



GANESHA ECOSPHERE LIMITED

GESL/2023-24/

February 21, 2024

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Sub: Transcript of Q3 FY2024 Post Results Earnings Conference Call held on 16 February, 2024.

Dear Sir/ Ma'am,

Please find enclosed herewith transcript of Q3 FY2024 Post results Earnings conference call held on February 16, 2024 pertaining to Company's Unaudited Standalone & Consolidated financial results for the quarter and nine months ended 31st December, 2023.

Please take the above on record and oblige.

Thanking you,

Yours faithfully,

For Ganesha Ecosphere Limited

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

Encl: As above



“Ganesha Ecosphere Limited
Q3 FY '24 Results Conference Call”
February 16, 2024



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 3Q FY24 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 your touch-tone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Manish Mahawar from Antique Stock Broking Limited. Thank you and over to you, sir.

Manish Mahawar: Thank you, Viren. On behalf of Antique Stock Broking, I would like to welcome all the participants on the 3Q FY24 Earnings Call of Ganesha Ecosphere. Today we have Mr. Gopal Agarwal, CFO, Mr. Prashant Khandelwal, Senior Vice President and Mr. Yash Sharma, Director Ganesha EcoPet from the management. Now I would like to hand over the call to Mr. Agarwal for opening remarks, post which we will open the floor for Q&A. Thank you. Over to you, Mr. Agarwal.

Gopal Agarwal: Yes. Thank you, Manish and Antique Stock Broking for hosting us. Good afternoon to all the participants and since this is the first call in 2024, I wish you all a very happy new year.

Thanks for taking the time to join us in today's earnings call of the company. On behalf of Ganesha Ecosphere, I extend a warm welcome to all of you at 3rd earnings conference call of FY24. I hope all of you might have had a chance to look into our quarterly numbers and investor presentation already available on the exchanges.

As we have indicated in our last earnings call that the Indian textile sector is facing strong headwinds due to decline in exports from India on one hand, as well as cheaper import of apparels and fabrics from China, Vietnam, Bangladesh and the neighboring countries on the other. This has affected the Indian textile sector very adversely, leading to decline in demand as well as drop in prices.

Under the shadow of slowdown in textile sector, our operations were slided for a while during H1 FY2024, but we are pleased to share that our operations have geared up in the 3rd quarter and improved significantly over the last two quarters due to stabilization of RPSF prices as well as moderation in the prices of raw material, which improved our gross margins.

During the quarter, operational results of our Warangal units were also improved due to the start of dispatches from our rPET Granules Production line and we could operate this production line in full stream during the quarter. On coming to the operational and financial performance of the quarter on stand-alone basis, company achieved production volume of 28,447 metric tons during the quarter by utilizing the production capacity at 107%.

We achieved sales volume of 27,340 metric tons, which is 2.3% improvement over sale volume of 26,728 metric tons during Q3 FY23. Though the average sales price are flat in comparison to last quarter, they witnessed significant drop of about 11% over corresponding last quarter due to downturn in the industry. We registered revenue from operations of INR245.75 crores during the quarter, which is lower by 5.7% from last quarter and 9.23% from Q3 FY23.

We earned EBITDA of INR31.29 crores during Q3 FY24, which is 12.73% of the operating revenues (excluding other income) and is an increase of 372 basis points on quarter-on-quarter and 10 basis points on year-on-year basis. In absolute terms, we earned EBITDA of INR10,999 per ton as against INR7,886 earned during Q2 FY24 and INR11,433 earned during Q3 FY23.

PAT at INR19.55 crores is much better than INR13.34 crores earned during Q2 FY24, though it is lower by INR1.38 crores from PAT out of INR20.93 crores earned during Q3 FY23.

Coming over to 9-month performance,

we achieved operating revenue of INR738.17 crores, which is lower by 15.91% over corresponding previous period due to steep drop in prices of our finished products.

We earned EBITDA of INR71.95 crores during first 9 months of current financial year and is lower by 103 basis points over 9-month period of FY23. PAT at INR41.55 crores is also lower from PAT of INR56.18 crores earned during 9-month FY23. EBITDA and PAT is lower due to subdued performance during H1 of current financial year we faced. At consolidated level, we achieved operational revenue of INR284.83 crores and EBITDA of INR39.98 crores during the quarter, which is 14.03% of operational revenue.

