Ganesha Ecosphere Ltd

15th July 2025

Dominant player in PET recycling getting Government push

Ganesha Ecosphere Ltd (GESL) is one of the leading PET bottle recycler in India with the largest FSSAI-approved rPET granule capacity as of FY25. The Company specializes in recycling virgin PET bottles into higher value-added products such as Recycled Polyester Staple Fibre (rPSF), Recycled Polyester Spun Yarn (rPSY), Dyed Textured Yarn (DTY), and premium value-added products like Recycled Filament Yarn and rPET B2B granules/chips. GESL operates six manufacturing units with a combined capacity of ~196,440 TPA, which includes 12,280 TPA of Recycled Filament Yarn and 42,000 TPA of rPET B2B chips/granules, recycling over 8.5 Bn scrap bottles annually as of FY25.

Leveraging over three decades of expertise, GESL has developed 500+ product variants, serving 400+ customers across 20 countries. The Company plans to triple its rPET granule capacity from 42,000 TPA to 132,000 TPA by H1FY27, as part of its strategy to raise the share of value-added products from 40% in FY25 to 60–65% by FY27. At peak utilization, rPET granules can command EBITDA margins exceeding 20%, supported by robust domestic demand projected at 350,000–400,000 TPA by FY26, against the current industry capacity of just 108,200 TPA. We believe GESL will continue witnessing volume growth of ~16% CAGR for next three years, alongside margin improvements driven by higher contributions from premium products like rPET B2B chips/granules.

Capacity expansion

Over the past two years, GESL has undertaken significant capacity expansion, increasing its total production capacity by ~65% from 118,800 TPA in FY23 to 196,440 TPA in FY25 operating at ~86% utilisation. By FY27, the Company plans to add another 90,000 TPA, bringing total capacity to 286,440 TPA. These expansions are driven by the Extended Producer Responsibility (EPR) mandates, positioning GESL to capitalize on emerging market opportunities and support sustainable growth in the years ahead.

Robust growth driven by the Government's EPR Mandate

The Government of India has introduced EPR mandates for Producers, Importers, and Brand Owners (PIBOs), requiring them to use at least 30% recycled plastic in their packaging in FY26, with incremental increases of 10% annually until reaching 60% by FY29. As of FY25, GESL is India's leading FSSAI-approved rPET B2B chips manufacturer, catering to PIBOs, positioning the Company effectively to benefit from the growing demand. We anticipate that this EPR mandate will drive revenue growth of ~21% CAGR for GESL over the next three years.

View & Valuation

With volume growth driven by new capacities, increase in value-added mix, and industry tailwinds from government's EPR Mandates, the Company is well-positioned to deliver improvement in both revenue and profitability. We initiate coverage on GESL with a BUY rating and a target price of Rs. 2,459 (35x FY28E EPS), resulting in ~64.8% upside from current price.

BUY

CMP Rs. 1,492

TARGET Rs. 2,459 (64.8%)

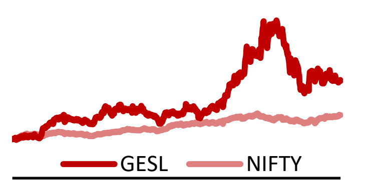
Company Data

Bloomberg Code	GNPL
MCAP (Rs. Mn)	38,210
O/S Shares (Mn)	25
52w High/Low	2484 / 1245
Face Value (in Rs.)	10
Liquidity (3M) (Rs. Mn)	114

Shareholding Pattern %

	Mar-25	Dec-24	Sep-24
Promoters	36.14	35.86	35.86
FIIs	10.36	12.14	10.26
DIIs	22.16	21.92	22.67
Non-Institutional	31.35	30.08	31.2

GESL vs Nifty



Source: Keynote Capitals Ltd.

Key Financial Data

(Rs Mn)	FY25	FY26E	FY27E
Revenue	14,655	17,125	19,529
EBITDA	2,106	2,461	2,865
Net Profit	1,031	1,050	1,160
Total Assets	19,342	21,958	24,741
ROCE (%)	9%	8%	8%
ROE (%)	9%	8%	8%

Source: Company, Keynote Capitals Ltd.

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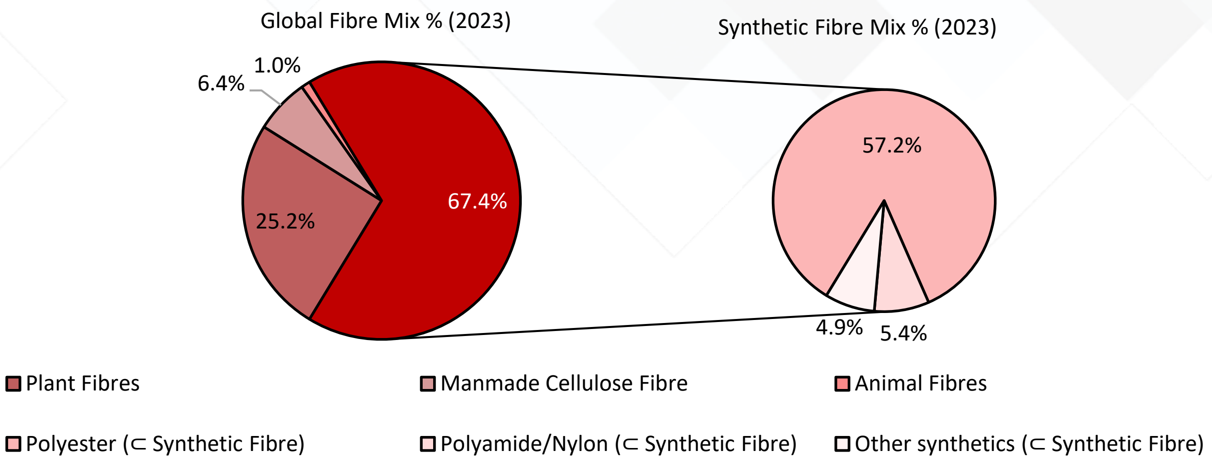
Global Textile and Fibre Industry

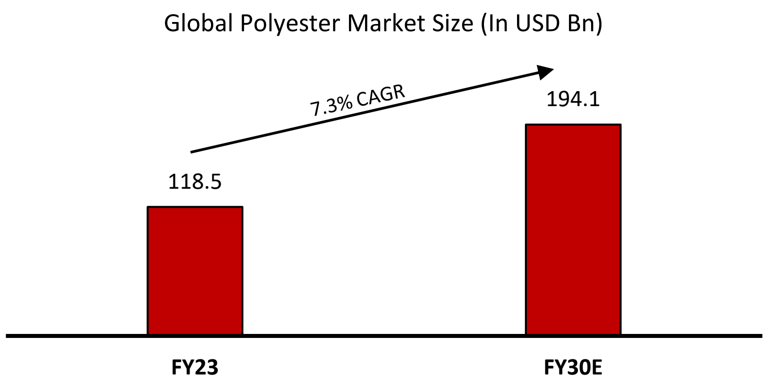
Global fibre consumption reached ~124 Mn TPA in 2023. Synthetic fibres accounted for ~67% of this total, while plant-based fibres made up ~25%. Among synthetic fibres, polyester remained dominant, contributing ~57% and reinforcing its leading role in the global fibre mix.



Source: Textile Exchange Org (2023), Keynote Capitals Ltd.

Polyester has become the backbone of the textile industry due to its extensive use across apparel, home furnishings, and technical textiles. Its popularity is driven not only by lower production and processing costs compared to natural fibres like cotton and wool but also by advantages such as superior durability, wrinkle and shrink resistance, faster drying, and strong compatibility with blended yarns. These attributes make polyester ideal for both cost-efficient mass manufacturing and high-performance textile applications.

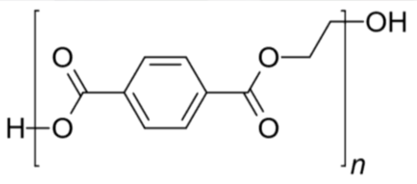
The global polyester fibre market was valued at ~USD 118.5 Bn in 2023 and is expected to grow at a CAGR of 7.3% from 2024 to 2030, driven by increasing demand from emerging economies, the rising popularity of blended and functional fabrics, and continued substitution away from cotton and other natural fibres.



Source: Grand View Research, Keynote Capitals Ltd.

A key enabler of polyester's scale is its raw material, Polyethylene Terephthalate (PET). PET acts as the base polymer for textile fibres as well as for a wide range of plastic packaging applications such as bottles and films. This shared foundation creates a strong link between the textile and packaging industries and positions recycled PET (rPET) as a high-impact material that supports circular economy goals across both segments.

Understanding Polyethylene Terephthalate (PET)



Polyethylene Terephthalate (PET)

PET Resins

PET is a thermoplastic polymer belonging to the polyester family of plastics. It is known for its lightweight, high strength, and excellent transparency, It is one of the most widely used polymers globally. Its properties make it highly versatile, enabling its application across multiple industries, including packaging, textiles, and consumer goods.

In the packaging sector, PET is predominantly used in manufacturing bottles for beverages, edible oils, and personal care products due to its strength, barrier properties, and recyclability. In the textile industry, PET is polymerized into polyester fibres that are spun into yarns and fabrics for garments, upholstery, and industrial applications. The fibre-grade PET segment represents a significant portion of global PET demand, reflecting the material's crucial role in both fast fashion and durable textile manufacturing.

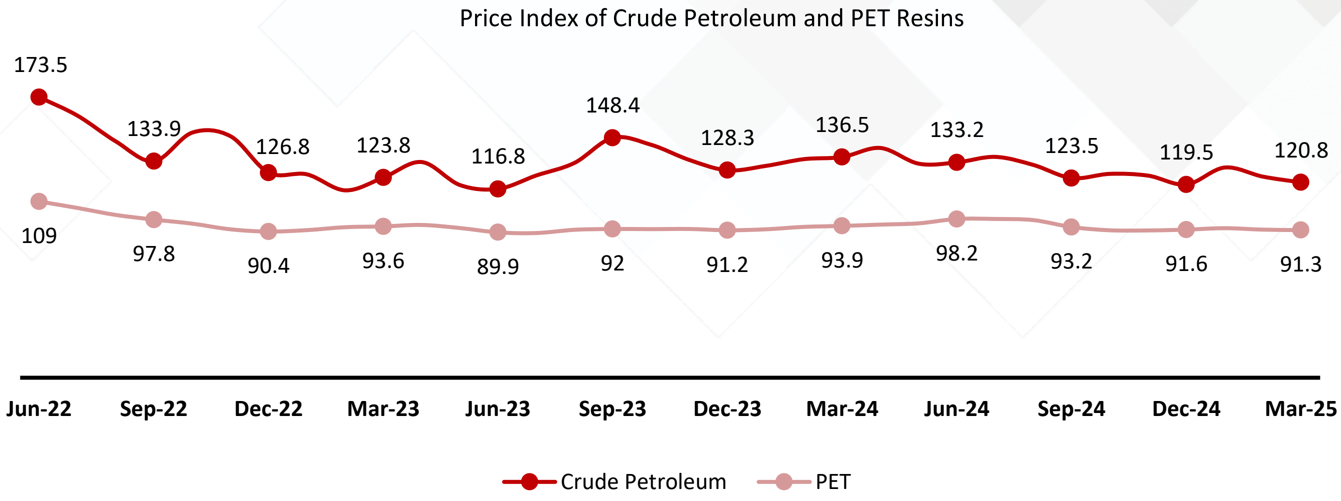
Different Grades of PET

Type	Description	Typical IV*(g/dl)	Key Application
Fibre Grade PET	Low molecular weight PET ideal for melt spinning into fine fibres. Offers good spinnability and softness but limited structural strength	0.40-0.70	Textiles(yarn and fibre)
Film Grade PET	Medium IV PET with good surface properties and dimensional stability. Suitable for flat films used in packaging and imaging.	0.70-1.00	Packaging films, electronics
Bottle Grade PET	High IV PET designed for blow molding. Provides strength, clarity, and gas barrier properties needed in liquid packaging.	0.70-0.85	Beverage bottles, food jars
Engineering Grade PET	Very high IV PET with superior mechanical, thermal, and dimensional stability. Often reinforced with glass fibre or minerals for demanding structural uses.	1.00-2.00	Automotive components, pump housings, electrical parts

Source : ICPG, LCGC International ,Keynote Capitals Ltd.
**Intrinsic Viscosity (IV) is an indirect measurement of the molecular weight of PET.*
Higher IV means longer polymer chains, which usually translates to greater rigidity, strength, and thermal resistance.
Lower IV means shorter chains, making the material easier to melt, more flexible, but also mechanically weaker.

