

23RD ANNUAL REPORT 2011-12



Clean, green and safe



GANESHA ECOSPHERE LTD.

(Formerly known as Ganesh Polytex Ltd.)

FORWARD-LOOKING STATEMENT

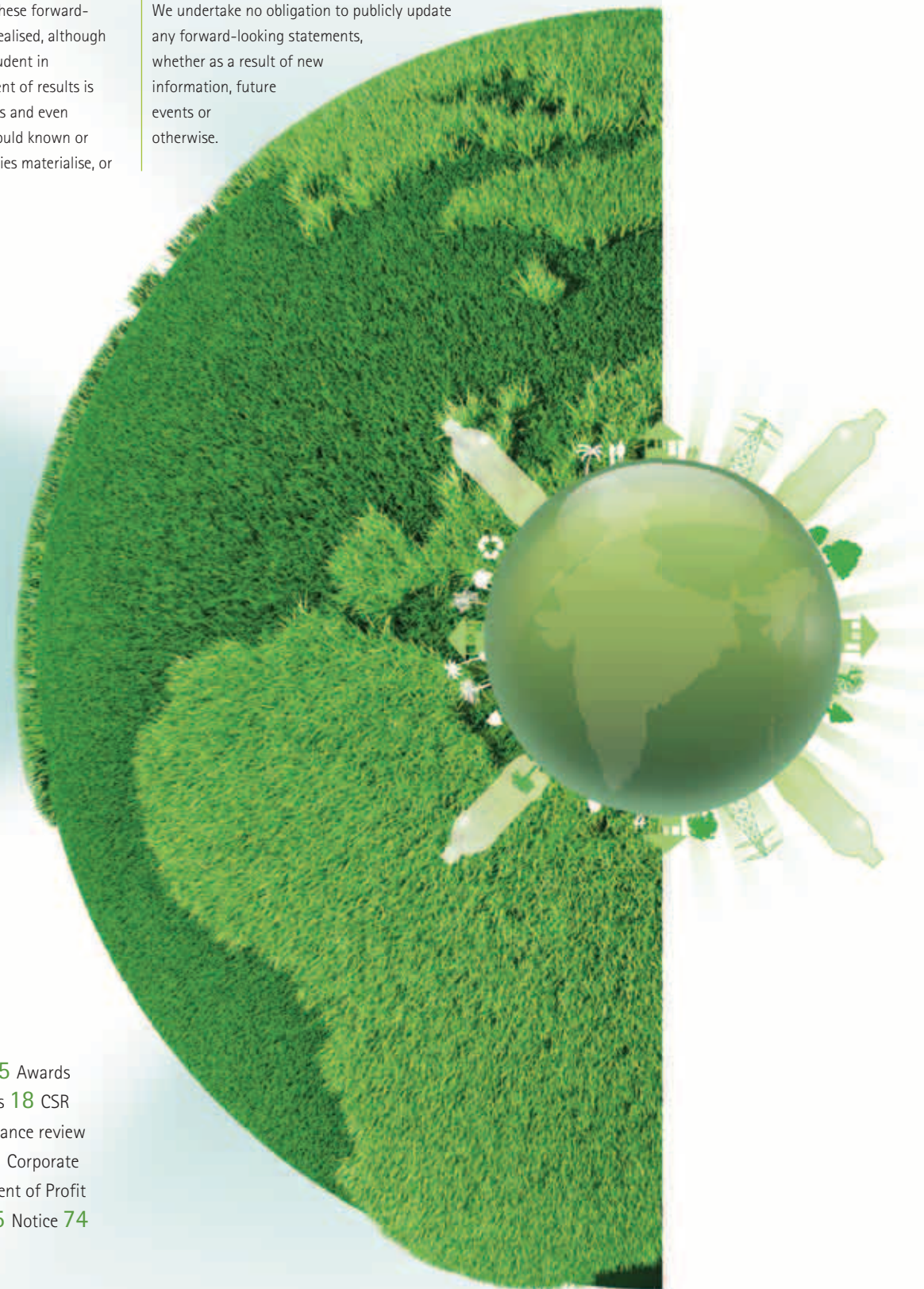
In this Annual report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words

such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or

should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



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Have you ever wondered what happens to used PET bottles after you have discarded them? Where do they disappear? Do they get reused at all? In what form?

