From the management, we have Mr. Gopal Agarwal, CFO; Mr. Prashant Khandelwal, Senior Vice President; and Mr. Yash Sharma, Director, Ganesha Ecopet, on the call.

Without any delay, I would like to invite Mr. Yash Sharma to start the opening comment. Post which we will move to Q&A. Thank you, and over to you, Yash.

Yash Sharma: Thanks a lot, Manish, and good afternoon to everyone, and we welcome you to our earnings conference call for the first quarter of FY27. We would like to take you through our Q1 FY27 numbers, along with the key developments of our company.

The first quarter of FY27 has been marked by a complex and rapidly evolving market environment. The global geopolitical developments, particularly the tensions in the Middle East resulted in a heightened volatility in the crude oil prices as well as the downstream polymer markets.

This has had a significant impact on the broader polyester value chain, affecting the demand patterns, the pricing dynamics as well as the customer procurement decisions across several end use industries.

Despite continued volatility in the external environment, I am pleased to say that the company has achieved another quarter of strong operational and financial results, and we are hopeful in maintaining the momentum going forward as well.

At the consolidated level, the production reached 42,826 tons, up 3.8% quarter-on-quarter, driven by a strong performance from Warangal subsidiaries. However, a 11.2% drop in the sales volume offset these operational gains, resulting in a flatter top line.

Despite this, the EBITDA we have achieved is INR59.8 crores and the bottom line of INR29.03 crores and have registered a sequential growth of 14.2% and 25.1%, respectively. EBITDA margins have improved consequentially to 14.1% from 12.4%

and the PAT margins have improved by 138 basis points. This is a tremendous improvement across all our financial matrices over the corresponding last quarter.

In the standalone business, there is a slight impact on production volume though the sales volume down by 13.4% from Q4 FY26, which we also highlighted in the last con call. This was primarily due to the normalization of the elevated demand experienced in the previous quarter and softer demand from the textile sector.

Higher fiber prices prompted downstream customers to defer purchases, which adversely impacted the volumes. Nevertheless, the improved realizations more than offset the decline in volume, resulting in a stronger financial outcome. EBITDA has increased by 13.7% sequentially to INR23.8 crores.

Other income has declined to INR3.52 crores from INR9.86 crores due to the discontinuation of the interest income followed by the conversion of subsidiary loans into equity at the end of the last quarter. The decline in interest income resulting from the conversion of loans in the subsidiaries into equity weighed on the PAT despite higher standalone EBITDA.

On Y-o-Y basis, revenue has increased by 18.4% and EBITDA has increased by 155.9%. Net profits are up by 79.4%. Pending FSSAI approval for food-grade applications, the 22,500 TPA rPET granules facility at Warangal, has already commenced production and is currently catering to the export markets as well as the domestic non-food applications.

Another production line of 22,500 metric tons is underway. With these expansions, company's operating leverage is going to improve substantially and thereby enhancing our ability to sustain and even potentially improve the operating margins.

Global uncertainty seems to have absorbed by the broader market and the demand of fiber is also now reviving quite well. Going forward, we think the standalone, which is textile business as well as the subsidiary businesses are going well and are quite well on track. This reinforces our confidence in achieving the targets and guidance shared during our previous calls.

Alongside the ongoing brownfield expansions, the company is actively evaluating and planning the future expansion opportunities to sustain our long-term growth trajectory as well.

With this, I open the floor for the questions which you may have. Thank you.

Moderator: Thank you. We will now begin with the question and answer session. The first question is from the line of Dheeraj Ram from 360 ONE Capital.

Dheeraj Ram: Congratulation for a great results. So a series of questions, sir, do you expect this subsidiary business, which has significantly...

Gopal Agarwal: Your voice is not clear. It is very, very low.

Dheeraj Ram: Can you hear me, sir? Can you hear me now?

Gopal Agarwal: Yes, yes, we can hear, yes.

Dheeraj Ram: So a series of questions, sir, do you feel this EBITDA per kg improvement that you have seen in 1Q is going to sustain for FY27? Can we expect an EBITDA per kg around 22 plus?

Gopal Agarwal: Yes. So Dheeraj, as we already commented with the expansion of brownfield capacity in Warangal, our operating leverage are going to improve substantially. And so we are quite hopeful to maintain the EBITDA margins which we have achieved going forward also.

Dheeraj Ram: Okay. And since we are putting up a capacity of 1 lakh tons, which is an additional 60,000-odd tons. So do you see any demand softening or do you expect any softer demand post-commissioning? Or do you feel that the capacities are already booked? How is the customer response to this?

Yash Sharma: Yes. So see, as of today, we don't see any demand issues as such. To be honest, we have a very good optimism in the market regarding offtake of our rPET material. Since the mandate of the government is now there, more and more adoption of rPET is constantly increasing.

I would say there's still a very high room for the demand to grow from here. And as of today, we don't see any -- to be honest, any challenges in the demand of the rPET because even today, the demand of rPET is much higher than the supply.