PET is derived from crude oil derivatives through a chemical reaction known as polymerization, in which two key monomers, Purified Terephthalic Acid (PTA) and Monoethylene Glycol (MEG), are joined to form long-chain polymers. This process produces a strong, transparent plastic that is widely used across various industries, including textiles, packaging, and consumer goods.

Given its crude oil origin, PET prices are highly correlated (r = ~0.76) with crude oil prices. Fluctuations in global oil markets directly impact the cost of PET production, particularly in the bottle-grade and fibre-grade segments.



Source: Office of Economic Advisors, Keynote Capitals Ltd.
Base Year = 2011-12 : Base Index Price = 100

Despite its versatility, PET poses significant environmental challenges. It is a non-biodegradable material that can persist in the environment for more than 400 years without decomposing. This has led to growing global concern around plastic waste and pollution.

In response, many countries have introduced incentives for recycling and are actively promoting the use of recycled polyester (rPET) to support plastic circularity in the economy. This shift is not only driven by environmental considerations but is also reshaping the cost structures and supply chains of the PET industry.

Recycled Polyethylene Terephthalate (rPET)

rPET products offer performance comparable to that of Virgin PET (vPET) in many applications. While rPET may not match the full strength and optical clarity of vPET, particularly in high-pressure packaging or premium-grade containers, it remains suitable for a wide range of textile, packaging, and industrial uses.

One of the key advantages of rPET lies in its cost efficiency. Unlike vPET, which is derived from crude oil through the polymerization of PTA and MEG, rPET is sourced from post-consumer PET bottles. This supply chain structure eliminates direct exposure to crude oil prices, making rPET less sensitive to fluctuations in global energy markets. As crude prices have been volatile over the years, rPET has emerged as a more economical and stable alternative to vPET, especially in cost-sensitive sectors like apparel and home textiles.

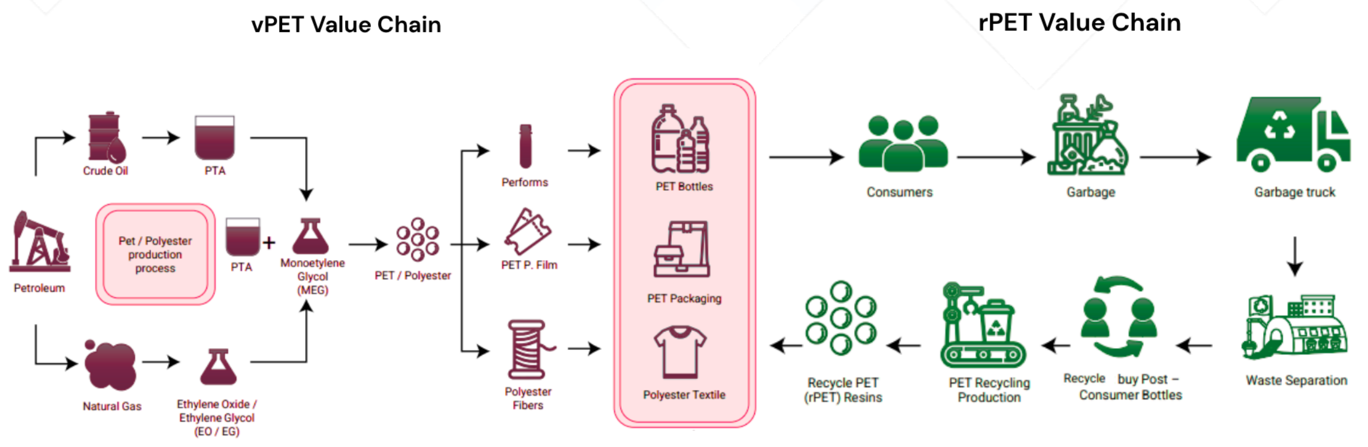
There is no statutory limit on reuse cycles; the practical ceiling is intrinsic viscosity. Standard recycling preserves IV for ~5-7 loops, while solid-state polycondensation (SSP) technology can extend the useful life of a PET bottle to ~10-20 cycles before IV drops below the food-grade threshold.

Just like vPET, rPET is available in multiple forms suited to different end-use industries:

rPET Fibre: Commonly used in garments, automotive fabrics, home furnishings, and non-woven products.

rPET Bottle-Grade Chips/Resins: Used in the production of new PET bottles and food-grade containers where regulatory standards allow recycled input.

Recyclable PET Life Cycle



Source: UFLEX Ltd, Keynote Capitals Ltd.

Procurement of Raw Materials

India generated ~2 Mn tonnes of PET waste in CY23, to grow at a CAGR of ~13% to reach ~4.2 Mn tonnes by CY29. However, collection and disposal remain highly fragmented, with only about 25% of PET waste being recycled while the remaining 75% ends up in landfills or incineration. Compounding the issue, India prohibits the import of plastic waste, leaving recyclers entirely dependent on domestic collection.

The raw material procurement is largely informal as waste is initially collected by ragpickers and small aggregators alongside mixed plastic and non-plastic waste, then routed to larger players for segregation by type, colour, and density. This makes used PET bottles, the primary input for rPET, both difficult to trace and inconsistent in quality. As of FY24, 55% of India's waste management remained unorganised, posing significant challenges for recyclers.

For large players looking to enter the rPET segment, securing reliable feedstock becomes the single biggest hurdle. Brands increasingly demand traceability and quality consistency in recycled packaging materials, making dependence on unorganised suppliers a serious operational risk.

Extended Producer Responsibility (EPR)

In March 2016, the Government of India overhauled the Plastic Waste Management (PWM) Rules and, for the first time, placed EPR on every Producer, Importer and Brand-Owner (PIBO) of plastic packaging. The framework was given quantitative force on 16 February 2022, when Schedule II of the PWM (Amendment) Rules, 2022, introduced three binding trajectories.

EPR Type Category	Recycling Target* (%)				Recycling Content Use Target^ (%)				Reuse Target** (%)			
	FY25	FY26	FY27	FY28	FY26	FY27	FY28	FY29	FY26	FY27	FY28	FY29
Category I Rigid Plastic	50	60	70	80	30	40	50	60	10	15	20	25
Category II Flexible Packaging	30	40	50	60	10	10	20	20	-	-	-	-
Category III Multi-Layer Packaging	30	40	50	60	5	5	10	10	-	-	-	-
Category IV Compostable Packaging	50	60	70	80	-	-	-	-	-	-	-	-

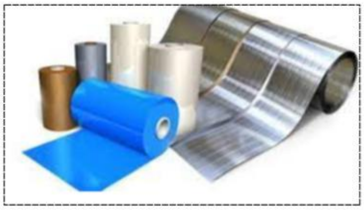
Source: Central Pollution Control Board, Keynote Capitals Ltd.

****Recycling Target**: Brands must arrange for the recycling of the obligated quantity of plastic they sell.*

***^Recycled Content Use Target**: Every unit of plastic packaging must contain the specified share of rPET resin.*

*****Reuse Target:** A specified percentage of a brand's packaging is required to be collected, cleaned, and refilled for reuse, rather than being disposed of after a single use.*

Category I
Rigid Packaging Plastic



Category II
Flexible Packaging Plastic

Category III
Multilayered plastic packaging
(at least one layer of plastic and at least one layer of material other than plastic)

Category IV
Plastic sheet or like used for packaging as well as carry bags made of compostable plastics

Source: Central Pollution Control Board.

Compliance is evidenced through EPR certificates, where one certificate corresponds to one kilogram of qualified recyclate or reused material. From FY23 onwards, registration on the CPCB e-portal and disclosure of baseline volumes became mandatory for brands, manufacturers, and importers.

*Compliance is evidenced through **EPR certificates** (1 certificate = 1 kg of qualified recyclate or reuse).*

While certificate trading was voluntary before mandate in FY25, it has become compulsory once binding quotas came into effect in FY25. Under the rigid-pack recycled-content mandate, brand owners must ensure that, starting in FY26, at least 30% of the PET resin used annually is sourced from recycled material. For example, a bottler using 1,000 tonnes of PET resin per year must achieve a 30% post-consumer recycled content blend across the entire volume, which is equivalent to 300 tonnes of recycled PET.

All resins used must comply with FSSAI or FDA food-contact safety requirements. Industry estimates project that by FY26, Indian consumer goods companies will require between 350,000-400,000 TPA of FSSAI-approved, bottle-grade rPET chips, compared to the current certified domestic supply of just 108,020 TPA.

For non-compliant PIBOs, Environmental Compensation (EC) is imposed under the Polluter Pays Principle when they fail to meet their EPR targets. EC applies to any shortfall across the three mandates: (i) recycling, (ii) end-of-life recycling, and (iii) mandated use of recycled plastics.

Penalties are set at Rs. 5,000 per tonne for the 1st offence, Rs. 10,000 per tonne for the 2nd, and Rs. 20,000 per tonne for the 3rd. Unpaid EC may be carried forward for up to three years in accordance with the EPR guidelines.

FSSAI Approved rPET Producers

India's food-grade rPET supply is concentrated in just five FSSAI approved producers, whose combined bottle-grade capacity is projected to reach roughly 246,100 TPA by end-FY26, compared with an estimated 350,000-400,000 TPA of demand that brands will need in order to satisfy the 30% recycled-content mandate.

FSSAI approved Food Grade rPET Producers in India			
Company	Production Capacity (in TPA)		
	FY25	FY26E*	FY27**
Uflex Ltd	10,020	45,600	45,600
Ganesha Ecopet Pvt Ltd	42,000	64,500	132,000
Reliance Industries Ltd	6,000	6,000	6,000
Ester Industries Ltd	8,000	28,000	28,000
SriChakra Polyplast (India) Pvt Ltd	42,000	42,000	130,000
Indorama Ventures/Dhunseri/ Varun Beverages JV^	0	100,000	100,000
Total	**108,020**	**246,100**	**441,600**

Source: FSSAI, Uflex Ltd, Ganesha Ecosphere Ltd, Reliance Industries Ltd, Ester Industries Ltd, Indorama Ventures, Keynote Capitals Ltd.

