March 11, 2025

Ganesha Ecosphere Limited: Ratings Withdrawn

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – Fund-based - Cash credit	147.50	147.50	[ICRA]A(Stable); Reaffirmed and Withdrawn
Short term – Non-fund based - Others	30.00	30.00	[ICRA]A1; Reaffirmed and Withdrawn
Short term – Non-fund based - Unallocated	35.50	35.50	[ICRA]A1; Reaffirmed and Withdrawn
Total	**213.00**	**213.00**	

**Instrument details are provided in Annexure I*

Rationale

ICRA has reaffirmed and subsequently withdrawn the rating assigned to the bank facilities of Ganesha Ecosphere Limited (GEL) at the request of the company and based on the no-objection certificated (NOCs) received from the bankers, in accordance with ICRA's policy on withdrawal of credit ratings.

The rating reaffirmation for GEL factors in the expected capital expenditure of Rs. 700-750 crore to be incurred over a period of 18-24 months, which is likely to expose GEL to higher project execution risks and keep its credit metrics moderately high in the near to medium term. The total debt/OPBITDA is estimated to be in the range of 2.3-3.2 times between FY2025 and FY2027. GEL plans to expand its existing capacity for recycled pet granules by 90,000 metric tonnes per annum (MTPA). This capex would be funded through a mix of debt, equity and internal accruals. As per ICRA's estimates, the additional debt required for this expansion would be in the range of 40-45% of the overall capex amount. Given this, the company's leverage and coverage indicators may moderate over the medium term as the debt will steadily increase till FY2027. However, the management's previous experience of successfully commissioning and ramping up a similar capacity in the past provides some comfort to partly mitigate the project execution risks. Further, a provision of adequate moratorium and a ballooning repayment structure on the existing term debt provides cushion to ramp up the operations and increase the cash flows from operations.

The consolidated earnings improved in 9M FY2025, driven by the successful completion and healthy ramp-up of the recently established capacity under the subsidiaries, Ganesha Ecopet Private Limited {GEPL; rated [ICRA]A- (Stable)/[ICRA]A2+} and Ganesha Ecotech Private Limited (GETPL). The commencement of production in the new project lines improved GEL's sales and operating profit at a consolidated level in 9M FY2025. The operating profit from this enhanced capacity contributed 53% to the Group's overall profits, which is higher than 47% contributed by the legacy business of manufacturing recycled polyester staple fibres (RPSF) under GEL. The full ramp-up of the newly commissioned facilities would further strengthen the operating profile by expanding its market presence, widening its geographical footprint and enhancing its product portfolio. Consequently, the consolidated operating performance and profitability are expected to significantly improve as the new facilities are more efficient and the new product portfolio is more margin-accretive.

ICRA also notes that the company has been able to raise ~Rs. 500-crore equity – Rs. 350 crore through a qualified institutional placement (QIP) and Rs. 150 crore through the issuance of equity share warrants (25% of warrants already received and the balance to be received in FY2026), which was partly used to deleverage the balance sheet of GEL and support the funding of the recently incurred capex at GEL and GETPL and the ongoing planned capacity expansion.

Moreover, the ratings continue to derive strength from the established track record of GEL with its diversified presence in the textile industry, supported by the promoters' extensive experience of more than three decades, and its large scale of operations, which provides the benefit of economies of scale. Consistent healthy capacity utilisation over the years, facilitated

by repeat business from a diversified client base, and uninterrupted access to raw materials from an established supplier network provides comfort.
The ratings, however, continue to be constrained by the declining revenue and the susceptibility of GEL's profitability to the volatility in virgin polyester staple fibre (VPSF) prices, particularly in a declining price scenario. Further, the company is exposed to raw material availability and pricing risks, which are heightened by increasing domestic RPSF capacities as well as regulatory developments in recent years, such as the ban on the import of polyethylene terephthalate (PET) waste. This is also reflected in the profitability margins of GEL at a standalone level, which have continued to decline in the last three to four years and continued in 9M FY2025. However, at the group level, the company has demonstrated its ability to improve its operating margins by diversifying into more value-added products. GEL's ability to report healthy profitability on a consistent basis remains imperative for the ratings. ICRA also draws comfort from the company's established sourcing network for PET waste and a diversified client base, which have consistently supported healthy capacity utilisation and steady profitability over the years.

Key rating drivers and their description

Credit strengths

Leading market position among RPSF manufacturers – GEL continues to be one of the largest manufacturers of recycled polyester staple fibre (RPSF) in the domestic market with an installed capacity of 1,09,200 MTPA for the Group. GEL continues to be one of the players with a significant market share in India for manufacturing RPSF. The company has demonstrated a healthy and range-bound profitability over the years, supported by its large scale of operations, which results in economies of scale and augments the bargaining power with suppliers. The increase in the RPSF capacity after the completion of the recent capex is expected to boost its operational strengths in the medium term, with a stronger market position, enhanced product portfolio and a wider geographical footprint.

