



GANESHA ECOSPHERE LIMITED

GESL/2025-26/

August 22, 2025

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Scrip Symbol: GANECOS

Sub: Transcript of Q1 FY2026 Earnings Conference Call held on August 14, 2025

Dear Sir/ Ma'am,

Please find enclosed herewith transcript of Q1 FY2026 Post results Earnings Conference Call held on **August 14, 2025** pertaining to Company's Unaudited Standalone & Consolidated Financial Results for the quarter ended on 30th June, 2025.

Please take the above on record and oblige.

Thanking you,

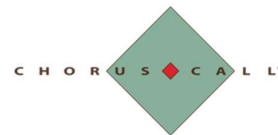
Yours faithfully,
For Ganesha Ecosphere Limited

(Bharat Kumar Sajnani)
Company Secretary-cum-Compliance Officer

Encl: As above



Ganesha Ecosphere Limited
Q1FY26 Earning's Conference Call
August 14, 2025



MANAGEMENT: **MR. GOPAL AGARWAL – CHIEF FINANCIAL OFFICER -
GANESHA ECOSPHERE LIMITED**
**MR. PRASHANT KHANDELWAL – SENIOR VICE
PRESIDENT – GANESHA ECOSPHERE LIMITED**
**MR. YASH SHARMA – DIRECTOR – GANESHA ECOPET
PRIVATE LIMITED**

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

Moderator: Ladies and gentlemen, good day, and welcome to the Q1FY26 Ganesha Ecosphere Limited Earning's Conference Call hosted by Antique Stock Broking Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

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

Manish Mahawar: Thank you. Good afternoon, everyone. I am pleased to host today's Earnings Call of Ganesha Ecosphere. We have leadership team represented by Mr. Gopal Agarwal, CFO; Mr. Prashant Khandelwal, Senior Vice President; and Mr. Yash Sharma, Director, Ganesha Ecopet.

Without any delay, I would like to invite Mr. Yash Sharma to start with opening comments. Post which we will move to the Q&A. Thank you, and over to you, Yash.

Yash Sharma: Thanks, Manish. Good afternoon, everyone, and a warm welcome to all the participants to our Q1 FY '26 Earnings Call. The first quarter of FY '26 was a challenging quarter for us due to some unprecedented events that led to spike in raw material prices, which further put pressure on the RPSF prices vis-a-vis the virgin materials.

The spike in raw material prices was also attributable to a sudden rise in the demand for flakes especially in the overseas markets, leading to a huge volume of export of flakes from India in the last quarter. The performance of the legacy business has thus taken a sharp beating, making the first quarter being the lowest quarter of RPSF and yarn business for us among the last several quarters.

Prices of the pet bottle scrap, key feedstock for our products reached at an unprecedented levels of INR55 to INR56 per kg for some time during April and May'25. Merely a fraction of this price surge in feedstock could be passed on to the end customers.

The biggest reason being overcapacity in the industry and the suppressed demand from the user industry, yarn spinning as well as the non-woven textile sector, which is already facing the headwinds in the form of cheaper imports of fabrics and uncertainty over the U.S. tariffs on the Indian imports.

So overall, on the legacy business side, due to the slowdown of the demand at our buyers end our production levels also came down to 95% as against 99% during the last quarter. The proportion of value-added products to normal products was also reduced by a few percentage points.

And the raw material cost swelled to 70% of the revenue as against 64% during the last quarter. Higher scrap bottle prices, lower sale prices and lower capacity utilization, coupled with the demand slowdown majorly contributed to the decline in this profitability.

In respect to the rPET granule business or the packaging vertical, which is primarily regulation driven and the regulation for the mandatory use of rPET granules was implemented as scheduled from April '25.

However, the run rate of production and sale volume has dropped by about 25% from the last quarter, and results could not be translated on the expected lines due to a couple of factors. Number one was the early onset of monsoon during the mid-summer, which is the peak season for the beverage industry, which also affected the beverage sales of our country really badly.

