GANESHA ECOSPHERE LIMITED

GESL/2022-23/

November 26, 2022

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PJ Towers,
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Mumbai-400 001.
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Scrip Code: 514167

To,
National Stock Exchange of India Limited
Exchange Plaza,
Bandra- Kurla Complex,
Bandra (East),
Mumbai-400051.
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Scrip Symbol: GANECOS

Sub: Transcript of Q2 FY2023 Earnings Conference Call with Analysts/Investors

Dear Sir/ Ma'am,

Please find enclosed transcript of Q2 FY2023 Earnings Conference Call organized with Analysts/Investors held on **21st November, 2022** post declaration of Unaudited Standalone & Consolidated Financial Results of the Company for the quarter and half year ended on 30th September, 2022.

Please take the above on record and oblige.

Thanking you,

Yours faithfully,
For Ganesha Ecosphere Limited

Bharat Kumar Sajnani

Digitally signed by Bharat Kumar Sajnani
Date: 2022.11.26 22:46:16 +05'30'

(Bharat Kumar Sajnani)
Company Secretary-cum-Compliance Officer

Encl: As above

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Ganesha Ecosphere Limited

Q2 FY23 Earning's Conference Call

November 21, 2022

MANAGEMENT: **MR. GOPAL AGARWAL – CHIEF FINANCIAL OFFICER – GANESHA ECOSPHERE LIMITED**
MR. PRASHANT KHANDELWAL – SENIOR VICE PRESIDENT – GANESHA ECOSPHERE LIMITED
MR. YASH SHARMA – PROMOTER GROUP – GANESHA ECOSPHERE LIMITED

MODERATOR: **MR. JENISH KARIA – ANTIQUE STOCK BROKING**

Moderator: Ladies and gentlemen, good day, and welcome to Ganesha Ecosphere Limited Q2 FY '23 Earnings Conference Call hosted by Antique Stock Broking Limited. As a reminder, all participant will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Jenish Karia from Antique Stock Broking Limited. Thank you, and over to you, sir.

Jenish Karia: Thank you, Neerav and good morning to all the participants on the call. On behalf of Antique Stock Broking, I welcome you all to Ganesha Ecosphere Limited Q2 FY '23 Earnings Call. From the management side, we have with us; Mr. Gopal Agarwal, Chief Financial Officer; Mr. Prashant Khandelwal, Senior Vice President; and Mr. Yash Sharma from the Promoter Group.

I would like to now hand over the call to Mr. Gopal Agarwal for his opening comments, post which, we shall open the floor for Q&A. Thank you, and over to you, sir.

Gopal Agarwal: Thank you Jenish. Good morning everyone and on behalf of Ganesha Ecosphere I extend a warm welcome to all of you at the Company’s Q2 and H1 FY23 earnings conference call. Thank you for taking the time to join us today. I hope all of you might have had a chance to look into our quarterly numbers and investors’ presentation available with stock exchanges and on our website.

First half of FY23 have passed under the shadow of ongoing war between Russia and Ukraine upsetting almost all the economies of the world by fuelling oil, gas and energy prices, which, in turn, driven unprecedented high level of inflation in almost all the countries. Supplies of commodities and food grains affected adversely which further fuelled the inflationary pressure in the economies. To control the inflation, central banks of every country is tightening their monetary policies and are making wild increase in interest rates even at the cost of sacrificing the growth. Strong US dollar, being safe heaven asset, is dropping the values of almost all the currencies of the world and thus increasing inflationary pressure.

India also got its share of sufferings in the form of high inflation particularly imported inflation, increasing interest rates, weak currency, higher oil prices, widening current account deficit etc. All the above factors affected the industrial growth at adverse note.

Amidst the above odds, we, at Ganesha, could perform reasonably well on the back of higher realizations and increase in sale volume.

