



Weak quarter; regulatory drag, recovery from Jan

Q3 FY26 consolidated revenue stood at Rs. 3.57 bn, down 1.8% QoQ and down 10.2% YoY. EBITDA fell sharply to Rs. 307 mn, down 37.7% QoQ and 45.6% YoY, with margin compressing to 8.6% (14.2% YoY). GESL reported a consolidated net profit of Rs. 47 mn, against a profit of Rs. -5 mn in Q2FY26 and Rs. 297 mn in Q2FY25. Standalone revenue increased to Rs. 2.72 bn (vs. Rs. 2.21 bn QoQ), while standalone PAT remained steady at Rs. 159 mn (vs. Rs. 78 mn QoQ) but dropped from Rs. 196 mn YoY. Consolidated sales volume rose 40,233 MT, with overall capacity utilization averaging ~80% during the quarter. Legacy PSF/textile business grew 7% QoQ.

Quarter performance was impacted by a weak demand environment in the legacy business, as US tariff pressures kept revenue largely flat, while EBITDA margins declined YoY due to higher bottle input costs and lower realizations. Uncertainty around the Warangal project persists amid delays in the MoEFCC draft notification. PET bottle scrap prices, which had peaked at ₹55–56/kg in Q1, corrected to ₹44–45/kg, driving sequential margin improvement after the sharp dip seen in Q2FY26.

GESL operated at only ~50% rPET production in Q2, resulting in elevated inventory levels and subdued B2B margins. The legacy PSF/yarn segment (~65% of revenue) showed signs of stabilization despite export headwinds, supported by improving domestic demand and order inflows. Management guides for EBITDA margin recovery to 8–9% over FY27. rPET granules volumes are expected to remain soft (YoY) in Q4FY26, with recovery from March'26, and capacity utilization targeted at 70%+ by Mar'26.

On expansion, the Warangal brownfield project adding 22,500 TPA rPET capacity (Rs. 1.3 bn capex) remains on track for commissioning by Mar 2026, with annual revenue potential of Rs. 2.25–2.5 bn. The greenfield project (Rs. ~5.0 bn capex) is delayed slightly amid current market conditions but is expected to go live by end-FY27. The government's recycled content mandate for FY26 remains at 30%, rising to 40% in FY27. The final MOEF notification is delayed, with industry-approved food-grade rPET capacity now at ~210,000 TPA (vs. 70,000 TPA six months ago). Post-expansion, GESL's product mix is expected to shift materially from 65% PSF currently to 65% rPET granules by FY27-end, unlocking higher-margin growth in the long term.

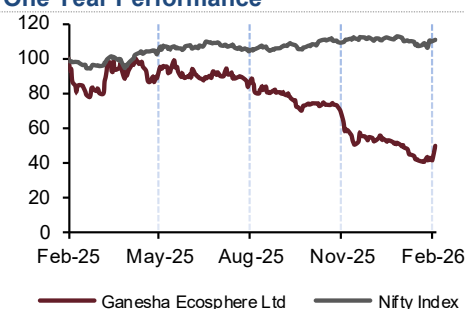
Rating	TP (Rs)	Up/Dn (%)
BUY	1,286	57

Market Data

Current price	Rs	822
Market Cap (Rs.Bn)	(Rs Bn)	22
Market Cap (US\$ Mn)	(US\$ Mn)	243
Face Value	Rs	10
52 Weeks High/Low	Rs	1749.9 / 653.25
Average Daily Volume	('000)	41
BSE Code		514167
Bloomberg		GNPL.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Dec-25	Sep-25
Promoters	39.02	39.02
Public	60.98	60.98
Total	100.00	100.00