Strong operational profile – GEL has a strong operational profile, characterised by a long track record of over three decades in the industry, its large scale of operations, a track record of repeat business from a diversified client base and an established supplier network. The resultant heathy utilisation of its installed capacities, over the years, has facilitated a compounded average growth rate of over 7% in GEL's revenues in the last 10 years (FY2014-FY2024). The Group's revenue increased by ~37% in 9M FY2025 to Rs. 1,121.6 crore compared to a similar period last year owing to a healthy ramp-up of the recently established capacities which have helped it to register a robust volume growth.

Increase in Group's profitability with successful ramp-up of recent expansion – The greenfield expansion under GEPL and GETL has been completed, enabling the Group to diversify and expand into the manufacturing of various recycled products like RPSF, recycled PET granules (food grade, bottle grade and textile grade), recycled PET filament yarn, virgin PSF and washed PET flakes. A large part of this capacity addition was towards recycled PET granules of 42,000 MTPA, which is expected to be the largest contributor to GEPL's top line and has better margins as it will be used in the food and beverages, textile and packaging industries by renowned brands such as Pepsi, Coca Cola, Marico, Ikea, and Varun Beverages.

Over the last few quarters, the capacity utilisation of recycled pet granules has been healthy at 70-75% and is expected to further increase in FY2026. This has enabled the Group to improve its earnings wherein it reported an operating profit of Rs. 159.5 crore in 9M FY2025 compared to Rs. 90.8 crore in 9M FY2024. In 9M FY2025, operating profit from the newly established business already surpassed profit from the legacy business of manufacturing RPSF. With further optimal utilisation, the Group's earnings are likely to improve from FY2026 onwards.

Credit challenges

Sizeable project risk arising from capacity expansion under subsidiaries – In February 2025, the Group announced its plans to substantially increase it capacity to produce recycled pet granules to 1,32,000 MTPA from 42,000 MTPA amounting to the tune of Rs. 700-750 crore. Of this, 67,500 MTPA is a greenfield capex coming up in Odisha and 22,500 MTPA is brownfield expansion of the existing recycled pet granule capacity in Warangal under GEPL. This expansion is currently in its early stages, with land being yet to be finalised and major approvals yet to be taken. This exposes the Group to significant project and offtake risks. Some comfort can be drawn from the fact that the management has demonstrated successful completion as well as ramping up of the recently established capacities under GEL's subsidiaries. ICRA will continue to closely monitor the progress on the capex front.

Moderation in debt coverage indicators due to debt-funded capex – The company has announced significant capacity expansion plans of Rs. 700-750 crore, which involves taking on sizeable debt. It is expected to draw debt of Rs. 300-350 crore over a two-year period (FY2026-FY2027), which is likely to moderate the leverage and coverage indicators over the medium term. The total debt/OPBITDA is now estimated to be in the range of 2.3-3.2 times between FY2025 and FY2027. However, comfort can be drawn from a healthy ramp-up in capacity and cash flow from the existing capacity from the current fiscal onwards. The Group's credit profile is expected to remain moderate till the announced capex is successfully completed without any time/cost overruns.

Susceptibility of profitability to volatility in realisations – GEL's profitability is susceptible to the volatility in VPSF prices, particularly in a declining price scenario, and also to the availability of PET waste. While RPSF realisations are driven by the movement in VPSF prices (which in turn are dependent on crude oil and cotton prices), GEL's raw material (PET waste) costs are determined by its own demand-supply dynamics. Accordingly, the company has limited flexibility to pass on any increase in raw material costs.

Raw material procurement and pricing risk – GEL's ability to sustain healthy capacity utilisation levels by ensuring regular availability of PET waste at competitive prices is crucial for its profitability. The company is exposed to increasing raw material procurement and pricing risks, given the growing capacities for recycled PET waste in the country as well as GEL's own manufacturing capacities. The risk is heightened by the regulatory developments in recent years involving the imposition of ban on the import of PET waste, which affected domestic PET waste availability. Nevertheless, GEL's large scale of operations, which allows bulk procurement, as well as its organised and extensive sourcing network mitigates the risk to a large extent.

Liquidity position: Adequate

GEL's liquidity position is adequate, supported by a cushion of ~Rs. 150 crore in its fund-based limits and free cash and bank balances of ~Rs. 150 crore combined as on December 31, 2024. GEL's consolidated free cash flows are expected to remain negative from FY2025-FY2028 on account of the funding requirements for the planned capex. GEL is expected to tie up an additional debt of Rs. 300-350 crore for the planned investment. The liquidity is expected to remain adequate for the re-payment obligations of Rs. 20-100 crore per annum in the near-to-medium term as ICRA expects the cash flows to be sufficient for servicing the Group's debt repayment obligations.

Rating sensitivities

Positive factors - ICRA could upgrade GEL's ratings if timely commissioning and optimal capacity ramp-up of the new capacity ensures a sustained increase in its scale of operations and profitability. Additionally, a debt/OPBDITA of less than 2 times, on a sustained basis, may trigger an upgrade.