Second was the high PET bottle scrap prices also resulted into a 35% to 40% premium in the rPET granule pricing compared to virgin, also because virgin prices had crashed due to the cooling off of crude prices. So as per the past trends, prices of virgin PET usually remain firm in summer because of the higher demand. But unfortunately, this season was the opposite case.

Basis the lower approved capacity of rPET granules, MoEF has issued a draft notification on 3rd June on the demand of packaging industry, proposing that any shortfall in the mandatory usage of rPET during FY '25-'26 can be made up over the next 3 years, though that makeup would be over and above the individual targets of the respective future years.

Basis the draft notification, the brands who were already using rPET granules and also those who were to start the consumption very soon slightly lowered down their purchases. Set-off allowed to the bottlers for their past consumptions of rPET granules during last financial year against the stipulated targets of FY '26 was also leveraged by the brands to postpone their purchases slightly to subsequent quarters due to the high premium of rPET versus vPET.

Despite the disappointments in the first quarter, some positive were in the form of revenue numbers and margins of our new business, which were maintained, and we could keep the expenditures under control.

Though the performance was not on the expected lines, but things have definitely started improving already in the current quarter. The prices of PET bottle scrap has come down and now normalized in the range of INR41 to INR44 per kg and thus improving the gross margins significantly.

With onset of forthcoming festival season, demand is also improving slightly and the orders for September, October deliveries have picked up significantly, and we are expecting that demand will return back to normal levels in subsequent quarters.

We have got very good export orders of RPSF from the European market on the back of depreciating rupee against the euro. With ease of price differential between the virgin and recycled granules, the sale volume of rPET granules has also significantly picked up and the production run rate has reached to very high levels now. Sale visibility until the December has

been finalized to us by our existing customers with much improved uptakes by all the brand owners that we are currently working with.

On the regulation side, while given the finality by the MoEF with draft notification is still pending and soon to come out, as per our sense, the shortfall of FY '26 proposed to be set off will be capped to around 10% to 15%, meaning that rigid plastic packaging industry will need to comply at least 15% to 20% mandatory usage and only 10% to 15% of shortfall will be allowed to be carried forward and set off.

Although we are still awaiting the final go-ahead from the ministry on this, but this is what the expected outcome is as of today. Much awaited FSSAI licenses have also been provided to many new recyclers and thus it has broad-based the capacity of the recycling industry.

With new approvals in place, the current approved capacity now stands to around 1.67 lakh tons and thus easing the fear of packaging industry about the availability of required volume of rPET material for complying to the regulatory guidelines.

Our brownfield expansion of 22,500 tons at Warangal will be operational as per schedule. We have also started making good exports of rPET granules to keep the balance between domestic and overseas demands. Promoters have infused INR104 crores by conversion of their equity warrants in July, reinforcing their commitment towards the growth of company's business.

Though the performance in the first quarter is falling short of our expectations, and we have faced some new challenges, which we were not expecting, we believe it was just a temporary bump.

And we have realigned our business strategy according to the new challenges and realities and are confident in surpassing the financial numbers of FY '25 under the prevailing national and global market scenarios despite lower numbers in the first quarter.

It is our belief that long-term business outlook is quite intact, and we are fully geared up to seize the opportunities available in the PET recycling industry.

Thank you all for your patience listening. And now we are ready for any questions which you may have. Thank you.

Moderator: Thank you, sir. We will now begin the question and answer session. The first question is from the line of Mr. Naeem Patel from Bastion Research.

Naeem Patel: I had a question regarding our upcoming greenfield capacity in Orissa. So is it going to be completely integrated where we ourselves procure the raw materials and manufacture the washed flakes or is it going to be structured more around sourcing the wash flake from the joint venture with Race Eco Chain, which happened this year? So any more color on that would be appreciated.

Gopal Agarwal: So thank you, Mr. Patel. So it will be the consolidated capacity, where we you would be having the washing line as well as the granulation line.

