

Management alluded that textile industry is struggling with huge overcapacity & cheap imports from China putting pressure on pricing as well as demand (CU for spinning units at 65-70% vs historical levels of 85%). Qtr saw a sudden 10% rise in washed PET flakes exports (In Aug RM prices have started falling), coupled with poor demand preventing RM inflation being passed on to customers impacting the overall margins by ~150 bps (Consol EBITDA margin of 14.2% vs 15.4% QoQ). To mitigate the RM inflation company is 1. Introducing value added products & 2. Forward integrating in PSF business. Management has maintained its previous revenue guidance of Rs.15-16bn with 14-15% sustainable EBITDA margin at 85% CU for FY25 (Rs.10 bn from traditional business + Rs.5-6 bn from value add Warangal plant) with cautious outlook for traditional fibre & yarn business owing to new capacity addition in the industry. 3rd production line of rPET granules is expected to see production ramp up by Sept-24 & filament yarn by Dec-24. Company has strong revenue visibility for all 3 rPET lines till Dec-24. A key factor to watch will be the announcement of further rPET capex, which management has indicated will be addressed during the next conference call.

- Revenues at ₹3366Mn, 32.5%YoY/10.2%QoQ
- EBITDA (Excl OI) at ₹477Mn, 87.1%YoY/1.4%QoQ
- PAT at ₹226Mn, 554.1%YoY/4.5%QoQ
- Gross Margin came in at 38.9% vs 37.7% YoY/40.8% QoQ
- Gross Margin saw improvement of 120 bps on YoY basis
- EBITDA Margin (Excl OI) came in at 14.2% vs 10.1% YoY/15.5% QoQ
- EBITDA Margin (Excl OI) saw an improvement of 414 bps on YoY basis

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24	FY25e	FY26e	FY27e
Net sales	7,511	10,214	11,796	11,229	14,669	17,855	22,605
EBIDTA	845	1,139	1,277	1,379	2,156	2,742	3,692
Margins	11.2	11.2	10.8	12.3	14.7	15.4	16.3
PAT (adj)	435	619	699	406	1,092	1,426	1,988
Growth (%)	-31.7	42.4	12.9	-41.9	169.1	30.6	39.4
EPS	19.91	28.35	32.01	16.01	41.62	52.18	72.76
P/E (x)	80	56	50	100	38	31	22
P/B (x)	7	6	5	4	3	3	3
EV/EBITDA (x)	42	33	31	31	19	17	13
RoE (%)	9	11	12	5	9	11	14
ROCE (%)	11	12	11	8	11	12	14
RoIC (%)	9	8	8	6	11	11	13

Source : Company, Dalal & Broacha Research

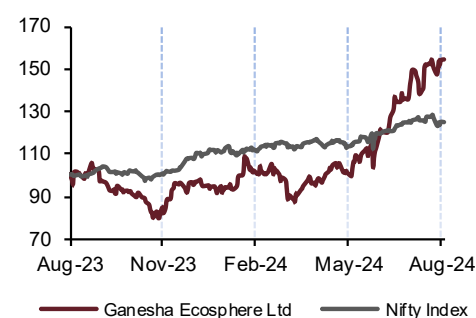
Rating	TP (Rs)	Up/Dn (%)
BUY	1,815	13

Market Data

Current price	Rs	1,610
Market Cap (Rs.Bn)	(Rs Bn)	41
Market Cap (US\$ Mn)	(US\$ Mn)	486
Face Value	Rs	10
52 Weeks High/Low	Rs	1684 / 811.15
Average Daily Volume	('000)	52
BSE Code		514167
Bloomberg		GNPL.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Jun-24	Mar-24
Promoters	36.44	36.44
Public	63.40	63.40
Total	100	100

Source: BSE

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Key Highlights

RM prices weigh heavy on overall EBITDA margins (14.2% in 1QFY25 vs 15.4% in 4QFY25)

Textile industry is struggling with huge overcapacity & cheap imports from China creating pressure on pricing as well as demand. Spinning units are operating at 65-70% capacity utilisation vs historical levels of 85%. This was further impacted by sudden spike in exports of washed PET flakes to US & certain countries in EU where EPR has been introduced. Another challenge was on account of higher sea freight due to Chinese container & ships demand coupled with geopolitical tension in Middle east leading to higher transportation cost for export deliveries. All these factors impacted the EBITDA margins by ~150 bps (Standalone EBITDA/kg stood at Rs.8.8/kg in 1QFY25 vs Rs.10/kg in 4QFY24, degrowth of ~12% on qoq basis). There have been early indications of raw material prices starting to cool down since Aug-24.

