

## Ganesha Ecosphere Ltd

26<sup>th</sup> May 2026

## Subsidiary business recovers with strong visible demand

In Q4 FY26, Ganesha Ecosphere Ltd (GESL) reported a revenue growth of ~23% on a YoY basis. The standalone legacy business recorded a ~20% revenue growth on a YoY basis and ~5% degrowth on QoQ basis. The subsidiary business recovered ahead of FY27 EPR mandate with revenue and sales volume growth of ~28% and ~47% respectively on a YoY basis. Based on current market dynamics and performance of the Company, we believe FY27 will be a much stronger year for the subsidiary business with EPR mandate confirming PIBOs to incorporate ~40% recycled content in their packaging. However, with slowdown in textile industry because of West-Asia conflict and high scrap bottle prices of Rs. 55-56 per Kg, the standalone legacy business will face headwinds in the near term.

## rPET business achieves strong capacity utilization

MoEFCC has provided clarity on recycled-content norms, allowing PIBOs to carry forward their FY26 obligation under the ~30% recycled-content mandate and fulfil it over FY27-FY29. However, the government has also reaffirmed that the recycled-content mandate will increase to ~40% in FY27, ~50% in FY28 and ~60% in FY29. This has strengthened demand visibility for food-grade rPET, as brands now need to secure supply to meet their compliance requirements. As a result, GESL's existing rPET capacity of 42,000 MTPA is operating at ~85% utilization in Q4 FY26, supported by strong brand offtake.

## Raw material prices spike again

The key raw material for both legacy and rPET businesses (PET scrap bottle price) have sharply increased from Rs. 46-47 per Kg in February 2026 to Rs. 55-56 per Kg currently. The increase was driven by West Asia-led disruption in crude-linked products like vPSF and vPSY, which pushed demand towards recycled alternatives such as rPSF and rPSY, along with higher rPET demand after MoEFCC's mandate clarity.

## Legacy business to face near-term pressure

The legacy business recovered in Q4 FY26, but elevated scrap bottle prices, textile destocking and weak downstream demand are likely to pressure volumes and margins in the near term. Unlike rPET, where cost pass-through is more effective, legacy customers remain linked to the textile value chain and are not in a position to absorb sharp price increases.

## Change in capex plan

Given strong rPET demand visibility, the Company has revised its capex plan. It has halted the earlier greenfield Odisha project, which required ~Rs. 6 Bn of capex for 67,500 MTPA capacity. Instead, GESL will add another 22,500 MTPA line at Warangal, along with ~10,000 MTPA of debottlenecking, at a much lower capex of ~Rs. 1.5 Bn. The rationale is simple. A greenfield project would have taken ~1.5-2 years to commission and ramp up, while the Warangal brownfield expansion can come onstream much faster and absorb near-term demand more effectively. With this revised plan, the Company expects rPET capacity to increase from 42,000 MTPA currently to 97,500-100,000 MTPA by the end of FY27, compared to its earlier expectation of 130,000 MTPA.

BUY

CMP Rs. 954

TARGET Rs. 1,504 (+58%)

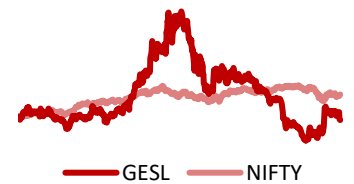
## Company Data

Bloomberg Code	GNPL
MCAP (Rs. Mn)	25,617
O/S Shares (Mn)	26.8
52w High/Low	1,718 / 654
Face Value (in Rs.)	10
Liquidity (3M) (Rs. Mn)	975

## Shareholding Pattern %

	Mar 26	Dec 25	Sep 25
Promoters	39.33	39.33	39.33
FIIIs	8.89	7.20	8.79
DIIIs	19.42	21.88	22.89
Non- Institutional	32.37	31.59	28.99

## GESL vs Nifty



May, 23	May, 24	May, 25	May, 26
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Source: Keynote Capitals Ltd.