During 9-month period, company achieved operating revenue of INR 817.40 crores and EBITDA of INR90.80 crores. The profitability at INR18.98 crores is quite lower because of impact on profits of standalone business. During first half, on account of slowdown in industry and incidence of higher interest and depreciation expense of subsidiaries as operations of Warangal unit has started to pick up from 3rd quarter onwards. So, it is from my side, I would like to hand over the call to Yash to share updates of our business. Yash, please.

Yash Sharma:

Thanks a lot, Gopal. Good afternoon to everyone. I welcome all of you to our quarter 3 and 9-month financial year 24 earnings call.

I will quickly share key business updates before taking up your queries. As rightly explained by Gopal, we are more or less back on track after a subdued performance achieved during the first half of financial year 24, owing to the downturn in the textile sector due to slower export demand, cheap imports, particularly from China, and over capacity of polyester in the Southeast Asian countries. Though the settling of dust in textile sector is still far from over, we could slightly improve our performance coming from targeted marketing strategies, improving product portfolio mix, and strong scrap sourcing network.

We could bring efficiencies in operations with sourcing of raw materials at lower cost and rationalizing the operational cost as well. Our rPET bottle-to-bottle chips business has started to operate in full swing now, and we operated the existing production line at 86% capacity utilization during the quarter. The second production line of the PET granules as well as RPSF expansion capacity in Warangal are presently under commissioning and will be operational hopefully by the end of current month, making operations of our Warangal unit much more robust.

The third production line of rPET granules is also under transit and expected to reach at site by the next month and expected to be commercially operational by June 2024. With approvals of our products from many marquee brands domestically as well as globally, and getting repeat orders, we now have a very fair visibility of the market through targeted. Though the marketing of recycled filament yarns will still take a couple of quarters to reach at optimum utilization levels, owing to the downturn in the textile industry.

After implementation of the aforesaid production lines, first leg of our expansion will be up and operational. To fuel the further growth of the business, rationalizing the debt levels and enhancing the long-term resources, we have also issued equity shares worth INR350 crores and warrants worth INR150 crores to institutional investors and promoters of the company. Fundraising has been completed during first week of February 2024. This will help us solidify and even strengthen our strategic position in the recycling industry going forward.

With this, we would now invite you for any questions that you may have. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. We have our first question from the line of Ashish Soni from family office. Please go ahead.

Ashish Soni: Regarding the headwinds, when do you think or how long it can last because we are seeing recession in different parts of the world also. What is your take on that first question?

Yash Sharma: Definitely, you are right. There is also currently undergoing a downward trend in the textile segment. It is very difficult to comment right now on till how long it can go on. The experts have suggested that it might take around a year or so until again the textile industry starts getting to good utilization levels. That is the current expectation that we have. It is very difficult to predict what the future scenario would look like.

Ashish Soni: The second question on this line is that something is getting operational in February and something in June. When do you think we can reach some optimal level of utilization for these two lines you mentioned in your opening remarks?

Gopal Agarwal: We are having the fair visibility about the offtake of the rPET granules in the next year. We are expecting the second line and third line will be fully utilized by the end of June itself.

Ashish Soni: What about the third line? You said something will be operational by Q1 end. What about that?

Gopal Agarwal: That will be fully utilized in September. We are expecting it in September 2024.

Ashish Soni: Based on all these factors, any growth guidance you are thinking right now or you are aspiring for next financial year?

Gopal Agarwal: For next financial year, we are expecting revenue growth of about 50% from current run rates.

Moderator: Thank you. The next question is from the line of Jenish Karia from Antique Stock Broking Limited. Please go ahead.