**Capacity reflects projects contractually committed and mechanically complete by 31 Mar 2026 based on current information*

***Capacity reflects projects contractually committed and mechanically complete by 31 Mar 2027 based on current information*

^It has not yet been approved by FSSAI as it's an ongoing greenfield project

India currently has 5 FSSAI-approved producers of food-grade rPET chips, with one additional large-scale entrant expected by FY26. The reason for such limited participation lies in the high entry barriers across regulatory, technological, and operational dimensions, barriers that most of the smaller or unorganized recyclers are unable to overcome.

First, manufacturers must pass stringent food-contact safety testing, proving that the final rPET product results in less than 0.1 µg/kg migration into food. The testing process must follow the exact protocols prescribed by the US FDA and EFSA, requiring detailed migration studies and “challenge” tests. These tests are not only time-intensive but also expensive.

Second, FSSAI mandates the use of proven super-clean recycling technology, such as Starlinger iV+, Erema Vacurema, or KuHne Super-Clean, each of which must already have a “Letter of No Objection” from global regulators.

Third, recyclers must demonstrate robust feed-stock control and traceability. Input PET must be sourced from post-consumer food-grade bottles, with complete traceability from bale to batch. Operators are expected to maintain ERP-based records, weighbridge slips, and physical segregation between food and non-food streams. In India’s largely informal collection ecosystem, setting up such a controlled sourcing system adds significant complexity and cost.

Lastly, the certification process is both multi-layered and capital-intensive. It includes third-party audits, monitored pilot runs, and on-site inspections by FSSAI-appointed panels. Post-approval, manufacturers are subject to ongoing regulatory oversight through periodic and surprise audits. Licenses are time-bound, generally valid for one to five years, and are subject to suspension in the event of any compliance lapses.

Given the high upfront investment, rigorous process validation, and regulatory complexity involved, the food-grade rPET segment continues to see limited participation. Entry remains structurally constrained, particularly for unorganised and small-to-mid-scale recyclers.

Dual source of income for recyclers

Given the structure of the EPR regime, recyclers benefit from two distinct sources of income. On one hand, they can monetize EPR certificates by selling them to obligated brands and manufacturers who are required to meet recycling targets. These certificates are valued independently and traded at market-determined rates, typically ranging between Rs. 500–1,500 per tonne, depending on the type of plastic.

Estimated Price for EPR Certificates (CY2024)		
Company	Price (Rs. per tonne)	Price (Rs. per Kg)
Category I – Rigid Plastic	500-750	0.5-0.75
Category II – Flexible Plastic	750-1,000	0.75-1.0
Category III - MLP	1,000-1,500	1.0-1.5

Source: Centre of Science and Environment(2024), Keynote Capitals Ltd.

On the other hand, recyclers also generate revenue through the physical sale of rPET. rPET is often priced lower than vPET, making it an attractive option for manufacturers who are either outside the scope of EPR or prefer using recycled material due to cost considerations. These buyers do not require EPR certificates and hence only transact for the material itself.

This combination of income from rPET sales and EPR certificates creates a strong economic incentive for recyclers. One segment of buyers is driven by cost, while the other is focused on compliance, allowing recyclers to effectively tap into both markets.

About Ganesha Ecosphere Limited

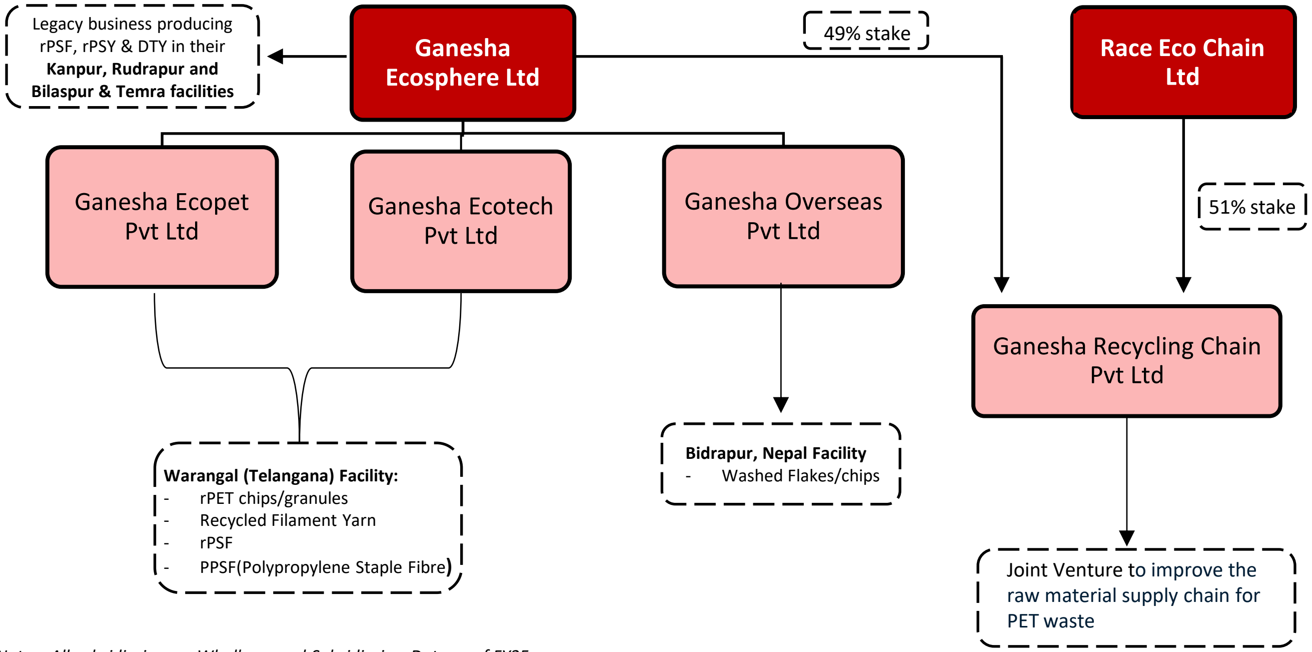
Ganesha Ecosphere Limited (GESL), founded in 1987 and renamed from Ganesh Polytex Ltd in 2011, is one of the leading PET bottle recycling company in India. The Company specializes in converting post-consumer PET bottles into value-added Recycled polyester products such as Recycled Polyester Staple Fibre (rPSF), Recycled Polyester Spun Yarn (rPSY), and Dyed Texturised Yarn (DTY).

GESL's recycled polyester products cater to a wide range of end-use applications including apparel (T-shirts, body warmers), functional textiles (air filter fabric, geotextiles, carpets, automotive upholstery), and home furnishings (pillows, duvets, soft toys), positioning the Company as a key raw material supplier across multiple industries.

With a robust collection network comprising over 300+ suppliers across India, GESL collects and processes more than 450 tons of PET waste per day. This scale has enabled the Company to secure an estimated ~16-18% share of India's PET bottle waste recycling market as of FY24.

To broaden its product portfolio, GESL has recently entered into the production of Recycled Filament Yarns and rPET chips/granules, leveraging its core strength in recycled raw material processing. As a result, the Company's manufacturing capacity has expanded from 1,18,800 TPA in FY19 to 1,96,440 TPA in FY25.

Corporate structure



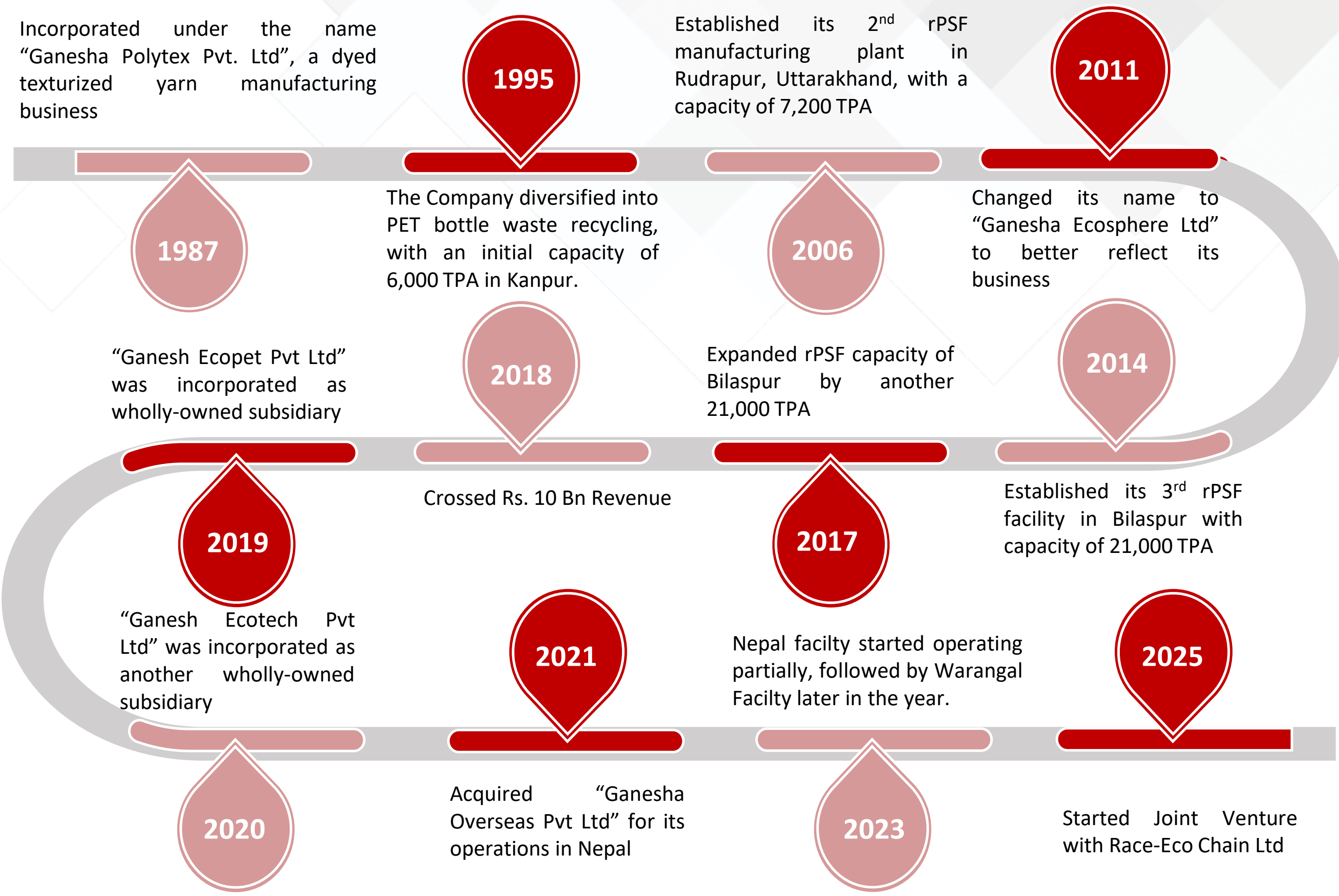
Note – All subsidiaries are Wholly-owned Subsidiaries, Data as of FY25

Source: Company, Keynote Capitals Ltd.

GESL operates its legacy business, including rPSF, rPSY, and DTY, with a combined capacity of 106,800 TPA, which contributes ~67% to the company's consolidated revenue as of FY25. The company's production capabilities are further supported by 3 wholly owned subsidiaries, focused on value-added production, with the Warangal facility becoming operational in 2023.

GESL has formed a joint venture with Race-eco Chain Ltd to enhance raw material supply for its Warangal facility, ensuring a steady and secure supply to support its operations and growth in the recycling and textile sectors.

Timeline



Source: Company, Keynote Capitals Ltd.