Dheeraj Ram: Got it. And on the standalone side, sir, there is a slight volume degrowth, but that has been offset greatly by improved realization and then EBITDA per kg has improved to INR9. Do you see this INR9 to INR10 EBITDA per kg sustaining for the standalone segment for the entire year?

Gopal Agarwal: So basically, Dheeraj, we have given the guidance of about INR70 crores to INR80 crores EBITDA for the full year. So it is around INR7 to INR8 per kg.

Dheeraj Ram: Got it. And do you feel any normalization going forward for the next quarters?

Gopal Agarwal: So Dheeraj, actually the price volatility are much in case of the raw materials as well as the finished good prices in our industry. So giving any short-term guidance is actually not feasible or practical. But going forward, we are quite hopeful to achieve whatever the guidance we have given last quarter for the full FY27. So we are quite hopeful to achieve that.

Dheeraj Ram: Got it. Understood. Okay. Just last question, sir. If we have not got FSSAI approval notification, so for the additional 22,500 tons line also, is the FSSAI approval done, and I mean, have we started commercial production?

Prashant Khandelwal: So hi, Prashant this side. So for this, the application has already been submitted with FSSAI long back once we have done the trial production and all documentary audits has been completed by FSSAI. Now only the physical audit is pending, which we are expecting to be completed in this month.

So by the end of the month, we will certainly get the approval of FSSAI. And for the time being, the line is running for export market where FSSAI approval is not required. EFSA and USFDA approvals already we have for that line. So for export and non-food grade, those material are being utilized.

Dheeraj Ram: Understood. And just a follow-up question on this. Do we see any similar FSSAI approval delays? Or can there be any potential delay for the upcoming lines?

Prashant Khandelwal: No, no. So it is a procedural way to complete this. And during last month, there was a substantial change in FSSAI official, including CEO. So that has delayed a little bit of the files moving. But now I don't think that there is any issue in approval of this. A procedural work of 1 to 1.5 months would be there for every line.

Moderator: We have the next question from the line of Disha from Sapphire Capital.

Disha: Couple of questions. So sir, I think the previous caller had given a guidance of around 20% plus CAGR. If you could just break this down into how much of volume growth will we be expecting this year versus the realization growth?

Gopal Agarwal: So I couldn't get -- can you please come again?

Disha: So, this 20%, I think 20% plus growth that we guided for in terms of the revenue, how much of this are we expecting for volume and how much of this will be driven by realization for this entire year?

Gopal Agarwal: So we are expecting it in volume terms.

Disha: Okay. So this 20% growth is entirely volume?

Gopal Agarwal: Yes, yes. Because the sales prices are actually quite volatile. So we measure, we gauge the growth in terms of the volumes.

Disha: Okay. And how should we look at the price growth, sir, for this year? Any -- if you could provide any sort of broad range?

Yash Sharma: See, I think it's very difficult to comment on that because, you see, our prices are determined by the petrochemical prices, the polymer prices, the feedstock prices, there is a volatility of about 20 percent in the last 3 to 6 months time frame itself. So it's very difficult to predict anything on that. It doesn't make any sense.

Disha: Okay, sir. But in terms of demand, you're not seeing any problem?

Yash Sharma: No, no. Demand -- so obviously, in first quarter, we faced a little bit of demand challenges from the textile industry. But now I think that has again come back to good trajectory and textile industry since the pipeline was very, very low and empty, but now the textile industry is going quite decently well. So again, demand is back on track.

Disha: And the next thing, sir, on the sourcing, what sort of -- are you seeing any challenges currently? What should be the current scrap price, if you could just give me that number?

Gopal Agarwal: The current scrap price in the range of INR48 to INR50.

Disha: Sorry, INR48 to INR50, correct?

Gopal Agarwal: Yes.

Disha: And we don't see any challenges in sourcing now?

Gopal Agarwal: So basically, we are looking for delta. So the prices are going up and going down in case of RM as well as finished goods, but we are looking for our delta. So that's quite decent.

Disha: Okay, okay. And sir, what will be the -- what is the total capex that is planned for this year and what is the capex that you are targeting for the next year?

Gopal Agarwal: So this year, we are going to install another line of 22,500, so there is around INR150 crores capex outlay is there planned for that, out of which most of the capex has been done. The part of the capex will be done over next 2 to 3 months.

Disha: It is done, sir? Hello?

Gopal Agarwal: Yes. So most of the capex has been done till now for that line and the remaining capex will be done in next 2, 3 months when the line will come through.

Disha: Yes, I was just asking if you could give me a number as to how much we've already spent?

Gopal Agarwal: So almost 60% we have already done.

Disha: Okay, okay. And for the next year, sir?

Gopal Agarwal: We are finalizing the next year expansion plans, and we will come back on that.

Moderator: The next question comes from the line of Navneet Saluja D'Souza from Complete Circle Wealth PMS.