Ganesha Ecosphere is India's largest PET waste recycling company.

Helping make the world clean, green and safe.

What's good for the world is good for the Company. The Company reported a 32.25% growth in revenues in 2011-12 and enhanced value for its shareholders.

Ganesha Ecosphere. India's largest PET waste recycling company.

Recycling PET waste into polyester staple fibre. Transforming, what was long considered waste, into value.

PET bottle recycling	Production capacity	Revenue from operations	Export presence	ROCE
7 million Daily	60,000 MT In 2011-12	₹ 385.23 crore In 2011-12	33 countries	17.84% As on 31st March, 2012

Parentage

- Established in 1987, the Company commenced the manufacture of polyester staple fibre in 1995
- The Company is headed by Mr Shyam Sunder Sharmma (Chairman and Managing Director) and managed by dedicated professionals
- The Company's name changed to Ganesha Ecosphere Ltd. from Ganesh Polytex Ltd. w.e.f.

7th October, 2011

Presence

- The Company is headquartered in Kanpur (Uttar Pradesh)
- The Company's manufacturing units in Kanpur (Uttar Pradesh) and Rudrapur (Uttarakhand) possess a cumulative capacity of 60,000 TPA
- Possesses 25 PET waste collection centres

located across India

- The Company's shares are listed and actively traded on the Bombay Stock Exchange (market capitalisation of ₹84.43 cr as on 31st March, 2012)

Products

The Company is engaged in processing of PET waste into Recycled Polyester Staple Fibre and yarn processing, which finds applications in the following sectors:

Product range	Application
Recycled Polyester Staple Fibre:	Industrial sector
■ Silicon fibre	■ Toy stuffing, furniture, pillows, quilts, mattresses and other comfort products
■ Hollow fibre	■ Non-woven carpets and fabrics
■ Hollow silicon fibre	■ Filter fabrics
■ Conjugated fibre (3 dimension)	■ Medical and packaging textiles
■ Hollow conjugated fibre	■ Geo textiles
■ Fire-retardant fibre	■ Paper and construction industry
■ Anti-microbial fibre	■ Other non-woven/technical textile applications
■ Dope dyed fibre	Textile sector
■ Short cut fibre (3-4mm)	■ Spun yarn
■ Textile grade fibre (1.5 to 3 denier)	■ Hosiery yarn
■ Trilobal fibre	■ Blended woolen yarn
■ Coarse denier (5 to 80 denier)	
Yarn:	
Texturised/ Twisted Grey & Dyed Yarn	Fabrics, Sarees, Dress Material, Upholstery and furnishing fabrics, Sewing Threads, Cords etc.



Our journey

07
08

- Expanded waste recycling facility at Rudrapur (to 21,600 MTPA)

08
09

- Expanded RPSF capacity of the Kanpur unit to 18000 MTPA (total 39,600 MTPA)
- Enhanced equity capital to ₹98.5 million

09
10

- Expanded capacity of Rudrapur unit by 18,000 MTPA (total 57,600 MTPA)
- Enhanced equity capital to ₹123.2 million
- Designated as STAR EXPORT HOUSE by the Ministry of Commerce & Industry

10
11

- Awarded ICAI 'Silver Shield' for excellence in financial reporting
- Equity capital expanded to ₹136.7 million

11
12

- Awarded the coveted 'Business Today-Yes Bank Star SME Award' in the overall medium category for 2011
- Equity capital expanded to ₹151.86 million

Corporate pillars

Our Vision

To become a Global Corporate citizen committed to recycle every PET bottle which is thrown into waste with world class recycling facilities and to create wealth for our stakeholders through conducting business around social and environmental concerns.

Our Mission

- To be a high performance organization by making the best use of resources and empowering people.
- To be the preferred choice of our customers by providing world class customer services.
- To maintain high levels of quality in our products through innovative Research and technology development in our processes, products and applications.
- Building relationships with stakeholders based on trust, transparency & ethical business conduct.
- To contribute to the cause of making our planet a better place to live in for the present and future generations.

Shared Values

- Excellence in whatever we do.
- Delivering innovative products.
- Results through teamwork.
- Uncompromising integrity.
- Trust and respect for everyone.

