



GANESHA ECOSPHERE LIMITED

GESL/2024-25/

November 22, 2024

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Scrip Symbol: GANECOS

**Sub: Transcript of Q2 FY2025 Post Results Earnings Conference Call held on
November 14, 2024.**

Dear Sir/ Ma'am,

Please find enclosed herewith transcript of Q2 FY2025 Post results Earnings conference call held on November 14, 2024 pertaining to Company's Unaudited Standalone & Consolidated financial results for the quarter and half- year ended 30th September, 2024.

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
Q2FY25 Earnings Conference Call”

November 14, 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

MODERATOR: **MR. MANISH MAHAWAR – ANTIQUE STOCK BROKING
LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Ganesha Ecosphere Limited Q2 FY'25 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 touchtone phone. Please note that this conference is being recorded.

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

Manish Mahawar: Thank you. On behalf of Antique Stock Broking, warm welcome to all the participants on the Q2 FY'25 earnings call of Ganesha Ecosphere. Today we have Mr. Gopal Agarwal, CFO, Mr. Prashant Khandelwal, Senior Vice President of Ganesha Ecosphere 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 and over to you, Gopalji.

Gopal Agarwal: Thanks Manish and Antique stock broking for hosting us for our Earnings call. Good afternoon, to everyone and I welcome all the participants to our quarter two FY 25 earnings call.

The second quarter of FY 25 was good for overall business of our company. We could do well both in our legacy business as well as in subsidiary's business. Company achieved turnover of INR 386.8 crore on consolidate basis, which is higher by 39% from corresponding last quarter. We achieved highest quarterly EBITDA of INR 55 cr. Which is 14.3% of the operational revenue. It is a significant improvement over the EBITDA of INR 25.32 crore or 9.09% what we had achieved during Q2 FY24. In absolute numbers, EBITDA on per ton basis was INR 13,900 per ton. At PAT level, the numbers we got during the quarter is INR 27.11 crore as against INR 2.80 crore we got in September, 24 quarter.

On half yearly basis, the operational revenue is at INR 723.35 crore, EBITDA INR 102.97 crore and PAT is at INR 49.65 crore during H1FY25. These numbers for corresponding last quarter are INR 532.6 crore, 50.83 crore and INR 6.45 crore respectively.

On q-o-q basis, there is growth of 15% in operating revenue, 16% in EBITDA and 20% at PAT level.

We achieved a capacity utilization of 106% in our standalone business and 58% in our Warangal operations during Q2FY25. In B2B segment, we achieved a capacity utilization of over 72%.

Now coming to the business scenario, our rPSF business is continuously facing headwinds due to over- capacity in yarn segment and cheap import of fabric in the country. With firm raw material prices and subdued demand from user industry as well as creation of some new capacities in the industry, industry cycle is in lower orbit. We could however did reasonably well during Q2 on the back of higher exports as well as shift in focus from spun yarn segment to other verticals like non-woven and stuffing. However, going seems somewhat bumpy during current quarter due to surging RM prices as well as lower than expected festive demand. We are

making constant efforts to mitigate the challenges. Our continuous focus on export market is yielding good results. Further, we are constantly working on change in product mix and on value added products. Results are evident in Q2. Immediate challenges may affect us for one or two quarters but we are confident that our strategy will yield positive results eventually.

Rpet Granules segment is doing well and with operationalization of third line production line, our overall capacity utilization level increased to about 72%. Our product is well established with beverage brands in terms of quality as well as performance. We have on boarded with two more brands during the quarter and demand from export market is also floating to us. We have very good demand for next 12 months and may not be able to accept/ fulfil the orders.

To address and to encash the rising demand, we are on course with our expansion plan, which is finally being set up in Odisha with an installed capacity of 45,000 tons and an estimated capital outlay of INR 450 crore. Exact location will be finalized very shortly.

Though demand in RPOY segment is still to pick up, we are optimistic about a good Q3 over Q2 on the back of positive traction in rPET Granule segment.

We have also made some strategic investment and also formed a JV for ensuring raw material availability on sustainable basis aligning with our increasing requirement during next few years. With our deep rooted collection network, operational Excellency, understanding of product and customers, superior technology and proactive approach in dealing with challenges, we are at sweet spot to capitalize the opportunities being unveiled in the recycling space, particularly in PET segment.

