



GANESHA ECOSPHERE LTD.
25TH ANNUAL REPORT 2013-14

STAYING THE COURSE



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.

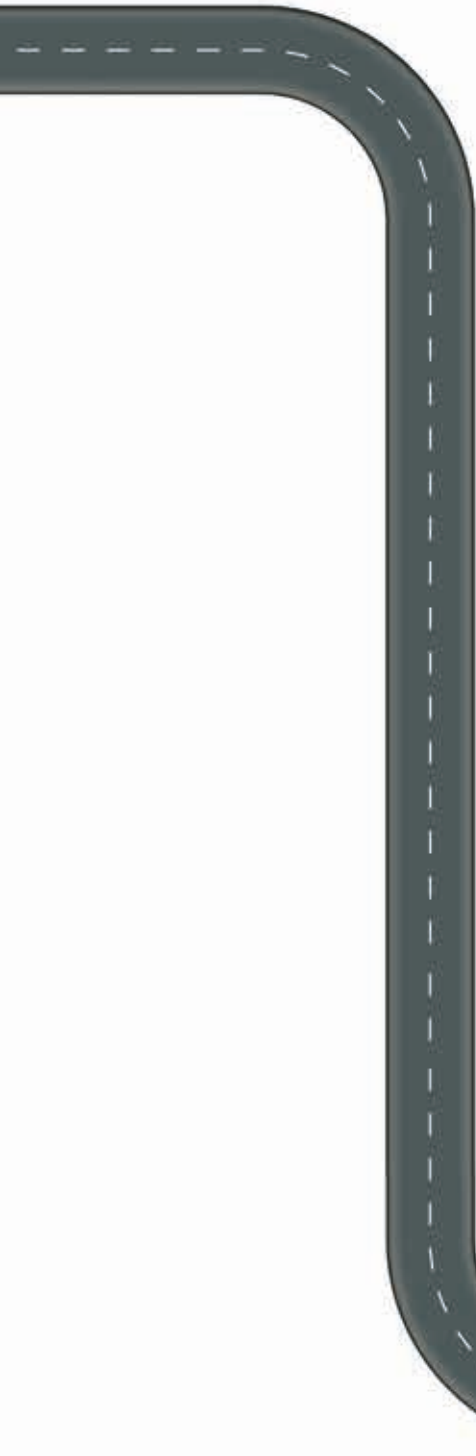
We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying 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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✈ **The** year 2013-14 was a trying one for country, sector and Company.

Business slowed. Inflation spiked. Fund costs stayed expensive. The value of Indian currency declined to its lowest against the USD.

These uncertainties notwithstanding, Ganesha Ecosphere reported a 14.65% rise in revenues and a 16.83% increase in EBIDTA.

Our counter-trend performance was the result of three words that have come to define our strategic direction and commitment.

**STAYING THE
COURSE.**



THE ULTIMATE BUSINESS IS ONE THAT GENERATES WEALTH FROM WASTE.

OVER THE LAST 19 YEARS, GANESHA ECOSPHERE HAS BUILT AN ENTIRE BUSINESS USING PET WASTE TO MANUFACTURE REGENERATED POLYESTER STAPLE FIBRE.

GENERATING ₹ 2,610.97 CRORE IN CUMULATIVE REVENUES AND ₹ 106.84 CRORE IN PAT IN ITS EXISTENCE.

HELPING CLEAN THE WORLD.
BENEFITING SOCIETY. ENRICHING SHAREHOLDERS.

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.

Mission

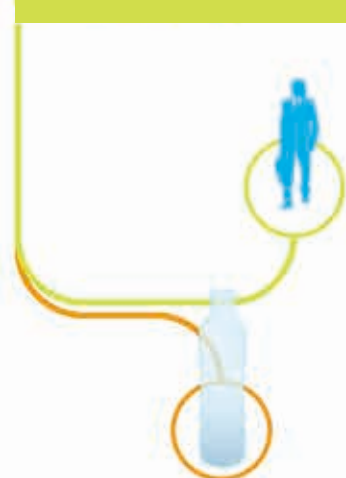
To be a high-performance organisation by making the best use of resources and empowering people.