Source: BSE

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Financial Summary

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25	FY26e	FY27e	FY28e
Net sales	10,214	11,796	11,229	14,655	14,274	18,633	23,757
EBIDTA	1,139	1,277	1,378	2,106	1,438	2,645	3,566
Margins	11.2	10.8	12.3	14.4	10.1	14.2	15.0
PAT (adj)	619	699	406	1,031	370	1,088	1,560
Growth (%)	42.4	12.9	-41.9	154.1	-64.1	194.2	43.3
EPS	28.35	32.01	16.01	40.49	14.08	41.42	59.35
P/E (x)	29	26	51	20	59	20	14
P/B (x)	3	3	2	2	2	2	2
EV/EBITDA (x)	18	17	17	12	18	11	8
RoE (%)	11	12	5	9	3	9	12
ROCE (%)	12	11	8	11	6	10	13
RoIC (%)	8	8	6	9	5	8	10

Source : Company, Dalal & Broacha Research

Traditional business sees stability coming back

GESL's 3QFY26 traditional business saw a flattish quarter with utilizations standing at 109% while realization was impacted (-2% QoQ) due to a soft demand environment that caused a drag on the margins along with raw material prices stabilizing but still being elevated due to increased demand for PET bottles. These margins are expected to stabilize going forward with realizations to improve along with raw mat prices to ease down slightly.

rPET granules remain near-term

rPET granule sales fell due to regulatory uncertainty. The rPET segment is expected to revive from Q4FY26 as regulations for FY27 remain intact and penalties would double with regards to not fulfilling the regulatory norms while Q4FY26 will remain soft YoY with the delayed draft notification and cheaper penalty payments than rPET implementation.

Brownfield expansion on track; greenfield delayed marginally

The 22,500 TPA brownfield rPET granule expansion at Warangal (Rs. 1.3 bn capex) is on schedule for completion by Mar 2026, with annual revenue potential of Rs. 2.25–2.5 bn. The 67,500 TPA greenfield project (~Rs. 5 bn capex) has been deferred slightly amid current market conditions and is now expected to commission by end-FY27. Together, these projects will raise total installed capacity by ~90,000 TPA, with asset turnover expected at 1.25x–1.3x and higher-margin chips driving profitability.

Product mix shift toward high-margin rPET to aid profitability

GESL plans to transition from a current product mix of 65% PSF and 20% rPET chips to ~65% chips and 35% PSF/yarn by FY27-end, led by commissioning of new capacity. The shift toward higher-margin rPET granules and value-added products will support EBITDA margin expansion of >300 bps over the next 18–24 months.

Valuation & Outlook

Q2 FY26 was a transitional quarter for GESL, marked by short-term pain from high-cost inventory consumption and regulatory uncertainty, but underlying demand drivers remain firmly intact. With raw material prices stabilizing (PET scrap at Rs. 44–45/kg vs. Rs. 55–56/kg in Q1) and the bulk of expensive inventory now absorbed, margin recovery is expected from Q3FY26 onward. The impact of the MoEFCC draft notification temporarily deferred rPET granule offtake from key FMCG and beverage clients, but the expected finalization of the regulation by December should unlock pent-up demand from January 2026 (Q4FY26).

Management remains confident of a strong rebound in H2FY26, led by normalization in rPET granule demand, improved utilization at the Warangal facility (~90%+ expected by Q4FY26), and stable growth in the legacy PSF/yarn segment. The capacity expansion roadmap—adding 90,000 TPA through brownfield (Warangal, Mar 2026) and greenfield (Odisha, FY27-end) projects—positions GESL for a structural shift toward higher-margin rPET products. The company targets a product mix of ~65% chips/rPET granules and ~35% PSF/yarn by FY27, supporting sustained EBITDA margin expansion from ~10–12% currently to 15%+.

On the balance sheet front, promoter equity infusion of Rs. 1.04 bn in July 2025 underscores long-term confidence. Leverage remains comfortable with debt at ~Rs. 5.5 bn (8.5% cost), expected to peak at ~Rs. 7 bn during FY27–28. The brownfield expansion will be debt-free, funded through internal accruals.

At current levels, GESL offers a compelling play on India's formalizing circular economy and rising regulatory mandate for recycled PET content (30% in FY26 → 60% by FY29). With demand normalization, improved pricing visibility, and a strategic pivot to value-added rPET products, we expect earnings momentum to strengthen from H2FY26. Long-term growth visibility remains robust, driven by regulatory tailwinds, scale advantage, and margin-accretive product mix transformation.