- Naeem Patel:** So we won't be procuring from the joint venture at all?
- Gopal Agarwal:** Yes. So in joint venture, we are putting the washing lines. People are making the primary washing, and it is not the food grade washing. So from these small lines, we will be transporting the wash flakes to our mother plant. So in mother plant, we will be re-washing the flakes to make it food grade and then we'll make the granulation.
- Naeem Patel:** Understood. And just for tracking purpose back in FY '25, we used to report consolidated utilization. So was that utilization including facility as our total capacity or was it tracked separately? A bit more color on that would be helpful.
- Gopal Agarwal:** No. So we have given a separate capacity utilization of the standalone business and capacity utilization of our Warangal subsidiaries.
- Moderator:** The next question is from the line of Mr. Mann Ashar from Growthsphere Ventures.
- Mann Ashar:** Congrats on decent set of numbers in this time where the EPR was delayed and everything. So, Yash, I just have 2 questions. I'll begin with my first question. The biggest bottleneck in the rPET was the approval timeline, right? And now since the EPR has shifted to FY '27 or it has been deferred to FY '27, how do you see the competition coming in since there are, I guess, 5, 7 players whose capacities are ready, but they don't have any approval?
- So do you think that this time period will be taken by brands to basically shift their supply chain and build new suppliers and henceforth bringing the competition into the market and realizations getting down, say, in FY '27 and '28 down the line when our new capacity is coming?
- Yash Sharma:** Thanks for the question. So see, basically, first of all, the EPR guidelines have not shifted. But what the recent draft which came out, what the government has allowed that any shortfall from the 30% requirement for this year can be offset by doing higher percentage in the subsequent years.
- So for example, let's say, a brand owner is, let's say, is able to do 15% this year and is falling short of 15% for this year. So they have to offset this by doing the extra 15% over the next 3 years above the given target for the next 3 years, number one.
- So the EPR requirements have not shifted, but they have just allowed carryforward of the shortfalls, if any, if the brands are facing, number one. Number two, yes, obviously, it's very important that the industry capacity gets created because unless the industry capacity gets created, there is a very strong stance from the industry that how are they supposed to even complete their required rPET targets if the capacity is not there on the ground.
- The EPR implementation will not even make sense. This is the biggest ground that the industry is putting forward to the ministries for deferment, which they are not listening to. So -- but I still think that if you think about the regulation implementation, when it happens, as it starts happening, the supply and demand of high-quality rPET granules will still be in a much bigger glut because although the capacities are on ground, but how much of really high-quality rPET will be available in the market is still a big question mark.

So it will take a lot of time for the industry to mature and to get to that level. And meanwhile, we are already expanding our capacities of rPET going forward. Yes, there may be certain challenges in the short term, but I think that the long-term fundamental is very, very strong and clear.

Mann Ashar: Got it. Yes. So just to basically add to your answer, since the EPR is deferred, the volume has been deferred to '27 and '28. So second question was just on that line that are the brands interested in having at least the minimum quantity that they agreed to buy from you guys in FY '26? Or that is also being deferred to '27 and '28?

Yash Sharma: No, no. Obviously, so all our customers are offtaking the quantities that they had estimated for this year. Although obviously, it's not nowhere even close to 30% requirement as per the mandate. But yes, they are maintaining their given targets to us for the quantity offtake.

Yes, what happened is that because of the sudden jump in the prices and the huge premium and coupled with sale pressures that they were facing in the season, they did defer their purchases a little bit. But we are again already almost fully back on track and fully utilized as of today. So - and it's pretty clear until the full year as well.

Moderator: The next question is from the line of Mr. Jatin Deshpande from Pkeday Advisors.

Jatin Deshpande: So I wanted to ask on the capacity front itself. So as you mentioned that high-quality rPET, like the capacities that have high-quality rPET might not be as much as stated. But how do you see playing this out over the next like 5 years, if you have any idea about that?

Gopal Agarwal: Yes. So for our long-term vision -- as per our long-term vision, we are looking for having around 30% of the market share in the recycling pet granules sector. So over next 5 years, our target is intact.