## Key Financial Data

(Rs. Mn)	FY25	FY26	FY27E
Revenue	14,657	14,817	17,375
EBITDA	2,106	1,417	2,172
Net Profit	1,031	382	819
Total Assets	19,342	20,034	21,113
ROCE (%)	9%	4%	7%
ROE (%)	9%	3%	6%

Source: Company, Keynote Capitals Ltd.

**Manish Chorgha**, Research Analyst  
manish.c@keynotecapitals.net

## Ganesh Ecosphere Ltd | Quarterly Update

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### View & valuation

GESL's rPET business has recovered strongly, supported by EPR clarity, improving brand offtake and higher utilisation at Warangal. We expect rPET to remain the key growth driver as the Company scales capacity and benefits from strong demand visibility.

However, we have moderated our valuation multiple to factor in 2 risks. We believe rising PET scrap bottle prices could keep the legacy business under margin pressure. Second, GESL's competitive moat in rPET appears less exclusive than initially expected, with FSSAI-approved capacity and competition increasing across the industry.

In light of these dynamics, we have revised our estimates and lowered our valuation multiple to 28x FY28E EPS. We maintain our BUY rating with a revised target price of Rs. 1,504, implying an upside potential of ~58%.

## Ganesha Ecosphere Ltd | Quarterly Update

## Q4 FY26 Result Update

## Result Highlights (Rs. Mn)

Particulars	Q4 FY26	Q4 FY25	Change % (Y-o-Y)	Q3 FY26	Change % (Q-o-Q)	FY26	FY25	Change % (Y-o-Y)
Revenue	4,239	3,444	23%	3,572	19%	14,817	14,657	1%
COGS	2,725	2,098	30%	2,340	16%	9,752	9,130	7%
Gross Profit	1,514	1,346	13%	1,233	23%	5,064	5,527	-8%
<b>Gross Profit %</b>	<b>36%</b>	<b>39%</b>	<b>-336 Bps</b>	<b>35%</b>	<b>122 Bps</b>	<b>34%</b>	<b>38%</b>	<b>-353 Bps</b>
Employee Cost	269	230	17%	257	5%	998	882	13%
Power & Fuel Cost	334	295	13%	313	7%	1,282	1,231	4%
Other expenses	387	310	25%	356	9%	1,368	1,307	5%
EBITDA	524	511	2%	307	70%	1,417	2,106	-33%
<b>EBITDA %</b>	<b>12%</b>	<b>15%</b>	<b>-249 Bps</b>	<b>9%</b>	<b>375 Bps</b>	<b>10%</b>	<b>14%</b>	<b>-480 Bps</b>
Depreciation	172	137	25%	164	5%	648	550	18%
EBIT	352	374	-6%	143	146%	769	1,556	-51%
<b>EBIT %</b>	<b>8%</b>	<b>11%</b>	<b>-255 Bps</b>	<b>4%</b>	<b>429 Bps</b>	<b>5%</b>	<b>11%</b>	<b>-543 Bps</b>
Finance Cost	88	96	-9%	104	-15%	403	381	6%
Other Income	45	47	-4%	42	8%	174	179	-3%
PBT	309	325	-5%	81	280%	540	1,355	-60%
Tax	77	87	-11%	34	125%	157	323	-51%
Profits from Associates/JV	-1	0	22%	0	-483%	0	0	0%
PAT	232	238	-2%	47	389%	382	1,031	-63%
<b>EPS</b>	<b>8.7</b>	<b>8.5</b>		<b>1.8</b>		<b>14.5</b>	<b>39.9</b>	

## Operational Metrics

Particulars	Q4 FY26	Q4 FY25	Change % (Y-o-Y)	Q3 FY26	Change % (Q-o-Q)	FY26	FY25	Change % (Y-o-Y)
Production Capacity (MTPA)*	1,84,440	1,84,440	0%	1,84,440	0%	1,96,440	1,92,910 <sup>&amp;</sup>	2%
Production Volume (MT)*	41,268	38,790	6%	38,768	6%	1,54,930	1,56,087	-1%
Sales Volume (MT)	45,162	34,308	32%	40,233	12%	1,58,177	1,52,013	4%
<b>Capacity Utilization %<sup>^</sup></b>	<b>89.5%</b>	<b>84.1%</b>	<b>537 Bps</b>	<b>84.1%</b>	<b>542 Bps</b>	<b>78.9%</b>	<b>80.9%</b>	<b>-204 Bps</b>
Revenue Per MT (in Rs.) <sup>^</sup>	93,871	1,00,379	-6%	88,787	6%	93,671	96,420	-3%
EBITDA Per MT (in Rs.) <sup>^</sup>	11,592	14,895	-22%	7,637	52%	8,959	13,852	-35%

Source: Company, Keynote Capitals Ltd.

