



Safe and sustainable

GANESHA ECOSPHERE LTD. | 24TH ANNUAL REPORT 2012-13

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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Safe and Sustainable.
Not just a phrase.
But the business model of
Ganesha Ecosphere Ltd.
The result: 12.9% revenue
growth and 16.5% increase
in profit after tax
in the challenging
2012-13.

Green business is good business.



Ganesha Ecosphere recycles more than 2.42 bn PET bottles annually. Saving 0.3 mn cubic yards of land filling space, 87 mn pounds of crude oil and 65 mn kgs of carbon emission.

The result: the Company increased revenues at a CAGR of 26% in the five years leading to 2012-13.

Lineage

Ganesha Ecosphere Ltd. was established in 1987 as Ganesh Polytex Ltd. and started manufacturing polyester staple fibre from 1995 (and renamed in 2011). The Company is engaged in processing PET waste into recycled polyester staple fibre and yarn. The Company is headed by Mr. Shyam Sunder Sharmma (Chairman and Managing Director), who is assisted by an experienced and professional management team.

Location

The Company is headquartered in Kanpur (Uttar Pradesh). The manufacturing facilities are located in Kanpur and Rudrapur (Uttarakhand). The spun yarn manufacturing facility is being commissioned in Bilaspur (U.P.). The Company has a strong network of 25 raw material collection centres across India. The Company's equity shares are listed on the Bombay Stock Exchange with a market capitalisation of ₹61.35 crore as on 31st March, 2013.

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.
- ▶ 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.

Values

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





	Recycled polyester staple fibre (RPSF)	Dyed texturised/twisted filament yarn
Raw material	Post consumer PET bottle waste and other kinds of industrial polyester waste	POY/FDY and grey texturised yarns
End use application	Textile sector <ul style="list-style-type: none"> ▶ Spun yarn ▶ Hosiery yarn ▶ Blended woolen yarn Industrial sector <ul style="list-style-type: none"> ▶ Stuffing in toys, furniture, pillows, quilts, mattresses, and other comfort products ▶ Non-woven carpets and fabrics ▶ Filter fabrics ▶ Medical and packaging textile ▶ Geo textiles ▶ Paper and construction industry ▶ Other non-woven/technical textiles 	Textile sector <ul style="list-style-type: none"> ▶ Fabrics, sarees, dress material ▶ Upholstery and furnishing ▶ Sewing threads ▶ Cords etc.
Product range	<ul style="list-style-type: none"> ▶ Textile grade fibre (1.5-3 denier) ▶ Trilobal fibre ▶ Coarse fibre denier (5-80 Dn) ▶ Silicon fiber ▶ Hollow fiber (two dimension) ▶ Hollow silicon fibre ▶ Conjugated fibre ▶ Hollow conjugated fibre ▶ Dope dyed fibre (three dimension) ▶ Fire retardant fibre ▶ Anti-microbial fibre ▶ Dope dyed fibre ▶ Short cut fibre (3-4 mm) 	<ul style="list-style-type: none"> ▶ Grey texturised ▶ Grey twisted/doubled ▶ Dyed texturised ▶ Dyed twisted ▶ Dyed doubled/multifold ▶ Dyed flat yarn ▶ Dyed fancy yarn ▶ Over 800 colour/shades