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.

To build relationships with stakeholders based on trust, transparency and ethical business conduct.

To contribute to the cause of making our planet a better place to live in for the present and the future generations.



+14.65%

Growth in revenues over
2012-13

+16.83%

Growth in EBIDTA over
2012-13



Location

Headquartered in Kanpur (Uttar Pradesh), the Company commissioned its first manufacturing plant in Kanpur followed by a second plant in Rudrapur (Uttarakhand) in 2006. Both facilities are equipped with state-of-the-art technology and relevant environment clearances. The Company sources raw material from over 20 pan-Indian waste collection centres on the one hand and six marketing offices pan-India on the other. Over the years, the Company grew its production capacity from 6,000 TPA to 66,600 TPA.

About us

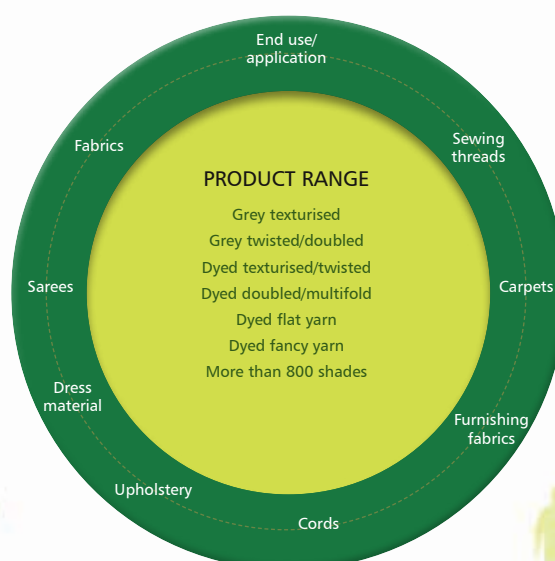
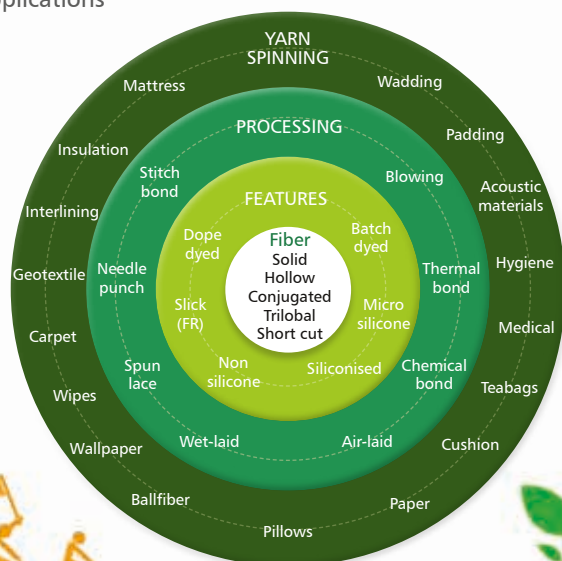
Ganesha Ecosphere is a leading RPSF manufacturer from PET waste material in India. Established in 1987 by Mr. Shyam Sunder Sharmma (Chairman and Managing Director), the Company went into RPSF production from 1995 with an installed capacity of 6,000 TPA.

Business

The Company is engaged in the manufacturing of recycled polyester staple fiber from PET waste and is one of the largest in the space. The Company is also a manufacturer of polyester yarns.