We maintain our BUY rating but moderate FY26E/FY27E estimates due to slower-than-expected Warangal ramp-up and back-ended contribution from Odisha. We roll over our estimates to FY28 & we expect revenue/EBITDA/PAT/EPS CAGR of 17%/20%/16%/14% over FY25–28E and value the company at 25x Sept 27 EPS of Rs.51, arriving at a target price of Rs. 1,286 (earlier Rs.1,941).

Particulars	FY27e	FY28e	Average
Net Earnings (EPS)	42.3	60.7	51.5
Assigned P/E Multiple	25	25	25
Target Price based on PE Basis	1,056	1,516	1,286
CMP	978	978	978
Upside	8%	55%	32%

Conference Concall KTAs

Operational Performance (Standalone/Legacy)

Standalone production increased 13% QoQ to 29,088 MT, while sales volumes reached a five-year high of 31,107 MT. Revenue stood at Rs 2,729.5 mn (+5.2% QoQ). EBITDA came in at Rs 185.4 mn and PAT at Rs 159.4 mn, exceeding the combined earnings of the previous two quarters. EBITDA/ton improved to Rs 5,962 (vs Rs 2,812 QoQ), with margin expanding to 6.8% from 3.2%, supported by stable bottle scrap prices of ~Rs 46–47/kg. Capacity utilization exceeded 100%, with product mix diversification continuing — over 35% of volumes now from non-woven and home furnishing segments.

rPET Segment & Consolidated Performance

Regulatory uncertainty around the MoEFCC draft notification delayed adoption of recycled PET by F&B players, keeping rPET capacity utilization at ~50%. Subsidiary revenue stood at Rs 842.7 mn, taking consolidated revenue to Rs 3,572.2 mn. Consolidated EBITDA improved 37.7% QoQ to Rs 307.3 mn, with margins at 8.6%, driven by stronger legacy performance. However, realizations remained under pressure due to supply exceeding demand following new FSSAI-approved capacities.

Regulatory & Industry Outlook

Plastic Waste Management (PWM) rules remain intact, mandating 30% recycled content in FY26, rising to 40% in FY27. Penalties for non-compliance escalate from Rs 2,900 to Rs 8,700 per ton over phases. Industry recycling capacity is now ~250k–300k tons, reducing the likelihood of further regulatory relaxation. Management views FY26 as a transition year, with demand normalization expected from FY27.

Guidance (Q4FY26–FY27)

Legacy EBITDA margins are guided at 9–10% in FY27, with EBITDA/ton expected to recover to Rs 9,000–10,000. rPET utilization is expected at 70–80% in Q4FY26 and above 85% in FY27 (volumes >55k tons). Filament yarn supplies to a global brand are ramping up, with 20–30% utilization expected from Feb'26. Q4FY26 performance is expected to improve sequentially across segments.

Capex & Expansion

The Warangal brownfield expansion (22,500 TPA) is nearing completion, with capex of ~Rs 1,300 mn. An additional Rs 4,500 mn expansion is planned over the next two years. rPET capacity is expected to reach ~70k TPA next year, with peak Warangal revenue potential of Rs 7,000–8,500 mn.

Other Developments

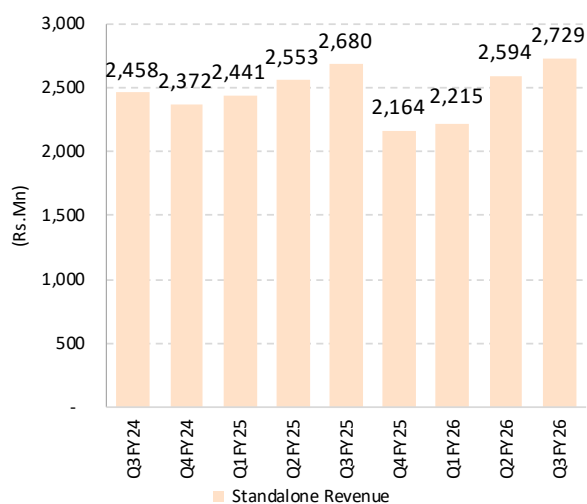
Export revenue was ~Rs 300 mn in Q3 and >Rs 1,000 mn in 9MFY26. The company received Rs 700 mn (central) and Rs 1,100 mn (Telangana) incentives in Jan'26. An ICC partnership for recycled-material stadium flags enhances brand visibility.