On standalone basis, during September quarter of FY23, Company operated at 103% production capacity during the quarter and achieved production of 27,950 MT. We had achieved production of 27,645 MT during June,22 quarter and 27,928 MT during September, 21 quarter. So broadly the quarterly production is more or less stable on y-o-y and q-o-q basis. We clocked revenue from operations of Rs. 314.14 crore during Q2FY 23 vs. Rs. 248.12 crore during Q2 FY22. turning into a growth of 26.6% over corresponding quarter. Broadly contribution of Fibre and

Yarn is 84% and 16% respectively in these numbers. The growth in revenue was achieved on the back of higher realizations of PSF and yarn as well as increase in sales volume. We could achieve average realizations of Rs. 103.5 per kg during this quarter vs. Rs. 88.6 per kg during corresponding last quarter. In volume terms, we sold 29,232 MT fibre and yarns during Q2 FY23 as against the sale of 26,913 MT during corresponding last quarter.

On half yearly basis, we could produce 55,595 MT during H1FY23 vs. 54,952 MT during H1FY22. We achieved revenue from operations of Rs. 607.09 crore vs. Rs 446.72 crore during corresponding period of FY22. In volume terms, we sold 56,472 tons of production against 51,073 tons sold during first half of FY22, which represents a growth of 10.5% in volume terms.

In geography terms we made an export sale of Rs. 35.48 crore during Q2 and Rs. 69.42 crore during first half of FY23 vs. Rs. 31.38 crore and Rs. 58.03 crore during Q2 and H1 of FY22. Despite slow down in the global market, our exports are increasing and we expect to achieve even higher export sale during current financial year on the back of diversified product range as well as approved vendor status of some international brands.

During Q2 FY23, we earned EBITDA of Rs. 11,810 per ton as against Rs. 10,570 per ton during corresponding last quarter. Total EBITDA numbers are Rs. 33.01 crore during Q2FY 22 and Rs. 29.52 crore for Q2FY22. EBITDA margins are 10.51% and 11.90% respectively during these quarters. On half yearly basis, the EBITDA number is Rs. 10,870 per ton vs Rs. 9,560 per ton during H1FY22 and in absolute terms we earned EBITDA of Rs. 60.44 crore in H1Fy23 vs Rs. 52.53 crore during H1FY22. Though the EBITDA improved in absolute terms, margins were declined in comparison to last year partially because of increase in input costs and partially because of manufacturing cost particularly power and fuel cost. With increase in sale price, raw material prices also rose and average input cost increased to Rs. 54 per kg during Q2FY from Rs. 45 per kg during Q2FY22. On power front, due to increase in coal and gas prices, prices of power on exchanges were increased and so the steep increase in purchase prices of power for us which we were buying under bilateral arrangements. Similarly, fuel cost was also increased due to steep rise in the prices of coal and rice husk. On an average, fuel prices increased by about 30% during last one year.

Despite increase in input costs and other manufacturing costs, Company could earn profit after tax of Rs. 19.96 crore during Q2 FY23 vs. Rs. 17.92 crore during corresponding last quarter registering a growth of 11.4%.

In terms of cashflow, during H1FY23, company generated Rs. 41.30 crore from operations which was mainly used to fund the ongoing projects in subsidiaries. Debt was increased to Rs. 182.5 crore as on 30th September 2022 as against Rs. 138.5 crore at the end of FY2022. The debt equity ratio has also slightly increased to 0.29 from 0.25 on standalone basis. The increase in debts is attributable to ongoing capex in subsidiaries.

There is not much variation in consolidated numbers from standalone because ongoing projects of the company are yet to start the commercial operations. Part of the projects would be operational during current quarter and part of the project is expected to have some more time in commercialization.

Thank you very much for your kind attention. We would now take the questions which you may have.

Moderator: The first question is from the line of Gunjan Kabra from Niveshaay Investment Advisory.

Gunjan Kabra: Sir, congratulations for a very good set of numbers and I really like how we have evolved as in a business perspective. Sir, my first question is that sir, in recycled yarn, sir I wanted to understand how much is imported, and how much is domestically sourced? Asking this from a perspective that India is a very small player in the global scheme and considered in the virgin man-made fiber, while we are very competitive in the cotton segment. So I wanted to understand how much is currently imported in the recycle segment, or is it just domestically sourced?