Navneet Saluja D'Souza: Congratulations to you all for a good operating performance during this quarter. I just wanted to know, are we looking to revisit the guidance that we had given for FY27 in terms of EBITDA of INR225 crores to INR250 crores? And also if you could give us a mix of it, how much of this would come from legacy and how much would come from subsidiaries?

Gopal Agarwal: So our guidance is intact. We have guided for the INR225 crores to INR250 crores EBITDA for FY27 that is intact. And out of which INR70 crores, INR80 crores will come from our legacy business and the remaining will come from our subsidiary business.

Navneet Saluja D'Souza: Okay. So the larger chunk and will this trend continue in the coming years as well?

Gopal Agarwal: Yes. So going forward, the mix would be tilted in favor of our subsidiary business. So because we are increasing the capacity of our subsidiaries, the EBITDA margins will be improving.

Navneet Saluja D'Souza: Sure. One last question. I think in the previous answer, you all had mentioned that textile demand is getting back on track. On back of that, will quarter 2 see better volume numbers coming from the legacy business?

Gopal Agarwal: Certainly, we are expecting that there's a better volume in the current quarter.

Navneet Saluja D'Souza: Are you seeing the trends of that already?

Gopal Agarwal: Yes, it has started already, yes.

Moderator: We have the next question from the line of Dolly Choudhary from Niveshaay. Please go ahead.

Dolly Choudhary: Congratulations on good set of numbers also. So I had a few questions. First of all, I was trying to understand one thing that I was just seeing that we generally keep 2-3 months of inventory, please correct me if I'm wrong. So did we saw any kind of inventory gain also this quarter because like the prices went up from January to maybe May, June for this quarter? So for Warangal numbers specifically, did we saw any inventory gain?

Gopal Agarwal: Yes, Dolly. So basically, there is a very high price volatility during last few months. So certainly, we got some inventory gain also in these numbers. But the prices are very volatile, and so working out any exact number is not possible.

Dolly Choudhary: So like to mitigate this, are we still maintaining 2-3 months of inventory or are we still following the same procedure? I mean, we may get benefit for this quarter...

Gopal Agarwal: Yes. So when we are talking about the inventory 2-3 months, so basically it is a finished goods as well as the raw material both. Both are there. So yes, so it is need of our business, we have to maintain about 2 to 2.5 months inventory anytime.

Dolly Choudhary: And sir, any update on approved FSSAI capacity as you have mentioned in your presentation also, 15 lakh demand is there and 40% to 50% recycling demand is coming due to the mandate. So 2 things I wanted to understand on the, first of all, customer side, how much penetration did we saw?

Like I don't think it must have reached like 40% yet. So any number on, like, if you can quantify, like, in terms of industry, like, maybe 2.5 lakh, 3 lakh demand is coming and what are the approved capacities, if you can highlight that number?

Yash Sharma: Yes. So see, according to our basic data collection, obviously, it's not verified or exact data, but the tentative numbers that we have from the market intelligence is that currently, we are running at about 20% to 25% adoption currently.

And that is because, obviously, the global brands, the global buyers, they are trying to follow the compliances, whereas still the regional players, they are still catching up, start using more and more rPET. This just started very slow. So I think today, the average we are at about as a country is between 20% to 25%.

So -- but still what is happening is that the supply today are almost, I would say, kind of at par because the supply is today is at about -- the capacity is at about 4.2 lakh tons. But obviously, because what happens is that everyone is not able to run the plant so efficiently that we are able to. And so the actual output doesn't end to be the same number, right? So because of that, today, the demand and supply almost kind of matched up.

Dolly Choudhary: Got it. Got it, sir. So like if I just kind of try to get an overview like past 1 year, 2 year as, like, Ganesha as a company has a mode of that side also that there was a demand supply gap huge. So like current capex we did for this year. But for, like, next year, in our evaluation stage of capex for maybe financial year '28, '29, are we still going to expand in rPET only, or are we seeing new categories of recycling or other sectors as capex also as a company?

Gopal Agarwal: No, for the time being, we are focusing on rPET business, but certainly, we are looking for other recycling avenues after 3-4 years time frame.

Moderator: We have the next question from the line of Bharat Gulati from Dalal & Broacha.

Bharat Gulati: Yeah hi, thank you for the opportunity**,** I just had a question regarding the sequential degrowth we've seen in our subsidiary volumes. What is that -- is that purely to do with seasonality or is there some other element behind that?

Gopal Agarwal: There's a very slight decline in volume of subsidiary business. The decline in volume is basically in our legacy business.

Bharat Gulati: I see there's a 7% decline Q-o-Q on the subsidiary business and the standalone has grown -- degrown 13%. So understandable that the degrowth is not significant, but just trying to understand the reason behind it. Is it purely to do with seasonality? And should we -- what should we expect the run rate going forward on a sequential basis? Do we expect similar sort of volume growth flattish or should we see sequential...