Quarterly Financials

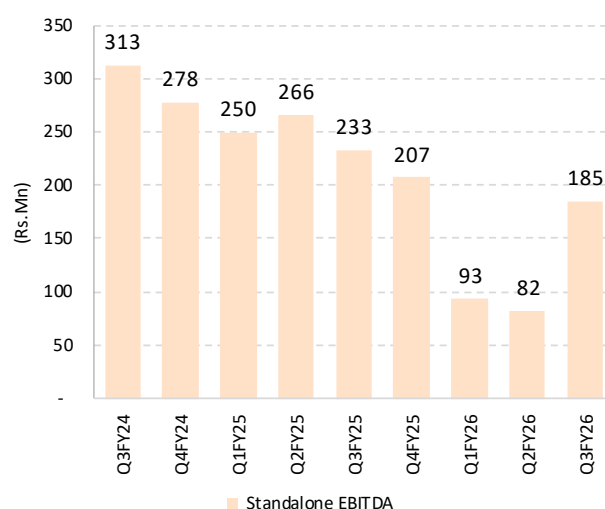
(Rs.Mn)	Q3FY26	Q3FY25	YoY Growth (%)	Q2FY26	QoQ Growth (%)
Revenue from Operations	3,572	3,978	-10%	3,634	-2%
Other Income	42	52	-19%	53	-20%
Total RM Cost	2,340	2,530	-8%	2,509	-7%
Gross Profit	1,233	1,448	-15%	1,125	10%
Employee Benefits Expense	257	228	12%	236	9%
Other Expenses	669	655	2%	666	0%
Total Expenses	3,265	3,413	-4%	3,411	-4%
EBITDA (Excluding Other Income)	307	565	-46%	223	38%
Depreciation and Amortisation	164	143	15%	157	4%
EBIT / PBIT	185	475	-61%	119	56%
Finance Costs	104	105	-1%	113	-8%
EBT/ PBT	81	369	-78%	6	1329%
Tax Expense	34	72	-53%	11	211%
Net Profit after Tax	47	297	-84%	(5)	-1003%
Adj Earning Per Share	1.8	11.7	-85%	(0.2)	-838%
Margins (%)			(In bps)		(In bps)
Gross Margins	34.5%	36.4%	-191	31.0%	354
EBITDA Margins (Excl Other Income)	8.6%	14.2%	-560	6.1%	246
PAT Margins	1.3%	7.4%	-606	-0.1%	145
Tax Rate	41.9%	19.5%	2231	192.0%	-15020
As a % to sales					
RM as a % to sales	65.5%	63.6%		69.0%	
EE Cost as a % to sales	7.2%	5.7%		6.5%	
Other exps as a % to sales	18.7%	16.5%		18.3%	