Business model of GESL

GESL collects discarded plastic waste bottles through its extensive pan-India network and recycles them into products like rPSF,rPSY, rPET chips/granules, and DTY.

Collection Process

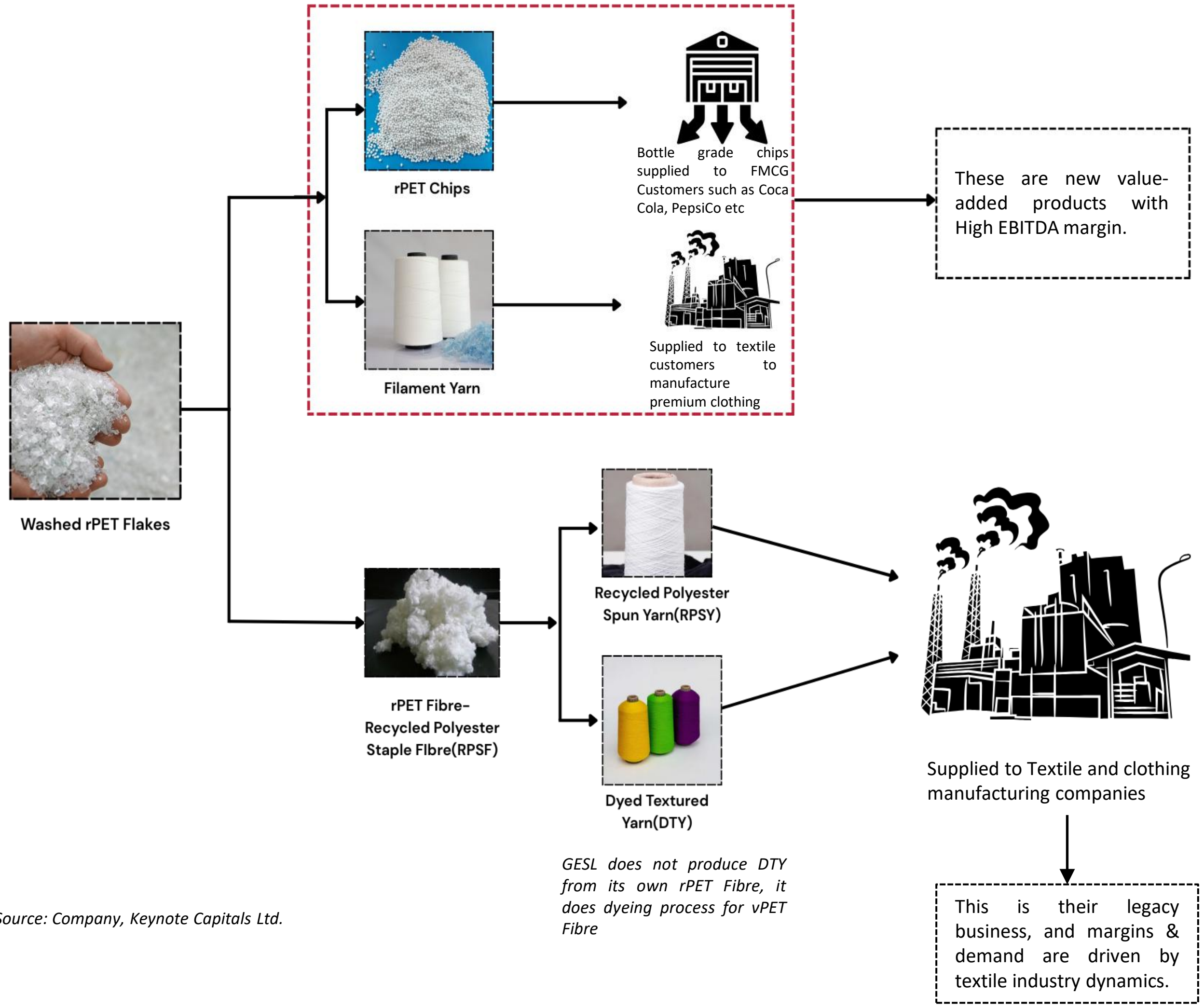
Source: Company, Keynote Capitals Ltd.

GESL has built a robust collection network across India, where it mobilizes over 450 tonnes of PET waste daily.

GESL scraps over 8.5 Bn PET bottles annually. The collected PET bottles are sent to GESL's recycling facility, where they are converted into rPET flakes for use in manufacturing finished products.

Flake making process

Flakes – > rPET Fibre | rPET Chips



Source: Company, Keynote Capitals Ltd.

Decoding product portfolio of GESL

Product Segment of GESL

- Polyester Staple **Fibre**
  - rPSF
  - Polyproplene Polyester Staple Fibre (PPSF)
- rPET **Yarns**
  - rPSY
  - DTY
  - Recycled Filament Yarn
- rPET **Chips**/Granules
  - Washed Flakes
  - rPET B2B Bottle chips and Textile grade chips

Source: Company, Keynote Capitals Ltd.

Product #1: Recycled Polyester Stable Fibre (rPSF)

rPSF

GESL is one of the leading producers of rPSF in the Indian market, leveraging its 3 decades of experience and robust R&D capabilities to innovate and expand its product portfolio.

With rPSF, the Company has been at the forefront of innovation, producing a wide range of products, including Flame Retardant Fibre, Hollow Conjugated Fibre, Microfibres, and Speciality Fibres. With a portfolio of over 7 different types of fibres, GECL provides its customers with 7 different types applications without processing them into yarn.

rPSF Products offered by GECL

rPSF Variant	Description	Application	End Industry
Woven Grade, Dope-Dyed Staple Fibre	Pre-coloured fibre cut to "staple" length and ready to spin into yarn	For Spinning into blended or 100% recycled yarns	Textiles
Non-Woven Grade, Solid Fibre	Uniform round-section fibre engineered for web-forming lines	Automobile Carpets, seat covers, wipes, acoustic panels, scrubbers etc	Automotives, Furnishing, Carpets, Households and Fabrics
Flame Retardent Fibre	Fibre treated with fire-inhibiting additives	Upholstery fabrics, curtains, protective workwear, industrial covers, filters, nets.	Furnishing, Transport Interiors, Technical Textiles
Hollow/conjugated filling Fibre	Springy, tube-like or multi-component fibre that traps air and rebounds	Stuffing into pillows, quilts, cushions, mattresses, soft toys.	Home Furnishing, Toys
Short-cut Fibre	Fibre chopped to a few millimetres	Reinforcement in Speciality Papers, Concrete, filtration media; Blended into other fibres	Paper, Construction, Technical composites
Micro Fibre	Ultra-fine denier staple giving a very soft hand feel	High-Count yarns for fine or performance fabric	Fashion and Sportwear Textiles
Trilobal Fibre	Star-Shaped cross section fibre that reflects more light	Fabrics and Yarns where a subtle sheen or "sparkle" is desired	Fashion and Decorative Textiles

Source: Company, Keynote Capitals Ltd.

The pricing of rPSF is indirectly linked to crude oil prices and the prices of Virgin Polyester Staple Fibre (vPSF). While the relationship between rPSF prices and crude oil prices exists, it is not as pronounced as it is for vPSF. This is because rPSF is derived from recycled PET bottles, and its cost structure is influenced by factors such as the availability and price of waste PET bottles, processing costs, and market demand for recycled fibres. Raw material prices of rPSF are heightened due to high exports of key intermediate materials in Q4FY25.

Flame retardant Fibre

Despite being a recycled product, the quality of rPSF manufactured by GESL is almost similar to that of virgin PSF. This high-quality equivalence allows rPSF to be a competitive alternative to virgin PSF in various applications, including textiles, automotive, and home furnishings. However, rPSF prices are typically 10-15% lower than those of virgin PSF, making it an attractive option for manufacturers looking to reduce costs while maintaining product quality and supporting sustainability initiatives. As of March 2025, the price of Crude oil has fallen by ~10%-12% compared to March 2024, leading to a fall in the price of vPSF, which has eroded competitive pricing advantage of rPSF.

Trilobal Fibre

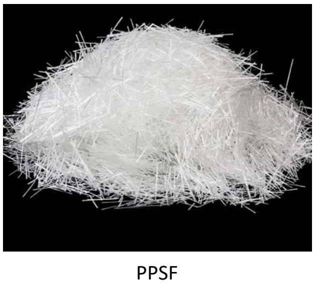
In FY23, the rPSF segment accounted for 85% of the Company's revenue. By FY25, this share had decreased to ~60-65%, as the Company strategically shifted focus towards value-added products such as Recycled Filament Yarn and rPET chips, in response to declining margins in the rPSF segment. The EBITDA margin for rPSF decreased from 13% in FY21 to 11% in FY23, and further dropped to ~9-10% in FY25. This decline is primarily attributed to rising raw material costs and the recent sluggish demand in the textile industry, which have pressured the profitability of the rPSF segment.

Micro Fibre

Moving forward, once textile demand returns to normal, albeit on an uncertain timeline, EBITDA margin in the rPSF segment is expected to stabilise at 10-11 %.

Polypropylene Staple Fibre (PPSF)

PPSF is a synthetic fibre made from recycled polypropylene, produced at the GESL Warangal facility in Telangana, with a capacity of 10,800 TPA as of FY25. It is used in nonwoven fabrics, filtration media, insulation, and geotextiles. Unlike rPSF, which is made from recycled polyester for textiles, PPSF is made from PP plastic waste such as containers and packaging. The raw materials include recycled PP plastic waste, such as containers and packaging.



PPSF

Ganesha Ecosphere mainly focuses on recycling PET but has expanded into PPSF production. Other key recycled products include recycled PET granules, Recycled Filament Yarn, and Washed rPET Flakes.

Although GESL is not currently pursuing HDPE (High Density Polyethylene) or PP (Polyethylene) production due to pending regulatory approvals, PPSF remains a key product in supporting the company's sustainability initiatives.

Product #2: rPET Yarns

Double Yarn rPSY

The Company's yarn line of business includes rPSY and DTY, as well as Recycled Filament Yarn, which serves as its premium value-added product.

Recycled Polyester Spun Yarn (rPSY)

rPSY represents the next stage in the downstream textile value chain, where internally produced rPSF is spun into yarn and sold. The Company carries out this spinning process at its Bilaspur and Temra facilities, which have a combined installed capacity of 7,200 TPA.

Dyed Texturised Yarn (DTY)

DTY was GESL's initial line of business at the time of its incorporation in 1987, prior to its foray into recycled polyester based products. DTY is produced by texturising virgin polyester to create smooth filaments that resemble the natural feel of cotton or wool, and is subsequently dyed in the desired colour. Despite being a legacy offering, DTY continues to be a low-margin product, with EBITDA margins in the range of 6-7%, and suffers from suboptimal capacity utilisation. Production is carried out at the company's Kanpur facility, which has an installed capacity of 3,000 TPA.

DTY

rPET Yarn Products offered by GECL

rPSF Variant	Description	Application	End Industry
Mélange	Blend of differently colored fibres, spun together to give a heathered effect	Body warmers, sweaters, winterwear	Knitting, Casualwear, Thermal Clothing
Single yarn	Yarn made by twisting individual fibres without plying	Dress materials, kurtis, lightweight fabrics	Fashion, Apparel, Women's Wear
Doubled Yarn	Two single yarns twisted together to enhance strength and uniformity	Suiting, shirting, furnishing fabrics	Clothing, Hosiery, Spinning, Home Furnishing
Recycled Filament Yarn	Continuous fibre yarn, smooth and lustrous, often made from polyester or nylon	T-shirts, denim blends, towels, bed linen	Knitting, Weaving, Hosiery, Home Textiles
Spun Yarn	Continuous fibre yarn, smooth and lustrous, made from virgin or recycled polyester	Shirts, trousers, suits, home textiles, bed linen	Apparel, Home Textiles, Industrial Weaving

Source: Company, Keynote Capitals Ltd.

