

Ganesha Ecosphere Ltd

18th August 2025

Legacy business impacted from high raw material prices

In Q1 FY26, Ganesha Ecosphere Ltd (GESL) reported muted revenue growth of ~0.2% on a YoY basis. The standalone legacy business recorded a ~9% revenue decline, impacted by sluggish demand in the textile sector and a sharp increase in raw material prices, which limited the Company’s ability to pass on cost escalations. This led to margin pressures, with EBITDA margin contracting by 348 bps/ 372 bps on a YoY/QoQ basis respectively. Sales volume declined by ~8% on a YoY basis, driven by a ~14% drop in the legacy business, partially offset by a ~10% increase in volumes from the subsidiary business (primarily B2B chips). Reflecting the weak operating environment, management has revised its FY26 revenue guidance from Rs. 17.5 Bn to Rs. 15 Bn.

Amendment in the Government’s EPR mandate impacted volumes offtake

The Government has amended the FY26 EPR framework to let PIBOs (Producers, Importers and Brands Owners) carry forward a portion of their recycled-content obligation for up to three years, citing limited approved food-grade capacity. A minimum usage floor will still apply; management expects 15–20%.

Practically, against the 30% FY26 requirement, PIBOs would need to achieve only 15-20% this year and can defer the remaining 10-15% to FY27, FY28, or FY29. The carry-forward applies only to FY26. From FY27 onward, as targets rise to 40%, 50%, and 60%, compliance must be met in full with no deferral. This deferral has already reduced brands’ offtake of B2B chips.

Raw material prices stabilize

In Apr-May 2025, scrap bottle prices jumped to ~Rs 56-57/kg as Indian recyclers exported flakes to EU/US brands for EPR needs. Legacy business was hit by higher costs it couldn’t pass on, while the subsidiary saw volume drops sequentially as brands chose fines over high prices. Later, the EU clarified that only region-generated waste counts for EPR, cutting Indian imports and normalizing prices to ~Rs 41-44/kg.

Muted demand in legacy business persists

The textile industry continues to face weak demand, hurt by global tariff uncertainties and cheaper polyester fabric imports into India. Since the Company’s legacy business is closely tied to textile demand, it too has experienced sluggish performance. This was compounded in April-May 2025, when higher raw material prices forced the business to absorb costs and take a hit on margins.

View & valuation

With its dominant position and early mover advantage, GESL has scaled up capacity while improving output quality. The legacy business remains under pressure from weak textile demand, but we expect the Company to overcome near-term challenges and deliver revenue and sales volume growth of 21% and 16% respectively, through FY28E. Accordingly, we have revised our estimates and maintained a BUY rating on GESL. We value the stock at 35x P/E on FY28E EPS, implying an upside potential of ~80% with a target price of Rs 2,389.

BUY

CMP Rs. 1,326

TARGET Rs. 2,389 (+80%)

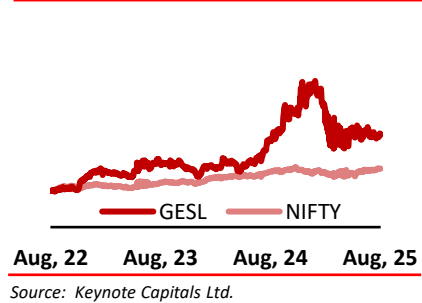
Company Data

Bloomberg Code	GNPL
MCAP (Rs. Mn)	35,850
O/S Shares (Mn)	25
52w High/Low	2484 / 1245
Face Value (in Rs.)	10
Liquidity (3M) (Rs. Mn)	106

Shareholding Pattern %

	Jun 25	Mar 25	Dec 24
Promoters	36.14	36.14	35.86
FIIs	9.19	10.36	12.14
DIIIs	22.89	22.16	21.92
Non-Institutional	31.78	31.35	30.08

GESL vs Nifty



Key Financial Data

(Rs Mn)	FY25	FY26E	FY27E
Revenue	14,655	15,516	19,168
EBITDA	2,106	1,969	2,490
Net Profit	1,031	713	874
Total Assets	19,342	21,507	24,140
ROCE (%)	9%	6%	7%
ROE (%)	9%	6%	6%

Source: Company, Keynote Capitals Ltd.