With this, I open the house for question and answer session.

Moderator:

The first question is from the line of Akash Jain from Money Curves Analytics. Please go ahead.

Akash Jain:

Thank you so much. I have two set of questions. The first set of question is regarding GSPL, which is the related party promoter entity. So, if I understand correctly, the business, that company is doing recycled yarn, polyester spun yarn and specialty yarn. You also have some yarn business in the standalone business. There's also a filament yarn in the subsidiary. So, I just want to understand broadly what is the process because which product this company will do in future? What are you looking at from an expansion point of view?

Is there conflict between the businesses? I think my understanding is that we will be a raw materials supplier to GSPL. So, the whole set, I just want to understand how are you going to manage future expansions and potential conflict between the yarn business of Ganesha and the yarn business of the promoter entity? That is the first set of questions.

The second set of questions is basically on the Odisha expansion. Like you mentioned, INR450 crores. Maybe in two years' time, we will see capacity coming up. So, just a little bit more details in terms of how is the capacity is going to come up in phases? When will the first phase come up, etc.? And are we also going to look at some equity in fundraise because INR450 crores is going to be required for this expansion? So, that's the two set of questions. Thank you.

Gopal Agarwal: Yes, thank you, Akash. So, we take the first part of the question regarding the GSPL. So, GSPL is into the yarn spinning business. So, we are making the spun yarn. In Warangal, we are not taking the spun yarn. There is the filament yarn. Filament yarn is completely different from the spun yarn. So, there is no conflict of interest in that sense. But of course, we are having some yarn spindles with us in our Bilaspur plant. So, we are selling the recycling fiber to the GSPL and we are making the yarn.

And eventually, we may exit out of the spun yarn business later on. So, it is a completely different business and there is no conflict of interest in between except we are supplying the raw material to them.

Akash Jain: We will be expanding filament yarn in future, for example, in the subsidiary in Ganesha Eco Pet or filament yarn future expansion if any will happen in GSPL.

Gopal Agarwal: No, so filament yarn, whatever the filament yarn expansion will happen, it will happen only in our Eco Pet, our subsidiary. So, filament yarn is not the GSPL business. They are into spun yarn only.

Akash Jain: Okay. So, whatever small spun yarn business is there in Ganesha, no expansion will happen over there. Eventually, we will look at getting out of that spun yarn business in Ganesha standalone entity as well.

Gopal Agarwal: Yes, yes.

Akash Jain: And sir, on the raw material side, so clearly right now, there is a challenge in terms of the market for RPSF, right. We are having difficulty in off-site, our capacity utilization is also low. So, does it, does in the future GSPL become a strong client and customer for Ganesha Ecosphere and also help in that sense that we will have higher capacity utilisation in Ganesha Ecosphere because of the material that we are supplying to GSPL?

Gopal Agarwal: Yes, so our capacity utilization as of now is not low. We are operating at 106% capacity utilization, which was also in the last quarter. So, the capacity utilization is there.

We are able to make the sale of entire production we are making on PSF. But of course, the GSPL would be buying PSF from us and we would be selling some value-added products to them. So, that will be beneficial for Ganesha Ecosphere in terms of pricing and margins.

Akash Jain: Are we going to do, will we have to do some capex in Ganesha or any forward integration or some value-added substitute expansion in Ganesha for the supply of raw material or the whole, as is, where is this rPET fiber will be supplied?

Gopal Agarwal: So, we are making a small R&D investment in making the qualities, the different qualities, value-added products. So, that is not a big effect. Any big effect is not happening in Ganesha Ecosphere.

Akash Jain: Okay, sir. And can you also tell me about the expansion plan, sir?

