DEFYING THE ODDS

GANESHA ECOSPHERE LTD.
ANNUAL REPORT 2014-15

WHEN THE GOING GETS TOUGH, THE TOUGH GET GOING...

At Ganesha Ecosphere, our business model is directed towards a simple reality.

Perform better than the others in a challenging business environment. Perform better than the others in a favourable business environment.

There is a secret to how we have succeeded in doing so over the years.

We have generally selected to invest in sectoral slowdowns. We have done so at a reasonable cost compared with the prevailing industry average. We have commissioned capacities in the shortest times. We have capitalised on sectoral upturns. We have climbed out of the commodity trap through focused value-addition. We mobilised precious resources through a strategic private equity placement. We deleveraged our Balance Sheet. We built a stronger business.

THE RESULT. In 2014-15, we grew our revenues by 24.69%; enhanced our EBIDTA by 14.88%, achieved an average capacity utilisation of 83% and recycled more than 3.76 bn PET bottles.

We have defied the odds.

GANESHA ECOSPHERE LTD.

ONE OF THE MOST ATTRACTIVE PROXIES OF THE POLYESTER AND 'GREEN' INDUSTRIES.

DEMONSTRATING THAT A FAST-GROWING BUSINESS CAN BE CLEAN BUSINESS TOO.

VALIDATING THAT WHAT IS GOOD FOR THE ECONOMY IS GOOD FOR THE ENVIRONMENT AS WELL.

Product Portfolio

RPSF (Recycled polyester staple fibre)	Dyed Texturised / Twisted Filament yarn	Recycled Spun Yarn
Capacity: 87,600 tonnes per annum	Capacity: 3,000 tonnes per annum	Capacity: 7,200 tonnes per annum

Parentage

Ganesha Ecosphere went into business in 1987. Over the years, the Company has emerged as one of the leading PET-recycled RPSF manufacturers in India, headed by Mr. Shyam Sunder Sharmma, a first-generation entrepreneur who is Chairman and Managing Director of the Company.

Activity

Ganesha Ecosphere pioneered the manufacture of recycled polyester staple fibre and yarn from PET bottle scrap in India, which is consumed by downstream units engaged in the manufacture of textiles (t-shirts, body warmers, apparels), functional textiles (non-woven air filter fabrics, geo textiles, carpets, car upholsteries) and fillings (for pillows, duvets, toys).

Location

Headquartered in Kanpur (Uttar Pradesh), Ganesha Ecosphere has manufacturing units in Kanpur (Uttar Pradesh), Rudrapur (Uttarakhand) and Bilaspur (Uttar Pradesh) with a cumulative manufacturing capacity of 97,800 tonnes per annum for RPSF and yarn. The Company mobilises PET waste raw material through 20+ collection centres across India.

Listing

The Company is listed on the Bombay and the National Stock Exchanges and its shares are traded actively. As on 31st March 2015, the Company enjoyed a market capitalisation of ₹237 crore.

02 CORPORATE OVERVIEW

PHILOSOPHIES

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.

OUR PERFORMANCE
IN 2014-15

Revenues (₹ crore)

2010-11	291.29
2011-12	385.23
2012-13	435.05
2013-14	498.79
2014-15	**621.95**

EBIDTA (₹ crore)

2010-11	36.32
2011-12	43.38
2012-13	48.19
2013-14	56.30
2014-15	**64.68**

PBT (₹ crore)

2010-11	20.05
2011-12	21.37
2012-13	26.47
2013-14	26.32
2014-15	**26.14**

Post-tax profit (₹ crore)

2010-11	18.01
2011-12	20.69
2012-13	24.12
2013-14	24.54
2014-15	**23.07**

EBIDTA margin (%)

2010-11	12.46
2011-12	11.26
2012-13	11.08
2013-14	11.29
2014-15	**10.40**

Financial

24.69%
Growth in revenues from ₹498.79 crore in 2013-14 to ₹621.95 crore

14.88%
Increase in EBIDTA from ₹56.30 crore in 2013-14 to ₹64.68 crore

13.05%
Increase in cash profit from ₹37.10 crore in 2013-14 to ₹41.94 crore

PAT margin (%)