- Jenish Karia:** Thank you for the opportunity. First is just a clarification. When we say 87% utilization in the rPET granules, it is the 14,000 ton lines in South India which operate at 87% and not the entire plant, right?
- Gopal Agarwal:** Correct. It is for the rPET granule line only.
- Jenish Karia:** Okay. What about the PPSF line and the filament line? How are those lines ramping up and what is the expectation for the next year for these two products?
- Gopal Agarwal:** Yes, already told that filament yarn will take some more quarters to ramp up because of the downturn in the textile industry and PPSF is already scaling up. We are presently operating at about 50% and next one or two quarters, it will be at optimum capacity utilization.
- Jenish Karia:** Thank you. Next is on the margins. You mentioned in the opening remarks that the business benefited from cheaper sourcing of raw materials. Was it because of the north plant sourcing raw materials from Nepal or is there something else with regards to raw material prices?
- Gopal Agarwal:** No. We are talking about the general scenario of the raw material prices which we sourced within the country itself.
- Jenish Karia:** Okay. Next is for the south plant, if I look at the subsidiary financials, we operated around 22% utilization levels considering the filament yarn and PPSF line is still underutilized and rPET granules is only utilized at a full level. Do you expect the south plant EBITDA to cross 25% guidance that we were giving earlier or do you want to maintain that guidance?
- Gopal Agarwal:** We have never given EBITDA guidance of 35% in the south plant.
- Jenish Karia:** 25% I mean.
- Gopal Agarwal:** It is product-to-product but overall we have given the guidance of 20% EBITDA margins in our south plant, which we hopefully achieve during next financial year, 18% to 20% EBITDA margin as a whole from the south plant will be achieved.
- Jenish Karia:** Okay. My question was actually in the current quarter you already achieved 22% kind of margin in the south plant. Do you want to up that guidance of 20% also?
- Gopal Agarwal:** No. Basically, all the products have not been operational. So, the rPET facility as well as the PSF capacity will also be operational hopefully by the end of this month. We are talking about the blended margin of 18% to 20% going forward.
- Jenish Karia:** Understood. That's helpful. The next is on the fund raise that we have done how much capacity do we plan to put using this fund? Where will this capacity come in and will any debt be utilized for setting up the new capacity?
- Gopal Agarwal:** So, for the fund raised from the market we are going ahead with one more production line and hopefully it will be at Warangal location. But we are first going for the ordering of the plant and machinery and we are looking for the suitable locations. So, we will come back to the investors when we will finalize the location. But as of now, we are discussing on the location.

- Jenish Karia:** Okay. And no debt will be involved in the future capex expansion?
- Gopal Agarwal:** So, we have not made any great extension plan as of now. We are discussing the extension plan and whenever any extension plan will be finalized, we will let you know. But of course, we have raised the capital so we are not looking for any debt as of now.
- Jenish Karia:** Just one last question. Varun Beverages on their call mentioned that Indorama is setting up two lines by end of next year. So, any pressure on the raw material sizing or on the utilization levels that we are seeing for the next year? Any commentary on that?
- Yash Sharma:** Not really. So, basically you see that the raw material availability in India is also going at very unprecedented levels right now. The consumption in India itself is growing at 13% CAGR approximately as of today. And because the consumptions are increasing at a very good rate in India right now because India was already on sub-par consumption, sub-average consumption levels if you compare globally.
- So, not really. We don't think it should be a problem because we already have a very good footprint in the raw material sourcing part, and we source raw materials on a very good, very big scale today. And because of which our raw material sourcing capabilities are quite strengthened as of today.
- Moderator:** Thank you. The next question is from the line of Suraj Nawandhar from Sampada Investments. Please go ahead.
- Suraj Nawandhar:** Good afternoon. Sir, what is the debt as of December on our balance sheet?
- Gopal Agarwal:** Sorry, Suraj. I couldn't get you.
- Suraj Nawandhar:** What is the debt? What is the debt on the balance sheet as of December?
- Gopal Agarwal:** So, as of December, the net debt is about INR600 crores.
- Suraj Nawandhar:** Sorry, come again, sir. How much?
- Gopal Agarwal:** The net debt is about INR600 crores.
- Suraj Nawandhar:** INR600 crores. Okay. And, sir, for how many days did we get in Q3 our new line that we are starting in Telangana? For how many days did we operate it in full capacity?
- Gopal Agarwal:** So, the capacity lies in product-to-product basis. So, in rPET granules, we are already at 87% in the last quarter and in the current quarter, we are expecting at about 90%. And the other ones which are being operational by the end of this month, so we are expecting to get the full utilization in the next quarter.
- Suraj Nawandhar:** Yes, but in Q3, did we operate that line at 86% capacity for the whole of the three months or did we get only one month, 15-20 days?
- Gopal Agarwal:** No. It is for the quarter.