- Gopal Agarwal:** Yes. So, expansion plan, which we are looking for as a INR450 crores investment, 45,000 capacity, it is first phase only - Phase one only. So, the entire capacity would be, 45,000 will be operational in one go.
- Akash Jain:** We will be again with three lines of 14,000 capacity in each, right?
- Gopal Agarwal:** No, no. If the line capacity is higher, we are putting up the two lines of 22,500 each.
- Akash Jain:** Okay. And from the funding point of view, is there anything that has already been planned in terms of how we will fund it?
- Gopal Agarwal:** Sorry, Akash, can you please come again?
- Akash Jain:** I am saying from a funding perspective, are any thoughts there on?
- Gopal Agarwal:** No, no. So, we are having the sufficient liquidity with us and accruals are also started to come from the Warangal plant. So, we are not looking for any capital expansion or the raising of funds for this expansion.
- Akash Jain:** Okay. Thank you so much, sir.
- Moderator:** The next question is from the line of Mann Ashar from Growth Sphere Ventures. Please go ahead.
- Mann Ashar:** Thank you for the opportunity and congratulations for a good set of numbers. I had two questions on the expansion side. Could you clarify about the total capacity post-expansion of INR450 crores in Odisha?
- Gopal Agarwal:** Thank you for your compliments. And the expansion is for 45,000 capacity. So, with this operationalisation wise, sum of this 45,000 total capacity of the rPET granules would be 87,000 tons.
- Mann Ashar:** Okay. So, I think you said 42,000, 2 lines of 42,500 each will be added on this rPET. So, what is the line capacity?
- Gopal Agarwal:** So, in Warangal, we are having the three production line of 42,000 tons. So, each line is of 14,000 tons. But in Odisha, we are putting the bigger lines of 22,500 tons each.
- Mann Ashar:** Okay. And any specific comments as to why we are in South India and now we are venturing into North-Eastern part of India, directly going to Odisha? So, any particular reason as to why we have chosen this strategic location?
- Gopal Agarwal:** Actually, you see, our raw material is PET bottle scrap which is available in the entire country. So, with the logistics of raw material and as well as from our buyers, we had to put the plants on different locations. So, one plant cannot be sufficient and cannot be very economical if we put the entire capacity at one place due to logistics point of view.

- Mann Ashar:** Okay, got it. So, logistic cost will be much lesser and a EBITDA per ton might be higher here. That is what I am understanding, right?
- Gopal Agarwal:** So, basically, when we are putting the plant in Odisha, our idea is to capture the raw material of the Odisha and surrounding area. So, which will certainly have some savings in terms of cost of logistics.
- Mann Ashar:** Okay. And we have set up the zonal collection centers. Are we in a conversation with any centers as such in Odisha before we start the pre-tax assets?
- Gopal Agarwal:** So, we are already having the network in Odisha as well as in surrounding areas. So, we will further strengthen and further widen that network, extend the network going forward.
- Mann Ashar:** Okay, sir. Got it. Thank you.
- Moderator:** The next question is from the line of Nitesh Dutt from Burman Capital. Please go ahead.
- Nitesh Dutt:** Hi, sir. Thanks for the opportunity and again, congrats for a great set of numbers. I have a couple of questions on Warangal first. Can you break up of volume sales across different products, rPET and others? And second, what are your expectations for RPSF, PPSF and filament yarn ramp-up over the next couple of quarters and for FY'26 as well?
- Gopal Agarwal:** So, in Warangal, our total sales volume is about 70% rPet granules. And the rest 30% is the fiber and the yarn. And as about the ramp-ups, we are already working at about 72% capacity in rPET granules and we expect it to, by March, it will ramp up to 90% plus level.
- And we are also expecting that our RPSF, we are already 80%-85% and that will also ramp up to 90% by March. So, by March, in RPSF and rPET granules, we will be around 90% capacity and for the filament yarn, we are expecting it will be around 70%-75% by March and 80%-85% after that.
- Nitesh Dutt:** So, sir, in Q4, how much revenue would Warangal be generating quarterly run rate?
- Gopal Agarwal:** So, on a quarterly basis, we are expecting a run rate of about INR160-175 crores.
- Nitesh Dutt:** Understood. So, second question pertaining to Warangal itself. I think there was an entry in the annual report of INR41 crores of government incentives receivable. So, just wanted to understand if this is entirely pertaining to the Warangal subsidiary and have you started receiving the government incentives and subsidiaries?
- Management:** No, incentives are yet to start to receive.
- Nitesh Dutt:** So, did you say you are expecting in Q3?
- Management:** Yes, Q3 or Q4. By Q4, we will be getting some incentives.