2010-11	6.18
2011-12	5.37
2012-13	5.54
2013-14	4.92
2014-15	**3.71**

Cash profit (₹ crore)

2010-11	26.91
2011-12	31.69
2012-13	35.58
2013-14	37.10
2014-15	**41.94**

ROCE (%)

2010-11	18.82
2011-12	17.84
2012-13	19.29
2013-14	11.88
2014-15	**12.01**

Earnings per share (₹)

2010-11	12.99
2011-12	14.10
2012-13	15.52
2013-14	16.74
2014-15	**13.36**

Number of PET bottles recycled (billion)

2010-11	2.26
2011-12	2.34
2012-13	2.42
2013-14	3.35
2014-15	**3.76**

13bps

Improvement in ROCE from 11.88% in 2013-14 to 12.01%

₹1.20

Declared dividend per equity share

Operational

Augmented the RPSF capacity from 66,600 tonnes in 2013-14 to 87,600 tones

Bolstered total production from 53,078 tonnes in 2013-14 to 71,841 tonnes

"FULL YEAR OPERATIONS OF OUR EXPANDED RECYCLING CAPACITY OF RPSF AT KANPUR AND SPUN YARN AT BILASPUR AS WELL AS STARTING UP OF NEW RPSF CAPACITY AT BILASPUR STRENGTHENED VOLUME BY 33%."

Shyam Sunder Sharmma
Chairman

Dear fellow shareholders,

The 2014-15 fiscal was a challenging year for the global economy.

Even as global output remained flat at 3.4%, advanced economies reported a better performance which extended to the US and the UK while growth in emerging economies remained largely muted, China in particular recording a slowdown after a number of years and India gradually returned to growth.

From a commodity perspective, the year under review was eventful, marked by a sharp decline in crude oil prices owing to weakening global demand and sustained OPEC output. International cotton prices also declined sharply post correction in Chinese Cotton Policy for April 2014.

This meltdown in the price of oil as well as cotton had a corresponding impact on the man-made fibres business. In response to international prices, domestic cotton prices also corrected amidst higher domestic production than consumption and in turn impacting RPSF realisations.

Despite these evident challenges, I am pleased to report that Ganesha Ecosphere put up a contrarian performance.

Despite decline in prices, we reported a 24.69% growth in revenues to cross the ₹600 crore-mark.

2014-15 was the first full year of operations of our expanded recycling capacity of RPSF at Kanpur and spun yarn capacity at Bilaspur.

We also operationalised 21,000 tonnes per annum capacity of RPSF at our Bilaspur unit in December 2014. This led to an increase in volume by 33%.

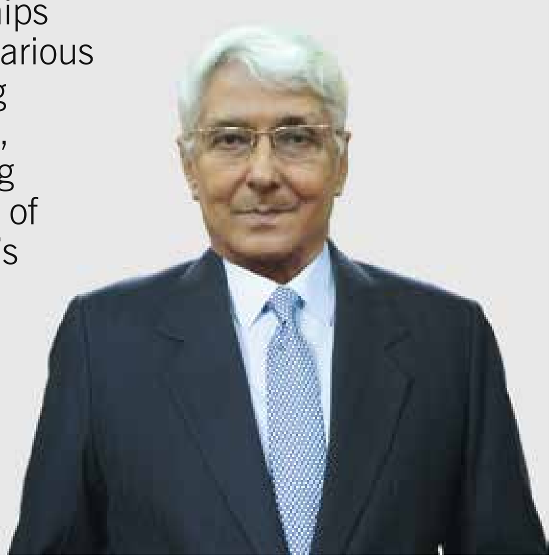
We focused on altering our raw material sourcing channel to enhance our competitiveness. We pushed down the prices of PET bottle scrap in line with the price fall of RPSF.