Gopal Agarwal: That is because of our fiber business, where the prices has gone up really very, very high. So the downstream buyers choose to defer the purchases. And so that is the one-off. I think it is not persistent. So in the current quarter, the sales have been revived.

Bharat Gulati: Okay. Got it. And just can you give a sense of what sort of realization should we continue to see within our subsidiary business going forward? Should these be similar sort of realizations that we should continue to take in or do you see them sort of settling down as the supply-demand situation has sort of neutralized now?

Yash Sharma: So see, in this, you should actually not really look at the realization number because, again, reiterating what I said before, the industry is in a very volatile situation right now because of the oil prices moving so radically up and down, the polymer prices are also moving radically up and down, which includes our rPET prices, our fiber prices, and there's a huge volatility that is happening on a month-on-month or week-on-week basis.

I would rather like to reiterate that what we are aiming for is to maintain healthy EBITDA numbers in our both legacy as well as subsidiary businesses. In the subsidiary businesses, we are looking at a much better improved combined EBITDA margin range as we have guided before. So we'll be able to meet that or maybe slightly better. But that's what we are aiming for rather than for the exact realization number. It can go up, it can go down.

Bharat Gulati: So you believe that this sort of EBITDA per kg of INR24 on the sub business is something we should continue to maintain going forward?

Yash Sharma: So see, not exactly. We have guided that at combined EBITDA level, we are aiming for EBITDA between 16 to 20 at a combined level in the subsidiary business. That's what we are aiming for in the long term.

Bharat Gulati: Got it. Got it. And just can you help understand what sort of utilization levels are we targeting to hit in the Warangal facility by the end of this year? If we are currently at 72%, so where do we see that -- obviously, I understand that new capacities will come. I'm trying to understand on the 64,500 MTPA capacity, where do we see that...

Gopal Agarwal: See, on overall basis, we are looking at about 85% capacity utilization by the end of this year.

Bharat Gulati: So this would be at a 1 lakh ton capacity we are looking at about 85%?

Gopal Agarwal: No, no. So basically, currently, we are having the 64,500 ton capacity and our next capacity will come in December, January only. So we are talking about the current capacity.

Bharat Gulati: Got it. So about 55,000 tons is where we are hoping to be at in terms of production level. So that'd be fair to say?

Gopal Agarwal: Correct, correct. Correct.

Moderator: We have the next question from the line of Avnees Burman from Vaikarya Investment.

Avnees Burman: Yash, a couple of questions. One is a follow-up on the previous participant. You mentioned that the current capacity is 4.2 lakh metric ton. I'm assuming it's the nameplate capacity, is that right?

Yash Sharma: Right, right, Avnees.

Avnees Burman: Okay. And by FY27 end, let's say, what is your estimate of how much this nameplate capacity can grow up to?

Gopal Agarwal: By end of this year, it would ramp up to 250,000 ton.

Yash Sharma: So total nameplate capacity, Avnees, of rPET between around 5.2 lakh tons to 5.5 lakh tons.

Avnees Burman: 5.5 lakh metric ton. Okay. And when you say that in today's scenario, the supply and the capacity are matched, this is at a 20% to 25% adoption, right?

Yash Sharma: Yes, against the government mandate of 40%, yes.

Avnees Burman: That's right. So by again, FY27, I'm just trying to get an idea about what will be -- will there be a supply-demand mismatch or this will again be kind of matched by FY27 end? So from your...

Yash Sharma: I think now the industry has started maturing quite a bit and the supply and demand is going to grow quite well hand-in-hand. At the end of the year, we will see how is the industry really looking to increase the usage of rPET.

So -- and we are increasingly hearing that from our current customers as well as new customers regarding the expanding demand on a daily basis. So I think that now the rPET capacity is coming in and the demand expansion will go hand-in-hand quite a bit.

Avnees Burman: Understood. That is clear. One more question about the new line. When you get the FSSAI approval because it's a new line, I'm assuming that the stability batches would be needed, right?

Prashant Khandelwal: So the line is already running for export market. So I don't think there would be any issue. The material is well established on the line. And as soon as we get the approvals, it is ready for the Indian market as well.

Avnees Burman: Okay. Okay. So as soon as you get the approval, you can start commercializing for the domestic market? This is what I'm...

Prashant Khandelwal: And it has already commercialized for export market.

Yash Sharma: So the stability has also happened parallelly, Avnees, like along with the FSSAI approvals coming in, the stability has also happened already parallelly. And they are already -- in fact, they are all already complete. So we are just awaiting.

Avnees Burman: Understood. And you have no idea about the time line of FSSAI approval or did you mention it in the call, I might have missed it?

Prashant Khandelwal: So it must be done in this month only because initial stage of documentary audit has been done as per FSSAI. So I think the final physical audit has to happen for that line, which should be planned in this current month and after post that, we should get the final approval. So we are expecting this month.