Jatin Deshpande: Got it. And in terms of supply, how are you going to ensure that your supply of recycle material like the rPET like you are -- like that is safeguarded from the competition because we see a price war that is going on there?

Yash Sharma: See, obviously, it is -- obviously, it will happen. There is no -- we do not doubt that competition -- competitive pressures will not be there, but we still think that currently, the market is very, very at a nascent stage, immature. None of the qualities of any of the competitors have yet been proven on ground.

And we think that still we are very, efficient in our operations from any of our competitors currently operating in the Indian market, be it about sourcing, be it about operations, be it about sales and volumes.

So we think that we will always be able to remain -- be able to maintain that alpha from the competition no matter what. So it is -- we are always going to have that upper hand competitive advantage from any of the other competitors that are out there in the market.

Moderator: The next question is from the line of Mr. Amit from HG Hawa & Company.

- Amit:** My question is like what is the current debt level and targeted debt reduction by FY '26? And what is the blended cost of debt?
- Gopal Agarwal:** So currently, the debt is in the region of around INR550 crores. And the average cost is about 8.5%.
- Moderator:** Mr. Amit, you are not audible. Mr. Amit could you come again please?
- Amit:** I want to rejoin the queue.
- Moderator:** Yes, sir, please. Thank you so much. We'll move on to the next participant. The next question is from the line of Ms. Dolly from Niveshaay Investment Advisory.
- Dolly:** I had 2 questions. So firstly, I wanted to understand regarding the Warangal unit. So if we see the realizations have been all-time high, not all-time high, maybe good this quarter because of higher raw material prices and everything. But our volume has reduced.
- So as a company, I wanted to understand our strategy with like -- regarding our company and industry also. So are we not willing to take a margin hit because the margins have been -- at this volume the margins are decent? So are we not willing to take a margin hit for a higher volume of the prices are fixed in the industry?
- Yash Sharma:** See, this is always a strategic call that we make. It really depends on the situation, depends on the customer, depends on a lot of factors, market conditions. If there is a visibility of a higher volume, we obviously -- we try to grab the opportunity by finding out the right solution.
- But if the volume is not flowing in, then there is no point in even discussing this sort of a solution, right? So it really depends on the situation. We did not face a situation, where by taking a margin hit or taking a profitability hit would lead to an increase in any big volume. So it did not make sense at all.
- Dolly:** You just mentioned also it is important to increase the supply in the industry to many players will be coming up maybe 2 years or 3 years later. So do you think this 25% margins will be sustainable when many supply increases or we can see this slowing down?
- Gopal Agarwal:** So the industry is a very nascent industry, and the industry is developing. And so it is very, very difficult to predict the pricing and the margins presently over next 3, 4 years. So definitely, we expect the margins would be maintained until the demand supply gap is there and which we expect would be next 3, 4 years when the 60% mark is achieved. Till then the decent demand-supply gap that would be there and we expect the margins to be maintained.
- Dolly:** And lastly, in our stand-alone business, so we just mentioned that from INR52 to INR54 per kg prices, it has dropped in recent months. So if we can tell the percentage gap between if a customer is buying a virgin yarn or recycled yarn, what would be the percentage gap last quarter and what would be it now?
- Gopal Agarwal:** So I couldn't get what is the percentage there you're talking about?