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

<sup>^</sup>Computed

<sup>&</sup>Average Capacity over the Period

## Q4 FY26 Conference Call Takeaways

### Legacy Business – rPSF, rPSY, DTY

- The legacy recycling business reported healthy revenue growth of ~20% on a YoY basis and ~5% on a QoQ basis in Q4 FY26. Growth was primarily volume-led, with sales volumes increasing ~24% on a YoY basis, while realisation declined ~3%.
- Sales volume stood at 29,234 MT in Q4 FY26, partly supported by the clearance of inventory built up in FY25. For FY26, legacy business volumes stood at 113,449 MT, reflecting ~4% growth compared to FY25.
- EBITDA margin for the legacy business improved by 132 Bps on a QoQ basis to 8% in Q4 FY26. However, the margin recovery remains fragile given the sharp movement in scrap bottle prices and weak absorption capacity among downstream textile customers.
- As a result, GESL and the broader industry have increased rPSF prices to some extent, with prices reaching Rs. 90-100 per Kg. However, the Company has not been able to fully pass on the increase in scrap bottle prices, as downstream textile customers are operating on thin margins and are also facing logistical challenges in export markets.
- Considering these dynamics, textile customers are currently liquidating their existing inventory instead of purchasing new raw materials. This will impact GESL's legacy business' volumes and EBITDA margin from Q1 FY27 until the operating environment stabilises.

### Subsidiary Business – rPET B2B chips, rFilament Yarn

- The subsidiary business recorded revenue of ~Rs. 1,636 Mn in Q4 FY26, growing ~28% on a YoY basis. Growth was primarily volume-led, with sales volume increasing ~47% on a YoY basis, partly offset by a ~13% decline in realisation.
- Warangal operations continued to ramp up during the quarter, with overall utilisation improving to ~67% in Q4 FY26. Within this, rPET utilisation remained stronger at above 85%, supported by regulatory clarity and healthy demand from brand owners after the MoEFCC notification on mandatory recycled plastic usage.
- Management indicated that out of the subsidiary sales volume of ~15,928 MT in Q4 FY26, rPET contributed ~11,500 MT, with the balance coming from rPSF and rPSY and FDY.
- EBITDA stood at ~Rs. 312 Mn, translating into an EBITDA margin of ~19%. Margin expanded by 463 bps on a QoQ basis, aided by operating leverage as Warangal utilisation improved from ~50% in Q3 FY26 to ~67% in Q4 FY26.

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- However, margins were lower by 467 bps on a YoY basis, declining from ~24% in Q4 FY25. Management indicated that earlier subsidiary margins of ~24-26% were achieved on lower volumes and a higher share of spot sales. The current ~19-20% margin appears closer to a normalised level as the business shifts to a more regular pass-through and conversion-based model.
- Current realisations remain volatile, with rPET realisation at ~Rs. 118-125 per Kg and rFilament yarn at ~Rs. 150-160 per Kg. vPET is currently trading at Rs. 125-130 per Kg, at a slight premium to rPET. However, rPET pricing is linked more to bale prices and conversion cost, so higher vPET prices may support demand but do not automatically expand rPET conversion margins.
- In the rFilament yarn business, the Company has qualified with a leading global textile brand. Commercialisation has started to a limited extent, but the ramp-up has been delayed due to geopolitical disruptions. Management expects utilisation in this segment to improve gradually over the next 3-6 months as offtake scales up.