Products

Applications



+1.74%

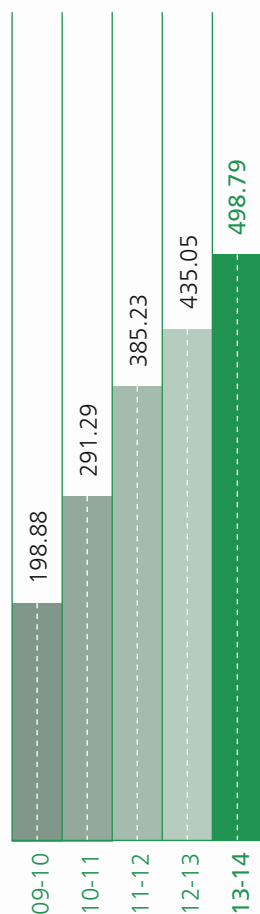
Growth in net profit over 2012-13

+38.43%

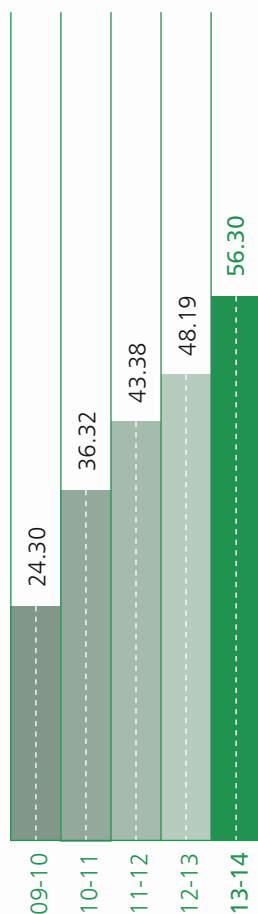
Growth in PET bottle recycling over 2012-13

HOW WE PERFORMED IN 2013-14...

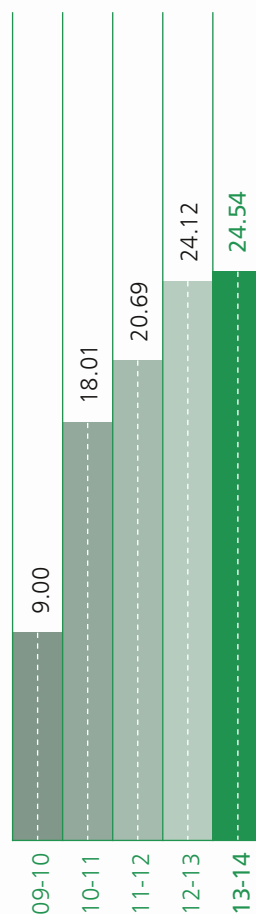
Revenue
(₹ crore)



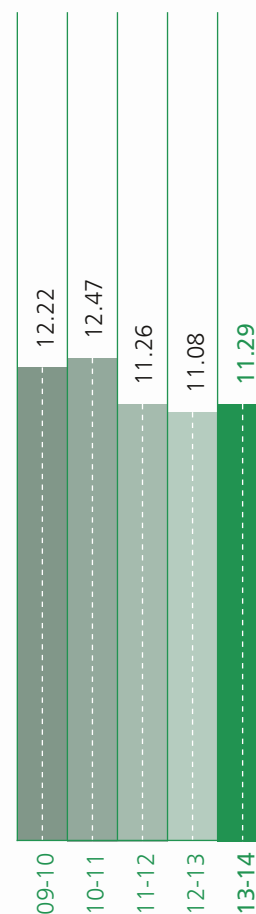
EBIDTA
(₹ crore)



Post-tax profit
(₹ crore)



EBIDTA margin
(%)