- Dolly:** So like if I'm buying virgin yarn and I'm buying recycled, obviously, recycled yarn would be expensive at INR53, INR54 per kg. So how much expensive it was last quarter because that's why our volumes decreased?
- Gopal Agarwal:** So basically, the raw material prices increased, but because there remains a gap of 10% to 12% in the pricing of the virgin and the recycled PSF. Recycled PSF is sold cheaper by 10% to 12%. So because of the demand slowdown in the user industry, we could not pass on the increase in the raw material prices to the final consumer.
- And that's why the profitability was affected. Earlier, we were able to pass on any increase or decrease in the raw material prices to the end consumer. But this time, we could not because of the slowdown in the industry.
- Moderator:** The next question is from the line of Mr. Pankaj Gupta from Ratnabali Equity Private Limited.
- Pankaj Gupta:** Sir, just one thing on the export side. Are our products, rPET flakes or granules are being exempted under this 25% and 50% tariff, which has been levied?
- Prashant Khandelwal:** So yes, it is --till date, it is --so all petroleum products, basically, all petroleum products are coming under Annexure 2. So any Trump tariff is not being attracted to any petroleum product till now. And these rPET flakes and rPET granule are out of this tariff imports.
- Pankaj Gupta:** And second is that there were some regulations on Europe around SUPD, and there was some media article that only the waste, which is generated from European Union areas will only be counted as 25% towards their obligations of 25%. So since we are exporting to Europe, any development or any clarity on that front?
- Prashant Khandelwal:** So we were not exporting anything to Europe earlier also. Only the export was flakes was happening to Europe. Earlier to this SUPD notification, where it has been mandated that only the European region waste will be considered as mandatory use of recycled plastic.
- So the majorly export of rPET was happening to U.S. only. This Europe version has impacted the export of PET flakes from India. And that is why the prices in India has gone down for PET bottles.
- Pankaj Gupta:** Okay. And one thing, sir, you have mentioned that the bottle prices went up as high as INR54, INR55, but now that has been corrected. So at one point of time, the rPET granules was trading at 40%, 50% premium to the virgin prices. What is the scenario now?
- Gopal Agarwal:** Yes. So the premium has come down by about 20% with the decrease in the prices of the PET bottle scrap.
- Pankaj Gupta:** Okay. So in that case, the acceptability of brand to take rPET should increase because the differentiation have reduced drastically?
- Gopal Agarwal:** Yes, of course, it is, it is.

- Pankaj Gupta:** And just last question. See, all our lines in Warangal, which is 42,000, all of them are now FSSAI approved and brand for all the 3 lines?
- Prashant Khandelwal:** So 2 has already got approval from brands as well as FSSAI. For third one, we got the approval from FSSAI. The brand approval is in process. So it's a matter of time because we have already done all the trials. So maybe in a week time or 10 days, we can get the brand approval.
- Moderator:** The next question is from the line of Mr. Amit Kumar Rajput from Rits Capital.
- Amit Kumar Rajput:** Congratulations on the recent numbers. Sir, my first question regarding we are predominantly working on our textile industry focus because our product is more predominantly sell for textile industry. So what will be the impact of U.S. tariffs on the demand side? Like are you seeing any sort of demand difference in textile industry?
- Gopal Agarwal:** So Mr. Rajput, it is a good question. The demand has already been discounted because of the U.S. tariff. And -- but exact picture will emerge once the things are finalized as of the things are changing every day. But yes, the new orders from the America to the suppliers is on halt. So the demand is already affected.
- But going forward, we see it will not be impacted much, 2, 3 factors. One is the government of India will make some incentives to the exporters. Number one, there may not be so higher tariff, the industry is expecting it might be diluted over a period of month or so.
- And number second, the Government of India will also do some package or incentives to the exporters. Number three, even if the so high tariff remains there, so America is not having the capacity to fulfill the shortfall, which will be created by the import from India. That will be channeled through China or Vietnam or Bangladesh.
- So in that case, whatever dumping is being happened from these countries to India, that will be stopped because we are having the limited capacity. And the capacity is channeled to the USA. So that material will not come to India.
- So the domestic demand will be improving. So going forward, temporarily, maybe, there are some challenges, but in the medium term, we don't see much impact will be there on the Indian economy because of that.
- Amit Kumar Rajput:** So my second question regarding the revenue mix we are targeting for FY '26, '27.
- Gopal Agarwal:** Are you talking about product mix?
- Amit Kumar Rajput:** Revenue mix.
- Prashant Khandelwal:** Total revenue, I think.
- Gopal Agarwal:** Total revenue mix that would be around 35% from the subsidiary and 65% from the legacy business.
- Amit Kumar Rajput:** And what will be the product mix?