Value added subsidiaries showed robust performance of 24.5% EBITDA margin

Despite challenges in textile industry, GEL subsidiaries registered a qoq growth of 18% to Rs.227.5 Mn (~48% contribution to overall EBITDA from subsidiaries). Key reason for this growth was on the back of some capacities, which were operational during Mar-24, though the pace of ramp-up of our second portion line of rPET January was slower than our expectations due to some technical factors on the one hand and passing on the price increase in raw materials to the customer after some time gap, generally after a month on the other.

Capacity utilization at 106%/50% for Standalone – Traditional business / Warangal plant – Value add business

3rd rPET production line which started in Jun-24 is expected to contribute to revenue once production ramp up happens by Sept-24 whereas production ramp up for filament yarn division is expected by Dec-24. Further announcement of capex in rPET segment is likely by next conference call.

RPSF (Value added) at Warangal is functioning at 50% capacity utilization which is higher by 2-3% compared to normal business. Warangal plant effective capacity for 1QFY25 was ~64k/16k tons p.a./for the qtr.

Concall KTAs

- Traditional RPSF business to face RM pricing pressure owing to EPR from 1st April 2025 (mitigate by introducing value add products & forward integrate in RPSF)
- Beverage consumption in India growing at 18-20% CAGR
- Recycled Filament yarn is not a replacement for natural yarn, but it's a replacement for virgin polyester yarn (Recycled filament yarns, the cost is ~25%-30% higher than compared to virgin polyester yarns ; recycled filament yarns).
- Input cost has risen by 10% qoq (PET prices)
- 10-15% (10-15 customers) supply of rPET to FMCG companies
- **EPR Issuing authority:** Ministry of Environment, Forest and Climate Change of India
- **EPR implementing authority:** Central Pollution control board
- **Indorama Ventures (Key competitor)** : Its plant will be operational by end of next year & even after that it takes ~6-10 months to get approvals from food safety authorities & only 50% of their capacity will be accessible to Varun beverages (key procurer & JV partner with Indorama ventures)

Quarterly Financials

(Rs.Mn)	1QFY25A	1QFY24	YoY Growth (%)	4QFY24	QoQ Growth (%)
Revenue from Operations	3,365	2,541	32%	3,055	10%
Other Income	42	29	44%	45	-5%
Total RM Cost	2,058	1,584	30%	1,809	14%
Employee Benefits Expense	208	177	17%	200	4%
Other Expenses	623	525	19%	576	8%
Total Expenses	2,889	2,286	26%	2,585	12%
EBITDA (Excluding Other Income)	477	255	87%	471	1%
Depreciation and Amortisation Expenses	134	122	10%	118	14%
EBIT / PBIT	385	162	137%	397	-3%
Finance Costs	83	114	-27%	91	-8%
EBT/ PBT	302	48	522%	306	-1%
Tax Expense	76	14	444%	90	-16%
Net Profit after Tax	225	34	554%	216	4%
Adj Earning Per Share	8.90	1.58	463%	9.66	-8%
Margins (%)			(In bps)		(In bps)
Gross Margins	38.8%	37.7%	119	40.8%	-194
EBITDA Margins (Excl Other Income)	14.2%	10.0%	413	15.4%	-123
PAT Margins	6.6%	1.3%	527	7.0%	-35
Tax Rate	25.2%	28.9%	-363	29.4%	-420
As a % to sales					
RM as a % to sales	61.2%	62.3%		59.2%	
EE Cost as a % to sales	6.2%	7.0%		6.5%	
Other exps as a % to sales	18.5%	20.7%		18.9%	