Revenue growth
12.93%
Over 2011-12

PET bottles recycled
Approx **8 mn** daily
In 2012-13

Gross block
₹246.27 crore
As on 31st March, 2013

Market capitalisation
₹61.35 crore
As on 31st March, 2013

Employee base
1,059
As on 31st March, 2013

Safe and sustainable business... reflected in our performance

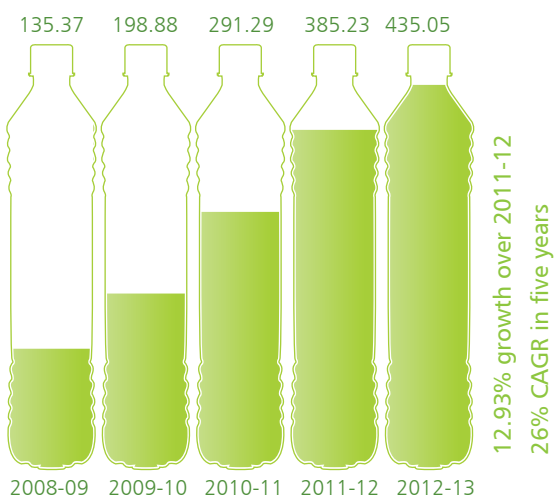
Operational highlights, 2012-13

- Increased production 8.20% from 43,671 tonnes in 2011-12 to 47,252 tonnes

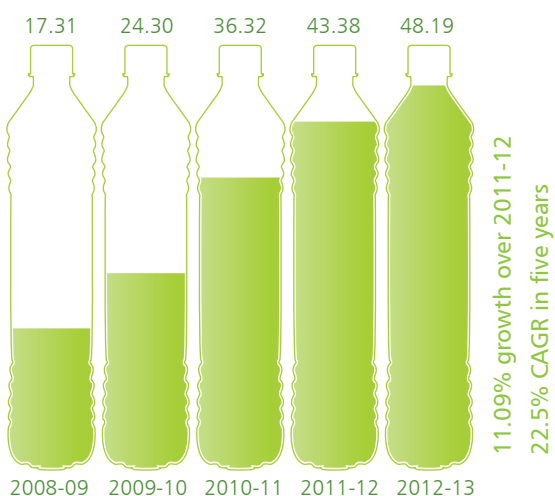
Financial highlights, 2012-13

- Revenue increased 12.93% from ₹385.23 crore in 2011-12 to ₹435.05 crore
- EBITDA increased 11.09% from ₹43.38 crore in 2011-12 to ₹48.19 crore
- Profit after tax increased 16.53% from ₹20.69 crore in 2011-12 to ₹24.11 crore
- Cash profit increased 12.28% from ₹31.69 crore in 2011-12 to ₹35.58 crore

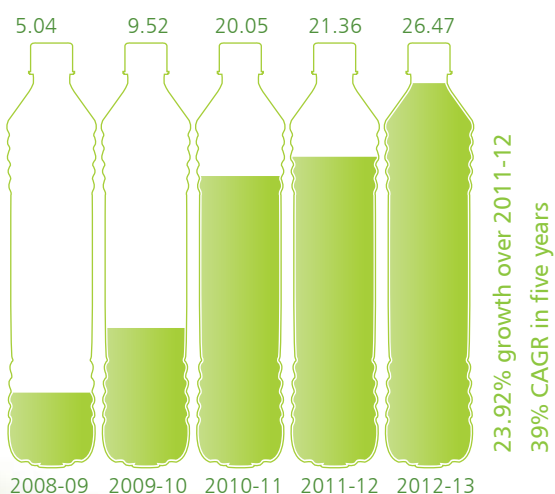
Revenue (₹ crore)



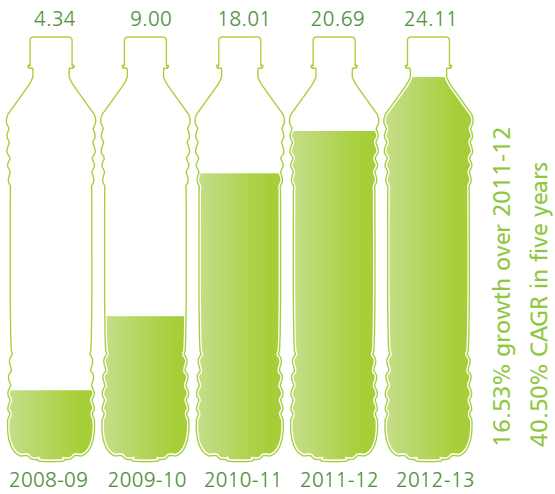
EBIDTA (₹ crore)



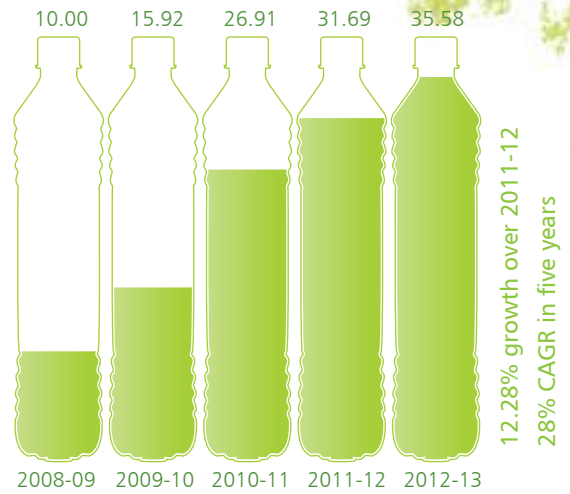
PBT (₹ crore)