Source: Dalal & Broacha Research

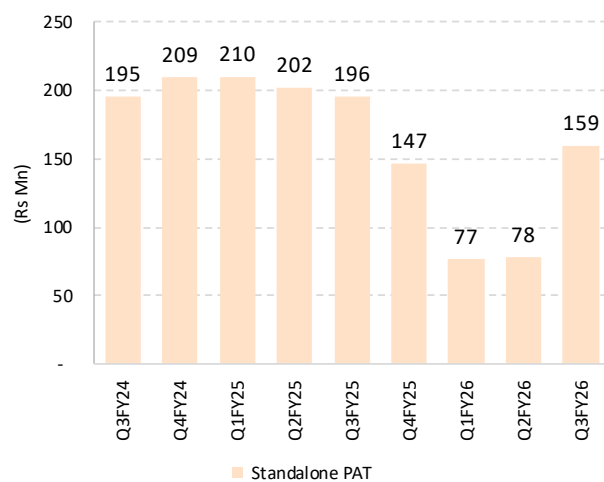
Standalone revenue



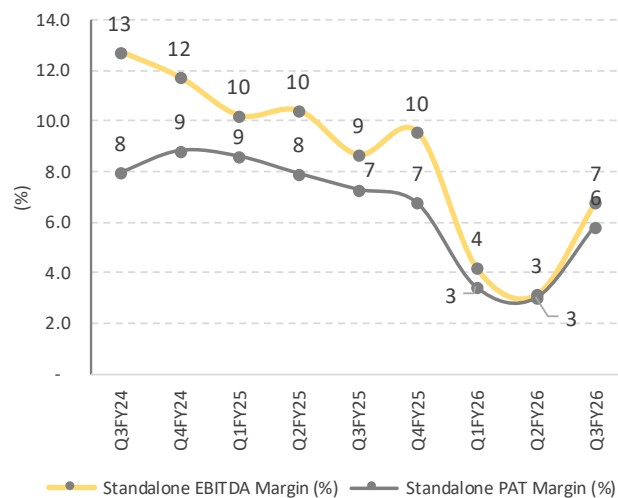
Standalone EBITDA



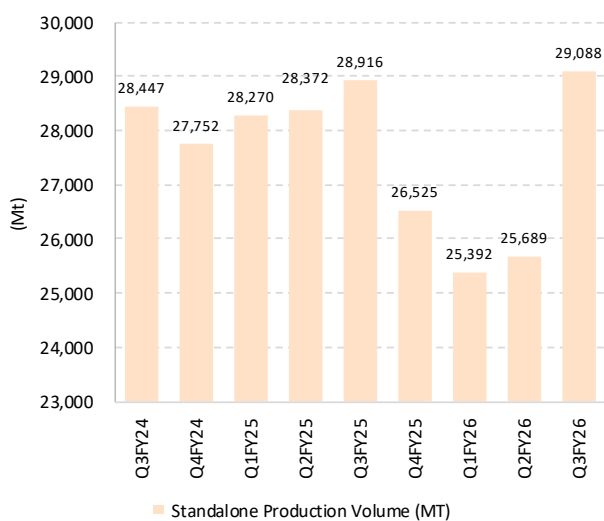
Standalone PAT



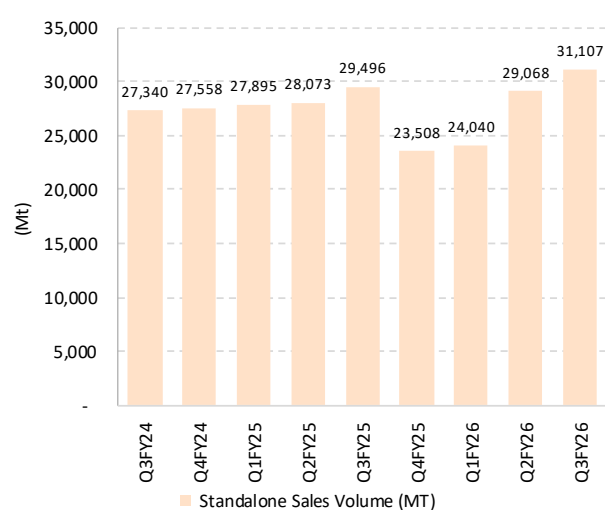
Standalone EBITDA & PAT Margin (%)



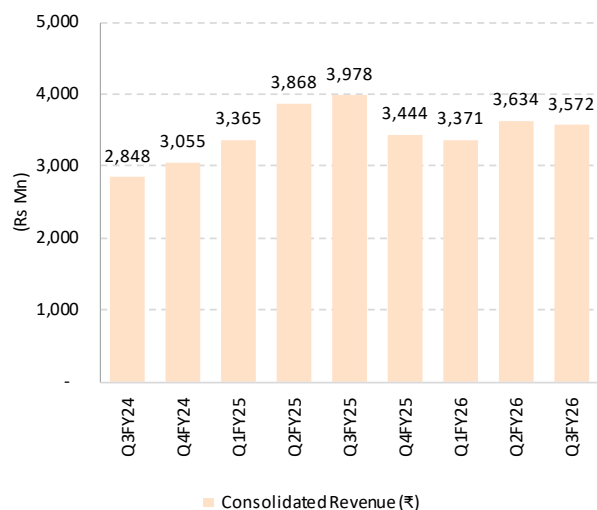
Standalone Production Volume (MT)