- Nitesh Dutt:** Got it. One more question on rPSF. What was your realization during Q2 and as you mentioned that you are facing pricing pressures in raw materials. So, are you planning to pass on the entire cost increase to your customers or has it already...?
- Gopal Agarwal:** So, in rPSF, we are facing some issues in passing on the increase in raw material prices as I have informed in the opening remarks. So, we are trying to further improve our export business as well as our value-added products, particularly from yarn segment to other non-woven technical textile segments, where the pricing is much better than our yarn spinning business.
- Nitesh Dutt:** Got it. One more question, sir, if I can squeeze in. In this quarter, half-year balance sheet, there is an entry capital work in progress is INR120 crores. So, is it entirely because of Warangal subsidiary? I just wanted to understand the breakup of this INR120 because I think major expansion in Warangal was over.
- Gopal Agarwal:** Yes. So, basically, it is having three components. One component is the solar power which we are putting up in our Warangal plant, number one.
- Number two is some maintenance effects going on your parent unit. And number three is some advances which we have made for the machinery, etc., for our Odisha project.
- Nitesh Dutt:** Got it. Yes, I will come back on this. Thanks.
- Moderator:** The next question is from the line of Deep Mehta from Bank of India Mutual Fund. Please go ahead.
- Deep Mehta:** Hi, sir. Thank you for the opportunity and congratulations for a very robust set of numbers. I had a couple of questions regarding our new capex in Odisha. Because the capacity per line is increasing, is there any change in technology and subsequently, will we need any additional approvals from our client or we can directly...
- Moderator:** Sorry to interrupt. Mr. Deep, may I request you to please speak up? Your voice is coming out a little muffled.
- Deep Mehta:** Yes. Hi. I had a couple of questions regarding our Odisha capacity. Because there is a change in capacity per line, is there any change in technology and subsequently, will we need any further approvals from our clients or we can directly ramp it up?
- Gopal Agarwal:** Yes, sir. Prashant will answer this.
- Prashant Khandelwal:** Good afternoon. So, basically it is... the technology is from the different suppliers who are already having approvals from US-FDA and EFSA. So, there is not much difference, but yes, there are different R&Ds and they have done some new modifications in the line to achieve higher production at a lower opex. So, this is how... this is what we are now getting this...achieving the same or rather higher production as compared to Warangal, where we are putting up only two lines in Odisha as compared to three lines in Warangal.
- As far as the approval of the buyers or the brand owners are concerned, yes, they are going to audit your each and every setup. But as we are already aware and we already have their approval

for the existing plant, it will not be -- it will be a matter of time. Their schedule audit has to be done for that facility also before sending the material to them.

- Gopal Agarwal:** So, it is not taking much time in approvals because we are already having the approvals.
- Prashant Khandelwal:** Few brands. So, very top two, three brands are having their audit procedures. Rest, in case of other brands, it is not that time-taking.
- Deep Mehta:** Understood, sir. Very clear. And are we also getting some additional benefits from state government like electricity rebates and all those things? And including those, what kind of margins are we aspiring for our Odisha plant?
- Gopal Agarwal:** Yes. Deep, there is some incentives in the state. It is a power subsidy as well as capital subsidy is there. And so that the line is of higher capacity. And so, we are expecting some scaling in opex. So, the op-ex will... the exact scaling will be depending upon when the line will be operational.
- So, certainly, then margins are intact which we are getting into this Warangal project - Warangal lines.
- Deep Mehta:** Understood, sir. Very clear. And my second question is regarding our JV, which we have done with Race Eco. Has that JV already started and are we getting any raw material from them already or is there any target for that?
- Gopal Agarwal:** Yes, so there is two part. One is the investment in the Race Eco Chain. The investment is for getting the raw material where we are having certain offer on certain percentage of their collection and so that is already on. And as far as the JV, so in JV, we are putting up some wash lines, smaller wash lines. So, the work has been started and first of the plant we are planning in Chennai.
- Deep Mehta:** And when will this plant start?
- Gopal Agarwal:** Prashant, can you give us some idea?
- Prashant:** Yes, basically, it will take one year from here maximum for the startup of these wash lines. So, these wash lines are being arranged in different part of countries to cover up the material locally in a region of, let's say, 200 kilometers radius. So, that is how we have planned with them to install smaller wash line across India at few places.
- Moderator:** The next question is from the line of Bhavya Gandhi from Dalal and Broacha Stock Broking. Please go ahead.
- Bhavya Gandhi:** Yes. Hi. Thanks for the opportunity. A couple of questions from my end. Did you mention that our Warangal revenue will peak out on a quarterly run rate of INR165 crores? Was the number right? Or did I? Yes.
- Gopal Agarwal:** So, as maximum capacity utilization, we are expecting a run rate of about INR200 crores from the Warangal project.