Gopal Agarwal: Thank you Gunjan. I think, you are asking about the imports of the recycled yarns and fiber in the country. Am I right?

Gunjan Kabra: Correct.

Gopal Agarwal: Yes. So the recycled fiber and yarn is not being much imported into the country. Basically, domestic production is being sold in the market.

Gunjan Kabra: So it is largely a domestic market only, there is no import competition there?

Gopal Agarwal: Yes. It is very negligible.

Gunjan Kabra: Sir, second question which I had is a little long-term perspective question. So sir, whenever we recycle a bottle, so right now, there's a government norm that by 2025 that you have to recycle the bottlers, will have to recycle 30% of the recycled content should be there. So sir, once these bottles get recycled, so can this be further recycled? I mean, does the productive and the quality efficiency is continues to be the same, or will it differ?

Prashant Khandelwal: Good morning. As far as the recycling number are concerned with the PET bottle recycling, you can do it n-number of times. However, there is a smaller level of degradation every time. And majorly, it affects the color of the final product. So every recycling churning will have an impact on color of the final product. So it will get a little bit yellower, and of course, it can be done n-number of times. There is no issue.

Gunjan Kabra: Thirdly, sir, when is the Kanpur facility expected to commence?

Gopal Agarwal: The Kanpur production facility, which was lost in the fire, we are not going to restate those facilities for fiber itself, we are looking for the and going for the recycled plastic other than the PET. So we are taking some trials and pilot productions in that facility. But because of the regulations and upcoming requirement, we are much more focused now on the rPET side, bottle-to-bottle side. So that is a little slower.

Gunjan Kabra: But sir, the pilots phase of the HDPE plants has begun, the ramp-up will take a little time is what you are trying to tell?

Gopal Agarwal: Yes, we are still in pilot phase.

Gunjan Kabra: Sir also like, we are the first ones in the B2B PET bottles segment in the country, I guess. Sir, any idea how is the global structure can this be also imported? And how is the capacity coming up globally, any idea on that?

Yash Sharma: So yes, definitely. I mean globally, also the capacity is increasing constantly because I mean, according to the United Nation, all the countries have been advised that they should be recycling the plastic waste that has being generated, and everyone, all the countries, they need to include certain recycle content in all the plastics that are now going to be produced. So definitely, the capacities are being increased globally, everywhere, but we think that the demand that is currently there, it is way higher than the capacity, because the capacity setup also takes a huge time. There is at least a period of two years to three years to set up a capacity for this kind of a project.

So, but the demand rise that is currently existing, if you talk about Europe or US, they are, I mean from the next year itself they required 20% to 30% recycled content. And I think the current supply is not even like less than half of it, what the demand is currently. So definitely there is growing capacity everywhere to capture this growing demand.

Moderator: Next question is from the line of Srivathsan from Spark Capital Advisors.

Srivathsan: I just wanted to get your thoughts on two pieces. One, like we said on the export demand across the world. Just wanted to understand our go-to-market for the export piece of the business. Second is also in the presentation, you had talked about adding more renewable sources, long-term PPAs on renewable side. Just wanted to understand what kind of cost savings that could lead to?

Gopal Agarwal: Thank you. On the export side, our exports are increasing because we are having some tie-ups with global brands. So all of their franchisee manufacturers are able to source the material from us. So on the back of that, we are increasing our exports. It has increased to more than 10% in our overall revenue from operations. And we are expecting this will continue to grow further. As regard the renewable sources, we are already having the 8.7 megawatts rooftop solar facility on our existing plants. And Mr. Prashant will elaborate further on the third-party tie-ups with the generators. Prashant you, please answer the second part of the question.

Prashant: So for solar power, we have done a remarkably very good installation. Until now, we have a total installation of 8.7 megawatts rooftop all across our units. So 8.7 megawatt capacity is creating about 10,875 megawatt hours of power generation in a year. Further, we have also entered for a long-term captive power plant installation on the state of Uttar Pradesh. So this is backed by a government scheme, where we need not to pay any cross subsidy and the wheeling charges and wheeling losses are also subjected to 50% of the actual value.