Recycled Filament Yarn

One of the value added products of the Company is Recycled Filament Yarns. Recycled Filament Yarn is produced by grouping, twisting, or air-entangling continuous recycled polyester filaments, a process that differs fundamentally from rPSY, which is spun from rPSF. Continuous-filament manufacture demands stringent control over melt viscosity, filtration, and winding parameters to prevent breakage and colour variance, making the product more technically intensive and less commoditized than other recycled polyester offerings.

Recycled Filament Yarn

The Company devoted 3-4 years of in-house R&D to master this process and commission a dedicated line at its Warangal facility. The product now carries global recycling standard and Oeko-Tex certifications, allowing qualification with international apparel and technical-textile customers. Installed capacity stands at 12,240 TPA, although the plant is yet to reach optimal utilisation owing to the prevailing downturn in textile demand.

Economic fundamentals remain attractive. Recycled Filament Yarn achieves a 25-30% price premium over virgin PET yarn, reflecting limited industry supply and growing sustainability requirements from global brands. Even at sub-optimal load factors, the product delivers an EBITDA margin of 17-18%, indicating meaningful operating leverage once market conditions normalise.

Some global brands' initiatives towards rPET Fibre

- **H&M Group:** In 2023, 85% of fibres were either recycled or sustainably sourced. The Group has interim targets of 30% recycled content by 2025 and 50% by 2030, alongside an ambition for 100% sustainable or recycled materials by 2030.
- **Inditex (Zara):** Commits to 40% of all fibres coming from recycling processes by 2030 and to transition to 100% lower-impact polyester by 2025 while cutting absolute value-chain emissions by 50 % by 2030.
- **Fast Retailing (Uniqlo):** Recycled polyester accounted for 47.4% of the total polyester used in FY24; the group continues to scale up the production of chemically Recycled Filament Yarn for its Dry-Ex and AIRism ranges.
- **VF Corporation (The North Face, Vans, Timberland):** Pledges that 50% of all polyester will be recycled by FY26, supported by long-term supply contracts for Recycled Filament Yarn.
- **Levi Strauss & Co:** Sets a 2030 goal to have all primary materials be third-party preferred or certified sustainable, with circular 501 jeans already utilising rPET filament in pocketing.

While the Company has developed capabilities in both Recycled Filament Yarn and rPET granules, it has strategically decided to shift its focus toward the production of rPET chips. This decision is driven by strong demand visibility, supported by the Government's EPR mandate, and a more favourable ROCE profile. In contrast, Recycled Filament Yarn manufacturing requires significantly higher capital investment and remains more exposed to fluctuations in textile industry demand. As a result, the Company currently has no plans for additional capex in the Recycled Filament Yarn segment.

Product #3: rPET Chips

rPET chips represent a significant step forward in the Company's commitment to sustainability. These chips are produced by recycling PET bottle waste and other types of PET materials. The waste is first converted into rPET washed flakes, which are then heated, processed, cooled, and cut into small chips, granules, or resins.

These chips are offered in two grades: a) Bottle grade (B2B chips) for the packaging industry and b) Textile/Sheet grade chips for the textile and sheet manufacturing sectors.

rPET Bottle Grade B2B Chips

rPET B2B chips are available in two types - Food grade and non-food grade chips. These are premium quality rPET chips that have a high filtration index and can replace virgin plastic for both food-grade and non-food-grade packaging. GESL rPET chips are certified by the USFDA, EFSA, and FSSAI and are available in various customisations for different end-use applications, including water, carbonated soft drinks, edible oils, and detergent bottles etc.

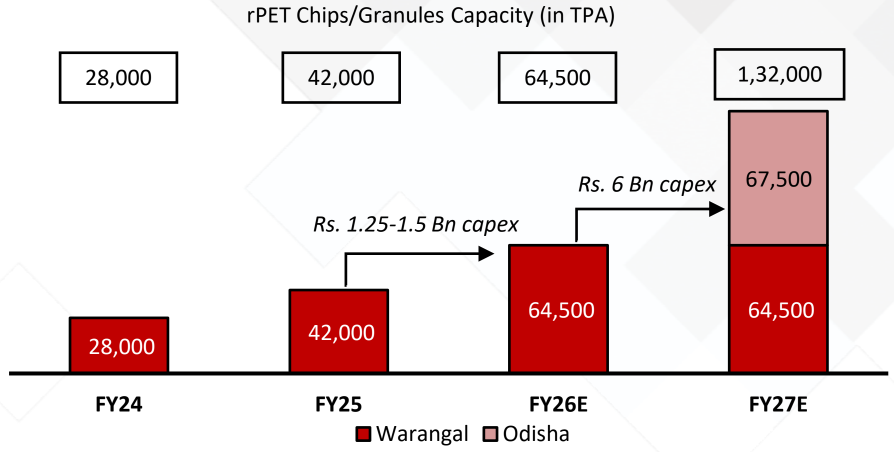
GESL is now focusing more on the rPET B2B Chips segment to capture a sizable share of opportunities emerging in the packaging sector, particularly in areas involving bottles and FMCG products. While rPSF currently stands as the Company's primary product, catering predominantly to the textile value chain, the emphasis is gradually shifting. With an ongoing expansion in rPET chips production capacity, the Company anticipates a substantial increase in revenue contribution from this segment, projecting a rise of ~50% over the next few years.

B2B Chips over the years

GESL secured its first commercial order for food-grade rPET chips from Moon Beverages in Q2FY24. As one of Coca-Cola India's key independent bottlers, Moon Beverages was among the early adopters of rPET packaging for carbonated beverages, following Coca-Cola's initial rPET rollout in Kinley water. This marked an important validation of GESL's capabilities in bottle-grade recycling. Since then, the Company has expanded its engagement across Coca-Cola's bottling network and initiated collaboration with Hindustan Coca-Cola Beverages (HCCB), which handles ~50% of Coca-Cola India's volumes and remains its largest bottling partner. GESL is working with HCCB on PET bottle collection and the supply of food-grade recycled chips.

The Company has also partnered with Manjushree Technopack Ltd, a leading PET preform converter serving major brands nationwide, to jointly develop, brand, and market recycled PET packaging products. Driven by Manjushree's need to integrate rPET into its portfolio and sustainability goals, the collaboration is expected to enhance the visibility and adoption of GESL's rPET products in the packaging industry.

The Company is actively collaborating with more than 40 domestic and international brands regarding its rPET chips. It has successfully secured approvals from 15 brands, with the remaining brands in the final stages of product trials and approvals, taking the total to 40 brands. Looking ahead to FY26, GESL anticipates robust demand and has a positive outlook on achieving optimal utilization levels for its capacity, given the strong interest and ongoing collaborations in the rPET chips segment.



Source: Company, Keynote Capitals Ltd.

The Company expanded its operations with a new greenfield facility in Warangal, Telangana, in FY24, investing Rs. 6-6.5 Bn across segments including rPET chips, Recycled Filament Yarn, rPSF, and PPSF. rPET chip capacity stands at 42,000 TPA as of FY25, with plans to increase to 64,500 TPA by Q4 FY26 at a cost of Rs. 1.25-1.5 Bn. Additionally, a new 67,500 TPA greenfield plant for rPET chips/granules is planned in Odisha, targeted for completion by H1 FY27, with an estimated capex of Rs. 6 Bn, funded through QIPs, promoter warrants, and internal accruals.

Additionally, the Company possesses more land at their Warangal Site, offering the potential for further expansion subject to market demand and requirements.

Furthermore, driven by higher realisations from rPET chips, the EBITDA margin stood at 22% in Q4 FY25. This margin is expected to improve further as the capacity utilisation of rPET chips increases. The resulting enhancement in profitability is anticipated to have a positive impact on the Company's overall blended EBITDA margin.

rPET Textile/ Sheet grade Chips

Textile-grade rPET chips are produced through advanced recycling and decontamination processes that transform plastic waste into high-quality, consistent raw materials. These chips are specifically engineered for use in premium fabrics and sheets, ensuring excellent performance and reliability. They are available in various grades—including filament, fiber, and sheet/film—and can be customized to meet specific production requirements. Additionally, they come with globally recognized certifications such as GRS (Global Recycled Standard) and OEKO-TEX, affirming their safety, sustainability, and quality.

rPET Washed Flakes

rPET washed flakes are intermediate products derived from PET bottle scrap, further processed into rPET chips or granules used in fibers, sheets, and packaging. These high-purity, traceable flakes ensure quality and consistency in rPET production.

Manufacturing Capabilities as of FY25

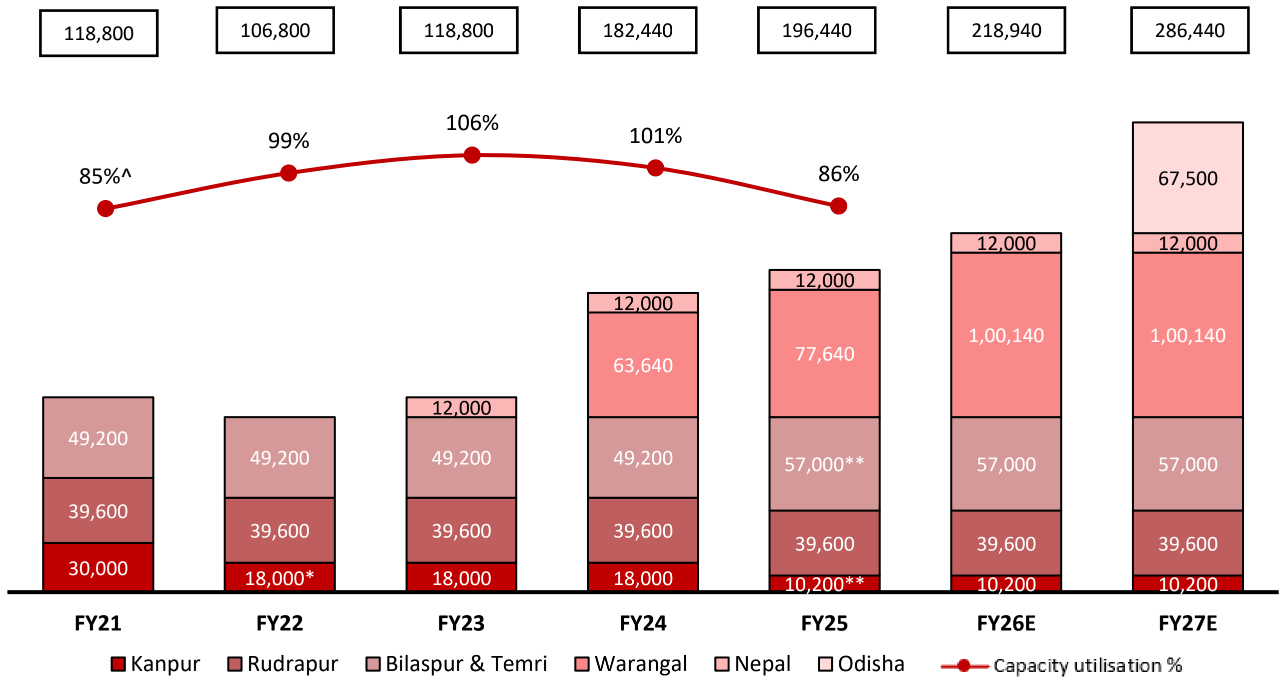
Plant No.	Locality	State/UT/Country	Mfg. Capacity (TPA)	rPSF	PPSF	rPSY	DTY	Recycled Filament Yarn	rPET Chips	Washed Flakes
1.	Kanpur	Uttar Pradesh	10,200	7,200	-	-	3,000	-	-	-
2.	Rudrapur	Uttarakhand	39,600	39,600	-	-	-	-	-	-
3.	Bilaspur & Temra	Uttar Pradesh	57,000	49,800	-	7,200	-	-	-	-
4.	Warangal	Andhra Pradesh	77,640	12,600	10,800	-	-	12,240	42,000	-
5.	Biratnagar	Nepal	12,000	-	-	-	-	-	-	12,000
Total	-	-	**1,96,440**	**1,09,200**	**10,800**	**7,200**	**3,000**	**12,240**	**42,000**	**12,000**