- Gopal Agarwal:** So the product legacy business, mainly the recycled PSF and yarn is there. And for the subsidiary, the major contributor will be the recycled -- rPET granules.
- Amit Kumar Rajput:** Okay. So you are estimating that yarn will be major contributor towards our revenue mix in FY '26 and '27.
- Gopal Agarwal:** So the major contributory in '26 will remain the recycled PSF, not the yarn. In Yarn, we are having the small capacity.
- Moderator:** The next question is from the line of Mr. Bhavya Gandhi from Dalal & Broacha Stock Broking Private Limited.
- Bhavya Gandhi:** Sir, my first question was regarding the EPR fulfillment that they have to do for FY '27. That also they can roll it over to plus 3 years or starting from FY '26, the addition will be 3 years -- 3 years addition will be from FY '26.
- Prashant Khandelwal:** So basically, the draft notification issued on 3rd of June by MoEF is allowing only the carryover for the shortfall of the first year, the year we are in, '25-'26. The remaining target for next years are intact. They have not been allowed to carry over. And even this carryover will be over and above the target for the next year. So let's say, in '26-'27, you will have a mandate of 40%. So if you carryover any of your shortfall of '25-'26 to '26-'27, it will be over and above 40%.
- Bhavya Gandhi:** Okay, got it. Right. So FY '27 and '28, they cannot roll it over for further years. In fact, they'll have to fulfill for FY '26 as well in '27, if they fall short?
- Prashant Khandelwal:** Yes, correct. That has been allowed just to looking that the approved capacity is not there. That is why they are just giving a headwind that, okay, if you are having any shortfall because of nonavailability of the material, it can be carried forward. So we have presented the case, and I hope even for the first year itself, there will be a cap.
- Bhavya Gandhi:** Got it. And sir, is it possible to quantify what would be the total rPET capacity across the industry at this point in time? And what is the demand because now the first Q is already done, so some demand assessment?
- Prashant Khandelwal:** So basically, looking to the total consumption of 1.2 million tons of PET in India for packaging, especially in the bottles, the food packaging, the demand should be 3.6 lakh tons for the first year itself because you have -- so the demand would be 3.6 lakh tons, but if we exclude the unorganized sector, so roughly the demand is around 200,000 tons for this '25, '26.
- Bhavya Gandhi:** Okay. And what's the capacity, what would be the rPET capacity total across players today?
- Gopal Agarwal:** So presently the approved capacity is around 1.5 lakh tons.
- Bhavya Gandhi:** Okay. Fair enough. And sir, is it possible to quantify the INR125 crores capex? How are we planning to fund that? What is the cash flow status at this point in time? Are we going to take any debt for that INR125 crores incremental capex, which is there in Warangal?

- Gopal Agarwal:** No. So we are not taking any debt for this INR125 crores. It is entirely from the internal accruals and the cash balances available with the company, including this conversion of warrants from promoters recently done INR104 crores we got it.
- Bhavya Gandhi:** Okay. And sir, what would be the peak level of debt for FY '27 and '28, if you can provide?
- Gopal Agarwal:** We are looking around INR700 crores of the debt, peak level.
- Moderator:** The next question is from the line of Mr. Jayesh from Niveshaay Investment Advisory.
- Jayesh:** By the way, I'm an Individual Investor. So sir, I just wanted to understand what could be the next quarter guidance regarding revenue and margins?
- Gopal Agarwal:** So instead of the quarter-on-quarter, we are having the guidance for the entire '25-'26. So the guidance is about looking to the present circumstances and some uncertainty prevailing globally, all the tariff and all those things. We are confident in surpassing the revenue and the bottom line number of the '24-'25. But certainly, if the situation improves and things look up, we would do better than that in this year.
- Jayesh:** Any particular number that you would like to put?
- Gopal Agarwal:** Yes. So for this financial year, as of now, we are giving the guidance of around INR1,500 crores.
- Jayesh:** Sorry, your voice, I didn't get it. Can you please say that again?
- Gopal Agarwal:** So as of now, we are giving the guidance of about INR1,500 crores in view of the present circumstances and the situation prevailing.
- Jayesh:** Okay. And any improvements on margin level?
- Gopal Agarwal:** So the margins -- we are just guiding that we would be surpassing the revenue and the bottom line numbers, which we have achieved in '24-'25.
- Moderator:** The next question is from the line of Mr. Deepak Ajmera from IGE India.
- Deepak Ajmera:** I have 2 questions. One is that as of now, we are saying the margin got impacted because of the monsoon-led lower demand on the food grade side by the FMCG or the food companies. Now if that is the situation today, means when the capacity is not there across industry and we couldn't keep our margin intact, then what will happen after the capacity is there across industry? I mean how -- why we are confident that margin will be maintained later on when we can't maintain today in this quarter? That was the first question.
- Gopal Agarwal:** The margins were impacted largely in our legacy business of the RPSF. But in case of rPET granules or the other business of subsidiary, we have maintained the margins. So the margins are intact. So with the increase in volumes and the offtake, the same level of margins will be maintained. And there is no challenge as of now in maintaining the margins in our subsidiary businesses.