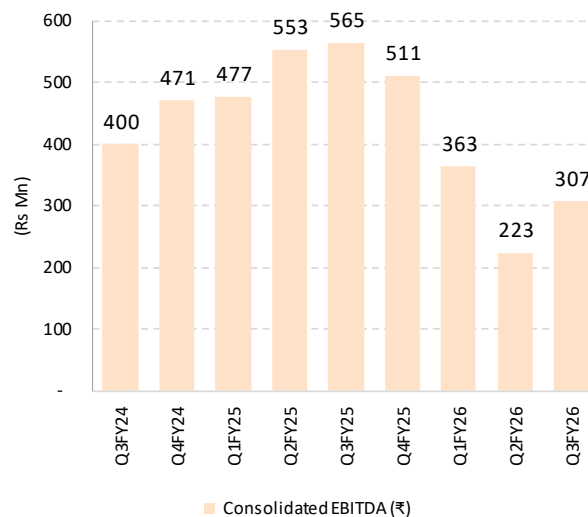
Standalone Sales Volume (MT)



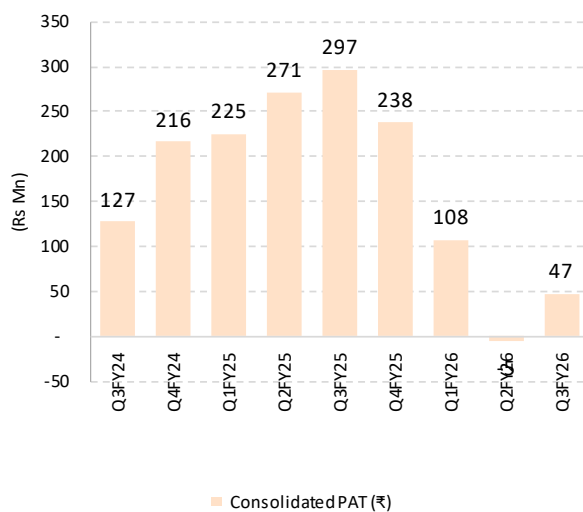
Consolidated Revenue (Rs)



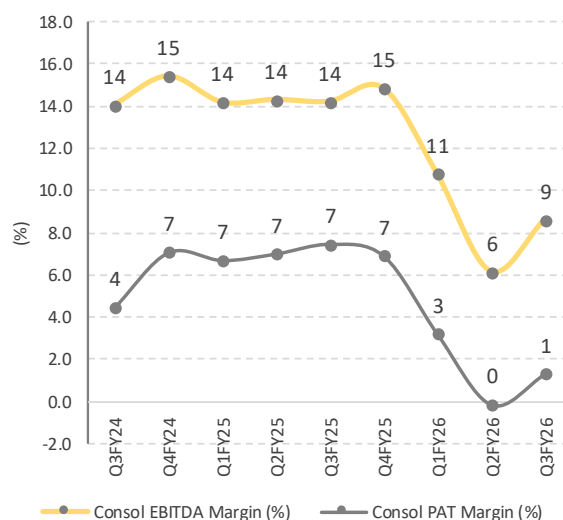
Consolidated EBITDA (Rs)