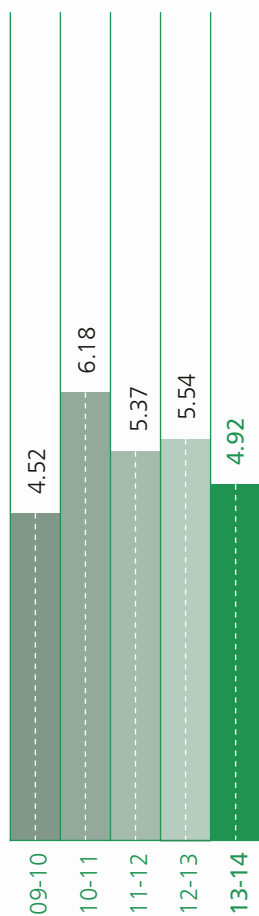


Operational

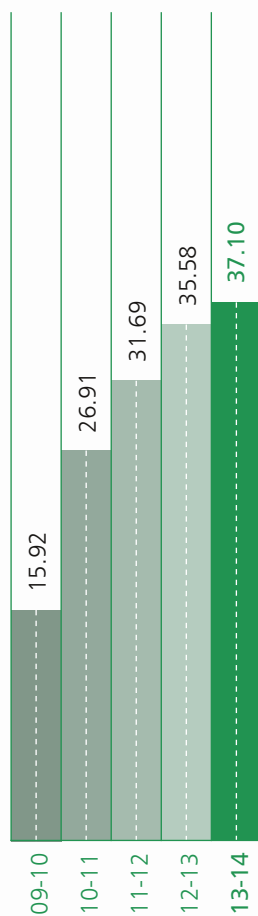
Enhanced the recycling capacity of our Kanpur plant from 18,000 tonnes in 2012-13 to 27,000 tonnes following a modest investment of ₹33 crore

Increased production from 47,252 tonnes in 2012-13 to 53,078 tonnes

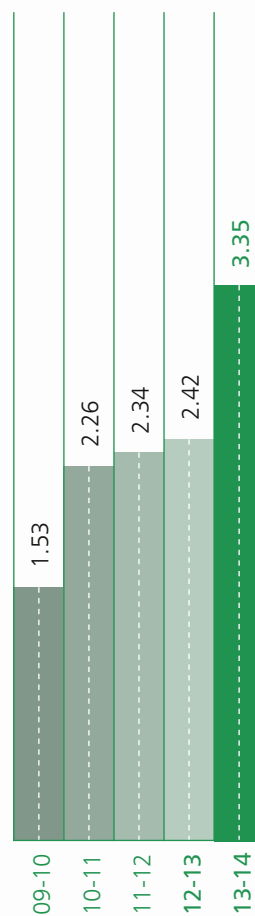
PAT margin (%)



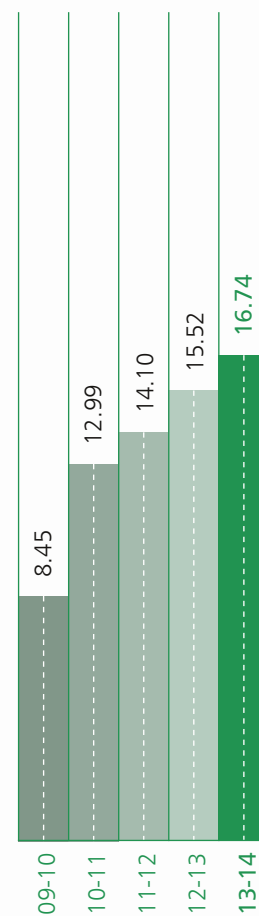
Cash profit (₹ crore)



PET bottles recycled (bn)



Earnings per share (₹)



Financial

Increased revenues 14.65% from ₹435.05 crore in 2012-13 to ₹498.79 crore

Increased EBITDA 16.83% from ₹48.19 crore in 2012-13 to ₹56.30 crore

Increased profit after tax 1.74% from ₹24.11 crore in 2012-13 to ₹24.54 crore

Increased cash profit 4.27% from ₹35.58 crore in 2012-13 to ₹37.10 crore

Proposed a dividend of ₹1.2/- per share



A MESSAGE FROM THE CHAIRMAN

Dear shareowners,

The year 2013-14 continued to be among the slowest years of India's economic growth in a decade, the country recording a sub-5% growth for the second consecutive year.

The country's manufacturing sector was the worst-affected with a negative growth of 0.7%. Consumer inflation and interest rates remained high, staggering consumption demand. Besides, a volatile rupee hit a low of ₹ 68.80 against the US dollar during the course of the year under review, affecting costs.

Despite this adverse economic environment, Ganesha Ecosphere reported a credible 14.65% growth in revenues, 16.83% increase in EBIDTA and 1.74% growth in net profit over 2012-13. While this was not the best of years in terms of growth, what made our performance creditable was that the challenges notwithstanding, we strengthened our competitiveness and performance.

Performance drivers

Over the years, we recognised the growing importance of widening our production base at one end and enhancing value-addition at the other.

We recognised that this strategy would enable us to escape commoditisation in a volume-driven business, helping us reinforce our competitiveness.