### Capacity Update

- The Company has decided to drop Odisha as the location for its proposed greenfield project, which was earlier expected to require ~Rs. 6,000 Mn of capex for setting up 67,500 MTPA of capacity. Instead, GESL now plans to expand at Warangal by adding another 22,500 MTPA line, along with ~10,000 MTPA of debottlenecking, at an estimated capex of ~Rs. 1.5 Bn.
- The decision was driven by strong demand visibility and the need to bring capacity onstream faster. A greenfield project at Odisha would have taken ~1.5-2 years to commission and ramp up. In comparison, adding another line at the existing Warangal facility can be executed and ramped up faster, allowing the Company to absorb near-term demand more effectively.
- The Warangal expansion also requires significantly lower capital outlay, as it is a brownfield project. This makes it a more capital-efficient route for capacity addition compared to the earlier Odisha plan.
- The 22,500 MTPA line, which was expected to be commissioned in April 2026, is now operational and is awaiting FSSAI approval. Approval is expected within the next 1-2 months. Based on the revised capex plan, the Company now expects its Q4 FY26 capacity of 42,000 MTPA to increase to 64,500 in Q1 FY27 and 97,500-100,000 MTPA by the end of FY27, compared to the earlier target of 130,000 MTPA.
- The Company generated operating cash flow of ~Rs. 1.7 Bn in FY26, while net debt stood at ~Rs. 3.75 Bn, translating into a comfortable net debt-to-equity ratio of 0.3x. This provides balance sheet flexibility and gives the Company adequate room to fund the near-term Warangal brownfield expansion through internal accruals and additional debt.
- At stabilised utilisation, management expects the Warangal business to generate asset turns of ~1.25-1.35x and long-term ROCE of ~17-18%, supporting the return profile of the brownfield expansion.
- Beyond the current Warangal plan, management is evaluating multiple options for future expansion, including potential JVs and setting up plants closer to key customers or markets. However, no specific structure, partner or timeline has been finalised yet.

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### Industry and EPR updates

- On 31 March 2026, MoEFCC issued the final amendment under EPR norms, providing regulatory clarity on recycled-content usage in PET packaging. Brands have been allowed to carry forward their FY26 obligation under the ~30% recycled-content mandate and fulfil it over FY27-FY29. However, for FY27, the government has reaffirmed that the ~40% recycled-content target will remain applicable, with penalties for non-compliance.
- This clarity has materially improved the demand outlook for food-grade rPET. Management indicated that global and domestic brand owners have shown strong interest and commitments for FY27 supplies, as regulatory uncertainty around mandatory recycled-content usage has now reduced.
- India's FSSAI-approved B2B rPET chips capacity currently stands at ~250,000-280,000 MTPA. In addition, ~150,000-160,000 MTPA of capacity is awaiting FSSAI approval, which includes the Company's 22,500 MTPA line commissioned at Warangal in April 2026.
- Despite upcoming capacity additions, management believes the demand-supply mismatch in food-grade rPET remains favourable. Under the ~40% recycled-content mandate, FY27 demand is expected at ~450,000-500,000 MTPA, against current approved supply of ~250,000-280,000 MTPA.
- Management indicated that industry supply could increase from the current FSSAI-approved capacity of ~250,000-280,000 MTPA to ~700,000-750,000 MTPA over the next 2 years, as pending approvals and new capacities come through. However, demand is also expected to rise to ~900,000-1,000,000 MTPA as the recycled-content mandate increases from ~40% currently to ~60% over time.
- Management believes the rPET industry could take another 3-5 years to mature, supported by rising PET consumption, higher recycled-content compliance requirements and limited availability of high-quality suppliers with consistent operations. This creates a favourable runway for organised players such as GESL.

### Other Updates

- For FY27, management expects the Company to generate EBITDA of Rs. 2.25-2.50 Bn, supported by total sales volume of ~180,000-200,000 MT. Management has refrained from providing product-wise EBITDA per Kg guidance, given the ongoing volatility in raw material prices, realisations and product mix.
- With the MoEFCC notification now providing regulatory clarity on mandatory recycled-content usage, management expects the rPET segment to deliver sales volume of ~85,000 MT, supported by stronger brand offtake and improved utilisation at Warangal. However, this offtake will happen in a phased manner.
- At optimal utilisation of its existing and upcoming brownfield capacities at Warangal, management estimates peak revenue potential of Rs. 23-25 Bn. Over the longer term, the Company expects to grow revenue at 20%+ CAGR, supported by higher rPET adoption, capacity ramp-up and new growth opportunities.