Source : Company

Valuation & Outlook

Ganesha Ecosphere Ltd (GEL) is India's largest PET bottle recycler, shifting from textile recycling to producing rPET granules for the FMCG industry, in response to new EPR norms requiring mandatory recycled plastic content in packaging by FY26. GEL recycles over 6 billion PET bottles annually, capturing 16% of India's PET waste. Aiming for a 10-12% share of the rPET market by 2030, GEL looks to expand its capacity from 42,000 tonnes to 200,000-300,000 tonnes, aiming to capture 10-12%/30% market share of the rPET/rPET chips+flakes market. Recent expansion at Warangal plant is expected to drive revenue growth to Rs. 5-6 bn (+50%) and improve EBITDA margins from 11% to 16%. GEL's robust dealer network, spanning nearly 300 dealers, provides a strong procurement advantage. The company is also poised to benefit from the shift towards organized recycling, as stricter EPR norms formalize the market. GEL's long-standing industry presence and strategic expansions position it to lead India's plastic waste management revolution. With a robust succession plan and ongoing discussions with major bottling companies, GEL is set to lead the way in sustainable plastic packaging solutions. The company's move to high-entry barrier rPET products from low-entry barrier textiles marks a significant strategic shift.

The recent issuance of warrants to GEL promoters at Rs.1035 per share in January 2024, amounting to Rs.1.5 billion, and the QIB issue of Rs.3.5 billion at Rs.995 per share in February 2024, demonstrate strong confidence in the company's growth trajectory.

We have a **BUY** rating and recommend that investors consider adding the stock during any corrections in the midcap and smallcap sectors. This stock is expected to be resilient to recession and inflation, distinguishing it from broader economic trends in the country.

We expect robust revenue/EBITDA/PAT/EPS CAGR of 18%/30%/30%/23% over FY23-27e (with FY23 being a normalized year for CAGR purpose) & value the company at 25x FY27e EPS of ~Rs.73 arriving at target price of Rs.1,815 (~1x PEG implying a PE multiple of 25x. This is justified by evolving regulatory dynamics, which are expected to enhance earnings longevity, strengthen the raw material procurement moat, and leverage the high-entry barrier nature of the business. Additionally, the shift from the cyclical textile industry to an FMCG clientele, along with increased customer loyalty, all contribute to potential high earnings visibility.

Financials

P&L (Rs mn)	FY21	FY22	FY23	FY24	FY25e	FY26e	FY27e
Net Sales	7,511	10,214	11,796	11,229	14,669	17,855	22,605
Operating Expenses	-4,755	-6,572	-7,787	-6,909	-8,948	-10,856	-13,676
Employee Cost	-480	-579	-672	-750	-907	-1,053	-1,224
Other Expenses	-1,431	-1,924	-2,061	-2,191	-2,658	-3,204	-4,013
Operating Profit	845	1,139	1,277	1,379	2,156	2,742	3,692
Depreciation	-272	-284	-292	-487	-558	-620	-692
PBIT	573	855	985	892	1,598	2,123	3,000
Other income	94	69	134	146	110	110	110
Interest	-88	-98	-169	-449	-308	-428	-626
PBT	579	826	950	589	1,400	1,804	2,485
Profit before tax	579	826	950	589	1,400	1,804	2,485
Provision for tax	-145	-208	-251	-183	-308	-379	-497
Profit & Loss from	-	-	-	-	-	-	-
Reported PAT	435	619	699	406	1,092	1,426	1,988
MI	-	-	-	-	-	-	-
Owners PAT	435	619	699	406	1,092	1,426	1,988
Adjusted Profit	435	619	699	406	1,092	1,426	1,988