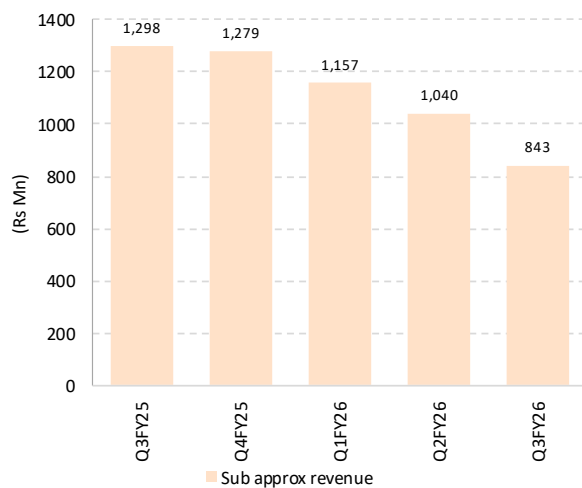
Consolidated PAT (Rs)



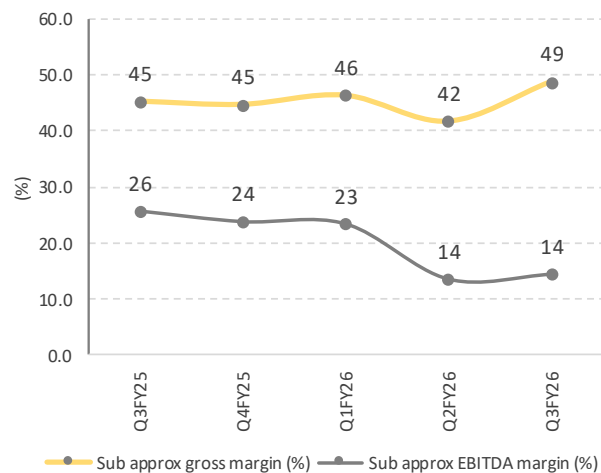
Consolidated EBITDA & PAT Margin (%)



Subsidiary - Warangal Plant Approx Revenue (₹)



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



Source: Dalal & Broacha Research, Company

Financials

P&L (Rs mn)	FY22	FY23	FY24	FY25	FY26e	FY27e	FY28e
Net Sales	10,214	11,796	11,229	14,655	15,251	18,633	23,757
Operating Expenses	-6,572	-7,787	-6,909	-9,130	-10,066	-11,553	-14,373
Employee Cost	-579	-672	-750	-882	-990	-1,163	-1,366
Other Expenses	-1,924	-2,061	-2,191	-2,537	-2,648	-3,246	-4,408
Operating Profit	1,139	1,277	1,378	2,106	1,547	2,672	3,610
Depreciation	-284	-292	-487	-550	-579	-715	-956
PBIT	855	985	891	1,556	968	1,957	2,654
Other income	69	134	146	179	157	69	69
Interest	-98	-169	-449	-381	-548	-663	-680
PBT	826	950	588	1,354	577	1,362	2,043
Profit before tax	826	950	588	1,354	577	1,362	2,043
Provision for tax	-208	-251	-183	-323	-121	-252	-450
Profit & Loss from	-	-	-	-0	-	-	-
Reported PAT	619	699	406	1,031	456	1,110	1,594
MI	-	-	-	-	-	-	-
Owners PAT	619	699	406	1,031	456	1,110	1,594
Adjusted Profit	619	699	406	1,031	456	1,110	1,594

Balance Sheet (Rs mn)	FY22	FY23	FY24	FY25	FY26e	FY27e	FY28e
Equity capital	218	218	253	255	263	263	263
Reserves	5,518	6,161	10,268	11,252	11,640	12,584	13,938
Net worth	5,736	6,379	10,521	11,507	11,902	12,846	14,201
MI	-	-	-	-	-	-	-
Non Current Liabilities	2,762	3,524	4,160	4,474	6,478	6,483	6,488
Current Liabilities	2,449	3,324	1,558	3,361	3,427	3,895	4,049
TOTAL LIABILITIES	10,947	13,228	16,239	19,342	21,808	23,224	24,738
Non Current Assets	6,322	7,873	8,887	10,789	11,292	16,579	15,625
Fixed Assets	5,755	7,473	8,406	9,669	10,334	15,621	14,667
Right of Use Assets	12	12	12	12	12	11	11
Financial Assets	-	59	59	203	41	41	41
Deferred Tax Asset	-	-	-	-	-	-	-
Advances	509	298	398	900	900	900	900
Assets	46	31	12	6	6	6	6
Current Assets	4,625	5,355	7,352	8,553	10,516	6,645	9,113
Current investments	689	486	276	200	140	70	21
Inventories	1,965	2,802	3,014	3,554	3,585	2,849	2,953
Trade Receivables	1,162	1,148	1,380	1,716	2,591	2,297	2,604
Cash and Bank Balances	230	62	1,532	1,217	2,812	-128	1,722
Advances	185	448	528	625	625	625	625
Other Financial Assets	-	-	-	-	-	-	-
Other Current Assets	395	409	623	1,240	763	932	1,188
TOTAL ASSETS	10,947	13,228	16,239	19,342	21,808	23,224	24,738