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Q1 FY26 Result Update

Result Highlights (Rs. Cr)

Particulars	Q1 FY26	Q1 FY25	Change % (Y-o-Y)	Q4 FY25	Change % (Q-o-Q)	FY25
Revenue	3,371	3,365	0%	3,444	-2%	14,655
COGS	2,179	2,058	6%	2,098	4%	9,130
Gross Profit	1,192	1,307	-9%	1,346	-11%	5,525
Gross Profit %	35%	39%	-348 Bps	39%	-372 Bps	38%
Employee Cost	236	208	13%	230	2%	882
Power & Fuel Cost	299	285	5%	295	1%	1,231
Other expenses	294	338	-13%	310	-5%	1,306
EBITDA	363	477	-24%	511	-29%	2,106
EBITDA %	11%	14%	-340 Bps	15%	-407 Bps	14%
Depreciation	155	134	15%	137	13%	550
EBIT	208	343	-39%	374	-44%	1,556
EBIT %	6%	10%	-400 Bps	11%	-468 Bps	11%
Finance Cost	98	83	18%	96	2%	381
Other Income	34	42	-20%	47	-29%	179
PBT	143	302	-52%	325	-56%	1,355
Tax	36	76	-53%	87	-59%	323
PAT	108	225	-52%	24	353%	1,031
PAT %	3%	7%	-346 Bps	1%	248 Bps	7.0%
EPS	4.2	8.9		8.5		40.7

Operational Metrics

Particulars	Q1 FY26	Q1 FY25	Change % (Y-o-Y)	Q4 FY25	Change % (Q-o-Q)	FY25
Production Capacity (MTPA)*	1,84,440	1,70,400	8%	1,84,440	0%	1,84,440
Production Volume (MT)*	36,049	37,116	-3%	38,790	-7%	1,56,087
Sales Volume (MT)	33,650	36,600	-8%	34,308	-2%	1,52,013
Capacity Utilization % (Computed)	78%	87%	-895 Bps	84%	-594 Bps	85%
Revenue Per MT (in Rs.) (Computed)	1,00,185	91,953	9%	1,00,379	0%	96,409
EBITDA Per MT (in Rs.) (Computed)	10,792	13,030	-17%	14,895	-28%	13,852

Source: Company, Keynote Capitals Ltd.

*Production Capacity and Production Volume figures exclude the Nepal facility, which has an installed capacity of 12,000 MTPA, as this facility is dedicated to captive consumption.

Legacy Business – rPSF, rPSY, DTY

- The legacy recycling business witnessed a revenue degrowth of ~9% on a YoY basis, with volumes under pressure from overcapacity in the yarn and staple fibre industry including virgin polyester and weak downstream demand in the textile Industry.
- Demand softness was compounded by stress in the textile sector, where cheaper fabric imports and uncertainty around US tariffs led to a hold on orders.
- The cost of raw material saw a spike in Q1 FY26, with PET bottle scrap priced at Rs 56-57 per kg in April-May 2025. As a result, raw material cost as a % of revenue rose from ~64% in Q4 FY25 to ~70% in Q1 FY26.
- The cost of PET bottle scrap surged as global EPR mandates created strong demand for washed flakes. This diverted more material from India to overseas markets, tightening domestic supply and pushing up prices. PET bottle scrap prices have corrected to ~Rs 41-44 per kg at the start of Q2 FY26, after the EU clarified that imported washed flakes will not qualify under its EPR mandate. The drop in Indian exports has eased domestic supply pressures, bringing input costs down and providing margin relief.
- With rPSF trading at a ~10-12% discount to virgin PSF, the Company had limited ability to pass on the cost surge.
- These factors resulted in the weakest sales quarter for rPSF and rPSY in the last 7 quarters.
- Management expects Q2 and Q3 FY26 to benefit from festive season stocking and strong export orders for rPSF from Europe, supported by Rupee depreciation against the Euro.

