



Temporary blip; Long term outlook intact

May 27, 2025

EPR regulations have been implemented from 1st April 2025, mandating 30% recycled plastic in new packaging without any dilution. Consolidated Revenue up 13% YoY, led by strong performance at Warangal's rPET plant, which had lower base utilization last year. Sales volumes were flat YoY (~1%) but down 17% QoQ due to pressure in the legacy rPSF business & soft off take in rPET segment as well. The key issue for soft off take is the widened Rs.30–35/kg price gap between virgin and recycled materials, leading brands to delay EPR-compliant purchases expecting prices to ease later. Average realisation rose to Rs.100/kg (+11% YoY, +5% QoQ); subsidiary realisation at Rs.118/kg (+9% YoY & QoQ). Gross margin declined 170 bps QoQ to ~39% due to rising RM (scrap bottle) costs, though prices started easing from May-25. EBITDA grew ~9% YoY; margin at 14.8% (down 50 bps YoY) as rPSF segment remained weak due to subdued demand & higher food-grade pricing. Consol EBITDA/kg at Rs.13.2 (vs Rs.13.8 YoY); Subs EBITDA/kg at Rs.28 (vs Rs.31 YoY). Standalone/traditional biz saw 99% utilisation, while Warangal operated at 63% with overall consolidated level utilization at ~83%. Total rPET capex planned at ~Rs.7.3 bn for 90k TPA capacity: 22.5k TPA by Q4FY26 & 67.5k TPA by H1FY27.

Key financial highlights

- Revenues at ₹3444Mn, 12.8%YoY/-13.5%QoQ
- EBITDA (Excl OI) at ₹512Mn, 8.6%YoY/-9.6%QoQ
- PAT at ₹239Mn, 10.3%YoY/-19.9%QoQ
- Gross Margin came in at 39.1% vs 40.8% YoY/36.5% QoQ
- Gross Margin saw decline of -172 bps on YoY basis
- EBITDA Margin (Excl OI) came in at 14.9% vs 15.5% YoY/14.3% QoQ
- EBITDA Margin (Excl OI) saw decline of -57 bps on YoY basis

Financial Summary

| Y/E Mar (Rs mn) | FY21 | FY22 | FY23 | FY24 | FY25 | FY26e | FY27e |
|-----------------|-------|--------|--------|--------|--------|--------|--------|
| Net sales | 7,511 | 10,214 | 11,796 | 11,229 | 14,655 | 15,861 | 20,496 |
| EBIDTA | 845 | 1,139 | 1,277 | 1,378 | 2,106 | 2,452 | 3,596 |
| Margins | 11.2 | 11.2 | 10.8 | 12.3 | 14.4 | 15.5 | 17.5 |
| PAT (adj) | 435 | 619 | 699 | 406 | 1,031 | 1,168 | 1,928 |
| Growth (%) | -31.7 | 42.4 | 12.9 | -41.9 | 154.0 | 13.4 | 65.0 |
| EPS | 19.91 | 28.35 | 32.01 | 16.01 | 40.49 | 44.47 | 73.39 |
| P/E (x) | 86 | 61 | 54 | 107 | 42 | 39 | 23 |
| P/B (x) | 7 | 7 | 6 | 4 | 4 | 4 | 3 |
| EV/EBITDA (x) | 45 | 35 | 33 | 33 | 22 | 19 | 14 |
| RoE (%) | 9 | 11 | 12 | 5 | 9 | 10 | 14 |
| ROCE (%) | 11 | 12 | 11 | 8 | 11 | 11 | 14 |
| RoIC (%) | 9 | 8 | 8 | 6 | 8 | 11 | 12 |

Source : Company, Dalal & Broacha Research

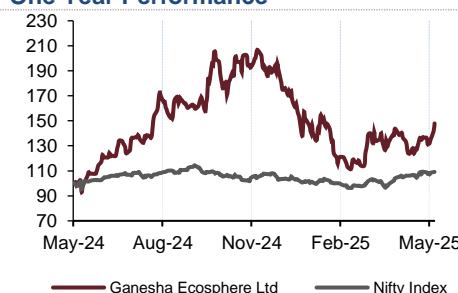
| Rating | TP (Rs) | Up/Dn (%) |
|------------|--------------|-----------|
| BUY | 2,202 | 40 |

Market Data

| | | |
|----------------------|-----------|---------------|
| Current price | Rs | 1,575 |
| Market Cap (Rs.Bn) | (Rs Bn) | 40 |
| Market Cap (US\$ Mn) | (US\$ Mn) | 469 |
| Face Value | Rs | 10 |
| 52 Weeks High/Low | Rs | 2484.2 / 1016 |
| Average Daily Volume | ('000) | 273 |
| BSE Code | | 514167 |
| Bloomberg | | GNPL.IN |

Source: Bloomberg

One Year Performance



Source: Bloomberg

| % Shareholding | Mar-25 | Dec-24 |
|----------------|---------------|---------------|
| Promoters | 36.14 | 36.14 |
| Public | 63.71 | 63.71 |
| Total | 100.00 | 100.00 |

Source: BSE

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Regulation-led growth amid pricing volatility and delayed offtake

Despite strict EPR implementation and rising recycled content targets (30% in FY26 → 60% by FY29), brands are delaying purchases due to a sharp price gap between virgin (Rs.85-90/kg) and recycled (Rs.120-122/kg) materials. While the regulation is a long-term demand driver, current subdued offtake from brands (awaiting price correction and better clarity) is impacting sales volumes. However, since brands are required to fulfill their EPR obligations before year-end, they have some time and may ramp up purchases later. Brands themselves experienced weak demand (~5% degrowth vs 10% expected growth) due to weather and competitive pressures, adding to the delay. The company, however, remains confident that demand will accelerate later in the year, with export markets serving as a fallback.

