



Waste to wealth

Ganesh Ecosphere Ltd (GEL) stands as a pioneering force in PET Waste Recycling within India, specializing in the production of Recycled Polyester Staple Fibre (RPSF), Recycled Polyester Spun Yarn (RPSY), dyed & texturised yarn. Positioned at the forefront of India's circular economy transformation, GEL is undergoing a strategic shift. Instead of solely converting PET waste into textiles—a cyclical industry—it is transitioning towards repurposing PET waste into reusable plastic bottles and packaging for the FMCG industry—relatively stable industry (B2B chips, rPET filament yarn). This move promises a more stable trajectory, aligning with the evolving dynamics of sustainability and market demand.

Being the largest PET bottle recycling company in India, contributing to recycling over ~16% of India's PET bottle waste p.a. (recycles >6bn PET bottles annually) stands at the forefront of revolution which is going to take place in plastic waste management industry. GEL has done Rs.650 crs capex at Warangal of which majority portion will get commercialised by Q1FY25.

India, ranking third globally in plastic waste generation (~13Mn Tons p.a.), has implemented mandatory regulations for recycling and reusing plastic packaging, effective from FY25, in a bid to combat the growing plastic waste problem. Recycling is evolving from "Good to have" to "Must have"; the sector is moving from the sidestream to mainstream.

Financial Summary

Financial Summary

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24e	FY25e	FY26e
Net sales	7,511	10,214	11,796	10,983	17,171	18,722
EBIDTA	845	1,139	1,277	1,309	2,454	2,712
Margins	11.2	11.2	10.8	11.9	14.3	14.5
PAT (adj)	435	619	699	331	1,192	1,293
Growth (%)	-31.7	42.4	12.9	-52.6	259.7	8.5
EPS	19.91	28.35	32.01	13.07	47.02	51.01
P/E (x)	55	39	34	84	23	22
P/B (x)	5	4	4	3	2	2
EV/EBITDA (x)	29	23	22	21	12	11
RoE (%)	9	11	12	4	11	11
ROCE (%)	11	12	11	7	12	12
RoIC (%)	9	8	8	7	12	13

Source: Dalal and Broacha

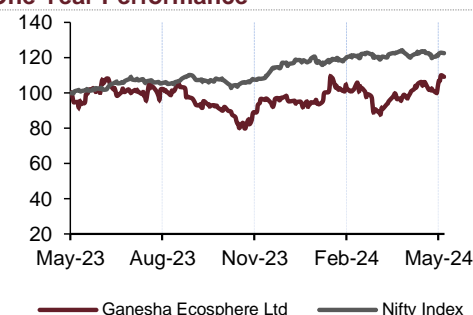
Rating	TP (Rs)	Up/Dn (%)
BUY	1,275	15

Market data

Current price	Rs	1,105
Market Cap (Rs.Bn)	(Rs Bn)	29
Market Cap (US\$ Mn)	(US\$ Mn)	343
Face Value	Rs	10
52 Weeks High/Low	Rs	1185 / 811.15
Average Daily Volume	('000)	33
BSE Code		514167
Bloomberg		GNPL.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Mar-24	Dec-23
Promoters	36.44	36.44
Public	63.40	63.40
Total	100	100

Source: Bloomberg

Investment Rationale:

❖ Extended Producers Responsibility (EPR) : Single biggest trigger

Extended Producers Responsibility (EPR) regime is under implementation in Plastic Waste Management Rules, 2016, according to which it is the responsibility of **Producers, importers, brand owners, and plastic waste processors (PWPs) to ensure processing of their plastic packaging waste through recycling, re-use or end of life disposal (such as co-processing/Waste-to-energy/Plastic-to-oil/roadmaking/industrial-composting).**

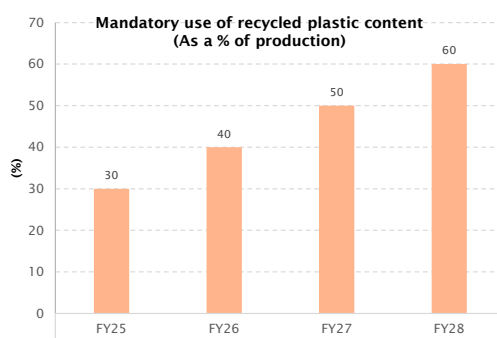
The new PWM rules aim to implement waste management in four categories of plastic packaging: [1] Rigid, [2] Flexible, [3] Multi-layered plastic, [4] Plastic sheet/compostable plastics and biodegradable plastics, covering both pre-consumer and post-consumer plastics. These rules establish the responsibility of producers, importers as well as brand owners (PIBOs), among other obligated entities, who use these types of plastic to

Stage 1. Recollect (EPR w.e.f. FY22),

Stage 2. Recycle (w.e.f FY25) and

Stage 3. Use of recycled plastic in the new packaging products manufactured/used by them (w.e.f FY26),

with the minimum thresholds for each becoming more stringent over the years



❖ Future ready : GEL capacity ready to capture the demand supply mismatch that can be created in rPET market

The demand for recycled PET in the next five-seven years is expected to be 2-2.5x of current supply capacity, validating the Company's recent expansion at Warangal. GEL has done a capex of Rs.650 crs & raised closer to Rs.500 crs (QIB: Rs.350 crs ; Promoter infusion : Rs.150 crs) for future capex. 1st capex of Rs.650 crs is expected to generate incremental revenues of Rs.600+ crs taking the overall revenue growth for FY25 above 50%. Being margin accretive products in this new plant company is expected to take the overall company EBITDA margins from 12% to 14%

❖ Valuation & Outlook :

GEL is at a cusp of revolution to well capture the change happening in PET waste recycling industry. Now with the regulation mandating to use recycled plastic there will be a natural tailwind to use recycled plastic content in manufacturing. GEL being one of the largest player in the space is expected to benefit big time having first mover advantage. Currently GEL trades at 22x FY26e EPS of Rs.51, we value it at 25x FY26e to arrive at a target price of Rs.1,275 having a potential upside of 16%. **We recommend investors to BUY the stock at current levels & add the stock on any sudden correction which takes place in the mid & small cap space.**

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