Cashflow (Rs mn)	FY22	FY23	FY24	FY25	FY26e	FY27e	FY28e
PBT	826	950	588	1,354	577	1,362	2,043
Depreciation	284	292	487	550	579	715	956
Net Chg in WC	-231	-835	-778	-1,460	-684	942	-513
Taxes	-235	-230	-171	-250	-121	-252	-450
Others	3	26	308	218	609	668	685
CFO	648	202	435	412	960	3,436	2,722
Capex	-2,766	-2,049	-1,567	-2,084	-1,245	-6,002	-2
Net Investments made	168	101	-840	932	223	70	49
Others	53	285	136	-101	-	-	-
CFI	-2,545	-1,664	-2,272	-1,253	-1,022	-5,932	47
Change in Share capital	-	-	3,775	85	8	-	-
Change in Debts	2,217	1,474	-1,071	1,570	2,322	386	-
Div. & Div Tax	-133	-179	-476	-389	-617	-830	-919
Others	-9	-12	0	300	-	-	-
CFF	2,075	1,283	2,228	1,567	1,713	-444	-919
Total Cash Generated	178	-178	391	727	1,651	-2,940	1,850
Cash Opening Balance	43	221	43	434	1,161	2,812	-128
Cash Closing Balance	221	43	434	1,161	2,812	-128	1,722

Ratios	FY22	FY23	FY24	FY25	FY26e	FY27e	FY28e
GM	35.7	34.0	38.5	37.7	34.0	38.0	39.5
OPM	11.2	10.8	12.3	14.4	10.1	14.2	15.0
NPM	6.0	5.9	3.6	6.9	2.6	5.8	6.5
Tax rate	-25.1	-26.4	-31.0	-23.8	-21.0	-18.5	-22.0

Growth Ratios (%)

Net Sales	36.0	15.5	-4.8	30.5	-2.6	30.5	27.5
Operating Profit	34.8	12.1	7.9	52.8	-31.7	83.9	34.8
PBIT	49.2	15.2	-9.5	74.6	-44.8	124.5	35.3
PAT	42.4	12.9	-41.9	154.1	-64.1	194.2	43.3

Per Share (Rs.)

Net Earnings (EPS)	28.35	32.01	16.01	40.49	14.08	41.42	59.35
Cash Earnings (CPS)	41.37	45.38	35.22	62.10	36.11	68.64	95.74
Dividend	3.60	2.00	3.00	6.11	2.11	6.21	8.90
Book Value	262.77	292.21	415.08	452.01	450.16	485.36	535.81
Free Cash Flow	-98.11	-210.36	-134.87	-87.68	-10.14	-120.98	94.35

Valuation Ratios

P/E(x)	29	26	51	20	59	20	14
P/B(x)	3	3	2	2	2	2	2
EV/EBIDTA(x)	18	17	17	12	18	11	8
Div. Yield(%)	0.44	0.24	0.36	0.74	0.26	0.75	1.08
FCF Yield(%)	-11.91	-25.53	-16.37	-10.64	-1.23	-14.68	11.45

Return Ratios (%)

ROE	11%	12%	5%	9%	3%	9%	12%
ROCE	12%	11%	8%	11%	6%	10%	13%
RoIC	8%	8%	6%	9%	5%	8%	10%

Source: Dalal & Broacha Research, Company

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