This captive power plant capacity is 17.4 megawatts, which will generate total 25,230 megawatt hours in a year. And in commercial terms, we are saving about INR 2,000 per megawatt. So the total savings would be somewhere between INR 5 crores to INR 5.5 crores per annum. So this new generation has started from 1st of November. Still, we have to enter into an agreement with the government of Uttar Pradesh this SLDC and Discom for banking rest, 90% of the power is being consumed right now.

Srivathsan: So is -- with these facilities, our total visible power generation would be about 50% of our total power requirement.

Prashant: Yes, yes. It will be, the total installation would be 26 megawatts DC.

Srivathsan: And lastly, just wanted to get on the capex plan and what kind of incremental volumes you can expect it to be great to get an update...

Gopal Agarwal: This is regarding our Warangal plant?

Srivathsan: It's an incremental capex that we have planned.

Gopal Agarwal: Incremental capex, we have already put capex in our plant and almost the required capex has been done on the facilities. So now the one-by-one products are being started in this quarter, we are going to start our washing line and our PPSF plant. And in the next quarter, we'll be starting our FDY plant and bottle-to-bottle chips. The total incremental capacity is about 50,000 tons in this facility and the total project cost is about INR 450 crores.

Moderator: The next question is from the line of Muthu Kumar from Fidelity Ventures.

Muthu Kumar: Sir, are the monopoly in this segment? Or do you have any competitors? It means place kindly advise some of competitors?

Gopal Agarwal We are not a monopoly industry. We are in recycling PSF industry. Apart from us, there are more than 30 players are there in that country. The total PSF capacity is more than 600,000 tons in the country, and we are having about 15% market share.

Muthu Kumar: Could you please share what is your revenue contribution from yarn?

Gopal Agarwal: The yarn contributes 16% of our total revenue. 84% is from the recycled fiber.

Muthu Kumar: Can I know what is the recycle fiber application?

Gopal Agarwal Yes. recycling application. please go ahead.

Prashant: You see the recycle application are very wide spread. Now apart, generally the most relevant is the Apparel But Ganesha is keen to make specialized fiber. So we are catering geo-textiles, filling in pillows, soft toys, then medical textiles, than automotive textiles. So there are specialty products as well we are catering into. We are also making shortcut fibers and fire retardant fiber.

So fire retardant fibers are very specialized fibers, which are used for very specific purposes in automotive industry. And shortcut fiber, which is being consumed by the construction industry, and then the geo-textile, the fiber for geo-textile, which is being used in road constructions and railway lines, etcetera. So this finds a place in all segments of technical textile, as well as majorly consumed in the apparels.

Gopal Agarwal: So broadly about 60 to 65% of our revenues coming from the yarn spinning segment, where the fiber is used for making the yarn and then the garments. And 35% is coming from the non-woven and technical textile as Prashant narrated, along with the stuffing in soft toys, pillows, mattress etcetera.

Muthu Kumar: And next question is, could you working on the Tirupur market? And what is the business outlined?

Gopal Agarwal: Yes. We are selling our materials at Tirupur also, but because of the nationwide marketing and the freight element, we are not able to trade much quantity to the Tirupur market. But with the start of this Warangal plant, we would be able to put more buyers and the material in the Tirupur market going forward.

Muthu Kumar: And the last question, sir, what is the earnings outlook we can expect for next two years to three years, that is bottom line, both bottom line and top line?

Gopal Agarwal: We are expecting to make revenue growth of about 25% to 30% in next four to five years.

Moderator: The next question is from the line of Darshita Shah from Antique Stock Broking.

Darshita Shah: Congratulations on the good set of numbers. My first question was in line with was -- like I wanted to get some understanding as to what led to the improvement in the EBITDA margin and EBITDA per KG during the quarter?

Gopal Agarwal: Yes, EBITDA margins, our EBITDA has increased in this quarter because of the increased sales realization, increased because of the value-added products which we introduced in the market and increase the share of the value-added products in overall operations, because of the increase in prices of the input, the EBITDA margin has slightly come down in this quarter. But in absolute terms, we are having better EBITDA margins.