Legacy business weakness weighs on margins; High-margin products & rPET to drive future mix

Traditional business continues to face pressure due to weak textile demand, low pricing in rPSF, and capacity underutilization (~99% vs historical levels of >105%), affecting margins. While rPET plant is operating at ~80%+ utilization with resilient margins but overall warangal operations continues to be subdued at ~63% utilization level and has the potential to reach Rs.7-7.5 bn annual revenue at higher capacity utilisation (current quarterly run rate of Rs.3.5bn-Rs4 bn). The company is focused on increasing contribution from high-margin products (currently ~40%, near term target ~65%) and scaling rPET volumes, which will drive blended margin improvement over time. We bake in overall EBITDA margin expansion of >300 bps by FY27e

Capex of Rs.7.25 bn underway

The company has committed Rs.7.25 bn capex (Odisha + Warangal), expecting asset turnover of 1.25x-1.35x. Odisha capacity will add 67,500 TPA and Warangal from 42,000 to 64,500 TPA, adding ~90,000 TPA in total. While major benefits will reflect from FY27 onwards, interim growth in filament Yarn and better utilization at Warangal plant will support FY26. If local brands remain slow, the company is prepared to export to maintain capacity use. Despite competitive threats, Ganesha's consistent

Valuation & Outlook

Ganesha Ecosphere Ltd (GNPL) is India's largest PET bottle recycler, shifting from textile recycling to producing rPET granules for the FMCG industry, in response to new EPR norms requiring mandatory recycled plastic content in packaging by FY26. GNPL recycles over 8.5 billion PET bottles annually, capturing 16% of India's PET waste. GNPL looks to expand its rPET capacity from 42,000 tonnes to ~200,000-300,000 tonnes, aiming to capture ~20% of the rPET market. Recent expansion at Warangal plant is expected to drive revenue growth in the medium term with planned capex at Orissa to drive long term revenue growth and improve EBITDA margins from 14.4% to ~17% over next 2 years. GNPL's robust dealer network, spanning nearly 300 dealers, provides a strong procurement advantage. The company is also poised to benefit from the shift towards organized recycling, as stricter EPR norms formalize the market. GNPL's long-standing industry presence and strategic expansions position it to lead India's plastic waste management revolution. With a robust succession plan and ongoing discussions with major bottling companies, GNPL is set to lead the way in sustainable plastic packaging solutions. The company's move to high-entry barrier rPET products from low-entry barrier textiles marks a significant strategic shift.

The issuance of warrants to GNPL promoters at Rs.1,035 per share in January 2024, amounting to Rs.1.5 billion, and the QIB issue of Rs.3.5 billion at Rs.995 per share in February 2024, demonstrate strong confidence in the company's growth trajectory.

Despite near-term demand softness and pricing challenges, long-term growth visibility remains strong, driven by tightening EPR regulations and rising recycled content mandates. As brands work toward fulfilling their annual EPR obligations, demand is expected to pick up meaningfully in H2.

We maintain our **BUY** rating but reduce our earnings estimate for FY26e/FY27e due to slower than expected ramp up of Warangal plant & back ended growth from incremental capex. **We expect revenue/EBITDA/PAT/EPS CAGR of 18%/31%/37%/23% over FY25-27e & value the company at 30x FY27e EPS of ~Rs.73 (previously ~Rs.79) arriving at target price of Rs.2,202. This is justified by evolving regulatory dynamics, which are expected to enhance earnings longevity, strengthen the raw material procurement moat, and leverage the high-entry barrier nature of the business. Additionally, the shift from the cyclical textile industry to an FMCG clientele, along with increased customer loyalty, all contribute to potential high earnings visibility.**

Conference Concall KTAs

Guidance

- FY26 revenue guided at Rs.17-17.5 bn.
- Base (standalone) business expected at Rs.9-9.5 bn, rest from value-added.
- Major growth from expansion expected in FY27+, post stabilization.

Warangal Plant

- Overall capacity utilization: 63%; rPET: 80%, RPSF: ~70%, filament yarn: low.
- Targeting 75%+ utilization by FY26-end; RPSF & yarn expected to ramp up.
- New rPET line of 22.5k operational by Dec 2025, full stabilization in 3–6 months.

Legacy (Standalone) Business Outlook

- Facing headwinds from high raw material prices & weak demand.
- EBITDA margin maintained at 10–11%; capacity utilization at ~99%.
- No near-term capacity expansion planned.
- Sales lagging production due to customer price resistance & receivables focus.
- Volume recovery expected in 2–3 quarters; current volumes to remain stable QoQ.