Subsidiary Business – rPET chips, Recycled Filament Yarn

- Production and sales volumes increased by ~10% on a YoY basis, however, it fell by ~25% on a QoQ basis, impacted by regulatory changes that allowed PIBOs to defer compliance and by early monsoon conditions that softened beverage demand, in turn lowering offtake for rPET bottle-grade chips.
- rPET chips were trading at a sharp 35-40% premium over virgin PET in Q1 FY26, prompting many brands to delay purchases. As of Aug 2025, the premium has moderated to ~20%, aiding order flow.
- The Company has secured sales visibility until Dec 2025 and expects volumes to recover over the next two quarters. Management reiterated confidence in the long-term PET recycling demand outlook.
- To balance domestic demand softness, the Company has begun exporting rPET chips globally, which is helping offset lower domestic volumes.
- Management remains confident of sustaining ~24% EBITDA margins in their subsidiary business (dominated by rPET chips business) through FY29, supported by regulations mandating higher recycled content (up to 60%). Margins will only be compromised if volume gains from price cuts justify it.
- Management guided that 35% of consolidated revenue in FY26 is expected from the subsidiary business, compared with ~33% in FY25.

Ganesha Ecosphere Ltd | Quarterly Update

Capacity Update

- The upcoming greenfield plant in Odisha, with 67,500 MTPA capacity, will be fully integrated with in-house washing lines and granulation, eliminating the need for intermediaries.
- The brownfield expansion at Warangal, adding 22,500 MTPA of rPET chips, is progressing on schedule. The Rs 1,250 Mn capex for this project has been funded entirely through internal accruals and warrant conversion, with no debt component.
- All three rPET chip lines at Warangal of 14,000 MTPA each are FSSAI-approved. Two lines already have brand approvals, while the third is expected to receive approvals within 7-10 days.
- Capacity utilization: Standalone facilities operated at 95% in Q1 FY26, compared with 99% in Q4 FY25. Warangal operated at 55% utilization, down from 63% in Q4 FY25.

Industry and EPR updates

- A new EPR draft released on 3rd June 2025 allows PIBOs to carry forward their FY26 shortfall due to the current shortage of food-grade rPET suppliers.
- The government is considering placing a cap on how much shortfall can be carried forward. While final specifics are pending, management expects the cap at 15-20%. This would mean that out of the 30% recycled content mandate in FY26, PIBOs must fulfill 15-20% and can only defer 10-15%, instead of carrying forward the entire 30%.
- Any deferred shortfall must be made up in subsequent years. For example, if 10% is carried over from FY26, PIBOs would be required to meet 50% in FY27 instead of the 40% base requirement.
- Carry-forward applies only for FY26 obligations. For FY27, when the mandate increases to 40%, shortfalls cannot be pushed into FY28. However, FY26 carry-overs can be settled over the next three years, i.e., until FY29.
- For FY26, India's rPET demand is estimated at 1.2 MMT, with ~360,000 MT for food-grade use. Of this, the organized sector requires ~200,000 MT and the unorganized sector ~160,000 MT, against an FSSAI-approved capacity base of ~150,000 – 167,000 TPA, indicating a significant gap in demand & supply.
- Over the longer term, the Company aims to achieve a 30% share of the Indian recycling industry within the next 5 years.

Balance Sheet Update

- The Company's debt stood at ~Rs 5.5 Bn as of Q1 FY26, with a blended cost of ~8.5%. Management expects debt levels to peak at ~Rs 7 Bn during FY27-FY28.
- Promoter (GPL Finance Ltd) infused ~Rs 1,039 Mn of equity into the Company through conversion of share warrants in Q1 FY26.