- Suraj Nawandhar:** Okay. So for full Q3, we operated at 86%?
- Gopal Agarwal:** Yes.
- Suraj Nawandhar:** Okay. And, sir, what was the revenue from the Telangana plant if you can give that separate number?
- Gopal Agarwal:** Yes. So basically from the Telangana plant, the revenue -- the additional incremental revenue is about INR40 crores.
- Suraj Nawandhar:** INR40 crores?
- Gopal Agarwal:** INR40 crores, yes.
- Suraj Nawandhar:** Okay. Thank you, sir. That will be all. Thank you.
- Moderator:** Thank you. The next question is from the line of Rumin from Kojin Finvest. Please go ahead.
- Rumin:** Hi. I wanted to ask how much output will continue to remain focused towards textile sector and what percentage can we expect moving towards bottle grade FMCG sector or other FMCG sectors?
- Gopal Agarwal:** So, presently, most of our products, our main product is RPSF and that is for the textile value chain, be it the clothing or it is a technical and non-woven textiles or the stitching. So, primarily, it is for the textile sector.
- But going forward, we are going for this rPET granules. So this is for the packaging sector and presently we are having 14,000 ton line, which is about 10% of our overall production capacity. But after the expansion of our two more lines from Warangal itself, it will be around 54%-55% of the overall revenue from the Warangal unit.
- Rumin:** So in terms of tonnage, what percentage would be towards non-textile? And number two, would the realization from non-textile be higher and the gross margin be higher?
- Gopal Agarwal:** So, basically, in the next year, we would be having the total install capacity of about 79,000 ton in our Warangal unit. So, out of which 42,000 will be for the rPET granules. So it is almost 54%-55% total.
- And yes, so the revenue is different from the different products. So, in case of filament yarn, the realizations are much more than this rPET granules. But in case of fiber, it is lower than the rPET granules.
- Rumin:** In your presentation, I saw about INR90 per kg realization or INR90,000 per ton realization, which is predominantly textile focused. Non-textile would also be around INR90,000 per ton or higher or lower. Can you give us some guidance on that?
- Gopal Agarwal:** So, this is INR90,000 for the textile business. But of course, mainly it is of the RPSF business. And of course, for the packaging sector, the realization is more than this INR90.

- Rumin:** Okay. And the increase in the South plant of 22% EBITDA, that is because of higher realizations or any other factor? Because overall the EBITDA margins are around 12%, I believe.
- Gopal Agarwal:** Yes, it is because of the higher realizations.
- Rumin:** Why are we getting higher realization in South when the overall textile segment we are getting a lower realization?
- Yash Sharma:** So, it also depends on the product mix. Because in textiles, there is a huge product range ranging from INR75 a kg of a product to INR120 a kg of the product as well. So our idea in the last con-call also we had told that the idea is that we are working very, very aggressively on making a better product marketing mix for us by entering specialized products, by entering into special value-added products and even the textile segment. So it really is a blended -- the average realizations are a blended pricing of these different varieties of products. And there are more than 500 varieties of what we do today.
- So, it is not really -- it is very difficult to comment on how and why. Basically, in the South India plant, we have designed our lines in a way that we will be able to and we are focusing on much more value-added products and different kind of product portfolio than what we have done in the existing capacities. Because of that, the profitability as well as the realization are slightly different.
- Rumin:** Understood. And one last question. As we spoke about Indorama adding capacity, I think there is a capex being done by all the large players in this space. How do you see with the added capacity across all players, the impact on demand from the customer side and the feedstock pricing on the raw material side?
- Yash Sharma:** Sure. So basically, definitely, yes, you know, the capacities are coming up. And in fact, the demand, if you look today, there is a huge demand that is going to be created in the next coming five years. Because today, the consumption of rPET granules in India is almost at 0% and it is going to go to 50% in the next -- 60% in the next five years. So, a market of 1 million tons of rPET is going to be created and the current capacities are not even 5% of what is needed. So, for the next couple of years, there is going to be a huge growth scenario, both from the demand as well as the supply side.
- So, there is a new market which is going to be created in India for the same. And on the feedstock price, yes, obviously, in the short term, there might be some variations in feedstock pricing. Because it's going to be in demand. But at the same time, a lot of PET based input material or the consumption of PET is also growing unprecedentedly right now in India. Both in packaging as well as textile.
- So, a lot of feedstock is also coming to the market on a daily basis. A lot of switch is happening for polymers towards PET because of its recycling benefits, because of its sustainability benefits. And so, the availability of raw material is also increasing parallelly at a very high growth rate.
- Rumin:** Okay, thank you.