EPR Regulation & rPET dynamics

- 30% recycled PET mandate effective April 1, 2025; compliance discussions increasing.
- Brands gradually ramping rPET usage; compliance necessary to avoid Rs.2,900–8,700/ton penalties. Environmental penalties can range Rs.3-5bn based on turnover.
- rPET price ~30% higher than virgin PET currently; gap narrowing.

Capex & Expansion Plans

- Rs.7.25 bn capex over 2 years.
- Total capacity to reach 2,86,440 TPA; revenue potential: Rs.26-27bn by FY28.
- Depreciation to rise by Rs.350–400 mn. Orissa plant on long-term lease.

Backward Integration (Washing JV)

- JV formed for local PET bottle washing; 1 line operational, 1 more starting in Chennai.
- Goal: localized sourcing within 250–300 km to have secured RM supply chain (Focus is raw material security, not margin accretion.)

Inventory Trends

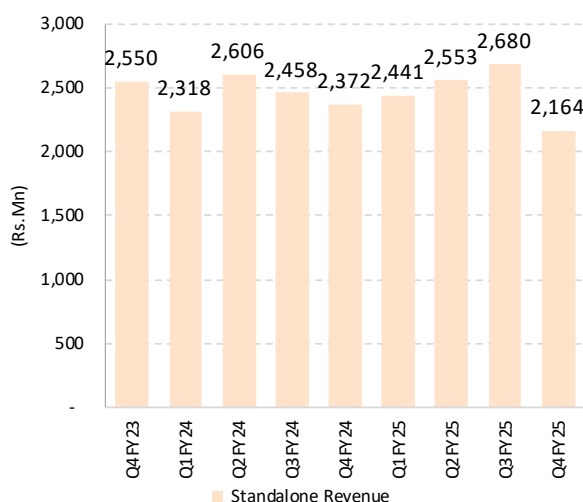
- Inventory rose in Q4FY25 due to higher production & slower sales.
- Inventory days at ~100; target to reduce to 70–75 days in 12–18 months.

Quarterly Financials

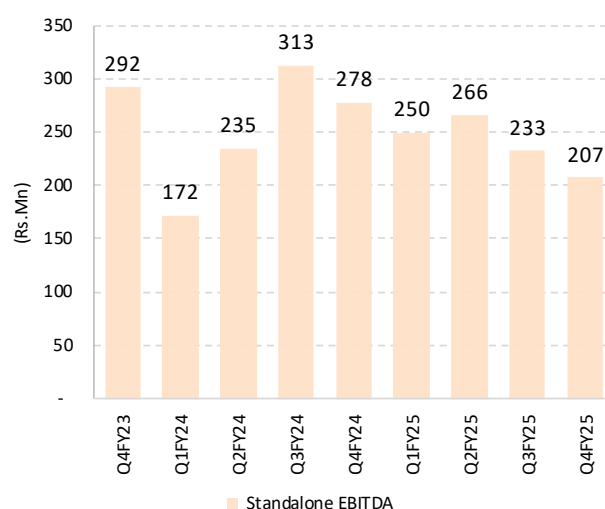
| (Rs.Mn) | Q4FY25 | Q4FY24 | YoY Growth (%) | Q3FY25 | QoQ Growth (%) |
|--|--------------|--------------|-----------------|--------------|-----------------|
| Revenue from Operations | 3,444 | 3,055 | 13% | 3,978 | -13% |
| Other Income | 47 | 45 | 6% | 52 | -10% |
| Total RM Cost | 2,098 | 1,809 | 16% | 2,530 | -17% |
| Gross Profit | 1,346 | 1,246 | 8% | 1,448 | -7% |
| Employee Benefits Expense | 230 | 200 | 15% | 228 | 1% |
| Other Expenses | 605 | 576 | 5% | 655 | -8% |
| Total Expenses | 2,933 | 2,585 | 13% | 3,413 | -14% |
| EBITDA (Excluding Other Income) | 511 | 471 | 9% | 565 | -10% |
| Depreciation and Amortisation Expenses | 137 | 118 | 16% | 143 | -4% |
| EBIT / PBIT | 421 | 397 | 6% | 475 | -11% |
| Finance Costs | 96 | 91 | 6% | 105 | -8% |
| EBT/ PBT | 325 | 306 | 6% | 369 | -12% |
| Tax Expense | 87 | 90 | -4% | 72 | 20% |
| Net Profit after Tax | 238 | 216 | 10% | 297 | -20% |
| Adj Earning Per Share | 9.4 | 9.7 | -3% | 11.7 | -20% |
| | | | | | |
| Margins (%) | | | (In bps) | | (In bps) |
| Gross Margins | 39.1% | 40.8% | -171 | 36.4% | 267 |
| EBITDA Margins (Excl Other Income) | 14.8% | 15.4% | -56 | 14.2% | 64 |
| PAT Margins | 6.8% | 7.0% | -16 | 7.4% | -57 |
| Tax Rate | 26.7% | 29.4% | -275 | 19.5% | 712 |
| | | | | | |
| As a % to sales | | | | | |
| RM as a % to sales | 60.9% | 59.2% | | 63.6% | |
| EE Cost as a % to sales | 6.7% | 6.5% | | 5.7% | |
| Other exps as a % to sales | 17.6% | 18.9% | | 16.5% | |
| | | | | | |