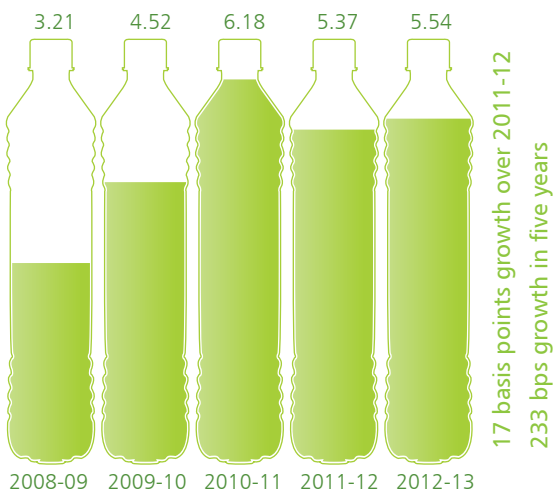
Post-tax profit (₹ crore)



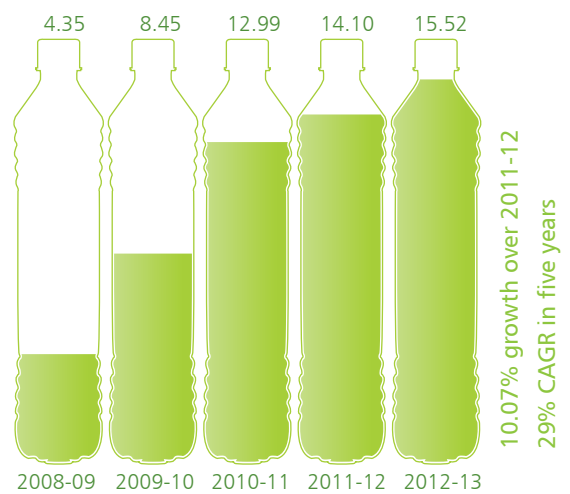
Cash profit (₹ crore)



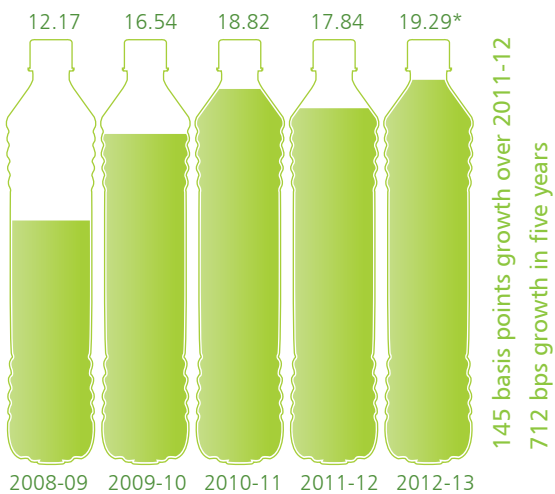
PAT margin (%)



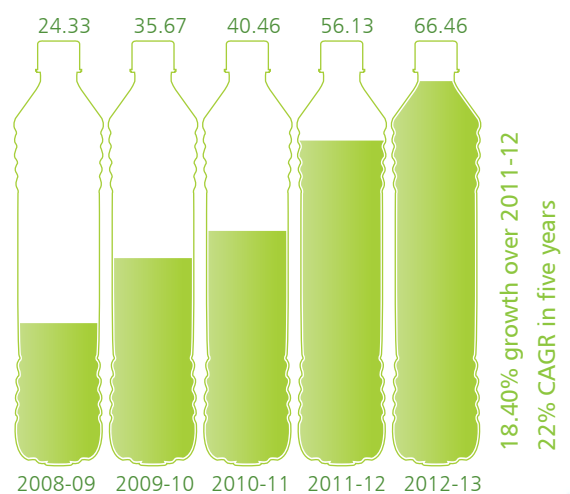
Earnings per share (₹)



ROCE (%)



Book value per shares (₹)



*Excluding capital employed to the ongoing expansion project, which would be operational in the next financial years.

"We countered growing competition through enhanced customer proximity, product customisation and innovative solutions"



Dear Shareholders

The year 2012-13 was one of the most challenging in recent memory, India recording its slowest GDP growth in a decade due to muted export growth, high interest rates, inflation and lower infrastructural investments.