High Margin Business

100% of the production is being used as captive consumption by the company

Source: Company, Keynote Capitals Ltd.
Plant 1,2,3 comes under the Standalone Company "Ganesha Ecosphere Ltd
Plant 4 comes under Ganesha Ecopet Pvt Ltd and Ganesha Ecotech Pvt Ltd
Plant 5 comes under "Ganesha Overseas Pvt Ltd"

Manufacturing Capacity by Facilty (in TPA) and Capacity utilisation (%)



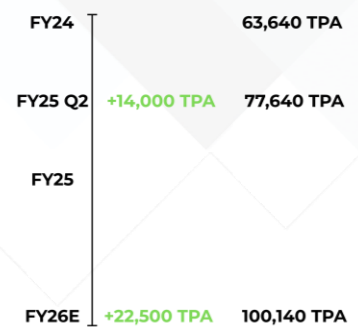
Source: Company, Keynote Capitals Ltd.
**12000 TPA rPSF facility in Kanpur was destroyed in Fire*
***7800 TPA facility of rPSF was shifted to Bilaspur from Kanpur for better operational efficiency*

^Q1FY24 witnessed utilization of 37% due to halted planted operations from Covid-19

GESL has undertaken a calibrated capacity expansion strategy to address growing demand for recycled polyester products, while also improving profitability through backward integration and value addition.

In FY21, GESL acquired Essel Industries Pvt. Ltd. and established Ganesha Overseas Ltd. to set up a 12,000 TPA washed flakes facility in Nepal. The plant became operational in FY23, and supported GESL's North Indian facility by its lower input costs. Its strategic overseas location strengthens raw material security and enhances overall group profitability.

According to Indian government regulations, domestic companies are restricted from importing more than 15% of their total rPET raw material requirements. However, the Company's plant in Nepal, with a production capacity of 12,000 TPA, which is less than 7% of its total Indian capacity, offers a strategic sourcing advantage. The Company is permitted to import the entire output from its Nepal facility, enabling access to raw materials at a significantly lower cost.

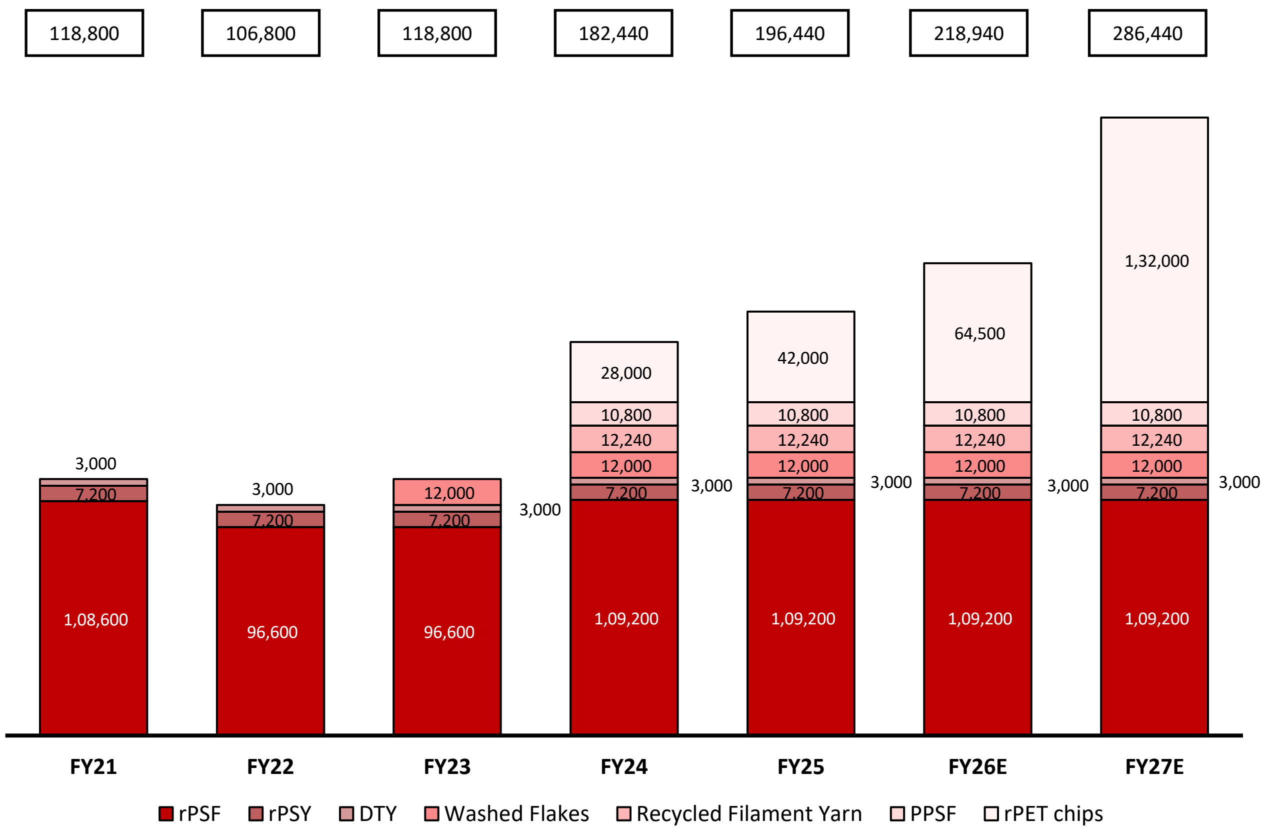


In FY24, the Company commissioned its Rs. 6.5 Bn integrated facility in Warangal with an initial capacity of 63,640 TPA. The plant focuses on higher-margin, value-added products such as rPET chips/granules and Recycled Filament Yarns. In Q2 FY25, an additional 14,000 TPA of rPET chip capacity was added. Furthermore, a 22,500 TPA expansion entailing a capital outlay of Rs. 1.25 Bn has been announced and is expected to be commissioned in Q4 FY26. Upon completion, the total capacity at the Warangal facility will reach 100,140 TPA, including 64,500 TPA dedicated to rPET chips/granules.

In Q2 FY25, GESL also announced a greenfield expansion in Odisha with a planned capacity of 67,500 TPA for rPET chips. With an estimated investment of Rs. 6 Bn to be funded through internal accruals, warrants, or QIPs, the plant is expected to be operational by FY27. Post-commissioning, the company's total rPET chip capacity will reach 132,000 TPA.

As of Q4FY25, all of GESL's plants are operating at 99% utilization except for the Warangal unit, which is running at 63%, offering headroom for further scale-up. These strategic expansions reflect GESL's focus towards improving product mix and capitalising on the accelerating global demand for sustainable polyester products.

Manufacturing Capacity by Product (in TPA)



Source: Company, Keynote Capitals Ltd.

Export

GESL is strategically scaling its export business, with export revenue rising from Rs. 600 Mn (~6-7% of revenue) in FY21 to ~Rs. 1,420 Mn (~9-10% of revenue) in FY25. Although recent growth has moderated due to weaker European textile demand, overall growth benefits from structural global trade shifts, including reduced Chinese exports post-FY22 and the US ban on Xinjiang cotton imports in FY23, creating opportunities for sustainable suppliers.

GESL is actively positioning itself to capture a larger share of this opportunity by investing in dedicated export-oriented production lines and expanding its R&D capabilities to meet international quality standards. The Company's broad product portfolio, spanning rPET chips, fibres, and yarns, coupled with high-quality manufacturing infrastructure, enhances its appeal to global FMCG, textile, and packaging clients seeking traceable and recycled inputs.

The Company holds key global certifications such as USFDA and EFSA, which serve as critical enablers for entering regulated markets and engaging with international brands. The growing global preference for sustainable materials, driven by tightening environmental regulations and increasing consumer awareness, is expected to further accelerate demand for rPET-based products. GESL, with its technical capabilities and track record, is well-placed to benefit from this secular trend.

Collaboration with HCCB for Coca-Cola's India bottling operations also offers potential entry into Coca-Cola's global bottling network. Additionally, GESL had also proactively engaged with European partners ahead of 2025 regulations mandating rPET use in packaging.

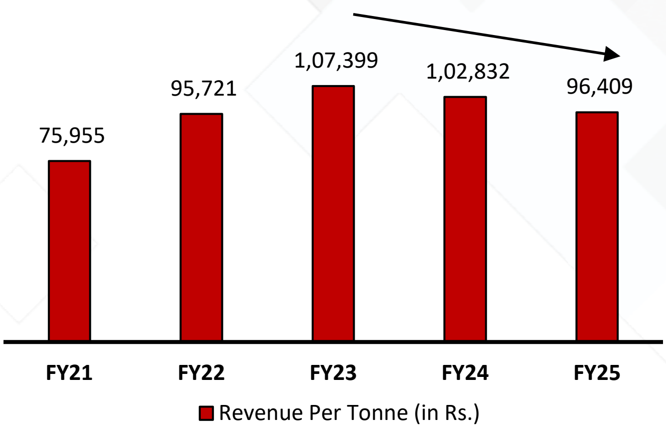
Additionally, GESL participates in international trade fairs and industry exhibitions to build visibility, showcase its technical expertise, and strengthen customer relationships in overseas markets. These efforts collectively aim to diversify revenue streams, improve realisation per unit, and establish GESL as a credible global supplier of sustainable polyester products.

Unit Economics

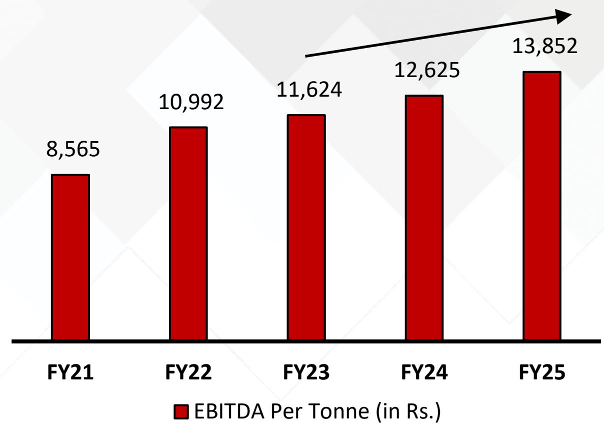
GESL has strategically shifted its product mix from legacy offerings such as rPSF, rPSY, and DTY toward higher-margin, value-added products like rPET chips and Recycled Filament Yarns. With the commissioning of the Warangal facility, the share of value-added products in total revenue increased from 25% in FY24 to 40% in FY25. This shift is clearly reflected in the company's unit economics.