Source: Dalal & Broacha Research

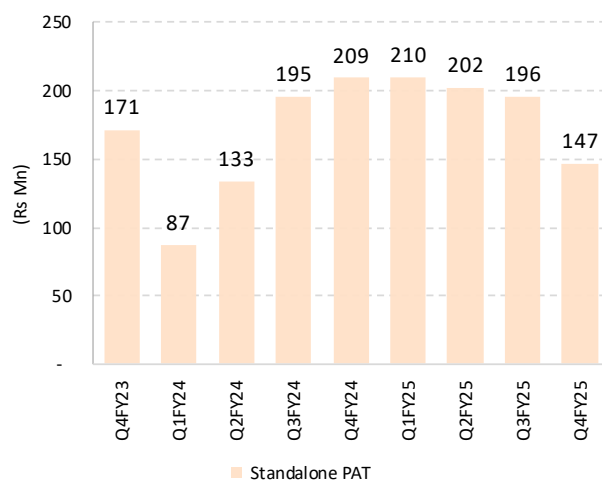
Standalone revenue



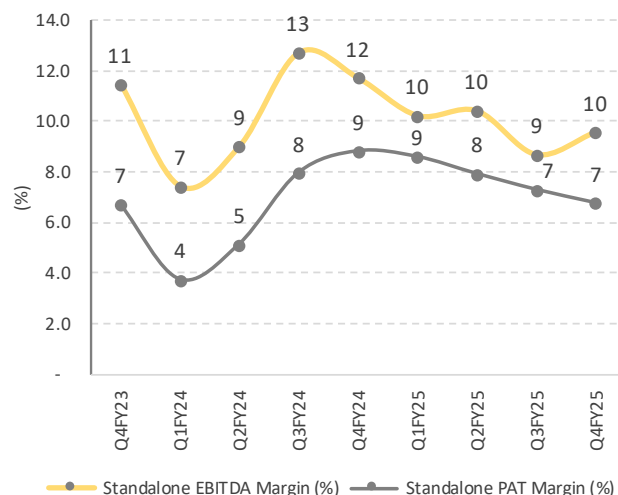
Standalone EBITDA



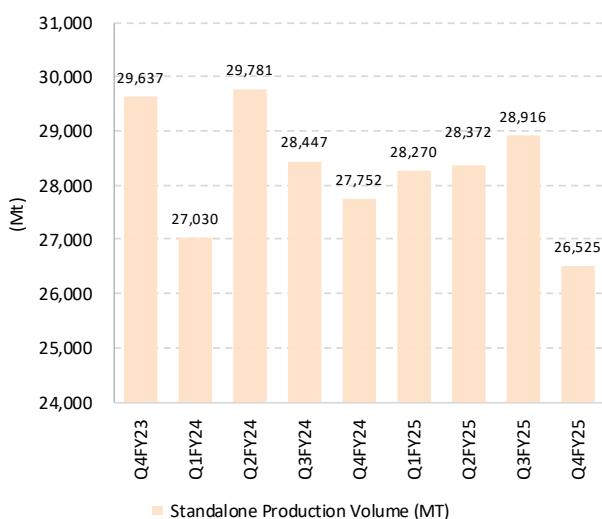
Standalone PAT



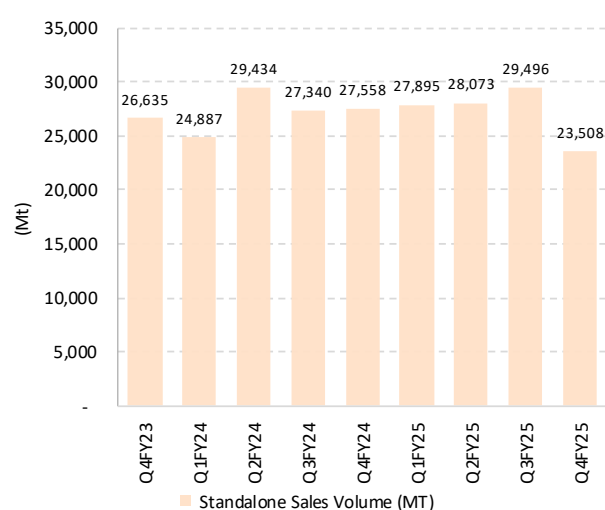
Standalone EBITDA & PAT Margin (%)



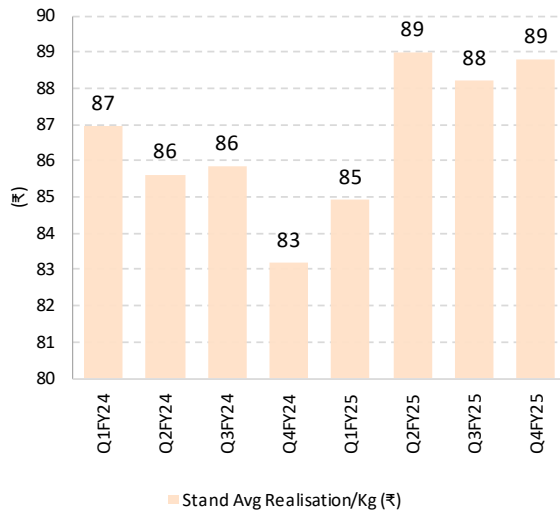
Standalone Production Volume (MT)