- Moderator:** Thank you. The next question is from the line of Amresh Kumar from Geosphere Capital. Please go ahead.
- Amresh Kumar:** Thank you for the opportunity. Just wanted to understand if you have had any further conversations with other beverage companies or other food companies or FMCG companies for the supply of rPET chips. And what is the demand looking like for FY25?
- Yash Sharma:** Yes, so basically, definitely, we are working with over 40 brands right now in India as well as globally regarding our rPET for our rPET granule market. And we have got around 15 approvals already and the other ones are under final stages of product trials and approvals and all that. So, for FY25, we see a very strong demand and fair visibility to uptake our capacity to a very good optimum utilization level.
- Amresh Kumar:** Okay. So, sir, taking 87% utilization for last quarter, I would believe that you would have sold about 3000 tons of rPET chips. And next year, we would have a capacity of 28,000 tons for the full year and about 42,000 tons for at least six months, right?
- Yash Sharma:** Correct, correct.
- Amresh Kumar:** So, what do we think that how much chips can be sold next year?
- Gopal Agarwal:** Yes, so for next year, we are hopeful to deliver about 90% capacity utilization for the 28,000 tons and for the 14,000 tons, we are expecting another production of about 7,000 to 8,000 tons for the six to seven months [operations].
- Amresh Kumar:** Yes, got it. Sir, any guidance on as to how much more profit you earn on rPET chips compared to your RPSF? Any color would very much be helpful.
- Yash Sharma:** So, see definitely, definitely the margin profile currently is slightly better than the textile business, although we are working to improve our margin profile on the textile business also, but not really comment right now margin profile due to the sensitivity of the nature of the product. But definitely, we are trying to improve our margin profile overall on both textiles and packaging as well. So, Yes, it is definitely better than the current textiles.
- Amresh Kumar:** And sir, third line will be operational by June and what about fourth and fifth line?
- Gopal Agarwal:** So, we are planning for the fourth line, orders of which will be given very soon. And for the fifth line, we have not yet decided. So, we are discussing and as and when we finalize, we will come back.
- Amresh Kumar:** What is the cost of one line, sir, one line of 14,000 tons?
- Gopal Agarwal:** So, we are also working on the cost because of the changes in scenario and the delivery time for the production line, which will be slightly different from the cost which we have already incurred on three lines.
- Amresh Kumar:** So, let me ask this question. So, what was the cost for first, second and third lines?