Proof of a robust and clean performance

Operational highlights, 2011-12

- Increased production 14% from 40,543 tonnes in 2010-11 to 46,207 tonnes
- Successfully launched and marketed spun

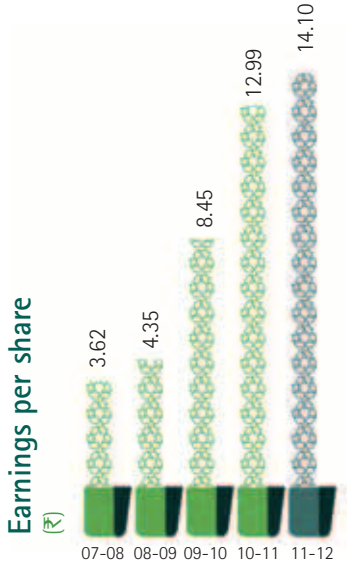
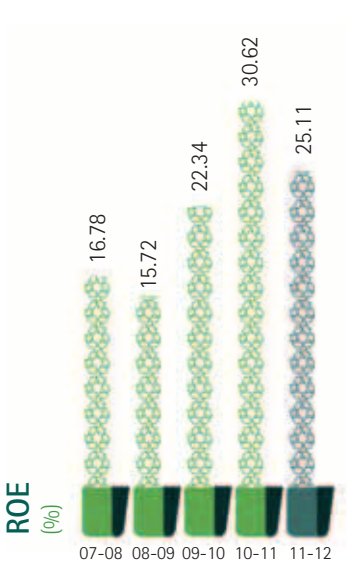
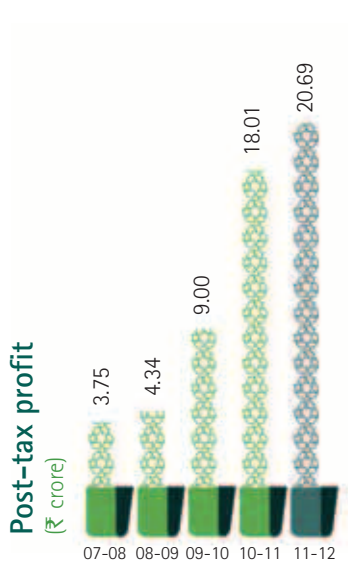
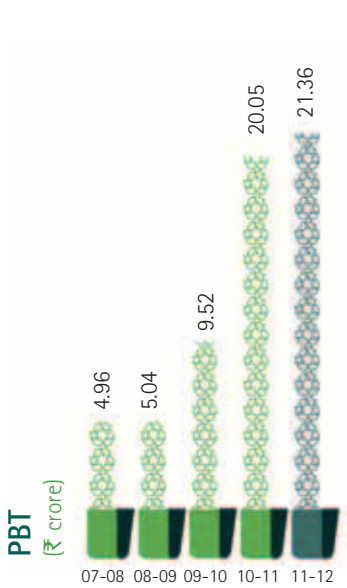
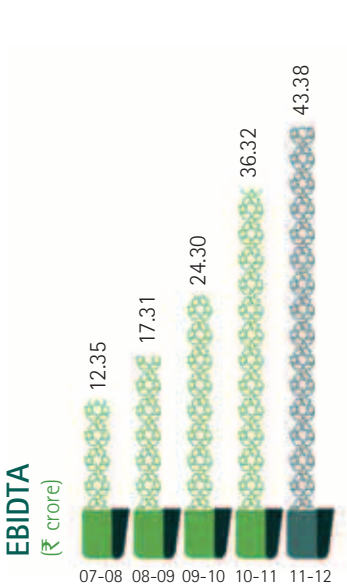
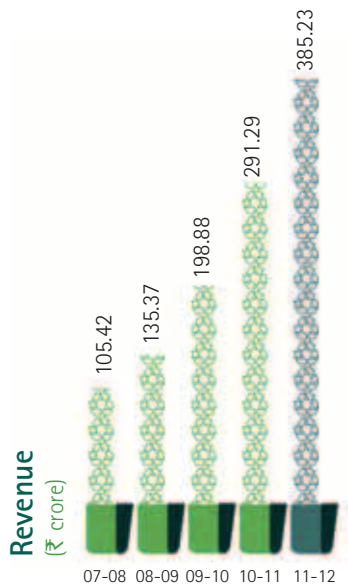
yarn made from 100%-own recycled PSF