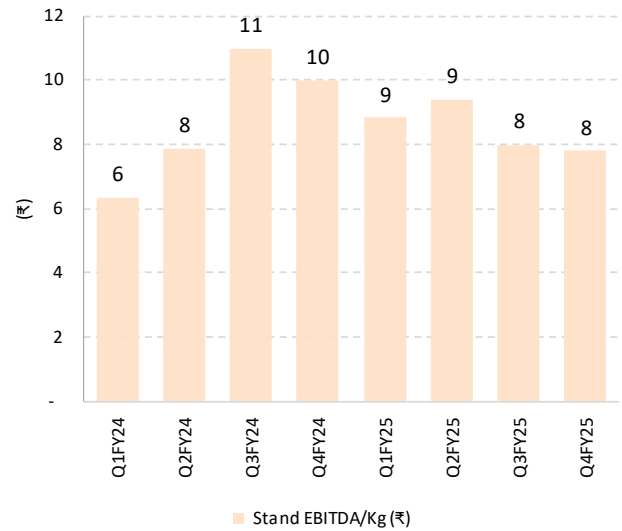
Standalone Sales Volume (MT)



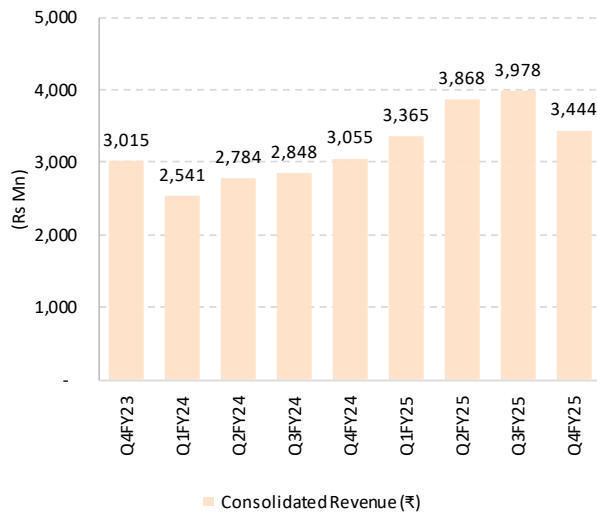
Standalone average realisation (Rs)



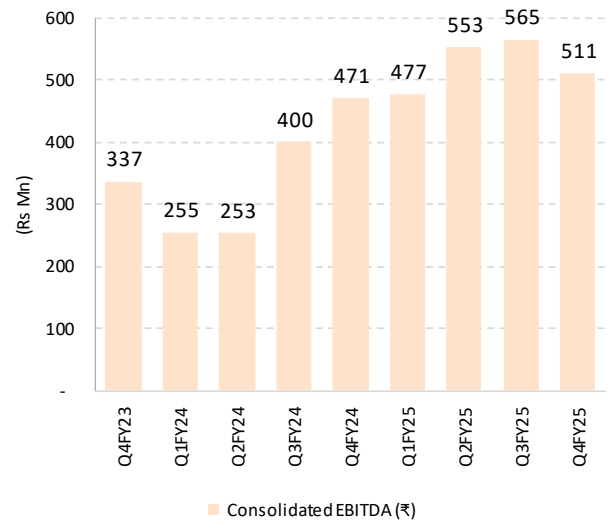
Standalone EBITDA/kg (Rs)



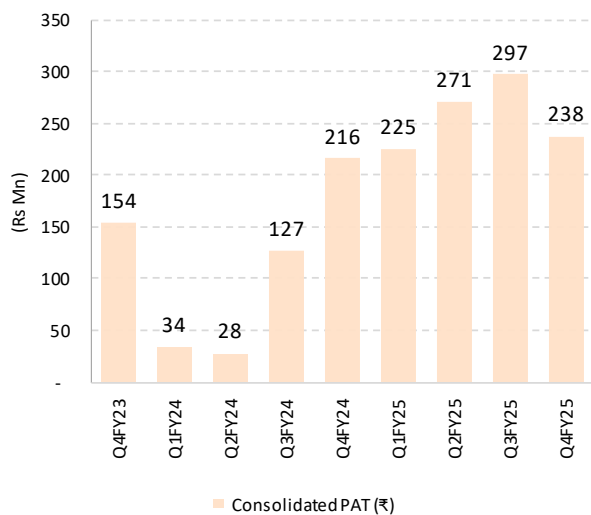
Consolidated Revenue (Rs)