Although realisations declined from Rs. 1,07,399 per ton in FY23 to Rs. 96,409 per ton in FY25 due to muted demand in the textile and brand segments, EBITDA per ton improved from Rs. 11,624 in FY23 to Rs. 13,852 in FY25. This divergence between revenue and profitability highlights the strength of the new product mix and improved operational efficiency. GESL plans to further increase the share of value-added products to 65% over the next two years from 40% in FY25, supporting its strategy of driving sustainable, margin-accretive growth.

Revenue per Ton (Rs.) declined due to muted demand in textile…



…yet EBITDA per Ton (Rs.) improved due to improving product mix



Source: Company, Keynote Capitals Ltd.

Robust Backend Supply Chain

Ganesha Ecosphere has established a nationwide supply network that already leverages more than 300 grassroots suppliers, in addition to malls, airports, and hotels. The Company's daily PET-bottle collection exceeds 450 tonnes, and the network is expanding in step with new capacity, such as the Warangal plant in FY24 and the upcoming Greenfield Unit in Odisha in FY27.

Multiple Sources for securing PET Scrap

Additional raw material security is provided by 12,000 TPA of washed flakes sourced through the Nepal subsidiary at a 12-15% cost discount compared to domestic sourcing. To secure future volumes, a joint venture with Race Eco Chain will lock in an additional ~66% of their current raw material needs. This will be achieved by rolling out a hub-and-spoke system in the South, with Tiruchirappalli live and Chennai next.

Fierce competition pushed PET-scrap prices to record highs in March 2025 and GESL had limited room to pass spikes on to customers. Exports of washed flakes added more pressure, yet the Company's deep supply channels kept the plants running. EPR rules stated that brands had to recycle 50% of plastic output in FY25, and GESL issued 115,000 TPA of certificates against 156,000 TPA of recycling performed on their behalf.

To reduce reliance on bottles, management is exploring the use of textile waste as a raw material for rPSF. The Company is simultaneously moving up the value chain. While still largely a B2B supplier of rPSF and rPET granules, the Go Rewise initiative launches GESL into bottle-to-bottle recycling with food-grade rPET pellets, a market that was opened by the 2021 approval of recycled plastics in food packaging. Together, these measures leave GESL well prepared for demand surges and supply shocks alike.

Strategic joint venture with Race Eco Chain Ltd

In Q4FY25, GESL entered into a strategic joint venture with Race Eco Chain, one of India's largest plastic waste management company, forming "Ganesha Recycling Chain Pvt Ltd." Race Eco Chain holds a 51% stake, while GESL owns the remaining 49%. The PET recycling industry faces structural challenges due to a fragmented and unorganised supply base, resulting in inconsistent raw material availability. This backward integration initiative directly addresses that issue. Although the JV may not lead to immediate cost savings, it significantly improves long-term supply security, which is essential for sustaining high-capacity utilisation as GESL scales up its rPET chip production.

The JV operates on a "hub-and-spoke" model, setting up decentralised PET washing lines to process rPET flakes within a 200 to 300 Km radius. Operations have already commenced in Tiruchirappalli, Tamil Nadu, with another line being established in Chennai. These locations offer logistical proximity to Ganesha's Warangal facility in Telangana, where its rPET chips are manufactured.

Under the terms of the agreement, Ganesha will secure 75% of the flakes produced through the JV, currently amounting to 12,000-13,000 tonnes per month, fulfilling ~66-71% of its raw material requirements. This initiative complements its existing procurement network of over 300 vendors, enhancing the traceability of raw materials and helping brand customers meet their sustainability goals.

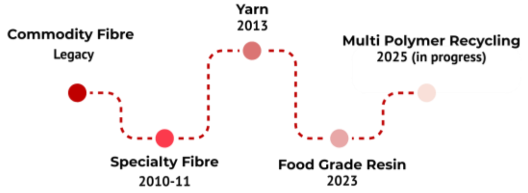
Overall, this is a long-term strategic move that de-risks input sourcing, supports future capacity additions, and strengthens Ganesha's positioning in the recycled polyester value chain.

Exploring new products and sustained R&D focus

GESL places strong emphasis on R&D to drive innovation and product diversification. Over the past 3 decades, the Company has consistently introduced new product lines, upgraded its portfolio, and remained aligned with evolving industry trends. It has a dedicated R&D team of over 20 professionals focused on developing value-added solutions.

Initially centered on rPSF and rPSY, GESL has since expanded into the production of Recycled Filament Yarn and rPET chips/granules. This strategic diversification has enabled the Company to tap into newer customer segments and address the growing demand for sustainable alternatives.

GESL is now exploring opportunities in the High-Density Polyethylene (HDPE) and Polypropylene (PP) segments. While PET accounts for just ~1 Mn tonnes in India's overall plastic consumption of ~100 Mn tonnes, HDPE and PP represent a significantly larger addressable market. To evaluate this opportunity, the Company has launched a pilot project at its Kanpur plant, which has a capacity of 300 tonnes per month. However, the rollout remains gradual due to the Company's near-term focus on rPET granules. Additionally, challenges such as a fragmented and untraceable raw material supply chain, along with pending food-grade safety approvals from FSSAI and EFSA, have delayed commercial-scale up.



Source: Company, Keynote Capitals Ltd.

Management Analysis

Key Managerial Personnel

Name	Designation	Promoter / Professional	Experience with GESL (Yrs.)
Mr. Shyam Sunder Sharma	Chairman and Non-Executive Director	Promoter	35+
Mr. Sharad Sharma	MD and CEO	Promoter	35+
Mr. Vishnu Dutt Khandelwal	Vice Chairman and Executive Director	Promoter	35+
Mr. Rajesh Sharma	Joint MD	Promoter	18+
Mr. Gopal Agarwal	CFO	Professional	18+

Source: Company, Keynote Capitals Ltd.

Compensation and Skin in the Game

Particulars	FY21	FY22	FY23	FY24	FY25
% Promoter Holding	42.14%	42.31%	42.32%	36.44%	36.14%
Management Salary (Rs Mn)	38.73	50.25	84.82	22.27	-
As a % of PAT	8.49%	7.21%	12.21%	5.48%	-

Source: Company, Keynote Capitals Ltd.

Top shareholders >1%

Stakeholders	FY21	FY22	FY23	FY24	FY25
SBI Mutual Fund	7.31%	6.95%	6.39%	9.55%	9.38%
DSP Mutual Fund	6.07%	6.85%	8.09%	6.97%	5.61%
Goldman Sachs India Equity Portfolio				2.71%	2.99%
Investor Education and Protection Fund Authority of Corporate Affairs	2.49%	2.60%	2.68%	2.43%	2.51%
Tata Mutual Fund	2.13%	2.13%	2.13%	1.88%	2.17%
Sangeeta Parikh	3.27%	3.09%	2.97%	2.47%	1.90%
East Bridge Capital Master Fund I Ltd				1.59%	1.58%
Securocop Securities India Pvt. Ltd	2.43%	2.14%	2.35%	1.53%	1.52%
Bank of India, Small and Midcap Equity and Debt Fund					1.20%
Custody Bank Of Japan, Ltd					1.14%
ICICI Prudential Mutual Fund				1.98%	
Societed Generale – Odi				1.41%	
Mcap India Fund Limited	10.34%	4.56%	3.41%		
Essel Industries Pvt. Ltd	2.52%	1.61%	1.59%		
Sg Air Travel Pvt. Ltd		1.03%			

Source: Company, Keynote Capitals Ltd.

Peer Analysis

For peer comparison, we have selected Sri Chakra Polyplast Pvt Ltd (unlisted), as it is currently the closest peer with broad range rPET product portfolio and rPET capacity as GESL.

Srichakra Polyplast (India) Pvt. Ltd. operates a bottle-to-bottle recycling plant near Hyderabad, converting post-consumer PET and polyolefin waste into food-grade rPET flakes, EFSA/FSSAI-approved bottle-grade resin, and recycled HDPE/PP granules. With the addition of two Starlinger lines in 2024, the total food-grade rPET capacity now stands at 42,000 TPA. Founded in 2010, it was India's first recycler to secure European and US clearances for bottle-grade rPET, enabling direct supply to beverage, FMCG, and personal care brands in both domestic and export markets.

Metrics	Ganesha Ecosphere Ltd	Srichakra Polyplast (India) Pvt Ltd
Financial Metrics FY24		
Revenue (Rs. Mn)	11,229	1,092
3 year Revenue Growth CAGR %	14%	246%
EBITDA (Rs. Mn)	1,379	94
EBITDA Margins %	12.3%	8.6%
PAT (Rs. Mn)	406	9
PAT Margins %	3.6%	0.8%
Total Debt to Equity (x)	0.36	1.8
Return on Capital Employed %	6.2%	2.6%

Source: Company, Tracxn, Keynote Capitals Ltd.

Product Portfolio	Ganesha Ecosphere	Srichakra Polyplast(India) Pvt Ltd
DTY	✓	x
rPSF	✓	x
PPSF	✓	x
rPSY	✓	x
Recycled Filament Yarn	✓	x
rPET Food Grade Chips	✓	✓
rPET Washed Flakes	✓	✓
rPET Non-Food grade Chips	✓	x
rHDPE Granules	x	✓
eHDPE Washed Flakes	x	✓
rPP Natural	x	✓

Source: Company, Keynote Capitals Ltd.

Opportunities

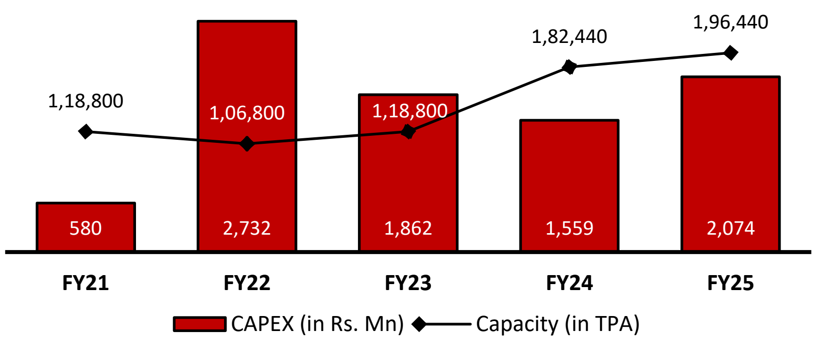
Aggressive capacity expansion focused on value-added products

Over the past 4 years GESL has undertaken a major capex programme that lifted production capacity from 1,06,800 TPA in FY22 to 1,96,400 TPA in FY25, an increase of ~83%. A further 90,000 TPA is slated for addition by FY27, funded through a mix of QIP proceeds, promoter warrants and internal accruals. Spending is concentrated on value-added products such as Recycled Filament Yarn and rPET granules, which earn margins above 20%. Their share of revenue climbed from 0% in FY23 to 25% in FY24, reached 40% in FY25 and is targeted to hit 60-65% within the next 2 years.

The Warangal unit, with a capacity of 77,640 TPA—of which ~70% is dedicated to value-added products, has incurred a cumulative capex Rs. 7 Bn. Additionally, the Company is investing a further Rs. 1.25-1.5 Bn to expand the unit's capacity by 22,500 TPA for rPET granules. The site also has available land to support an additional brownfield capacity, which can be developed to meet future demand.