Avnees Burman: Understood. And last question, Gopal ji, this subsidiary sales volume of 14,800, can you just break it down into B2B and filament yarn. I'm just trying to see whether a major ramp-up in filament yarn volumes has taken place or not?

Gopal Agarwal: So Avnees, basically, we don't give the breakup of the volume because of strategic reasons.

Avnees Burman: Okay. Okay. That's fine. So fair to assume that this improvement in EBITDA of INR 22 per kg to INR24 is not really driven by filament yarn ramp-up, but more driven by inventory gains?

Gopal Agarwal: It is because of both.

Moderator: The next question comes from the line of Harsh Vidhani from India Capital.

Harsh Vidhani: Congratulations on good set of results. I just wanted to get your perspective on long-term goals for rPET. What are the long-term aspirations in terms of rPET and what is your 3-year outlook on rPET, and what is the possible market share that we can corner?

Yash Sharma: So see, in long-term planning perspective, what we are foreseeing is that the industry of rPET capacity, the industry of rPET, is going to grow to about 10 lakh tons by 2030 and we are targeting to capture around 25% market share of the market.

Harsh Vidhani: Understood, sir. And sir, how has been the off-take for the other subsidiary businesses that is rPET, filament yarn, and RPSF?

Yash Sharma: So see, RPSF business, we are already quite mature in that. We already have a capacity, a very high capacity of about 100,000 metric tons in RPSF. So currently, we are not planning to grow that capacity as such. I think it's quite good today in the mature market that would probably grow at about a very standard 3%, 4% to 5% growth according to the industry demand dynamics.

What we are doing in rather is we are investing and we are building a more wider basket and value-added functional fibers portfolio increasingly in our product basket to improve the value addition and the realization and the net margins of the product that we are selling today out there in the market today. So that's what we are working on in the RPSF as well as the filament segment.

Moderator: The next question comes from the line of Nikhil Gupta from Vayu Capital.

Nikhil Gupta: My first question is on -- I think in the last call, there was a guidance of around INR2,500 crores peak revenue from the Warangal facility.

Gopal Agarwal: So basically, we -- for this year, this guidance was for the next FY28 for the consolidated numbers INR2,300 crores to INR2,500 crores.

Nikhil Gupta: Sorry, I missed your line, but still my question was are we targeting -- fiscal year we are targeting this particular peak revenue? And what is current share in this quarter?

Gopal Agarwal: So for this current financial year, we have given the guidance of about INR1,700, crores, INR1,800 crores consolidated turnover. So we are already on the track.

Nikhil Gupta: Okay. My next question is on that -- I think in the previous participant's question, you answered that we are looking to recycle other material as well in future. Can you please throw some light what we are considering and what's the basic discussion happening on that front?

Yash Sharma: So see, we are working on a couple of materials. For example, we are working on polyolefin recycling already. We are trying to establish some niche products markets for that. So yes, that's the current project that we are already working on. Going forward, we are looking at various other materials as well.

Nikhil Gupta: My last question is -- maybe this may be a naive thing, but just let's say, let's consider this a hypothetical scenario, let's say, in future, we have a mixture -- we have a different technology of material with, let's say, polyester or plastic with a percentage of -- some percentage like we are seeing in petrol. So how our current lines are ensured, how our current technologies ensure that we will be still able to recycle the minor change in the raw material?

Prashant Khandelwal : How you are expecting the raw material to be changed because, you see, the polymer chain is different. It is not that you can change it easily. So I am not getting your correct question.

Yash Sharma: Yes, see, polymers are very different in their nature. You cannot do that you can mix HDPE with a PET and make a bottle out of it. It's not possible. It's not technologically possible itself. So the polymer, whenever the polymers are used, they are used as a prime material in itself to make whatever packaging you have to make from that.

So -- and our lines are designed for recycling PET as a material. Obviously, there are modified forms of PET like PBT, like PTT, they can be recycled very easily because they follow in the same family. I mean, yes, that's -- I don't know how to exactly answer your question.

Moderator: The next question comes from the line of Dhirendra Kumar Patro from Spark PMS.

Dhirendra Kumar Patro: So congratulations for a good set of numbers.

Moderator: Sorry to interrupt, sir, as your voice is very low, may I please request you to use a handset?

Dhirendra Kumar Patro: Yes. So congratulations, sir, for a good set of numbers. So my first question would be on the yarn side. So last quarter, we had guided that we have tied up with a customer on the yarn side, and we were ramping up with that customer. So how is it going now? We are seeing any slowdown there? Or is it going as per expectations?

Yash Sharma: Yes, yes, it is going strong. Basically, there was a disruption due to the whole petrochemical industry situation and huge volatility in the prices and everything. So the whole supply chain was a little bit in disarray, but it's going good as we have planned and we are slowly ramping up the volumes.

Dhirendra Kumar Patro: Okay. And my second question would be on the difference between the virgin PET and rPET prices. Can you let me know the prices which is going on now?