Negative factors - Sustained pressure on the revenue and profitability, resulting in a DSCR of less than 2.0 times on a sustained basis, could constrain the ratings. Any delays or execution-related challenges due to the proposed capex resulting in cost overruns, or an increase in the working capital intensity putting pressure on the leverage metrics and liquidity position could be the other negative triggers.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Policy On Withdrawal of Credit Rating
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of GEL. As on March 31, 2024, GEL had three wholly-owned subsidiaries, that are enlisted in Annexure II

About the company

Incorporated in October 1987 as Ganesh Polytex Limited, the name of the company was changed to Ganesha Ecosphere Limited (GEL) in October 2011. The company primarily manufactures recycled polyester staple fibre (RPSF) and spun yarn. The company is listed on the Bombay Stock Exchange (BSE) as well as on the National Stock Exchange (NSE).

GEL commenced production in FY1988 with the texturising and dyeing of polyester filament yarn at its manufacturing unit in Kanpur (Uttar Pradesh) with an installed capacity of 391 MT per annum (MTPA). In FY1995, GEL diversified into manufacturing RPSF from PET (polyethylene terephthalate) bottle waste with an initial capacity of 6,000 MTPA in Kanpur. Over the years, the company has expanded its texturising and RPSF manufacturing capacities and has also forward integrated into manufacturing of spun yarn from RPSF. As on June 30, 2024, GEL had a total installed manufacturing capacity of 3,000 MTPA of texturised yarn in Kanpur, 96,600 MTPA of RPSF in Kanpur, Bilaspur (Uttar Pradesh) and Rudrapur (Uttarakhand), and 7,200 MTPA of spun yarn (25,920 spindles) in Bilaspur.

At present, GEL has one of the largest capacities for manufacturing RPSF in the domestic market. On November 19, 2019, GEL incorporated its wholly-owned subsidiary - Ganesha Ecopet Private Limited - for setting up its expansion project in Warangal (Telangana) post which the total capacity for RPSF manufacturing has increased to 1,09,200 MTPA. Further, on November 17, 2020, GEL incorporated one more wholly-owned subsidiary - Ganesh Ecotech Private Limited – to expand into the manufacturing of PPSF and washed RPet flakes (which are being used for in-house consumption in Ecopet).

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)					Chronology of rating history for the past 3 years					
						FY2024		FY2023		FY2022	
Instrument	**Type**	**Amount rated (Rs. crore)**	**Mar 11, 2025**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Fund based/Working capital limit	**Long term**	147.50 -	[ICRA]A (Stable); Reaffirmed and Withdrawn -	Sep 30, 2024	[ICRA]A (Positive)	Jun 30, 2023	[ICRA]A (Stable)	-	-	Mar 17, 2022	[ICRA]A (Stable)
				Feb 11, 2025	[ICRA]A (Stable)	-	-	-	-	Jun 30, 2021	[ICRA]A&
Fund based/Term loans	**Long term**	-	-	-	-	Jun 30, 2023	[ICRA]A (Stable)	-	-	-	-
Fund-based limits	**Short term**	-	-	-	-	Jun 30, 2023	[ICRA]A1	-	-	-	-
Non-fund based limits	**Short term**	30.00	[ICRA]A1; Reaffirmed and Withdrawn	Sep 30, 2024	[ICRA]A1	Jun 30, 2023	[ICRA]A1	-	-	Mar 17, 2022	[ICRA]A1
				Feb 11, 2025	[ICRA]A1	-	-	-	-	Jun 30, 2021	[ICRA]A1&
Non-fund based limits - Unallocated	**Short term**	35.50	[ICRA]A1; Reaffirmed and Withdrawn	Sep 30, 2024	[ICRA]A1	-	-	-	-	-	-
				Feb 11, 2025	[ICRA]A1	-	-	-	-	-	-
Interchangeable^	**Long term/ Short term**	-	-	-	-	-	-	-	-	Mar 17, 2022	[ICRA]A (Stable)/ [ICRA]A1
				-	-	-	-	-	-	Jun 30, 2021	[ICRA]A&/ [ICRA] A1&
Unallocated	**Long term/ Short term**	-	-	-	-	-	-	-	-	Mar 17, 2022	[ICRA]A (Stable)/ [ICRA]A1
				-	-	-	-	-	-	Jun 30, 2021	[ICRA]A&/ [ICRA] A1&

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund-based/Working capital limit	Simple
Short term - Non-fund based limits	Very Simple
Unallocated- Short term - Non-fund based limits	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long term – Fund based/ Working capital limit	NA	NA	NA	147.50	[ICRA]A (stable); Reaffirmed and Withdrawn
NA	Short term - Non-fund based limits	NA	NA	NA	30.00	[ICRA]A1; Reaffirmed and Withdrawn
NA	Unallocated – Short term - Non-fund based limits	NA	NA	NA	35.50	[ICRA]A1; Reaffirmed and Withdrawn

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company name	GEL ownership	Consolidation approach
Ganesha Ecopet Private Limited	100.00%	Full consolidation
Ganesha Ecotech Private Limited	100.00%	Full consolidation
Ganesha Overseas Private Limited	100.00%	Full consolidation

Source: Company data

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