- Gopal Agarwal:** So, it is very difficult because the entire Warangal project has been having so many production lines. It is RPSF, it is PPSF, it is B2B granules and also it is filament yarn. So, most of the civil work and utilities are common. So, it is difficult to carve out a precise cost for a single line of the rPET.
- Amresh Kumar:** Got it, got it. Okay. Thank you so much, sir. And look forward to even better performance in the coming quarters. Thank you so much.
- Gopal Agarwal:** Thank you. Thank you, Amresh.
- Moderator:** Thank you. The next question is from the line of Giriraj Daga from Visaria Family Trust. Please go ahead.
- Giriraj Daga:** Yes. Hello, sir. So, actually I am new to the company. So, I will have some of the first clarification while I was going through the presentation. You mentioned that second line of rPET granules will start by June. But when I look at your PPT, slide number 24 of the presentation, you mentioned that rPET granules capacity is 14,000 and I believe that the entire capacity is commissioned, right?
- Gopal Agarwal:** So, basically there are three production lines we are talking. So, one is already up and operational and for that we have mentioned we are already operating at 86% in Q3. And the second line is under implementation, which is hopefully to be operational by the end of this month. And third line is under dispatch and that is also expected to be operational by June 24. So, overall three production lines are there.
- Giriraj Daga:** And the combined three will have 14,000 tons.
- Gopal Agarwal:** 42,000 tons. Combined is 42,000 tons. One line is 14,000 tons.
- Giriraj Daga:** Okay. So, we have rPET capacity of 42,000 tons.
- Gopal Agarwal:** Correct.
- Giriraj Daga:** At Warangal. Yes. And then we also mentioned B2F chip and filament yarn of 12,240, RPSF of 12,600 and PPSF of 10,800. These are the additional capacities?
- Gopal Agarwal:** Yes, yes. These are the additional -- After the implementation of these two additional rPET lines, the combined capacity would be around 78,000 tons at Warangal plant.
- Giriraj Daga:** Okay. So, when are the timelines for commissioning of these three lines?
- Gopal Agarwal:** So, we have already informed that the second line is to be operational by the end of this month. And the third line is expected to be installed and operational by June 24. So, by June 24, our entire capacity of 78,000 tons will be operational.
- Giriraj Daga:** June 24.
- Gopal Agarwal:** Okay.

Giriraj Daga: How much capex you have put in Warangal so far?

Gopal Agarwal: So, it is about INR600 crores.

Giriraj Daga: Total capex. Total capex or we have spent so far total?

Gopal Agarwal: Yes. So far we have incurred INR600 crores. So, total capex is expected around INR650 crores for entire project. Yes.

Giriraj Daga: Okay. My next question is on the number you mentioned, INR600 crores. This is before QIP money coming in, right?

Gopal Agarwal: Yes. Yes. Yes.

Giriraj Daga: So, obviously after the QIP money has come in, the debt would have gone down.

Gopal Agarwal: Correct.

Giriraj Daga: Okay. Second, when you mentioned, I believe you gave the 15% revenue growth guidance. So, is it more like just a general guidance or because the numbers look very different than what you are guiding on the production side of it?

Gopal Agarwal: Sorry. Can you please come again?

Giriraj Daga: So, under 78,000 when you look at the utilization what you are guiding, probably your production will be at least 25% higher compared to last year total production.

Gopal Agarwal: The production would also be higher by 50%.

Giriraj Daga: 50 you mentioned?

Gopal Agarwal: Yes. 50.

Giriraj Daga: I thought 15%.

Gopal Agarwal: No. 50. 50%.

Giriraj Daga: Okay. Okay. So, when I look at the realization, what I was doing the math of the 3000 units, 3000 basically TPA, another INR40 crores of revenue, I was getting somewhere around INR130- INR132 kind of a realization. Is this a number what you are getting from the pet chips?

Gopal Agarwal: No. No. It is a combination of some filament yarn, some PPSF and some chips.

Giriraj Daga: Okay. So, the rPET would be still higher than this number also.

Yash Sharma: No. No. It is lower.

Gopal Agarwal: It is lower.

Giriraj Daga: Okay. Sure. Thank you from my side.