Financial highlights, 2011-12

- Revenue increased 32.25% from ₹291.29 crore in 2010-11 to ₹385.23 crore
- EBITDA increased 19.44% from ₹36.32 crore

in 2010-11 to ₹43.38 crore

- Profit after tax increased 14.88% from ₹18.01 crore in 2010-11 to ₹20.69 crore
- Cash profit increased 17.76% from ₹26.91 crore in 2010-11 to ₹31.69 crore



Awards



Ganesh Ecosphere Ltd, India's leading PET Waste Recycling Company has been awarded the coveted 'Silver Shield' for Excellence in Financial Reporting by the Institute of Chartered Accountants of India.

The Annual Report and Accounts for the year ended 31st March, 2010 have been adjudged as the second best amongst the entries received under the Category 'Manufacturing Sector – Turnover less than ₹500 crores'. The award was presented in the presence of his Excellency Shri Salman Khurshid, Hon'ble Union Minister of State (I/C) for Corporate Affairs and a huge gathering of Chartered Accountants and stalwarts of the financial sector and corporate India.

The Company has also been awarded with the most coveted 'Business Today- Yes Bank Star SME Award' in the overall medium category for the year 2011. The Award was presented by Shri Virbhadra Singh, Hon'ble Union Minister for Small and Medium Enterprises who graced the occasion as the Chief Guest among other dignitaries present. Joint Managing Director, Shri Sharad Sharma and Chief Finance Officer, Shri Gopal Agarwal received the award on behalf of the Company.

The glorious event, organised through the joint initiative of Business Today and YES Bank, was marked by the presence of dignitaries who are stars or celebrities in their own respective SMEs fraternities. This year more than 2.8 lakh SMEs participated in the survey, thereby making our success a phenomenal one.



We expect to emerge as a ₹10 billion turnover Company in next five years

Pear shareholders,

I AM PLEASED TO PRESENT A GROWING PERFORMANCE IN 2011-12 FOR THE ATTENTION OF OUR SHAREHOLDERS.

While growth in any year would be considered creditable, the fact that we grew in a challenging year like 2011-12 must make our performance even sweeter. The year under review was marked by several challenges like rising inflation, increased cost of borrowed capital, economic uncertainty, global slowdown and low consumer confidence.

Performance

Despite these challenges, your Company was able to post its best-ever performance.

- We increased revenues 32.25% from ₹291.29 crore in 2010-11 to ₹385.23 crore
- We increased profit after tax 14.88% from ₹18.01 crore in 2010-11 to ₹20.69 crore
- We achieved the benefit of a full year's production across our expanded capacity in Rudrapur, enhancing the Company's production 15% over the previous year

This counter-slowdown performance was achieved on account of the Company's proactive investment in capacity, geographic presence and portfolio.

Challenges

The Company addressed the following challenges during the year under review:

The Company absorbed a part of the increase in the wages of rag pickers and neutralised a part of the increase through superior

procurement management. The Company selected a mix of foreign currency and rupee-based loans, reducing its average borrowing cost to 11% in 2011-12, lower than the prevailing rates in the Indian economy.

Market scenario

Globally, the demand for polyester fibre is on the rise due to diverse applications in various sectors. The global consumption of man-made fibre was 51 million against 30 million tonnes of cotton fibre. The consumption ratio of polyester fibre to cotton fibre in India increased from 20:80 in 1980 to 40:60 in 2011.

PET is one of the fastest-growing segments in plastics, providing a hygienic, durable and user-friendly packaging solution for various kinds of bottled drinks, beverages, pharmaceuticals, liquor, chemicals and other liquid products. With lifestyle changes and higher disposable incomes, demand for PET bottles is set to grow rapidly. Since PET bottles take a considerable amount of time to decompose and a huge amount of land is required to dispose them, there is a growing need to recycle PET bottles into something productive, economical and relevant.

India's PET resin demand of around 500,000 tonnes per annum is growing at around 7.5% annually. Even as India is emerging as one of the largest consumers of polymers, per capita PET consumption in India is a mere 0.3 kg compared with 2.1 kg the world over. Going ahead, as India's PET consumption catches up with the global average, the Company will

need to find a responsible long-term solution for the growing quantity of PET waste.