- Deepak Ajmera:** Got it. So food grade, as such, there is no issue on the margin side.
- Gopal Agarwal:** Correct.
- Deepak Ajmera:** Got it. Second question is the capacity across industry will be so low compared to demand. Then what's our plan after this December capacity, I mean the next phase of expansion because looking -- this is just the beginning of the requirement on the recycled side, so on the food grade. So after this December capacity, what's the plan for further expansion?
- Gopal Agarwal:** So we have already announced the capacity addition by about 90,000 tons, including this Warangal expansion, brownfield expansion. So the brownfield expansion, it will be the mix of brownfield and greenfield. So total 90,000 capacity will be added by FY '27.
- Deepak Ajmera:** Yes, I got it. But my point is, it is too low compared to the requirement and demand, and the demand is also growing and there will be carry forward. And then subsequently also the capacity requirement will be very high. So are we planning for the next phase of expansion post this capacity addition?
- Gopal Agarwal:** Yes. So post this 90,000 capacity addition, making our total capacity 132,000 tons of the granules from the presently 42,000 tons, we would certainly be making some further capacity expansion, but the plan will be finalized after this addition of 90,000 tons. And apart from us, other players are also adding the capacity. So we don't expect there will be much shortage of the demand and supply gap. There will not be a very big gap going forward.
- Deepak Ajmera:** Yes. Got it. But the other players are not proven yet. So we have early mover advantage. We can capitalize. That was the only point.
- Gopal Agarwal:** Of course. But you see capacity addition requires 2 to 2.5 years' time. So you plan the capacity now and it takes about 2 years' time in on-grounding the capacity. So -- but already we have planned for the 90,000 tons. And so in the midst of the 90,000 tons, we will decide for the further capex and further capacity addition.
- Moderator:** The next question is from the line of Mr. Aryaman from Prudent Investment Managers.
- Aryaman:** Follow up on the last question. Can you maybe quantify the kind of supply that we will see in the next 2 years from these -- especially in rPET from some of these new guys? And other than, say, our first-mover advantage, what's the kind of moat we have going ahead?
- Gopal Agarwal:** Yash, you've to answer.
- Yash Sharma:** Sorry, could you repeat your question?
- Aryaman:** Yes. So basically, I wanted to maybe quantify the kind of capacity that we are going to see in the next 2 years in rPET from some of these new guys. I mean, probably 2, 3 big capacities coming in. And other than first-mover advantage, what's maybe our moat going ahead?
- Yash Sharma:** Sorry. Sorry. So see, it's very difficult to tell you. So I'll give you an example. When we were back in December 2023 when the regulations of PWM regulations were in place and the

application was to start from '25 onwards, in 2023, the announced capacity of rPET in India, the announcements were around 300,000 metric tons.

But the reality is that we are already in '25 and the real capacity on ground is at 180, right? So the problem is that the announcements are made, but are the real action happening -- is the real action happening on the ground? There is a big mismatch always in that.