- Moderator:** Thank you. The next question is from the line of Jenish Karia from Antique Stock Broking Ltd. Please go ahead.
- Jenish Karia:** Yes. Thank you for the follow-up. Any comments on the implementation of the EPR guidelines? I understand our clients are global and they have their own internal targets, but how is the India guidelines being implemented on ground?
- Yash Sharma:** Yes. So, as of yet, the update that we have is that it will be implemented as planned. So, that is the latest update that we have from the governments.
- Jenish Karia:** And in the south plant, we have some subsidies. Since the production has begun, do we expect any subsidies to flow through in FY '24 and FY '25?
- Gopal Agarwal:** Yes. We are expecting. The production has been started and so we have also filed our application for the subsidies. So, we are expecting the subsidy to come from the next financial year.
- Jenish Karia:** Can you quantify the amount?
- Gopal Agarwal:** Yes. So, there are a number of factors on which the subsidy is depending upon. So, the authorities are in the process of finalizing the investment and within the parameters of their scheme. So, the exact number we will be able to inform once the authorities finalize the investment and all those things as per their parameters.
- Jenish Karia:** Okay. So, you mentioned that we will be targeting a revenue production growth of 50% in FY '25. Any guidelines on the margin front?
- Gopal Agarwal:** Yes. So, the overall margins we are expecting about 15%-16% EBITDA margins on overall basis.
- Jenish Karia:** Okay. So, that's helpful. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Ashish Soni from Family Office. Please go ahead.
- Ashish Soni:** Yes. So, you spoke about 1 million ton demand in 5-6 years. So, what's your ambition to capture how much percentage of this and what sort of capex for capturing this demand whatever you are thinking right now?
- Gopal Agarwal:** So, we are expecting to remain a significant player in this overall demand growth cycle. But we cannot give you any ballpark number as of now. But surely we will be expecting to remain a significant player in this entire demand.
- Ashish Soni:** So, it will be like 20%-30% sort of thing? What's your ambition? Yes.
- Gopal Agarwal:** Yes. Of course. We are having the ambition of 25%-30% market share.
- Ashish Soni:** And what about capex? How much capex will be required to achieve this percentage share you mentioned approximately?

- Gopal Agarwal:** So, the capex we have to work out for that.
- Ashish Soni:** Okay. Thanks.
- Moderator:** Thank you. The next question is from the line of Suraj Nawandhar from Sampada Investments. Please go ahead.
- Suraj Nawandhar:** Hi, sir. Sir, upon the raw material security, is there any scope to import the raw material?
- Gopal Agarwal:** Yes. So, raw scrap bottles we cannot import. It is banned in the country. But yes, government has allowed 15% of the washed flakes, allowed import of washed flakes up to 15% of the production achieved in the last year. So, whatever the production we achieve, we will be achieving in FY '24, 15% of that will be allowed to be imported in the form of pet flakes to us.
- Suraj Nawandhar:** Okay. And that is easily available or there is also we have a very tight situation?
- Gopal Agarwal:** Sorry?
- Suraj Nawandhar:** That washed flakes which we can import, is it easily available or also because...
- Gopal Agarwal:** So, basically some of the washed flakes is coming from our Nepal unit and we are also exploring other countries where we can source the washed flakes. But as of now, as the material is amply available in the country itself, so we are not much focusing on the import side.
- Suraj Nawandhar:** Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Frumin from [Coes Invest 37:54.6]. Please go ahead.
- Frumin:** I would like to understand what is the correlation of the customer pricing with respect to virgin materials? Are we getting a premium? Is it similar?
- Is it at a discount? And secondly, if the oil prices dip in future, do you see that as one of the key business risks?
- Yash Sharma:** So basically, yes, you are right. There is currently a 10% premium in the recycled pet market as compared to the virgin pet market. Also because the cost of manufacturing is also on the side as well when you compare it to virgin pet granules.
- Now, coming on to the crude side, so definitely currently since the recycled pet market is fairly, fairly new, it is always being compared to the virgin pet market. If you look at the developed economies worldwide, globally, at some point of time, there is going to be a de-linkage between the virgin pet polymer and the recycled PET polymer.
- Recycled PET polymer is going to be in use and because of the regulations which will be applicable for usage of recycled polymer and not because as a choice to use it in the packaging applications.

So definitely currently there is a linkage but going forward in the coming years as we develop and the industry matures, there is going to be a de-linkage. So it is not going to depend really on the crude oil prices. It is going to depend on the collection cost and the recycling cost which will be there to use the waste.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments. Thank you and over to you, sir.

Gopal Agarwal: Yes, thank you. Thank you everyone for joining us today on the call. I hope we have been able to answer all your queries. We also thank Mr. Manish for hosting this call. Have a good day. Thank you.

Moderator: 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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