Yash Sharma: So as of today, the difference between rPET and vPET is somewhere between 5% to 10%. It's very volatile. Last month, the prices almost matched. There was no difference in the price. This month, there is a difference of about 5% to 7%. So it's a very volatile state. It's changing on a weekly basis. I don't know what to...

Gopal Agarwal: So basically what is happening is the polymer prices because of the crude is changing on a daily basis, almost on daily basis. So you see one day, the crude is 80, another day is 95 and third day it is 92. So it is like that.

Dhirendra Kumar Patro: Okay. So rPET is INR10 expensive, more expensive than the virgin PET, that is what you are seeing now?

Yash Sharma: No, no. Currently, for the last 3 months on an average, rPET has been cheaper by INR5 to INR10 than vPET in the last 3 months.

Dhirendra Kumar Patro: Okay. Okay. My third question would be on the inventory. So in this quarter, we have got that inventory gains because of 2 to 3 months of inventory that we are holding. So considering now crude is cooling down a bit, so once crude goes to $70 or $80, so we can see in 2Q or 3Q this high cost of inventory hitting us in our margins. Is that assumption correct?

Gopal Agarwal: No. So we don't expect that because when there is any sharp -- very sharp fall or the uptick in the prices, only then we have some inventory gain or inventory losses. But when the situation is normal, so when every day there is some fluctuation, so we don't expect any inventory gain or loss in that sense. It is very, very minor.

Yash Sharma: So see, what really happens in the normal course of business is that we buy at every level and we sell at every level. That's what happens in the normal course of business. When you talk about textiles, in case of subsidiaries like filament or rPET, what happens is we have formulas which does averaging, averaging of the last month's inventory and the price is determined by the average cost of the inventory.

So every month of inventory cost is basically passed on to the consumer. So it's only textile, but it's all spot where what the strategy we follow is we buy at every price and we sell at every price and we try to match and maintain the delta. That's how it works.

Gopal Agarwal: Only in case when there is a very sharp uptick or downturn, in the prices, only then it impacts us.

Moderator: The next question comes from the line of Pritesh Chheda from Lucky Investments.

Pritesh Chheda: Sir, can you tell us when exactly our rPET capacity is coming, in which quarter and from the current 64,000 tons, you're adding another 60,000, right?

Gopal Agarwal: No. So we are adding 22,500 fresh capacity and we are making some debottlenecking making total capacity to 100,000 tons. So currently it is around 65,000, another 35,000 will come.

Pritesh Chheda: And when will these come? If you can tell us?

Gopal Agarwal: So that would be available by December, January.

Pritesh Chheda: Okay. So basically in quarter 4 you will have the expanded the entire incremental 40,000 tons expanded capacity or 35,000...

Gopal Agarwal: So in case of our new capacity of 22,500 tons, certainly we have to get the approval from the FSSAI. So it depends on the FSSAI approval making the full March quarter or we will be starting from April.

Pritesh Chheda: Okay. So 22,000 is brownfield, okay, which will come maybe in quarter 1 of next year, and 13,000, 14,000 tons is debottlenecking, which will come in quarter 3.

Gopal Agarwal: Yes. 10,000 to 12,000 tons will come from debottlenecking, which will be available as soon as it is completed. Here we don't need any FSSAI approval in that case.

Pritesh Chheda: Okay. And in that 10 lakh tons of 2030, that is assumed at 40% mandate or at what mandate that 10 lakh ton demand is coming?

Yash Sharma: 50% mandate, that's at a 50% mandate.

Pritesh Chheda: 50%. And industry's capacity today at 2,80,000 tons, is it fully utilized or what is it?

Yash Sharma: So the current capacity this year must be 4.2 lakh tons and actual output is not obviously not that high, actual output is much lower.

Pritesh Chheda: And what is the mandate deal to by the players?

Yash Sharma: Sorry, the mandate capacity requirement as of today somewhere between 5.5 lakh to 6 lakh tons.

Pritesh Chheda: And at what mandate, that is also at 40% mandate?

Yash Sharma: 40%, yes.

Pritesh Chheda: Okay. So mandate is 40%, capacity needed is 5 plus, capacity today is 4,20,000 but capacity used is less than 4,20,000 which means the mandate is not fully implemented.

Yash Sharma: Correct. I mean, the people are not using as much as the mandate should be.

Moderator: We have the next question from the line of Naeem Patel from Bastion Research.

Naeem Patel: Congratulations on a good set of numbers. So my question is around the legacy business. So in the earlier call, you had mentioned that we were looking towards textile-to-textile conversion, basically shifting away from rPET, because rPET -- not, sorry, rPET, but the PET bottle scraps because the industry -- rPET industry is volatile and the scrap bottle prices are also volatile. So we had ventured into textile as an alternative, so is that what we are still looking towards or is the plan -- has the plan shifted?