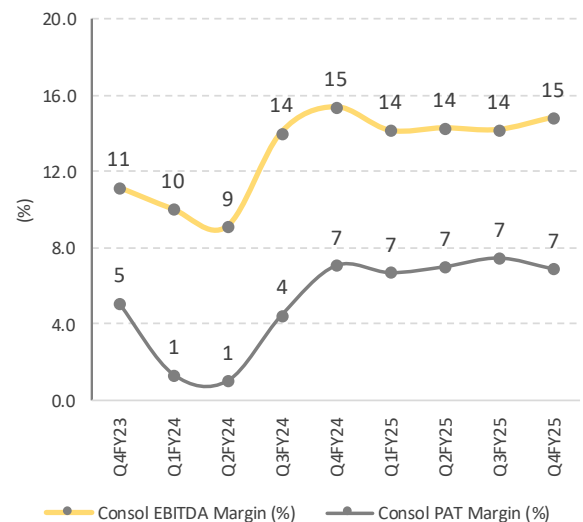
Consolidated EBITDA (Rs)



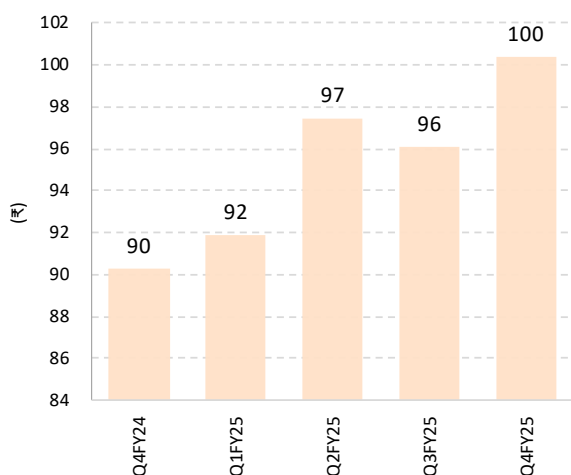
Consolidated PAT (Rs)



Consolidated EBITDA & PAT Margin (%)

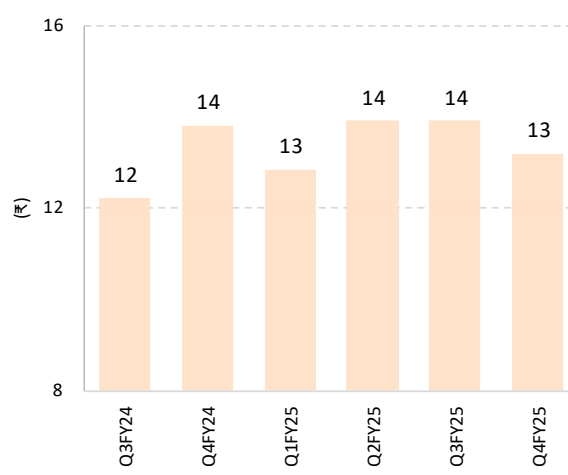


Consolidated average realisation (Rs)



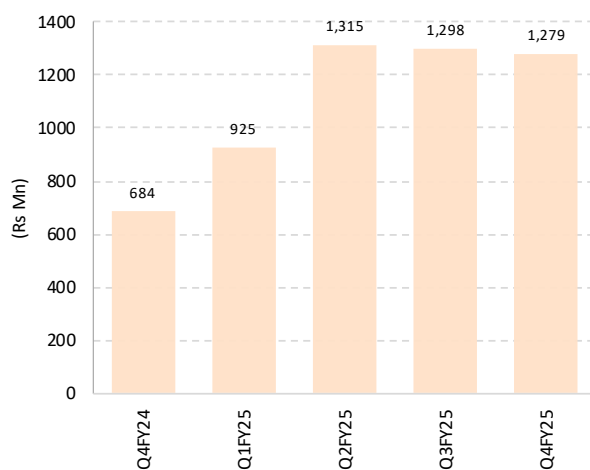
Consol Avg Realisation/Kg (₹)

Consolidated EBITDA/kg (Rs)



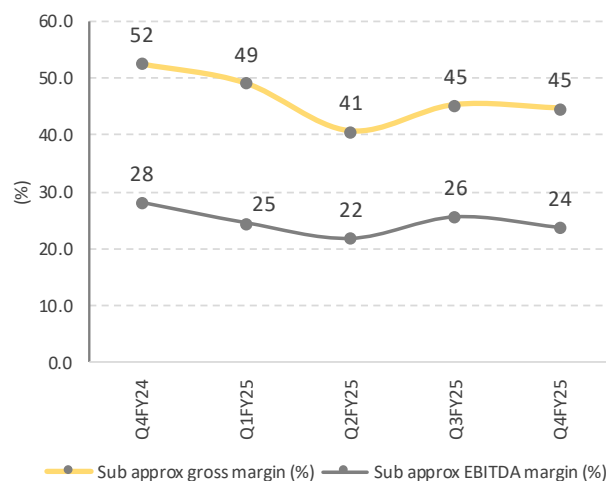
Consol EBITDA/Kg (₹)

Subsidiary - Warangal Plant Approx Revenue (₹)