Darshita Shah: Sir, what is the share of value-added product side now versus what was it a year ago?

Gopal Agarwal: Yes, our value-added products, we are presently selling out around 30%, which were earlier 20% to 25%. So 5%, 6% product revenue has increased in this quarter.

Darshita Shah: And what is the kind of incremental margin do we make on these value-added products as compared to the traditional products that we are selling?

Gopal Agarwal: We are having the margins of more than 15%, EBITDA margins in value-added products.

Darshita Shah: My second question was in line with the quarter guidance. The prices of cotton in the domestic market are on a downhill right now, and due to the weak demand in the domestic market. So are we facing any or anything of that sort in terms of demand? And secondly, do we see the realization, how do we see the realizations going forward for the yarn business?

Gopal Agarwal: Yes. Sorry ma'am, I could not get. Can you please repeat your question?

Darshita Shah: Yes. So the cotton prices have started to fall in the domestic market due to weak demand, so are we seeing something like that as well? And what kind of realizations have we expected going forward because of the fall in cotton prices? So are we seeing any correction in the realization?

Gopal Agarwal: Yes. The prices of the PSF are quite stable since last seven to eight months in spite of the volatility in the prices of the cotton. So in the quarter under review, we got a realization of about INR 95, INR 96 per kg of the fiber. But of course, because of the fall in the prices of cotton, we are looking for some downward pressure on the PSF prices. And for the current quarter, we are looking for the average prices of INR 90 to INR 92 per Kg in this quarter. Although, there is also a similar reduction in the prices of RM, so we are expected to, hopeful to maintain the margins.

Darshita Shah: Thirdly, I wanted to get an update on any tie-up that we have with the global brands for our filament chip and yarn business? I mean have we working into any arrangement as of now?

Gopal Agarwal: We are having tie-up with the Inditex and target group for our fiber business. And for our new capacities on B2B and FDY segment, we are already in touch with several brands, domestic as well as international. So going forward, these are the products which we are going to make in the Warangal project is a value-added product, and we want to sell it on the premium.

So looking to be the requirement of the players and the regulatory requirements, the brands are keen to buy the recycled products. But of course, for onboarding with the brands there is quite a long process, which we have to carry out before boarding with them. So we have already started the process and we are hopeful to get one by one boarding in three to six months' time.

Moderator: The next question is from the line of Vignesh Iyer from Sequent Investments.

Vignesh Iyer: Sir, I missed your earlier you said about the capacity increase. If you could just repeat what is the incremental capacity and when are the capacity going to kick in?

Gopal Agarwal: Capacity, which we are adding about 50,000 tons recycling capacities in our Warangal plant. So this capacity are distributed among the recycled PSF bottle-to-bottle chips and bottle-to-filament application. So we are going to operationalize the washing line and the PPSF capacity in this quarter itself. And bottle-to-bottle, our trials are very successful, and we are talking with the Brands and their assessment is going on. Technical assessment has been completed by some of the brands.

And now the sampling and trials are going on. So we are hopeful to get it through next two to three months' time. And for filament also, we are in touch with the several brands, international brands. We have a sampling exercise going on. And once our filament plant operational, so we think we will be onboarded with them.

Vignesh Iyer: Okay. And sir, what was the cost of setting up this capacity? And what is the asset turn expected here?

Gopal Agarwal: The total project cost is about INR 450 crores, and we are expecting a turnover of about INR 600 crores from this facility -- the asset turn is not very high, but of course, because of the quality products and because of the other factors, the margins are better in this facility and the PSF, which we are making from our existing facilities.

Vignesh Iyer: But basically, you mean to say that there could be a bit up and down because of any value-added product from this capacity? I mean, because value-added product, there might be a better turnover or better margins for this plant?

Gopal Agarwal: Yes, the margin blend would be better from this plant.

Vignesh Iyer: In general itself, it would be better, you mean?

Gopal Agarwal: Yes, it could be better.

Vignesh Iyer: Sir, coming to the FY '23. So can we, sir, expect this level of value-added product still going ahead? Like can you maintain this at 30% going at? I mean, the value-added product share...