Other Updates

- The Company's export share of revenue rose to 12% in Q1 FY26, up from 8% in Q4 FY25. Management has guided that exports will contribute 15-20% of total revenue for the full year of FY26.
- The Company has been exporting their various product such as rPSF, rPSY, Recycled Filament Yarn and rPET chips to regions and countries like the US, Europe, the Middle East, Nepal and other nearby countries.
- In the past, the Company had been majorly supplying its rPET Chips and washed flakes to the US. And they are exempt from recently announced US tariffs, supporting export competitiveness.
- The JV with Race Eco Chain will only supply non-food-grade washed flakes. These will be sent to their mother plant, i.e. Warangal facility, which has its own washing line to further clean and upgrade the material for use in food-grade rPET chips.
- Management has lowered its FY26 revenue guidance. The earlier outlook of ~Rs 17-17.5 Bn has been withdrawn; the Company now expects ~Rs 15 Bn of revenue for FY26, indicating muted growth for the year.

Financial Statement Analysis

Income Statement

Y/E Mar, Rs. Mn	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	11,229	14,655	15,516	19,168	25,724
Growth %		31%	6%	24%	34%
Raw Material Expenses	6,909	9,130	9,775	12,076	16,206
Employee Expenses	750	882	1,086	1,246	1,543
Other Expenses	2,191	2,537	2,686	3,259	4,116
EBITDA	1,379	2,106	1,969	2,588	3,859
Growth %		53%	-7%	31%	49%
Margin%	12%	14%	13%	13%	15%
Depreciation	487	550	673	824	916
EBIT	892	1,556	1,296	1,764	2,942
Growth %		74%	-17%	36%	67%
Margin%	8%	11%	8%	9%	11%
Interest Paid	449	381	457	529	589
Other Income & exceptional	146	179	113	36	86
PBT	589	1,355	952	1,272	2,439
Tax	183	323	238	318	610
PAT	406	1,032	714	954	1,829
Others (Minorities, Associates)	0	0	0	0	0
Net Profit	406	1,031	713	953	1,829
Growth %		154%	-31%	34%	92%
Margin%	4%	7%	5%	5%	7%
Shares (Mn)	25.3	25.5	26.8	26.8	26.8
EPS	16.01	40.74	26.62	35.51	68.25

Balance Sheet

Y/E Mar, Rs. Mn	FY24	FY25	FY26E	FY27E	FY28E
Cash, Cash equivalents & Bank	1,532	1,217	931	164	657
Current Investments	276	200	200	200	200
Debtors	1,380	1,716	1,816	2,108	2,572
Inventory	3,014	3,554	3,863	4,710	6,158
Short Term Loans & Advances	535	2	2	2	2
Other Current Assets	528	1,768	1,768	1,768	1,768
Total Current Assets	7,264	8,458	8,582	8,954	11,359
Net Block & CWIP	8,418	9,677	11,720	14,059	13,914
Long Term Investments	59	203	203	202	202
Other Non-current Assets	504	1,003	1,003	1,003	1,003
Total Assets	16,245	19,342	21,507	24,218	26,478
Creditors	746	807	919	1,178	1,610
Provision	52	50	50	50	50
Short Term Borrowings	98	1,878	1,878	1,878	1,878
Other Current Liabilities	668	627	627	627	627
Total Current Liabilities	1,564	3,361	3,474	3,732	4,164
Long Term Debt	3,713	3,684	3,984	5,484	5,484
Deferred Tax Liabilities	150	213	213	213	213
Other Long Term Liabilities	297	577	577	577	577
Total Non Current Liabilities	4,160	4,474	4,774	6,274	6,274
Paid-up Capital	253	255	268	268	268
Reserves & Surplus	10,268	11,252	12,992	13,943	15,772
Shareholders' Equity	10,521	11,507	13,260	14,211	16,040
Non Controlling Interest	0	0	0	0	0
Total Equity & Liabilities	16,245	19,342	21,507	24,218	26,478