Balance Sheet (Rs mn)	FY21	FY22	FY23	FY24	FY25e	FY26e	FY27e
Equity capital	218	218	218	253	262	273	273
Reserves	4,951	5,518	6,161	10,268	12,326	13,537	15,227
Net worth	5,170	5,736	6,379	10,521	12,588	13,811	15,500
MI	-	-	-	-	-	-	-
Non Current Liabilites	614	2,762	3,524	4,160	3,163	6,167	6,171
Current Liabilites	1,689	2,449	3,324	1,564	2,049	2,895	4,433
TOTAL LIABILITIES	7,473	10,947	13,228	16,245	17,800	22,872	26,104
Non Current Assets	3,557	6,322	7,873	8,893	8,291	10,689	13,016
Fixed Assets	3,277	5,755	7,473	8,406	7,848	10,228	12,536
Right of Use Assets	12	12	12	12	12	12	12
Financial Assets	-	-	59	121	59	59	59
Deferred Tax Asset	-	-	-	6	6	6	6
Advances	223	509	298	0	0	0	0
Assets	44	46	31	348	365	383	402
Current Assets	3,916	4,625	5,355	7,352	9,510	12,183	13,088
Current investments	721	689	486	276	287	298	310
Inventories	1,725	1,965	2,802	3,014	2,697	3,272	4,122
Trade Receivables	1,056	1,162	1,148	1,380	2,009	2,446	3,097
Cash and Bank Balances	152	230	62	1,532	3,020	4,351	3,267
Advances	220	185	448	0	0	0	0
Other Financial Assets	-	-	-	24	24	24	24
Other Current Assets	42	395	409	1,127	1,472	1,792	2,268
TOTAL ASSETS	7,473	10,947	13,228	16,245	17,800	22,872	26,104

Cashflow (Rs mn)	FY21	FY22	FY23	FY24	FY25e	FY26e	FY27e
PBT	579	826	950	589	1,400	1,804	2,485
Depreciation	272	284	292	487	558	620	692
Net Chg in WC	-423	-231	-835	-433	-78	-802	-1,191
Taxes	-135	-235	-230	-210	-308	-379	-497
Others	-19	3	26	2	3	199	283
CFO	274	648	202	435	1,575	1,442	1,771
Capex	-593	-2,766	-2,049	-1,567	-	-3,000	-3,000
Net Investments made	63	168	101	210	-11	-11	-12
Others	35	53	285	-915	-	-	-
CFI	-495	-2,545	-1,664	-2,272	-11	-3,011	-3,012
Change in Share capital	-	-	-	35	9	11	-
Change in Debts	349	2,217	1,474	-899	-725	3,550	1,099
Div. & Div Tax	-117	-133	-179	-498	-472	-642	-924
Others	-	-9	-12	3,590	2,210	-18	-19
CFF	232	2,075	1,283	2,228	1,022	2,900	156
Total Cash Generated	11	178	-178	392	2,586	1,331	-1,085
Cash Opening Balance	13	43	221	43	434	3,020	4,351
Cash Closing Balance	24	221	43	434	3,020	4,351	3,267
Ratios	FY21	FY22	FY23	FY24	FY25e	FY26e	FY27e
OPM	11.2	11.2	10.8	12.3	14.7	15.4	16.3
NPM	5.7	6.0	5.9	3.6	7.4	7.9	8.8
Tax rate	-25.0	-25.1	-26.4	-31.1	-22.0	-21.0	-20.0
Growth Ratios (%)							
Net Sales	-15.5	36.0	15.5	-4.8	30.6	21.7	26.6
Operating Profit	-24.4	34.8	12.1	8.0	56.4	27.2	34.6
PBIT	-31.5	49.2	15.2	-9.5	79.2	32.8	41.4
PAT	-31.7	42.4	12.9	-41.9	169.1	30.6	39.4
Per Share (Rs.)							
Net Earnings (EPS)	19.91	28.35	32.01	16.01	41.62	52.18	72.76
Cash Earnings (CPS)	32.36	41.37	45.38	35.21	62.91	74.87	98.09
Dividend	8.00	3.60	2.00	2.18	6.24	7.83	10.91
Book Value	236.82	262.77	292.21	415.08	479.87	505.53	567.37
Free Cash Flow	-10.75	-98.11	-210.36	-122.56	65.82	-55.12	-40.24
Valuation Ratios							
P/E(x)	80	56	50	100	38	31	22
P/B(x)	7	6	5	4	3	3	3
EV/EBIDTA(x)	42	33	31	31	19	17	13
Div. Yield(%)	0.50	0.23	0.13	0.14	0.39	0.49	0.68
FCF Yield(%)	-0.67	-6.14	-13.17	-7.67	4.12	-3.45	-2.52
Return Ratios (%)							
ROE	9%	11%	12%	5%	9%	11%	14%
ROCE	11%	12%	11%	8%	11%	12%	14%
RoIC	9%	8%	8%	6%	11%	11%	13%

Source: Dalal & Broacha Research, Company

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