These challenges also extended to our sector in the form of rising raw material costs and growing competition. I am pleased to state that we addressed the rise in raw material costs through enhanced production efficiency, de-bottlenecking and higher capacity utilisation. We countered growing competition through enhanced customer proximity, product customisation and innovative solutions. These are the result of our various initiatives during the year under review:

- ▶ Enhanced production 8.20% over 2011-12
- ▶ Increased revenues 12.93% over 2011-12
- ▶ Enhanced net profit 16.53% over 2011-12.

Supply side economics

Internationally, PET has emerged as a preferred packaging medium with large consumer product companies shifting from conventional packaging forms to PET and recycling PET as part of their corporate responsibility.

India generates significant amount of PET waste every year. Interestingly, PET demand in India is estimated to be around 1,309.3 thousand tonnes by 2016 while recycling capacity is presently estimated at around 4,00,000 TPA, creating an attractive business opportunity. Besides, even as the global per capita PET consumption is 2.3 kg, the corresponding figure in India is only 0.3 kg, indicating a growing room not only for PET consumption but for also recycling.

There is another case for the growing potential of this business. PET bottles take a number of years to decompose, which rules out land filling as this could pose a serious threat to the environment. So even as we have the

prospect of rising PET consumption on the one hand, we have a greater consensus that PET recycling is indeed the sustainable road ahead.

In India, we are attractively placed with around 75% of waste PET bottles getting collected, second only to China's 90% collection rate. This scenario secures our raw material supply side, strengthening our sectoral viability.

Demand side economics

At Ganesha Ecosphere, we utilise waste PET bottles to manufacture polyester staple fibre. The dynamics related to PSF are influenced by the broader textiles universe including the availability and pricing of cotton and competing raw materials.

Though cotton is the dominantly consumed fibre in India, the share of cotton in total fibre consumption showed a decline from 74% in FY09 to 59% in FY11. Correspondingly, the share of man-made fibres is growing and likely to touch an estimated 45% by FY17 of the overall fibre consumption.



Did you know?

On average, a U.S. household uses 45 pounds of PET plastic bottles and jars in a year. If these were recycled, they would yield enough recycled PET fiber to make 12 dozen T-shirts or carpet a 12'X15' room. (Source: PETRA)

This growing consumption of polyester provides a credible demand side scenario for the country's PET recycling business.

Our competitive positioning

At Ganesha Ecosphere, we are attractively placed to capitalise on the prospects of our business for some good reasons.

We possess the largest recycled PSF capacity in India translating into attractive economies of scale and in turn having a sizeable market share.

By the virtue of having been among the first players in India's PET recycling industry, we now possess strong R&D and a portfolio of customised products.

The road ahead

At our Company, we are seized with the prospect to graduate into a higher league.

We are taking a number of initiatives to

drive revenues and enhance profitability through various initiatives.

One, we are increasing our RPSF capacity in a phased manner from 57,600 TPA to 87,600 TPA by FY 2015. We are optimistic that this increase will help us to enhance market share significantly in the next couple of years building into projected revenues of more than ₹700 cr at full expanded capacity utilisation.

Two, we are commissioning a 7,200 MTPA spun yarn capacity at Bilaspur in 2013-14. Previously, the Company was outsourcing the conversion of recycled PSF to spun yarn but following the commissioning of the captive unit, the Company will be better placed to enhance product value and margins significantly.

Three, we prudently managed our long-term debt and our long-term gearing of 1.22 providing room for additional borrowings.

Outlook

Following buoyant demand for the textile industry in India and the Planning Commission's projected 8% growth for the sector during the Twelfth Five Year Plan, we expect that demand for recycled fibre demand will remain robust with significant addition to the topline and bottomline of the Company.

On behalf of the Board of Directors, I would like to thank our stakeholders especially our equity investors for staying invested. All our efforts are aimed at generating sustainable growth, which in turn is expected to enhance shareholder value.

Regards,

Shyam Sunder Sharmma
Chairman

Increasing capacity (tonnes)

	2011	2012	2013	2014E	2015E
RPSF	57,600	57,600	57,600	66,600	87,600
Spun yarn	-	-	-	7,200	7,200
Dyed yarn	2,400	2,400	3,000	3,000	3,000