In line with this strategy, we increased PET recycling capacity by 9000 TPA at our Kanpur facility and integrated forward into yarn spinning with a capacity of 7,200 MTPA. Following this reality, we extended from waste at one end to downstream products at the other, representing the most extensive value-addition in our niche sector.

The combination of this value-addition, scale, related economies and customer relationships translated into a creditable performance during the year under review and strengthened the Company's long-term competitiveness.

Business model

Increasing urbanisation, enriching demographics (growing proportion of youth) and transforming lifestyles have catalysed PET consumption in

India on the one hand and generated a corresponding increase in recycling on the other.

The outlook for the business appears encouraging, what with three PET plants possessing a combined capacity of 856,000 TPA expected to commence production in 2014, which could enhance PET availability within the country [Source: www.icis.com]. As per available estimates by CPCB, India annually generates 5.6 million metric tonnes of plastic waste of which around 60% is recycled. We are optimistic of the long-term prospects of this business given that the per capita PET consumption in India is 0.3 kg, considerably lower than the global average of 2.3 kgs. This headroom and market size are helping create an attractive industry opportunity.

There is also a growing optimism due to the increasing use of recycled polyester fibre by several global brands derived from growing environment



responsibility. Globally, the total man-made fibre consumption is expected to grow from 52 million tonnes in 2000 to about 100 million tonnes by 2020, the strongest growth expected to be derived from India, China and Indonesia [Source: www.fibre2fashion.com].

There is a growing appetite for downstream textile products in India. For instance, the Indian textile and apparel sector is expected to grow 11% annually from USD 90 billion to a market size of USD 220 billion by 2020 [Source: www.commodityonline.com]. What provides us with considerable downstream optimism is that the FY13 per capita MMF consumption in India of 1.7 kg per annum is just a fraction of the global average of 10 kg per annum, but correcting with greater speed now than ever before on account of a visible demographic churn and increased disposable incomes.

Capitalising on the potential

There are a number of pertinent reasons

why one is optimistic about GESL.

One, we invested in India's largest RPSF capacity of 66,600 tonnes per annum across two plants (another plant of 21,000 TPA is under commissioning), providing us with the benefits of economies-of-scale on one hand and the inherent ability to service a larger customer base from diverse downstream industries on the other.

Two, we created widespread collection centres and stepped up waste procurement from scrap dealers, ensuring that we have adequate resources to feed our consumption appetite.

Three, we invested in downstream spun yarn capacities, making it possible to add substantial value.

Four, our wide product basket caters to diverse industry needs, de-risking us from an over dependence on a single downstream industry.

Five, the raw material used in RPSF manufacturing is cheaper raw

material than material used in virgin polyester fibres, strengthening overall competitiveness.

The result of these realities is that we grew revenues from ₹ 135.37 crore in 2008-09 to ₹ 498.79 crore in 2013-14 and profit after tax from ₹ 4.34 crore to ₹ 24.54 crore during the period. Going ahead, the invested capacities possess the potential to generate more than ₹ 800 crore in revenues at peak capacity with correspondingly higher margins.

At Ganesha Ecosphere, we are optimistic that as the economy revives, we will be able to post stronger growth translating into enhanced shareholder value.

I would like to thank all the stakeholders for their continuous support over the years to help us emerge as one of the best in our sector.

With best regards,

Shyam Sunder Sharmma
Chairman

OUR ROBUST BUSINESS MODEL



Environment-friendly

Recycling PET waste helps the Company ensure the inherent environmental-friendliness of the core business process



Scale

Ensuring economies-of-scale, better customer servicing and a larger market share. Capacity grew by 68% over the last six years



Product basket

Strong product basket with customisable product offering, servicing diverse industries and de-risking the Company from over dependence on a single industry



Value-added

Commercialised various value-added products like dyed PSF, which strengthened realisations and generated a strong premium



Business presence

Growing PET consumption ensures greater waste availability. PET waste is cost-competitive and de-linked from crude volatility



Financial prudence

Despite a 225% increase in gross block, debt increased 320% over the last five years, maintaining GESL's gearing at 1.18 (2013-14) and interest cover at 2.66x (2013-14)



Integrated

Integrated forward into spun yarn, enhancing realisations, reducing costs and climbing the value-chain