We mobilised ₹31.79 cr through a successful private placement of equity shares, which helped pare high-cost debts, invest adequately in assets and strengthen our business. We improved capacity utilisation to 83%.

We reinforced relationships through various marketing initiatives, enhancing our share of customer's wallet.

The above factors helped in earning post-tax profit of ₹23.07 crore despite inventory carrying losses, post sharp decline in prices of finished products.

We reinforced relationships through various marketing initiatives, enhancing our share of customer's wallet.



The opportunity

Plastics come in diverse forms – PET, polypropylene, low and high-density polyethylene, polyvinyl chloride and polystyrene. Among these, PET is the most valuable for its post-use implications, providing rag pickers with attractive resale incomes. Estimates indicate that around 8 lac tonnes of bottle grade PET resin were consumed in India during FY2015. As per industry sources, nearly 60-70% of the used bottles are collected for onward recycling, indicating the organised nature of the PET recycling business.

Expected increase in collection rate as a result of "Clean India" campaign presents wider opportunities in terms of increased availability of PET bottle scraps.

Ganesha Ecosphere went into business with an installed recycling capacity of a meagre 6,000 tonnes per annum. We strategically invested in capacities and emerged as one of the largest recycled PSF manufacturers, providing recycled polyester staple fibres for apparels, pillows, soft toys, insulations, paddings, carpets, dresses and many more applications.

We strategically invested in capacities and emerged as one of the largest recycled PSF manufacturers

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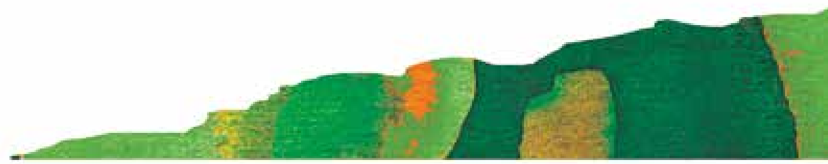
Besides, the Company invested in downstream manufacturing of spun yarn to generate superior realisations.

PET consumption in the country is expected to rise on the back of downstream capacity addition, growing consumer preference for PET-packaged products and rising disposable incomes. This trend indicates a growing market for PET waste recycling, which has a long-term impact on the well-being of our environment. Our business is therefore not incidental to a cleaner India; it is integral to it.

Our competitive positioning

Ganesha Ecosphere is respected for its superior product quality, versatile product range and timely supply. Over the years, we invested in capacities that helped us address a wide range of customer needs across geographies. The addition of value-added spun yarns represents a competitive edge. This explains how, despite a decline in fibre realisations, the Company was able to maintain margins during the year under review. Besides, the Company continued to forge long-term relationships, developed over years with customers.



Optimism

At Ganesha Ecosphere, we expect to register a superior performance in FY2015-16 as we leverage the benefits of our capacity addition. The Company expects to moderate raw material procurement costs through engagements with institutions that facilitate better segregation of PET waste. New capacity to produce RPSF at Bilaspur was successfully commissioned and operationalised during FY15. Quality parameters of RPSF produced in this unit are encouraging and yielding better prices. Besides streamlining the expanded capacity, we intend to increase downstream production of recycled spun yarn, thereby updating the existing production lines and controlling the cost.

The Indian textile sector, which was primarily cotton-dependent, is witnessing a shift in trends as the demand for polyester fibre is gaining momentum due to cotton price volatility and increased sourcing by global brands. Man-made fibre (MMF) still today accounts for 40% of the total fibre production in the country while the ratio is 70% globally. The result is that the consumption of polyester is likely to be more than double the cotton fibre consumption by 2030. This will be manifested in an increase in demand for man-made filaments, fibres and apparel (consuming more than half the total synthetic fibre produced by the industry). Besides, manufacturers of home textiles and technical textiles are also expected to increase the consumption of synthetic fibres.

Imports of MMF and MMF-based apparel accounted for more than

PET consumption in the country is expected to rise on the back of downstream capacity addition, growing consumer preference for PET-packaged products and rising disposable incomes.