- Bhavya Gandhi:** Okay. And that can be....
- Gopal Agarwal:** So, the total revenue potential we are targeting is between INR750 to INR800 crores for the full year. That we are expecting in next year.
- Bhavya Gandhi:** That we are expecting next year. For this year, what would be the revenue run rate?
- Gopal Agarwal:** So, this year in FY'25, we are expecting around INR500 to INR550 crores from Warangal project.
- Bhavya Gandhi:** INR500 to INR550. Next year, we are expecting closer to INR750, right? That's the right understanding?
- Gopal Agarwal:** Yes.
- Bhavya Gandhi:** And we are expecting EBITDA margins. At what EBITDA margins quarterly run rate will we speak out when it comes to this year as well as next year? Right now, we are doing...
- Gopal Agarwal:** Currently, we are operating at about 22% EBITDA margins at our Warangal project. And so, we are expecting it will improve further from here. But how much it will improve will depend upon the regulations, and when the regulations will kick in. So, as of now, it is too early to comment on anything. But yes, only we are getting the 22% and we are expecting to maintain it.
- Bhavya Gandhi:** Okay. And in terms of the agreements, have we signed any long-term agreements?
- Gopal Agarwal:** So, long-term agreement, we will sign next year onwards.
- Bhavya Gandhi:** Okay. And that would be a yearly contract or three-year or how will the price revision or at least if you can...
- Gopal Agarwal:** So, I think, yes, we will throw some light on it.
- Yash Sharma:** Okay. Yes, sure. So, for you, basically, currently, we are doing year-long contracts. For example, for this year, we are doing for next year similarly. And next year, obviously, we will start the long-term discussions. That is currently the strategy that we are running that since once the regulation is online and we have much more clarity on the actual demand that is going to come out and the demand-supply gap which is going to generate which will be very positive for us.
- So, we are waiting that whole thing to unfold before we enter into long-term, enter into any multi-year contracts. And obviously, the multi-year contracts are supposed to have by default inflationary measures as well. So, yes.
- Bhavya Gandhi:** Right, great. And also, I just wanted to understand what is the consolidated average realization? Or if you can give a split between the Warangal average realization and the standalone realization, that will also help.
- Gopal Agarwal:** So, on the consolidated basis, the average realization is about INR. 95.