And there is no way you can predict because everyone makes announcements, but the real implementation is a much different story altogether. People back off later. So as of today, the announcements that we are currently hearing or are currently out there in the market, we are hearing a capacity of 3.5 lakh tons by -in the next 2 years. How much of that will be actually on ground is still a question mark.

Moderator: The next question is from the line of Mr. Mehul from 40 Cents.

Mehul: Sir, if we were in a non-tariff scenario right now, what would be the -- which quarter would be the best quarter in terms of demand and supply for the industry?

Yash Sharma: Which sector you were talking about?

Mehul: The recycling sector.

Yash Sharma: See we have 2 verticals. One is textiles and the other is packaging, where we send our applications in. So both of them are very different from each other. For Packaging, usually, the summer season is the best, though this summer was really badly affected due to the early onset of monsoons in India.

So for beverages, especially in packaging for us, the summer season is usually the best demand quarter. In case of textiles, it really varies. The festive season, generally, I think quarter 2, quarter 3 are usually remain the better ones.

Mehul: Okay. And so what you stated about the packaging vertical, it seems that Q1 is the best quarter. And how are Q2, Q3, Q4, I mean, in the current scenario?

Yash Sharma: See it's a fluctuating demand. It's very difficult to comment like that. But yes, obviously, certainly -- so South India is a much more consistent industry in terms of volume in beverages and FMCG throughout the year because they don't have winters. But certainly in North -- in the north of India, during the winter season, the volumes go down. So they go down by about 30% to 40% in the winter half of the year.

Gopal Agarwal: But as far as rPET granules are concerned, as far our supply is concerned, we are already having the clear visibility for this financial year, though it was slightly impacted in Q1 because of the reasons already stated by Yash. But from Q2 and Q3 and Q4, we are already having the decent content with us.

Mehul: Okay. And sir, my second question is how much of our revenues is exports?

Gopal Agarwal: So presently in the last quarter, we got the 12% of the revenue from the exports.

- Mehul:** Okay. And what was it in the previous year?
- Gopal Agarwal:** It was 9%.
- Mehul:** 9%. And any estimate you can give for this year, I mean, barring the uncertainty of the tariff?
- Gopal Agarwal:** Yes. So barring that, we are expecting -- we would be making around 15% to 20% of our total revenue from exports.
- Moderator:** The next question is from the line of Ms. Dolly from Niveshaay Investment Advisory.
- Dolly:** I just had one question. So this was regarding EPR penalty handed allowed by the government. So if it would be possible for you to quantify the calculation like due to high difference between like virgin and recycled chips in this quarter.
- So I wanted to understand like will it be ever lucrative for the packaging companies to actually use 100% virgin chips and pay penalty rather than using 30% recycled chips in cost in turn, if you can quantify this calculation.
- Prashant Khandelwal:** So Dolly, here, we would like to bring your attention towards the penalty and consequences of the penalty. So penalty is not the forgo of your liabilities. Penalty is because you have not done what has been asked by the regulation.
- Beyond this, there will be -- even if you are not completing your mandatory targets of using recycled plastic, there will be environment compensation cases that may be taken by the courts -- taken to the courts and even up to the unit closure may happen because if you are not completing your mandate means you are still damaging the environment.
- Even you have paid the penalty, but the damage to the environment has happened. So then there will be environment compensation cases also going on. So in short, paying the penalty is not absolving the packaging industry from the consequences of environmental damages. It will remain there.
- Dolly:** Okay. Got it. And just one question on this export market that we are opening, so which countries are we majorly targeting here for rPET and for RPSF separately?
- Gopal Agarwal:** So mainly, we are exporting to Europe, we are exporting to Middle East. We are exporting to U.S. also, some quantities to U.S., and we are also exporting to Nepal and the nearby countries.
- Moderator:** Ladies and gentlemen, I would now like to hand the conference over to the management for closing comments.
- Gopal Agarwal:** Yes. Thank you, Manish. Thank you all the participants for joining us on the con call. Thanks a lot. Bye-bye.
- Moderator:** Thank you, sir. On behalf of Antique Stock Broking Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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