Gopal Agarwal: Yes, we are quite hopeful to maintain 30% rather to increase share going forward.

Moderator: The next question is from line of Harsh Jhanwar from Centrum PMS.

Harsh Jhanwar: This was regarding the earlier comment where guided for 25%, 30% growth over four, five years. So currently, we are at around 1,100. And this is the growth rate we can go to INR 3,200 crores more than INR 3,000 crores. And current basis, our current capex plan, Warangal will add INR 600 crores and Nepal washing line will add some INR 75 crores. So can you help us with how are you planning to grow at 25%, 30%, any plans from where this further growth will come post Warangal reaching its optimum utilization levels?

Gopal Agarwal Yes. Thanks, Harsh. You see the government has come out with the regulations for compulsory consumption of 30% bottle-to-bottle consumption in plastic packaging for the beverages and food industry. So and this 30% will grow from 30% to 60% by 28. So there is a big demand going to come from this sector. So we are the front runner and we are in this industry since last 30 years, having developed a lot of capability and technologies with us.

So we look for grabbing the sizable share from this opportunity, which would in turn, which itself is more than 300,000 tons in 25-26 itself. So once the first plant is operationalized and stabilized, we would certainly going forward for increasing capacity in that sector and get the sizeable share in the market. So looking to that, we are expecting our growth would come by 25% to 30% at least in the areas for next four, five years.

Harsh Jhanwar: And sir, what are our plans regarding the rigid plastic there at pilot stage. So how are we looking to scale up this part of the business?

Gopal Agarwal: Certainly, the opportunity which is available in the B2B PET sector, the same opportunities are also available in the other rigid plastic. But we largely being the player in the PET segment, so we are more focusing on the PET sector, rather than the other rigid plastic sector. But of course, we started the trials and the pilot project we have installed.

So we will be getting into it also because there is big opportunities from all over packaging, plastic packaging and in different industries like the paint industry or the other industries. So we will also get into that sector, but first we are focusing on the B2B sector. That is our second priority. The first priority will be to be B2B PET sector.

Harsh Jhanwar: Sir, broadly, we can grow at 25%, 30%, that is our aim and post Warangal also margins should keep improving as a mix of value-added products move on. That's correct

Gopal Agarwal: Yes, of course, when we move forward in the value chain our margins will improve and the overall margins would be improving because the margins are higher in Warangal projects than the existing business. And when the share of our new businesses and new products will go up, so margins will also on average basis overall it will also improve.

Harsh Jhanwar: And sir, lastly, any sense on what can be the margins in the bottle-to-bottle segment?

Gopal Agarwal: We are expecting margins of 28% to 30% EBITDA margins in bottle-to-bottle segment.

Moderator: Next question is from line of Nidhi from Goldman Sachs.

Nidhi: Sir, can you comment on the current scenario on the polyester yarn market as there have been increasing reports of China dumping lot of their inventories domestic as well as the other export markets?

Gopal Agarwal: Yes, the polyester market at least for us for where we are operating a recycling segment is very good for us. We are already operating about more than 100% capacity and going forward looking to the scenario, we had the demand of the recycled polyester fiber and the filament yarn is increasing. So -- and that demand is being replaced, the demand of virgin product is being replaced by the recycled one. So we are looking for the decent increase in the consumption of the recycled fiber and filament yarn going forward.

Nidhi: Sir, any comment on the overall market, not just recycled?

Gopal Agarwal: So in domestic front, the overall market size, at present PET bottles are recycled only into recycle PSF. So PSF market share is about -- is more than 600,000 ton in the country. This is -- and the overall PSF market is also increasing 4% CAGR growth. So major part of this growth is going to be recycled segment. So recycle segment growth is more than 10%.

Moderator: Next question is from line of Jenish from Antique Stock Broking.

Jenish: Now first question is with regards to the bottle-to-bottle chips. Sir you mentioned that we are seeing some demand and in negotiation with domestic players also and with global players also. So just to understand once we are negotiating with the global players, the sale will be in the exports market only or will the sales will be in the domestic market?

Gopal Agarwal: Yes. Yash you please answer.