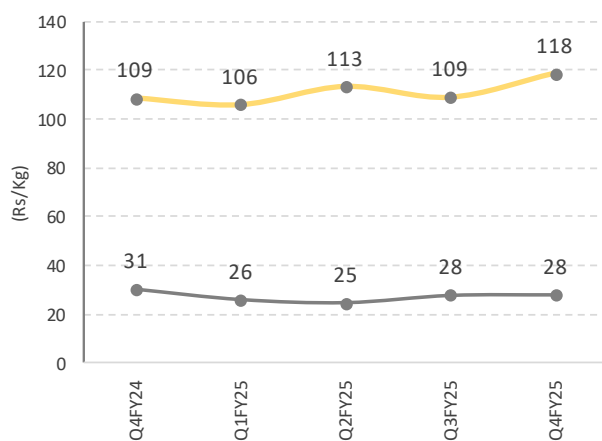
Sub approx revenue

Subsidiary - Warangal Plant Approx Gross & EBITDA Margin (%)



Sub approx gross margin (%) Sub approx EBITDA margin (%)

Sub - Warangal plant approx Realisation/kg & EBITDA/kg (₹)



Sub approx Realisation/Kg (₹) Sub approx EBITDA/Kg (₹)

Source: Dalal & Broacha Research, Company

Financials

| P&L (Rs mn) | FY21 | FY22 | FY23 | FY24 | FY25 | FY26e | FY27e |
|-------------------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Net Sales | 7,511 | 10,214 | 11,796 | 11,229 | 14,655 | 15,861 | 20,496 |
| Operating Expenses | -4,755 | -6,572 | -7,787 | -6,909 | -9,130 | -9,675 | -12,195 |
| Employee Cost | -480 | -579 | -672 | -750 | -882 | -990 | -1,163 |
| Other Expenses | -1,431 | -1,924 | -2,061 | -2,191 | -2,537 | -2,743 | -3,542 |
| Operating Profit | 845 | 1,139 | 1,277 | 1,378 | 2,106 | 2,452 | 3,596 |
| Depreciation | -272 | -284 | -292 | -487 | -550 | -579 | -715 |
| PBIT | 573 | 855 | 985 | 891 | 1,556 | 1,873 | 2,880 |
| Other income | 94 | 69 | 134 | 146 | 179 | 179 | 179 |
| Interest | -88 | -98 | -169 | -449 | -381 | -574 | -694 |
| PBT | 579 | 826 | 950 | 588 | 1,354 | 1,479 | 2,366 |
| Profit before tax | 579 | 826 | 950 | 588 | 1,354 | 1,479 | 2,366 |
| Provision for tax | -145 | -208 | -251 | -183 | -323 | -311 | -438 |
| Profit & Loss from | - | - | - | - | -0 | - | - |
| Reported PAT | 435 | 619 | 699 | 406 | 1,031 | 1,168 | 1,928 |
| MI | - | - | - | - | - | - | - |
| Owners PAT | 435 | 619 | 699 | 406 | 1,031 | 1,168 | 1,928 |
| Adjusted Profit | 435 | 619 | 699 | 406 | 1,031 | 1,168 | 1,928 |

| Balance Sheet (Rs mn) | FY21 | FY22 | FY23 | FY24 | FY25 | FY26e | FY27e |
|--------------------------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Equity capital | 218 | 218 | 218 | 253 | 255 | 263 | 263 |
| Reserves | 4,951 | 5,518 | 6,161 | 10,268 | 11,252 | 12,245 | 13,884 |
| Net worth | 5,170 | 5,736 | 6,379 | 10,521 | 11,507 | 12,508 | 14,147 |
| MI | - | - | - | - | - | - | - |
| Non Current Liabilities | 614 | 2,762 | 3,524 | 4,160 | 4,474 | 6,478 | 6,483 |
| Current Liabilities | 1,689 | 2,449 | 3,324 | 1,564 | 3,361 | 3,327 | 3,882 |
| TOTAL LIABILITIES | 7,473 | 10,947 | 13,228 | 16,245 | 19,342 | 22,314 | 24,512 |
| Non Current Assets | 3,557 | 6,322 | 7,873 | 8,887 | 10,884 | 11,420 | 16,752 |
| Fixed Assets | 3,277 | 5,755 | 7,473 | 8,406 | 9,669 | 10,330 | 15,616 |
| Right of Use Assets | 12 | 12 | 12 | 12 | 12 | 12 | 11 |
| Financial Assets | - | - | 59 | 59 | 287 | 124 | 131 |
| Deferred Tax Asset | - | - | - | - | - | - | - |
| Advances | 223 | 509 | 298 | 398 | 168 | 168 | 168 |
| Assets | 44 | 46 | 31 | 12 | 749 | 786 | 826 |
| Current Assets | 3,916 | 4,625 | 5,355 | 7,358 | 8,458 | 10,894 | 7,760 |
| Current investments | 721 | 689 | 486 | 276 | 200 | 140 | 70 |
| Inventories | 1,725 | 1,965 | 2,802 | 3,014 | 3,554 | 2,386 | 2,840 |
| Trade Receivables | 1,056 | 1,162 | 1,148 | 1,380 | 1,716 | 2,173 | 2,527 |
| Cash and Bank Balances | 152 | 230 | 62 | 1,532 | 1,217 | 5,359 | 1,254 |
| Advances | 220 | 185 | 448 | 535 | 2 | 2 | 2 |
| Other Financial Assets | - | - | - | - | 41 | 41 | 41 |
| Other Current Assets | 42 | 395 | 409 | 623 | 1,727 | 793 | 1,025 |
| TOTAL ASSETS | 7,473 | 10,947 | 13,228 | 16,245 | 19,342 | 22,314 | 24,512 |