- Bhavya Gandhi:** This we are talking about the consolidated, right?
- Gopal Agarwal:** Consolidated, yes.
- Bhavya Gandhi:** Consolidated average realization. And if we talk about the Warangal plant, what would be the average realization right now?
- Gopal Agarwal:** So, it is more than INR100.
- Bhavya Gandhi:** More than INR100. Okay. And also, if you can throw some light on the total working capital requirement for the future capex, that will be required. And if you can throw some light on the asset turnover, ROCE, ROIC metrics, that will be really helpful.
- Gopal Agarwal:** So, if we talk about the new project, especially for the rPET granules so we are looking out a working capital cycle of 45 to 50 days. Currently, it is higher because there are some other products like the filament yarn, and the PSF. And also, we are into the launching stage.
- So, the working capital involvement is higher. But going forward, we are looking at a working capital of 45 to 50 days in our rPET granules business. **And as regards total capital employed,** we are looking for about INR550 crores for all these projects, including the working capital.
- Bhavya Gandhi:** Including working capital INR550 crores, that's the right understanding. And the asset turnover is closer to INR1.25 crores, if I'm not wrong.
- Gopal Agarwal:** Yes.
- Bhavya Gandhi:** That would be in year one or that would be in year two?
- Gopal Agarwal:** So, in year one, because the ramp-up happens, the ramp-up of capex takes some time. So, you can expect in year two..
- Bhavya Gandhi:** Year two. Okay. And we've said around two years it will take to commission, right? Have we started ordering the machinery and all that? If you can throw some light, how long? Is it possible to prepone it? Because the regulation is kicking in by April, right? So, is it possible because demand will outpace supply? So, is there any way to streamline, cut down the timeline?
- Gopal Agarwal:** Bhavya, we are working on various alternatives, but yes, we have already placed the order for the machinery because the lead time of the machinery is 12 to 15 months. So, we have already placed the order for machinery and we are trying to commence the production by March 26th.
- Bhavya Gandhi:** March 26th. Great. That's really helpful.
- Gopal Agarwal:** Yes, we are trying to accelerate the project, though the extended time is 2 years, but we are trying to complete it by March 26th.
- Bhavya Gandhi:** By March 26th. Great. Okay, sir. That's it from my end. I'll get back in the queue. Thank you so much.

- Moderator:** The next question is from the line of Amit Kumar, who is an Individual Investor. Please go ahead.
- Amit Kumar:** Congratulations on the numbers and thank you for the opportunity. I just wanted to know what is the guidance for H2 and maybe if you can provide some top line EBITDA guidance for FY'26 to FY'27 for the next two years.
- Gopal Agarwal:** Thank you, Amit. So, for the current fiscal here, we are expecting a top line of INR1,500 to INR1,600 crores with EBITDA of 14.5% to 15%. On a long-term basis, we are looking at EBITDA of about 16% to 17%.
- Amit Kumar:** Revenue guidance for the next financial year, the two three years FY'26, FY'27, FY'28, if you can provide?
- Gopal Agarwal:** So, we are expecting a revenue growth of about 25% to 30% every year for the next couple of years.
- Amit Kumar:** Okay. Thank you, sir. That's the only question. Thank you, sir.
- Moderator:** The next question is from the line of Mann Ashar from Growth Sphere Ventures. Please go ahead.
- Mann Ashar:** Hello. Thank you for taking the follow-up. So sir just had a question around the technological difference between the Warangal line and the Odisha fleet that you are doing. Could you share some light on the scene? What is the technological difference and will the lines and machinery be of Starlinger only or will it be from some other brand?
- Prashant Khandelwal:** Yes. So, basically, about the technological development, yes. The OEMs have also done a very good R&D and they are able to give us a lower power consumption. So, as discussed and finalized for the Odisha lines, the power consumption would be somewhere lower by 15% as compared to our Warangal lines.
- And there are some other changes that have also been done in the line itself to achieve a better quality of the materials also in the line. As far as the opex is concerned, it will be having a 15% lower power consumption.
- Mann Ashar:** Okay. Is this LSP by any chance that what we are trying to do? Is it liquid state polycondensation type of a situation?
- Prashant Khandelwal:** So, LSP, you see, LSP is a very recent technology approved by EFSA just two years back. But there are certain constraints for this. There are some good views also on the LSP.
- But as far as the color and B values, some technical things which are not as good as the mechanical recycling is. So, we are evaluating the technology and getting the feedback from the brand owners as well. And we will certainly work on this technology also in future.