In parallel, the Company is investing ~Rs. 6 Bn in a greenfield facility in Odisha, which will add 67,500 TPA of rPET granule capacity by the first half of FY27. Upon completion, these expansion projects will increase GESL's total installed capacity to nearly 286,400 TPA and further strengthen its strategic shift toward higher-margin, value-added products.

CAPEX (Rs. Mn) & Capacity (TPA)



Source: Company, Keynote Capitals Ltd.

Industry tailwind backed by Government

Recycling in India is no longer a voluntary effort but a regulated imperative. Under the Plastic Waste Management Rules, 2016, the government has implemented EPR policy, placing the obligation on producers, importers, and brand owners to manage post-consumer plastic waste. This marks a fundamental shift in recycling from a compliance-led activity to a key driver of corporate sustainability and supply chain transformation.

The updated EPR framework is particularly favorable for players like GESL, which specialize in rPET granules. As per the notified targets, rigid plastic packaging, which forms the largest use-case segment, must achieve a minimum recycling rate of 50% by FY25 and 80% by FY28.

EPR Type Category	Recyling Target		Recycling Content Use Target		Reuse Target	
	FY25	FY28	FY26	FY29	FY26	FY29
Rigid Plastic	50%	80%	30%	60%	10%	25%

Source: Central Pollution Control Board, Keynote Capitals Ltd.

Additionally, brand owners are required to incorporate at least 30% recycled content in rigid plastic packaging by FY26, rising 10% incrementally every year to 60% by FY29. Reuse targets for rigid plastics also increase from 10% in FY26 to 25% in FY29.

These policy mandates are expected to significantly increase demand for rPET granules, particularly in regulated categories such as rigid PET bottles. According to the Company's estimates, India will require ~350,000 - 400,000 tonnes of recycled PET annually by FY26 to meet the mandated recycled content requirement. This number is expected to grow steadily as the regulatory thresholds tighten, providing long-term volume visibility.

Given that GESL's entire capex program is directed toward high-margin, value-added products such as rPET granules and Recycled Filament Yarn, the Company is strategically positioned to benefit from these regulatory tailwinds. The ramp-up in recycled content usage is no longer optional but a binding obligation, creating a structural demand driver for GESL's product portfolio in the years ahead.

No near-term threat from competitors

In the B2B rPET chips segment, demand is expected to rise to 3,50,000 to 4,00,000 TPA, driven by mandatory recycled content regulations. Against this, supply remains constrained. There are only five FSSAI-approved food-grade rPET producers in India, with a combined current capacity of ~108,020 TPA. GESL's subsidiary, Ganesha Ecopet Pvt. Ltd., accounts for ~39% of this, positioning it as one of the largest players.

Even as peers pursue aggressive capacity expansion, the industry's total installed capacity is projected to reach only 246,100 TPA by the end of FY26. Following its 22,500 TPA brownfield expansion at Warangal, Ganesha will hold ~26% of this capacity, reinforcing its position as a market leader.

Despite industry-wide capacity additions, the supply gap remains significant against the total combined capacity. This structural mismatch ensures that GESL will face no material threat to volume growth or pricing power in its rPET chips business. Strong regulatory tailwinds and limited competition provide clear visibility for sustained revenue growth in this segment in the near term.

Challenges

Pricing pressure from virgin PET

Historically, rPET products have traded at a ~10% discount to vPET, offering both cost and sustainability advantages. vPET prices are directly linked to crude oil, as crude serves as the primary feedstock for PTA (Purified Terephthalic Acid) and MEG (Monoethylene Glycol), which are essential inputs in vPET production.

In Q4 FY25, crude oil prices declined sharply, resulting in a steep fall in vPET prices. At the same time, intermediate raw material costs for rPET products increased, making vPET a more economical option for buyers. This pricing inversion negatively impacted volumes across the Company's legacy offerings such as rPSF and rPSY, which are closely tied to vPET dynamics. Even in the value-added rPET chips segment, volume growth was muted in Q4 FY25, as brands restricted purchases to only what was necessary for basic ESG compliance.

India's EPR mandate for recycled content in packaging is set to take effect from FY26. However, the current price differential poses a significant compliance challenge. rPET chips are priced at Rs. 120,000 per tonne, compared to vPET at Rs. 80,000 per tonne. At this spread, it becomes economically unviable for PIBOs to substitute vPET with rPET. Instead, many find it more cost-effective to pay the non-compliance penalty of Rs. 5,000 per tonne. This pricing arbitrage has widened the demand-supply gap in the recycled PET ecosystem and is delaying large-scale adoption despite regulatory intent.

Legacy business dependent on the textile industry

he company's legacy business, comprising rPSF, rPSY, and DTY, is primarily sold to textile manufacturers, who further process these inputs into finished apparel and related products. Given their end-use applications, demand for these materials is closely linked to activity in the textile sector. This creates a concentration risk, as any slowdown in the textile industry directly impacts sales volumes.

To address this vulnerability, the Company has been diversifying into higher-margin, value-added products such as rPET chips. These are used across FMCG packaging applications and offer more stable, broad-based demand. However, the legacy segment continues to contribute a major share of the company's consolidated revenue.

According to our estimates, more than 70% of the company's consolidated revenue in FY25 was derived from its textile-oriented products

Over the past two years, the textile industry has remained weak,. Management expects this softness to continue as it is extremely difficult to comment on recovery of textile sector with high conviction. Until then, a significant portion of the business remains exposed to the cyclicality of the textile industry, which may constrain near-term growth.

Financial Statement Analysis

Income Statement

Y/E Mar, Rs. Mn	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	**11,229**	**14,655**	**17,125**	**19,529**	**26,244**
Growth %		31%	17%	14%	34%
Raw Material Expenses	6,909	9,130	10,669	12,167	16,350
Employee Expenses	750	882	1,031	1,175	1,580
Other Expenses	2,191	2,537	2,965	3,322	4,386
EBITDA	**1,379**	**2,106**	**2,461**	**2,865**	**3,928**
Growth %		53%	17%	16%	37%
Margin%	12%	14%	14%	15%	15%
Depreciation	487	550	680	838	933
EBIT	**892**	**1,556**	**1,781**	**2,026**	**2,995**
Growth %		74%	14%	14%	48%
Margin%	8%	11%	10%	10%	11%
Interest Paid	449	381	457	529	589
Other Income & exceptional	146	179	77	49	105
PBT	**589**	**1,355**	**1,401**	**1,547**	**2,511**
Tax	183	323	350	387	628
PAT	**406**	**1,032**	**1,050**	**1,160**	**1,883**
Others (Minorities, Associates)	0	0	0	0	0
Net Profit	**406**	**1,031**	**1,050**	**1,160**	**1,883**
Growth %		154%	2%	10%	62%
Margin%	4%	7%	6%	6%	7%
Shares (Mn)	25.3	25.5	26.8	26.8	26.8
EPS	**16.01**	**40.74**	**39.18**	**43.27**	**70.27**

Balance Sheet

Y/E Mar, Rs. Mn	FY24	FY25	FY26E	FY27E	FY28E
Cash, Cash equivalents & Bank	1,532	1,217	565	293	845
Current Investments	276	200	200	200	200
Debtors	1,380	1,716	2,005	2,148	2,624
Inventory	3,014	3,554	4,216	4,745	6,213
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	8,757	9,158	11,653
Net Block & CWIP	8,418	9,677	11,995	14,378	14,233
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**	**21,958**	**24,741**	**27,091**
Creditors	746	807	1,033	1,157	1,625
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	3,587	3,712	4,179
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	255	255	255
Reserves & Surplus	10,268	11,252	13,342	14,501	16,384
Shareholders' Equity	10,521	11,507	13,596	14,756	16,639
Non Controlling Interest	0	0	0	0	0
Total Equity & Liabilities	**16,245**	**19,342**	**21,958**	**24,741**	**27,091**

Cash Flow

Y/E Mar, Rs. Mn	FY24	FY25	FY26E	FY27E	FY28E
Pre-tax profit	589	1,354	1,400	1,546	2,511
Adjustments	795	769	1,061	1,318	1,418
Change in Working Capital	-778	-1,460	-397	-517	-1,480
Total Tax Paid	-171	-250	-350	-387	-628
Cash flow from operating Activities	**435**	**412**	**1,385**	**1,930**	**1,823**
Net Capital Expenditure	-1,559	-2,074	-2,794	-3,022	-749
Change in investments	-840	1,122	0	0	0
Other investing activities	128	-300	77	49	105
Cash flow from investing activities	**-2,272**	**-1,253**	**-2,920**	**-3,173**	**-683**
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	-653	-271	552

Valuation Ratios

	FY24	FY25	FY26E	FY27E	FY28E
Per Share Data					
EPS	16	41	39	43	70
Growth %		155%	-4%	10%	62%
Book Value Per Share	415	452	507	551	621
Return Ratios					
Return on Assets (%)	3%	6%	5%	5%	7%
Return on Equity (%)	5%	9%	8%	8%	12%
Return on Capital Employed (%)	7%	9%	8%	8%	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	1.0	1.3
Working Capital / Sales (x)	34%	37%	30%	27%	25%
Receivable Days	41	39	41	39	33
Inventory Days	154	131	137	134	122
Payable Days	38	29	31	31	28
Working Capital Days	157	141	147	142	126
Liquidity Ratios					
Current Ratio (x)	4.6	2.5	2.4	2.5	2.8
Interest Coverage Ratio (x)	2.3	4.6	4.1	3.9	5.3
Total Debt to Equity	0.4	0.5	0.4	0.5	0.4
Net Debt to Equity	0.2	0.4	0.4	0.5	0.4
Valuation					
PE (x)	52.8	38.2	39.7	36.0	22.2
Earnings Yield (%)	2%	3%	3%	3%	5%
Price to Sales (x)	1.6	2.7	2.5	2.2	1.6
Price to Book (x)	1.8	3.4	2.9	2.7	2.4
EV/EBITDA (x)	15.2	20.8	19.1	16.3	11.7
EV/Sales (x)	1.9	3.0	2.7	2.4	1.8

Source: Company, Keynote Capitals Ltd. estimates

Valuations

Particulars	FY28E
Revenue (in Rs. Mn)	26,244
PAT (in Rs. Mn)	1,883
EPS (Rs.)	70.27
P/E (x)	35
Target Price (Rs.)	2,459
CMP (Rs.)	1,492
Upside / (Downside %)	**64.8%**

Source: Company, Keynote Capitals Ltd. estimates

Over the past two years, GESL has expanded its capacity from 118,800 TPA in FY23 to 196,440 TPA in FY25. By FY27, the Company plans to add another 90,000 TPA, taking the total installed capacity to 286,440 TPA. This positions GESL well for sustained volume-led growth and margin expansion over the medium term.

However, the Company is currently facing raw material price headwind. A sharp rise in rPET prices, driven by demand-supply mismatches and tighter EPR compliance, has widened the spread between rPET and vPET. With rPET now ~30% more expensive, several PIBOs are limiting their procurement to the minimum compliance requirement and paying penalties on the balance, waiting for price normalization before increasing purchases.

Based on our analysis, we expect GESL to deliver a 21% revenue CAGR over FY26E–FY28E. We anticipate improved margins as the volume contribution of rPET Granules increases in the volume mix.

In light of these factors, we are initiating coverage on GESL with a BUY rating, valuing the business at 35x P/E on FY28E to arrive at an upside of 64.8%.

KARAN KAMLESH GALAIYA

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Date: 2025.07.15 14:20:30 +05'30'

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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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