## Financial Statement Analysis

## Income Statement

Y/E Mar, Rs. Mn	FY24	FY25	FY26	FY27E	FY28E
<b>Net Sales</b>	<b>11,229</b>	<b>14,657</b>	<b>14,817</b>	<b>17,375</b>	<b>21,475</b>
Growth %		31%	1%	17%	24%
Raw Material Expenses	6,909	9,130	9,752	11,207	13,529
Employee Expenses	750	882	998	1,042	1,288
Other Expenses	2,191	2,537	2,650	2,954	3,586
<b>EBITDA</b>	<b>1,379</b>	<b>2,106</b>	<b>1,417</b>	<b>2,172</b>	<b>3,071</b>
Growth %		53%	-33%	53%	41%
Margin%	12%	14%	10%	13%	14%
Depreciation	487	550	648	747	851
<b>EBIT</b>	<b>892</b>	<b>1,556</b>	<b>769</b>	<b>1,425</b>	<b>2,220</b>
Growth %		74%	-51%	85%	56%
Margin%	8%	11%	5%	8%	10%
Interest Paid	449	381	403	396	396
Other Income & exceptional	146	179	174	64	96
<b>PBT</b>	<b>589</b>	<b>1,355</b>	<b>540</b>	<b>1,093</b>	<b>1,919</b>
Tax	183	323	157	273	480
<b>PAT</b>	<b>406</b>	<b>1,031</b>	<b>383</b>	<b>820</b>	<b>1,440</b>
Others (Minorities, Associates)	0	0	0	0	0
<b>Net Profit</b>	<b>406</b>	<b>1,031</b>	<b>382</b>	<b>819</b>	<b>1,439</b>
Growth %		154%	-63%	114%	76%
Shares (Mn)	25.3	25.5	26.8	26.8	26.8
<b>EPS</b>	<b>16</b>	<b>41</b>	<b>14</b>	<b>31</b>	<b>54</b>

## Balance Sheet

Y/E Mar, Rs. Mn	FY24	FY25	FY26	FY27E	FY28E
Cash, Cash equivalents & Bank	1,532	1,217	1,213	561	878
Current Investments	276	200	81	81	81
Debtors	1,380	1,716	1,978	2,031	2,510
Inventory	3,014	3,554	2,976	4,011	4,843
Short Term Loans & Advances	535	625	251	251	251
Other Current Assets	528	1,145	1,712	1,712	1,712
Total Current Assets	7,264	8,458	8,211	8,647	10,275
Net Block & CWIP	8,418	9,677	11,078	11,721	11,730
Long Term Investments	59	203	181	180	180
Other Non-current Assets	504	1,003	564	564	564
<b>Total Assets</b>	<b>16,245</b>	<b>19,342</b>	<b>20,034</b>	<b>21,113</b>	<b>22,748</b>
Creditors	746	807	873	1,133	1,329
Provision	52	54	93	93	93
Short Term Borrowings	98	1,608	1,567	1,567	1,567
Other Current Liabilities	668	893	603	603	603
Total Current Liabilities	1,564	3,361	3,136	3,396	3,592
Long Term Debt	3,713	3,684	3,389	3,389	3,389
Deferred Tax Liabilities	150	213	181	181	181
Other Long Term Liabilities	297	577	572	572	572
Total Non Current Liabilities	4,160	4,474	4,141	4,141	4,141
Paid-up Capital	253	255	268	268	268
Reserves & Surplus	10,268	11,252	12,489	13,308	14,747
Shareholders' Equity	10,521	11,507	12,757	13,576	15,015
Non Controlling Interest	0	0	0	0	0
<b>Total Equity &amp; Liabilities</b>	<b>16,245</b>	<b>19,342</b>	<b>20,034</b>	<b>21,113</b>	<b>22,748</b>