Gopal Agarwal: So in the last call we discussed, we have started to use some textile waste. That is the post-industrial waste. So we have already started, yes, to consume 20%, 25% of the textile industrial waste.

Naeem Patel: Understood. And what challenges do we have using textile waste compared to PET bottle scrap when implementing that as a raw material?

Prashant Khandelwal: You see, there are some necessary technical changes required in the plant and process and that are very well taken care in most of the lines. So whenever you are changing raw material from one set to another set, yes, some technical things has to be modified and it has been done.

Gopal Agarwal: And in the present technology, textile waste cannot be used beyond a certain percentage.

Naeem Patel: Could you be able to quantify?

Prashant Khandelwal: So it would be quite difficult to quantify, but, yes, we are consuming up to 50%, 55% average must be okay. For some product -- it depend on product to product. In some product, you can go beyond 50%, in some product you can consume only 20%, 25%. So it all depends on the product what you are making.

Naeem Patel: Understood. But we are assuming that in the longer run when rPET and EPR mandates take requirement mandate up to 60% and the volatility might inflate or elevate the scrap bottle prices, these measures would insulate the legacy business up to a certain extent, is that a correct way to look at it?

Prashant Khandelwal: So you see with the -- there is an incremental growth in consumption of PET bottles as well. So -- and the maximum rPET mandate is up to 60%. So rest 40% would be available for this textile business, number one.

And with the incremental consumption of PET bottles, the total volume available for both recycling would be higher, and in recycled textiles, now the new capacities would not come, they are not coming, so somewhere it will be a trade-off…

Gopal Agarwal: Trade-off will come, in next 2, 3 years, the trade-off will come, and both the industry will flourish.

Naeem Patel: Understood. Understood. And just one last question, I think in the past calls as you had mentioned that the Kanpur facility was experimenting with recycled HDPE as well. So is there any development going on towards that?

Prashant Khandelwal: So it is still under progress. We are working on some other recycling process as well apart from HDPE and polyolefins. So we'll update this once it is finalized.

Naeem Patel: Congrats on the good set of numbers.

Moderator: The next question comes from the line of Shubham Thorat from Perpetual Capital Advisors.

Shubham Thorat: I just wanted to know what is our current working capital cycle, and how are we expecting that to fair for this financial year?

Gopal Agarwal: So in case of our legacy business, the working capital cycle is about 75 to 90 days, and in case of our new businesses, the subsidiary business, it is 45 to 50 days.

Shubham Thorat: And I just wanted to know that -- so I joined the call late, so I might have missed your comments on capex. So just wanted an overview on what capex plans are currently undergoing, and what kind of capacity we are targeting to build with that?

Yash Sharma: So yes, see, basically as going forward as we already detailed out, we are already working on debottlenecking and brownfield capacity expansion. So we are going to increase our rPET capacity from current 65,000 tons to about 100,000 tons by next year.

That's already on way and well on track on time for us to execute faster. And going forward, the next phase of expansion, we are already working on quite closely, quite substantially, and pretty soon we'll be finalizing next year's plans.

Shubham Thorat: And just one final clarification, you mentioned that we are trying to enter into new recycled products after rPET. I just missed that product name if you can just reiterate?

Gopal Agarwal: So I think we have already answered this question.

Shubham Thorat: So the product name, I just missed that.

Gopal Agarwal: So currently, we are working on polyolefins recycling.

Moderator: We have the next question from the line of Dolly Choudhary from Niveshaay.

Dolly Choudhary: So sir, as we've guided for 20% volume growth this year, and we've like -- so I wanted to understand that are we getting new clients in the domestic side or the current customers are only increasing sourcing from us?

Yash Sharma: Yes. So both are increasing, Dolly. We have -- the current customers have also increased the volumes and as well as we have onboarded new customers as well who have started using rPET at some extent. So it's both.

Dolly Choudhary: Can we name a few clients?

Yash Sharma: You can see there volumes are also -- sorry, what again?

Dolly Choudhary: Which clients are the onboarded, if you can name a...

Yash Sharma: I'm not comfortable taking the names, to be honest, publicly here.

Dolly Choudhary: Okay. Okay. And sir, like in export market, which geography are we exporting to currently? And how are we seeing traction there as well?

Yash Sharma: Yes. So we -- see, we regularly work with different geographies like the U.S. market, like the Middle East market mostly. And most of them we are already working with from -- since the last 2, 2.5 years.

Dolly Choudhary: So like are we also onboarding new clients on export side or...

Yash Sharma: Yes, yes, definitely, definitely.

Dolly Choudhary: And what would be the current contribution from export business?

Yash Sharma: See, it keeps on changing basically because of the geopolitical uncertainty, the ocean freight being so volatile. It keeps on changing on a month-on-month basis. On an average, I think we are able to do 10%, but it keeps on maybe changing sometimes 15%, sometimes 20%, sometimes it's even less to 5% because there's so much uncertainties and volatility in the freight and sea freights as well.