- Mann Ashar:** And the machinery will be of which brand? Will it be of Starlinger only and if it is of other brands, will we get any issues in the audits done by the brands and is there any advantage of Starlinger? Can you shed some light on it?
- Prashant Khandelwal:** So, the selection of machinery is always done in consultation with the big brands. It may not be correct to disclose the names. But yes, we already take all our buyers in confidence before finalizing the technologies.
- Mann Ashar:** Okay. That's it from mine. Thank you.
- Moderator:** The next question is from the line of Jenish Karia from Antique Stock Broking. Please go ahead.
- Jenish Karia:** Yes, sir. So, if you could just help us with the consolidated sales volume in the last year, second quarter.
- Gopal Agarwal:** Sorry Jenish, can you please come again? I didn't get you?
- Jenish Karia:** Consolidated sales volume for second quarter FY'24.
- Gopal Agarwal:** So, you want to know the consolidated number for the Q2, June quarter?
- Jenish Karia:** Last year second quarter?
- Gopal Agarwal:** Q1 or Q2?
- Jenish Karia:** Q2, sir. Q2.
- Gopal Agarwal:** Q2 FY24 consolidated numbers. So, last year in Q2 consolidated number was INR278 crores.
- Jenish Karia:** The volume number is what I am asking, sir. Sales volume.
- Gopal Agarwal:** So, the sales volume was about 30,000 tons.
- Jenish Karia:** 30,000 tons. Okay. Thank you. So, next is on the EPR certificates. So, what would be the revenue from sale of EPR certificates for the second quarter and first half of FY'25?
- Gopal Agarwal:** So, the total EPR revenue is about INR3.5 crores.
- Jenish Karia:** Sir, can you please repeat?
- Gopal Agarwal:** So, the total EPR revenue is about INR3.5 crores for the first half.
- Jenish Karia:** Base price of the certificate which has been set?
- Gopal Agarwal:** So, it is varying. There is as such no base price. It is completely a demand and supply.
- Jenish Karia:** Okay, understood. So, next is on the JV that we are setting up with Race Ecochain. While prima facie it looks good that we will have washed flakes available for pushing it into production and the turnover time will be better.

But does it come with some cost savings because at the end of the day the material will have to be transported from the smaller hubs to the plant. So, technically your logistics cost remains more or less the same. So, how does it impact in terms of financials?

Gopal Agarwal: So, in this case, it is Joint Venture we are looking for more of the raw materials than the saving in the cost.

Jenish Karia: Okay. And lastly, on the subsidiaries gross margin. So, while we get it that there are some cost pressures with RPSF and everything, but 70% of our subsidiary capacity is in rPET granules where we have an edge in terms of supply shortage.

So, and we can pass on the RM inflation for 70% of the capacity. Then too, our gross margin on the subsidiary level has dropped significantly by 900 basis points on a Q on Q basis. So, any specific reason why the gross margin has declined in the subsidiaries?

Gopal Agarwal: So, in the subsidiaries, we are also having the PSF and the filament yarn. So, the gross margin is also increasing in those verticals also.

Jenish Karia: Yes, but it is still 25% to 30% of the total capacity, but the dip is very significant. The 70% of the capacity will still have the pricing power to pass on.

Gopal Agarwal: So, it takes almost one to two months time to pass on the any hike in pricing of raw material to the branch because the price are revised every month. So, if there is any...

Jenish Karia: You want to see it normalized?

Gopal Agarwal: Yes.

Jenish Karia: Okay, sure. So, that's all for my... Okay, just one last thing. What would be the debt level that we will see? Maybe net debt level in FY'25 and FY'26?

Gopal Agarwal: So, currently, we are having the total debt of about INR500 crores in our books, including the working capital. So, we are looking that the net level would be around that.

Jenish Karia: Okay, this should be the peak debt level with the expansion that we are planning?

Gopal Agarwal: Yes, yes. Sure.

Jenish Karia: Thank you so much all the best.

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

Nitesh Dutt: Hi sir. I just have a follow-up on the Odisha facility. You mentioned, I think, you are trying to commission it in March of '26. Does this include the time taken for approvals also or will approvals take another three to six months? So, basically, will FY'27 see the entire benefits or the entire benefits will come from FY'28?