Jenish: Yes. So we are basically currently our -- majorly our sales will be focused on the export market. Because currently, in India, there is not a lot of consumption, which is happening in the recycled packaging sector per se. So -- but in export markets like Europe and US, they already have many government regulations, which need -- which -- because of which people are already consuming a lot of recycled patent packaging applications like bottle-to-bottle, sheets, etcetera. So currently, our sales will be focused more on the export sector. But as time flies by and by 2025, when you know there is going to be also a need for PET -- recycled PET in the packaging in India, then we'll also start diversifying to domestic sales as well.

Gopal Agarwal: We are also in touch with some brands who are already doing the technical assessment and all those things with us. Because the regulations will be mandatory by 2025. So the quantity -- the quantum will not be available immediately for them. So they are worried about the quantum and they are trying to get in touch to lock the quantum which we are presently having. So their technical assessment is going on. The sampling has also been started and the post sampling and the technical assessment, the commercial and the social audits will take place. So we are at the midway and we are expecting it will take about two to three months time to get final tie up with them.

Jenish: So to continue with the question. Like you said, we'll take two to three years to set up a facility for project and the deadline for domestic market is only two, two and half years down the line by 2025. So are we or competition looking to set up additional facilities to cater to the domestic market? Or do you expect the regulations to get post by a year or two since the capacity will not be available in the domestic market?

Gopal Agarwal: Of course, when there is a demand, so the capacities will come and that's why the government has given the three years time to the market for the capacity and we are expecting capacity will come up as per the requirement. But of course, if there is any impediment in the capacity ramp up, so government, we don't know if the government will push the timelines further or not. Because they have given enough time to the market for ramping up the capacities. And until the market is open for India, the brands will certainly have the tie-ups for getting the recycled bottle to bottle chips and they will feed it to their overseas operations. So their tie-up is ready when the demand comes in India.

Jenish: Sir, in the earnings presentation, you have mentioned that the Nepal facility will start commercial production by end of this quarter, and we plan to reach optimal production by end of this year. So do we have any commitments or anything for that plant whereby we expect optimal production within a quarter or the outlook for the Nepal plant basically?

Gopal Agarwal: See the product which we're making in the Nepal plant is pet flakes and pet chips and the capacity is about 12,000 tons per annum roughly translating into 1,000 tons per month. So that capacity is not big one and we are looking for getting the entire material imported into our existing facilities from Nepal. So there is no issue in ramping up of the capacities.

Jenish: What is the peak debt level that we are targeting? And yes, so basically...

Gopal Agarwal: You see our peak debt level, we are expecting it would be around INR 500 crores to INR 525 crores, including the working capital borrowings for the projects.

Jenish: So currently, we are at around INR 380 crores of debt, net debt. So and INR 6 crores of cash, so we expect around INR 200 crores of additional debt to come going forward

Gopal Agarwal: It is around INR 369 crores to INR 370 crores net basis. So we are looking for another INR 100 crores to INR 150 crores debt, including the working capital borrowings for our Warangal project and our Nepal project.

Jenish: And sir, just last one thing. Just to reiterate what type of tax savings do we expect from the Warangal project and any other cost savings in terms of logistic costs that we expect from the South plant?

Gopal Agarwal: Yes. So from South plant, if you are talking about the recycling PSF so we are having benefit in terms of the sourcing of raw material, which is a currently available in South India. So our logistic cost will be saving for sourcing the raw material from South itself for Warangal projects. And also, we are having our fiber market in South India, which we are currently feeding from the our North India plant. So that will be again be feeded from the South India plant itself. So it will again transform into the savings in transport cost. So net-net, we would be getting both on input costs and on the output freight.

Moderator: As there are no further questions, I would now like to hand the conference over to Mr. Gopal Agarwal for closing comments.

Gopal Agarwal: I would like to thank you, everyone, for joining on this call. I hope we have been able to address all your queries. For any further queries information, kindly get in touch with our finance or secretarial team. We also thank to Mr. Jenish for helping this out. Thank you...

Moderator: Thank you. On behalf of Antique Stock Broking Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.

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