Cash Flow

Y/E Mar, Rs. Mn	FY24	FY25	FY26E	FY27E	FY28E
Pre-tax profit	589	1,354	951	1,269	2,439
Adjustments	795	769	1,017	1,317	1,420
Change in Working Capital	-778	-1,460	-297	-880	-1,481
Total Tax Paid	-171	-250	-238	-317	-610
Cash flow from operating Activities	435	412	1,433	1,388	1,768
Net Capital Expenditure	-1,559	-2,074	-2,715	-3,163	-772
Change in investments	-840	1,122	0	0	0
Other investing activities	128	-300	113	36	86
Cash flow from investing activities	-2,272	-1,253	-2,602	-3,126	-686
Equity raised / (repaid)	3,775	85	1,039	0	0
Debt raised / (repaid)	-1,071	1,570	300	1,500	0
Dividend (incl. tax)	-44	-114	0	0	0
Other financing activities	-432	25	-457	-529	-589
Cash flow from financing activities	2,228	1,567	882	971	-589
Net Change in cash	391	727	-286	-767	493

Valuation Ratios

	FY24	FY25	FY26E	FY27E	FY28E
Per Share Data					
EPS	16	41	27	36	68
Growth %		155%	-35%	33%	92%
Book Value Per Share	415	452	495	530	599
Return Ratios					
Return on Assets (%)	3%	6%	3%	4%	7%
Return on Equity (%)	5%	9%	6%	7%	12%
Return on Capital Employed (%)	7%	9%	6%	7%	11%
Turnover Ratios					
Asset Turnover (x)	0.8	0.8	0.8	0.8	1.0
Sales / Gross Block (x)	1.2	1.3	1.1	1.1	1.3
Working Capital / Sales (x)	34%	37%	33%	27%	24%
Receivable Days	41	39	42	37	33
Inventory Days	154	131	138	130	122
Payable Days	38	29	31	30	29
Working Capital Days	157	141	149	137	127
Liquidity Ratios					
Current Ratio (x)	4.6	2.5	2.5	2.4	2.7
Interest Coverage Ratio (x)	2.3	4.6	3.1	3.4	5.1
Total Debt to Equity	0.4	0.5	0.4	0.5	0.5
Net Debt to Equity	0.2	0.4	0.4	0.5	0.4
Valuation					
PE (x)	52.8	38.2	58.5	43.8	22.8
Earnings Yield (%)	2%	3%	2%	2%	4%
Price to Sales (x)	1.6	2.7	2.5	2.1	1.5
Price to Book (x)	1.8	3.4	3.0	2.8	2.5
EV/EBITDA (x)	15.2	20.8	22.3	16.9	11.4
EV/Sales (x)	1.9	3.0	2.8	2.3	1.7

Source: Company, Keynote Capitals Ltd. estimates

KEYNOTE Rating History

Date	Rating	Market Price at Recommendation	Upside/Downside
15 th July 2025	BUY	1492	+65%
18 th August 2025	BUY	1326	+80%

Rating Methodology

Rating	Criteria
BUY	Expected positive return of > 10% over 1-year horizon
NEUTRAL	Expected positive return of > 0% to < 10% over 1-year horizon
REDUCE	Expected return of < 0% to -10% over 1-year horizon
SELL	Expected to fall by >10% over 1-year horizon
NOT RATED (NR)/UNDER REVIEW (UR)/COVERAGE SUSPENDED (CS)	Not covered by Keynote Capitals Ltd/Rating & Fair value under Review/Keynote Capitals Ltd has suspended coverage

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SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD): INZ000241530; DP: CDSL- IN-DP-238-2016; Research Analyst: INH000007997

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