At GESL, we address a significant opportunity. Recycling is practiced worldwide; when one tonne of PET container is recycled, it saves around 7.4 cubic yards of land fill space. Even as there is a growth in the manufacture of PET resin with some of the leading players in India doubling their capacities in near term, the country's PET recycling capacity is placed at around 300,000 TPA.

Our positioning

GESL is advantageously positioned to capitalise on this opportunity. The Company was the first to commission PET recycling capacity in 1995, which has now resulted in an attractively low capital cost, the largest Indian waste recycling capacity, one of the widest product portfolios and the pioneering manufacturer of coloured fibres in India. The result is that GESL possesses a relatively de-risked business model across regions and market cycles.

Product relevance

The business of recycled PET fibres possesses certain advantages over virgin fibres. The raw material procurement price of virgin fibre is linked to the crude oil price movement, unlike waste PET, which is priced lower and based on our ability to negotiate with intermediaries who derive material from rag pickers. As a result, there is always a ready market for our products on the one hand and an easier ability to engage in business forecasting on the other. PET recycling is also energy-

efficient; one tonne of PET recycling conserves energy equivalent to lighting a 60W bulb for six hours.

At GESL, we are attractively and competitively placed to capitalise on the upside of our potential. We provide customised products that address the needs of our customers. We are engaged in a relationship-centric business model where we work with longstanding customers and most of our revenues is derived from existing customers.

At GESL, our primary raw material is PET waste. India has abundant PET waste due to a growing use of PET across various products. The Company created a strong network of collection centres backed by dedicated rag pickers. Besides, the Company developed a strong network of scrap dealers for PET waste sourcing.

At GESL, we also derive strength through our strong balance sheet. A prudent financial strategy helped us expand without stretching our balance sheet. Our debt-equity ratio stood at 0.64 as on 31st March, 2012.

Way forward

At GESL, we are strengthening our business through various initiatives:

- We are expanding our PET bottle recycling capacity by 30,000 TPA. The first phase of this expansion is expected to go on-stream by March 2013 and second phase by September 2013.
- We are climbing the value chain by setting up a greenfield capacity (25,920 spindles) to

manufacture spun yarn, which will make further value-addition of about 75% over PSF prices. We are also contemplating an integration forward into the manufacture of value-added products like technical non-woven textile, geo-textiles, etc.

At GESL, we are growing the Company without compromising its solidity. Our sustainable business model is founded on long experience, solid business model, ethical business practices and lasting customer relationship along with a deep market understanding.

The result is that we expect to achieve revenues of ₹10 billion in five years through secure and sustainable means.

With such a productive past, and with such an exciting future, encompassing foray into

new segments and strategic projects, the Company looks to the future with confidence. On behalf of the Board of Directors I take this opportunity to convey my gratitude to the management team and employees for their continued support, undiluted commitment, enthusiasm and devoted efforts. I would like to place on record my heartiest appreciation to our shareowners, suppliers, associates and loyal customers for their continued trust, they have placed in our Company, thus helping it emerge as a leader in the field of recycling.

Regards,

Shyam Sunder Sharmma
Chairman





Our industry leadership is derived from deep and enduring competencies

Business model

The Company has invested in an environment-friendly business model where it recycles PET bottles, which take more than a century to decompose and occupy considerable land-filling space. The vast recycling opportunity helped the Company emerge as one of the fastest-growing companies in India with a CAGR in revenues of 37% in the last five years.

Experience

The Company possess 17 years of experience in polyester fibre manufacture and waste recycling

Scale

The Company possesses the country's largest production capacity of 57,600 TPA, translating into attractive economies of scale.

Applications

The Company's diverse product range finds applications in sectors like fibrefill, spinning industry, automobile industry, geo-textiles, medical and packaging, paper, textiles and various other non-woven sectors, de-risking it from a dependence on any single industry.

Technology

The Company is equipped with state-of-the-art technology, enabling it to manufacture a diverse range of quality products.

Customisation

The Company's rich experience enables it to provide customised products as per customer requirements.

Governance

The Company's governance stems from information transparency, continuous audit (internal) and complete statutory compliances.