- Gopal Agarwal:** Yes, So, certainly, it will take some time in approvals. We are expecting it will take three to six months time in getting the approvals from the grants. And some grants, we have already approved, so they may not go for the fresh approvals. So, the full potential of the plan will be in FY'28 only.
- Nitesh Dutt:** Understood. Thank you.
- Moderator:** The next question is from the line of Bhavya Gandhi from Dalal & Broacha Stock Broking. Please go ahead.
- Bhavya Gandhi:** Yes, thanks for the second opportunity. Sir, can you just help us with the PFO expectation cash flow from operations for next two, three years? Because right now in the first half, hardly any cash flow from operations we have made.
- So, for the future capex also and for the working capital also, if you can throw some light, what is the expectation for cash flow? Because I believe there are two, three elements which will aid your cash flow. One is from your warrant conversion, you will have some fundraise from promoters, plus the subsidy amount that you are about to receive. If you can throw some light, how the timeline and cash flow will be moving?
- Gopal Agarwal:** Yes. So, the warrant conversion is due in May 2025, 6 months from now. So, around INR110 crores will come from the warrants.
- Management:** And the subsidy, we are expecting to get about INR30-INR40 crores in March quarter. So, it may be in April.
- Bhavya Gandhi:** Subsidy you are saying? INR30-INR40 crores?
- Management:** Yes, subsidy. Yes, and we are already having INR150 crores cash in our books.
- Bhavya Gandhi:** Okay. So, what is the normalized cash flow conversion at the EBITDA level? I mean, steady state, what would be the percentage that we are looking at, conversion of EBITDA to PFO?
- Gopal Agarwal:** So, if you need the cash flow as Capex in our new projects, in Orissa so we are looking for about 60%-70% EBITDA margin will flow to the cash flow.
- Bhavya Gandhi:** Okay, 60%-70%. Okay, got it. And with respect to the Warangal capacity utilization, because you mentioned that rPET capacity utilization was closer to 72%. But what was the total Warangal capacity utilization put together, everything?
- Gopal Agarwal:** So, total average capacity utilisation was about 55%-56%.
- Bhavya Gandhi:** 55-56%. And in that, we have generated closer to INR130 crores of revenue. So, can we expect...
- Gopal Agarwal:** At the peak, I have given the idea of INR200 crores. That's why I have given the...
- Bhavya Gandhi:** Okay, got it.

- Gopal Agarwal:** At the peak revenue generation INR 200 crores for a quarter.
- Bhavya Gandhi:** And also on the taxation part with respect to the Orissa capex, is there any tax benefits? Because in the Warangal plant, we are having closer to 17% tax rate. So, over there, do we have any tax benefits?
- Gopal Agarwal:** So, as of now, there is no any exception or the tax that we will get the tax benefit only in our Warangal plant. So, the section says you will get the benefit of lower taxation on your profits, irrespective of it is... The only condition is that the unit price has been stated by 31 March '24. So, unit price started when we sold the 31 March '24. And so, all the expansions going forward will also be eligible for this lower tax system. This is the position as of now.
- It might change later on. So we don't know it. But as of now, we are quite hopeful to get the benefit of lower taxation on the entire profits of the company.
- Bhavya Gandhi:** Okay. So, you are saying that if this tax regime continues, so you are saying that Orissa plant will also have 17% tax rate, unless there's any change, right? That is the right understanding?
- Gopal Agarwal:** Yes, correct.
- Bhavya Gandhi:** Okay. Also, depreciation, can you just mention about the useful life of the asset for the incremental capex?
- Gopal Agarwal:** So, we are taking the life of the... useful life of the asset about 18 years. 18 to 20 years.
- Bhavya Gandhi:** Okay. And what is the current average cost of borrowings?
- Gopal Agarwal:** Currently, it is about 8.3% to 8.5%.
- Bhavya Gandhi:** 8.3% to 8.5%. Okay. And do we intend to take any debt? Because I believe around INR250-INR300 crores cash flow we have. Another INR100-INR200 crores incremental you'll have to borrow. Is it the right understanding?
- Gopal Agarwal:** So, we are not looking for any debt raising at this point of time. Because we are already having the INR150 crores cash with us and INR100 crores is to come from the warrants and we are already having the room in our working capital limits. So, as of now, we are not looking for any fresh borrowing. But yes, certainly, it will be decided when the project... we will round the project.
- Bhavya Gandhi:** Okay. Got it. And just last thing on the Orissa...
- Moderator:** Sorry to interrupt you, but we will have to take that as the last question from you.
- Bhavya Gandhi:** Sure no worries.
- Moderator:** Thank you very much. I would now like to hand the conference over to the management for closing comments.

Gopal Agarwal: Thank you Manish and Antique for hosting us. And we hope to see you soon for our next quarter earnings call. Have a good day. Thank you.

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

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