Dolly Choudhary: So like as a company, are we seeing this portion to increase? Are we targeting aggressively or...

Yash Sharma: We are working to develop more and more markets and more and more customers for our product. And obviously, we try to tilt towards the market which -- where we are able to achieve better numbers economically, financially, right? So -- but we obviously try to maintain both the market. Obviously, we tilt the volume slightly towards the one where it's more attractive. That's how we work.

Moderator: We have the next question from the line of Dheeraj Ram from 360 ONE Capital.

Dheeraj Ram: This alternative feedstock of textile waste, do we see any cost savings when we shift from waste to textile waste?

Yash Sharma: Yes, yes, definitely, there is a little cost saving when we obviously use textile waste materials of different, different qualities. But see, obviously, there is -- those textile waste, they cannot be used directly.

They have to undergo a certain process -- transformation or process change to be able to include it in our production process. But definitely, it does offset some part of the cost when we use more and more of that.

Dheeraj Ram: So currently, what is the percentage of textile waste that we use? And what could be this after next 2-3 years?

Prashant Khandelwal: Currently, we are about 20%, 25% we are able to use textile waste on an average.

Dheeraj Ram: Okay. And we plan to ramp it up, sir, in next 2 to 3 years?

Gopal Agarwal: Of course, of course. We are trying to ramp up. But as we have discussed earlier also, it depends on the products we are making. So product to product, the ratio is different. So certainly, we are trying to expand, but it is very difficult to give any specific numbers.

Dheeraj Ram: Understood. And last question is, do you have any update on the new land that you were looking for the future capacity expansion beyond FY28?

Gopal Agarwal: Yes. So we are finalizing our expansion plan. So accordingly, we will work on the land and all those things.

Moderator: The next question comes from the line of Bharat Gulati from Dalal & Broacha.

Bharat Gulati: I just had a question regarding to my previous one relating to volumes. So just trying to understand that the sort of volume on the subsidiary business that we've been for the past 2 quarters, which is in the range of 15,000 to 16,000, should that be the run rate going forward? Just trying to understand, have we sequentially sort of hit a peak in terms of volumes? Or do we see sequentially further improving?

Gopal Agarwal: Yes. So we are looking for the sequential improvement in the volume.

Yash Sharma: See, because the fourth rPET line currently is not fully utilized as of yet. Overall, we are at about 72% utilization levels in the subsidiary, which we are looking to take it to around 85% levels in the coming months.

Bharat Gulati: Got it. But it would be fair to say that, let's say, 16,000 sort of volume run rate on the Warangal facility is roughly 80%, 82% utilization. So from that Q4 number, we shouldn't be significantly seeing any growth sequentially, would that be fair to say?

Gopal Agarwal: Yes. So basically, in Q4, there was some pent-up demand. So we are having the inventory which was cleared at the time. So the production level was much lower. So if you compare the production, so we have achieved a decent increase in production level in our subsidiary business. But the volume is same because whatever we have produced we have sold. We don't have much inventory with us in subsidiary.

Bharat Gulati: Got it. Got it. And just on competition, are we seeing any sort of threats? Are we seeing some sort of market share that is being taken away or intensifying in terms of pricing pressures? And also you spoke -- earlier, you spoke about the supply-demand mismatch sort of now evening out. So how do we read that through for FY28? And how do we take that into consideration when planning the capex?

Yash Sharma: So see, you're definitely right. I think the competitive pressure which was to come has already came last year on us. And last year was particularly difficult year because one, there was competitive pressure intensity as a lot of new plants came on line as well as the demand went really very low as there was a lot of confusion regarding the industry, the mandate and everything.

Now since the industry has started using more and more rPET and the utilizations have gone really up, we are, in fact, facing more and more increasing demand obviously, because the level of capability, the consistency, the supply security that we are able to provide, it's difficult for a small recycler to provide that to the global brand owners.

So in that -- from that sense of point of view, we are increasingly facing much higher demand today than our capacity that we can serve the customers, and that was the major reason for us to convert our greenfield project to brownfield project so that we can cater to the demand immediately. So in fact, now more so than ever, we are in a much better competitive position in the industry.

Bharat Gulati: So Yash, would it be fair to say that we are number 1 supplier for all of our customers or are we in certain customers second or third vendor also?

Yash Sharma: So if you talk about the global brand owners, majorly all the global brand owners and the biggest volume ones in terms of the size, I don't want to take any names here, we have the highest market share with respect to rPET supplies.

Moderator: We'll take that as the last question. And I would now like to hand the conference over to the management for closing comments. Thank you, and over to you.

Gopal Agarwal: Yes. Thank you. Thank you. The entire executive team joins me in thanking you for your valuable perspective and support. We remain fully focused on driving operational excellence and capturing the clear opportunity ahead of us. Thank you.

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

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3. It is also confirmed that no unpublished price sensitive information was discussed during the call.