Fiscal management

The Company's balance sheet comprises a cash balance of ₹10 crore as on 31st March, 2012, modest debt-equity ratio of 0.64 (as on 31st March, 2012) and an average 11% cost of debt that is lower than the prevailing cost in the Indian economy



CLEAN, GREEN AND SAFE

One input. Multiple applications. Saving the environment.

t HERE IS ONE FEATURE LINKING THE JERSEY ON the back of the famous footballer to the 500 ml cola bottle to the geo-textile used in road construction to the container used in storing fish inside a refrigerator. Polyethylene terephthalate (PET) is used as a packaging material for beverages, food, products (personal and home care), pharmaceuticals, consumer and industrial products.

PET has gained global acceptance as a preferred packaging material on account of its hygiene, strength, lightness, durability, inertness, economy, attractiveness and freshness-retention. The result is that global food and health safety agencies have approved PET as perfectly safe for downstream applications in food and beverage packaging.

Even as there has been a substantial increase in the production of PET over the last decade, there is another reality: the product simply takes hundreds of years to

decompose, making land filling necessary and even critical for human survival.

At Ganesha Ecosphere, we see ourselves at the forefront of making the world a liveable place – through a business that reconciles PET waste consumption at one end and the manufacture of useful products at the other.

Over the last five years, the Company has recycled more than eight billion tonnes of PET waste, which would have otherwise occupied one million cubic sq yards of landfill space. On the contrary, the Company has produced useful products that find applications in sectors like fibrefilling, automobile, textiles (technical and geo) and packaging, etc.

The result is in the numbers. Ganesha Ecosphere's revenues grew at a CAGR of 37% in the five years leading to 2011-12.



CLEAN, GREEN AND SAFE

One idea. Multiple benefits. For society and business.

t HINK OF A BUSINESS THAT HAS unlimited potential, attractive margins and does as much good for a manufacturer as it does for the world.

The recycling of PET is one such business. On the face of it, a tonne of PET containers occupies 7.4 cubic yards of landfill space. When recycled, this demanding space requirement is liberated. Besides, recycling a pound of PET saves approximately 12,000

BTUs, according to industry authority US Environmental Protection Agency.

The scope of this business is derived from some attractive realities:

One, the consumption of PET containers is growing at around 7% the world over; the developing countries like India, will show higher growth for pet packaging as a result of growing real incomes and the replacements of traditional packaging formats by pet bottles. Since the

consumption of PET is expected to grow sustainably, the Company's access to a growing quantity of raw material is reasonably assured.

Two, only about 50-60% of consumed PET bottles are recycled, leaving adequate room for enhanced procurement efficiency.

Three, the manufacture of polyester staple fibre accounts for 94% of the Company's output, an area whose consumption has been

rising year-on-year on account of established product advantages.

Four, following investments, the Company intends to graduate to the manufacture of diverse value-added products, progressively adding more value.

The result: the Company reconciled environmentally-beneficial activity on the one hand with an economically positive impact on the other.

One PET bottle is equal to....

- 19 PET bottles (20 oz) yield enough fibre for an extra large T-shirt or enough to make one square foot of carpet.
- 63 PET bottles (20 oz) yield adequate fibre to make a sweater.
- 14 PET bottles (20 oz) yield enough fibrefill to make a ski jacket.
- 114 PET bottles (20 oz) to make enough fibrefill for a sleeping bag.



CLEAN, GREEN AND SAFE

One resource.
Multiple impact.
For the benefit of
the Company and
the world.

■ NDIA HAS A PET RESIN DEMAND OF ABOUT 500,000 TPA and a recycling capacity of around 300,000 TPA.

Ganesha Ecosphere identified the opportunity to convert waste into wealth in 1995.

The Company enhances stakeholder value at various levels - sustainable income and superior living standard for thousands of rag pickers.

The Company enhances social value through the transformation of PET bottle waste into polyester staple fibre with 33% to 53% lower energy use than virgin fibre coupled with lower carbon emission by around 55% compared to virgin polyester fibres.

The result: The Company's annual recycling of around 2.3 bn bottles saves 0.3 million cubic meters of landfilling, helping make the world a cleaner place to be in.

PET
bottles
recycled
by the
Company

2007-08
0.87
billion

2008-09
1.42
billion

2009-10
1.53
billion

2010-11
2.26
billion

2011-12
2.34
billion