| Cashflow (Rs mn) | FY21 | FY22 | FY23 | FY24 | FY25 | FY26e | FY27e |
|-----------------------------|-------------|---------------|---------------|---------------|---------------|---------------|---------------|
| PBT | 579 | 826 | 950 | 588 | 1,354 | 1,479 | 2,366 |
| Depreciation | 272 | 284 | 292 | 487 | 550 | 579 | 715 |
| Net Chg in WC | -423 | -231 | -835 | -778 | -1,387 | 1,236 | -937 |
| Taxes | -135 | -235 | -230 | -171 | -253 | -311 | -438 |
| Others | -19 | 3 | 26 | 308 | 134 | 541 | 659 |
| CFO | 274 | 648 | 202 | 435 | 398 | 3,524 | 2,367 |
| Capex | -593 | -2,766 | -2,049 | -1,567 | -1,812 | -1,240 | -6,002 |
| Net Investments made | 63 | 168 | 101 | -840 | -152 | 223 | 63 |
| Others | 35 | 53 | 285 | 136 | 712 | - | - |
| CFI | -495 | -2,545 | -1,664 | -2,272 | -1,252 | -1,018 | -5,939 |
| Change in Share capital | - | - | - | 3,775 | 1,131 | 8 | - |
| Change in Debts | 349 | 2,217 | 1,474 | -1,071 | 2,010 | 2,376 | 451 |
| Div. & Div Tax | -117 | -133 | -179 | -476 | -535 | -749 | -983 |
| Others | - | -9 | -12 | 0 | -1,038 | - | - |
| CFF | 232 | 2,075 | 1,283 | 2,228 | 1,567 | 1,635 | -532 |
| Total Cash Generated | 11 | 178 | -178 | 391 | 713 | 4,141 | -4,105 |
| Cash Opening Balance | 13 | 43 | 221 | 43 | 434 | 1,217 | 5,359 |
| Cash Closing Balance | 24 | 221 | 43 | 434 | 1,217 | 5,359 | 1,254 |
| Ratios | FY21 | FY22 | FY23 | FY24 | FY25 | FY26e | FY27e |
| OPM | 11.2 | 11.2 | 10.8 | 12.3 | 14.4 | 15.5 | 17.5 |
| NPM | 5.7 | 6.0 | 5.9 | 3.6 | 6.9 | 7.3 | 9.3 |
| Tax rate | -25.0 | -25.1 | -26.4 | -31.0 | -23.8 | -21.0 | -18.5 |
| Growth Ratios (%) | | | | | | | |
| Net Sales | -15.5 | 36.0 | 15.5 | -4.8 | 30.5 | 8.2 | 29.2 |
| Operating Profit | -24.4 | 34.8 | 12.1 | 7.9 | 52.8 | 16.5 | 46.6 |
| PBIT | -31.5 | 49.2 | 15.2 | -9.5 | 74.6 | 20.4 | 53.8 |
| PAT | -31.7 | 42.4 | 12.9 | -41.9 | 154.0 | 13.4 | 65.0 |
| Per Share (Rs.) | | | | | | | |
| Net Earnings (EPS) | 19.91 | 28.35 | 32.01 | 16.01 | 40.49 | 44.47 | 73.39 |
| Cash Earnings (CPS) | 32.36 | 41.37 | 45.38 | 35.22 | 62.10 | 66.51 | 100.62 |
| Dividend | 8.00 | 3.60 | 2.00 | 3.00 | 6.11 | 6.67 | 11.01 |
| Book Value | 236.82 | 262.77 | 292.21 | 415.08 | 452.01 | 476.02 | 538.40 |
| Free Cash Flow | -10.75 | -98.11 | -210.36 | -134.87 | -84.96 | 77.82 | -147.41 |
| Valuation Ratios | | | | | | | |
| P/E(x) | 86 | 61 | 54 | 107 | 42 | 39 | 23 |
| P/B(x) | 7 | 7 | 6 | 4 | 4 | 4 | 3 |
| EV/EBIDTA(x) | 45 | 35 | 33 | 33 | 22 | 19 | 14 |
| Div. Yield(%) | 0.47 | 0.21 | 0.12 | 0.17 | 0.36 | 0.39 | 0.64 |
| FCF Yield(%) | -0.63 | -5.72 | -12.26 | -7.86 | -4.95 | 4.54 | -8.59 |
| Return Ratios (%) | | | | | | | |
| ROE | 9% | 11% | 12% | 5% | 9% | 10% | 14% |
| ROCE | 11% | 12% | 11% | 8% | 11% | 11% | 14% |
| RoIC | 9% | 8% | 8% | 6% | 8% | 11% | 12% |

Source: Dalal & Broacha Research, Company

Disclaimer

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