Source: Company, Keynote Capitals Ltd. estimates

## Cash Flow

Y/E Mar, Rs. Mn	FY24	FY25	FY26	FY27E	FY28E
Pre-tax profit	589	1,355	539	1,092	1,919
Adjustments	795	769	933	1,079	1,152
Change in Working Capital	-778	-1,460	448	-828	-1,114
Total Tax Paid	-171	-250	-213	-273	-480
<b>Cash flow from operating Activities</b>	<b>435</b>	<b>413</b>	<b>1,707</b>	<b>1,070</b>	<b>1,477</b>
Net Capital Expenditure	-1,559	-2,074	-1,750	-1,390	-859
Change in investments	-840	932	104	0	0
Other investing activities	128	-111	64	64	96
<b>Cash flow from investing activities</b>	<b>-2,272</b>	<b>-1,253</b>	<b>-1,582</b>	<b>-1,326</b>	<b>-763</b>
Equity raised / (repaid)	3,775	85	1,039	0	0
Debt raised / (repaid)	-1,071	1,570	-609	0	0
Dividend (incl. tax)	-44	-114	-80	0	0
Other financing activities	-432	25	-439	-396	-396
<b>Cash flow from financing activities</b>	<b>2,228</b>	<b>1,567</b>	<b>-89</b>	<b>-396</b>	<b>-396</b>
Net Change in cash	391	727	36	-652	317

## Valuation Ratios

	FY24	FY25	FY26	FY27E	FY28E
<b>Per Share Data</b>					
EPS	16	41	14	31	54
Growth %		153%	-64%	111%	76%
Book Value Per Share	415	452	476	507	560
<b>Return Ratios</b>					
Return on Assets (%)	3%	6%	2%	4%	7%
Return on Equity (%)	5%	9%	3%	6%	10%
Return on Capital Employed (%)	7%	9%	4%	7%	10%
<b>Turnover Ratios</b>					
Asset Turnover (x)	0.8	0.8	0.8	0.8	1.0
Sales / Gross Block (x)	1.2	1.3	1.1	1.2	1.3
Working Capital / Sales (x)	34%	37%	34%	30%	28%
Receivable Days	41	39	45	42	39
Inventory Days	154	131	122	114	119
Payable Days	38	29	33	30	31
Working Capital Days	157	141	134	126	127
<b>Liquidity Ratios</b>					
Current Ratio (x)	4.6	2.5	2.6	2.5	2.9
Interest Coverage Ratio (x)	2.3	4.6	2.3	3.8	5.8
Total Debt to Equity	0.4	0.5	0.4	0.4	0.3
Net Debt to Equity	0.2	0.4	0.3	0.3	0.3
<b>Valuation</b>					
PE (x)	52.8	38.4	58.8	30.8	17.5
Earnings Yield (%)	2%	3%	2%	3%	6%
Price to Sales (x)	1.6	2.7	1.5	1.5	1.2
Price to Book (x)	1.8	3.4	1.8	1.9	1.7
EV/EBITDA (x)	15.2	20.8	18.7	13.7	9.7
EV/Sales (x)	1.9	3.0	1.8	1.7	1.4

## KEYNOTE Rating History

Date	Rating	Market Price at Recommendation	Upside/Downside
15 <sup>th</sup> July 2025	BUY	1492	+65%
18 <sup>th</sup> August 2025	BUY	1326	+80%
14 <sup>th</sup> November 2025	BUY	972	+77%
11 <sup>th</sup> February 2026	BUY	837	+101%
26 <sup>th</sup> May 2026	BUY	954	+58%

## Rating Methodology

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

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Compliance Officer: Mr. Jairaj Nair; Tel: 022-68266000; email id: [jairaj@keynoteindia.net](mailto:jairaj@keynoteindia.net)

Registered Office: 9th Floor, The Ruby, Senapati Bapat Marg, Dadar West, Mumbai – 400028, Maharashtra. Tel: 022 – 68266000.

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

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