

Ganesha Ecosphere Limited

December 01, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	186.60 (Reduced from 189.05)	CARE A; Stable	Reaffirmed
Short Term Bank Facilities	23.50	CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of ratings assigned to the bank facilities of Ganesha Ecosphere Limited (GEL) continue to derive strength from extensive experience of the promoters, dominant position of GEL into recycled polyester staple fibre (RPSF) business with its presence in both fibre and yarn leading to integrated nature of operations. The ratings also continue to take comfort from GEL's efficient procurement and distribution network and diversified customer base. The ratings take cognizance of the moderate financial risk profile of the company characterised by sustained healthy revenue profile with resilient profitability margins, satisfactory capital structure and moderate debt coverage indicators during FY23 (refer to period April 01 to March 31) and H1FY24 (refer to period April 01 to September 30) despite slowdown in textile industry and softening of prices due to dumping of cheaper products by China. However, demand and prices have partially revived, thereby, CARE expects improvement in overall operational performance going forward.

These rating strengths, however, continue to remain constrained by risk associated with successful ramp up of operations under its subsidiaries namely Ganesha Ecotech Private Limited (GETPL; rated CARE A(CE); Stable/CARE BBB+; Stable), Ganesha Ecopet Private Limited (GEPL) and Ganesha Overseas Private Limited (GOPL), working capital intensive nature of operations of GEL and exposure to volatility in the finished goods prices which are linked to virgin polyester staple fibre (PSF).

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in PBILDT Margin beyond 14% and above while maintaining the scale of operations above Rs. 1,400 crore on a sustained basis.
- Diversification in overall product portfolio through subsidiaries within the envisaged timelines without any cost/time over run.
- Healthy ramp up of the operations in the ongoing projects under subsidiaries.

Negative factors

- Decline in scale of operations below Rs. 800 crores and PBILDT margin below 7% on a sustained basis.
- Elongation in operating cycle beyond 150 days adversely impacting the liquidity position of the company on a sustained basis.

Analytical approach: Consolidated (Including three wholly owned subsidiaries namely Ganesha Ecotech Private Limited (GETPL), Ganesha Overseas Private Limited (GOPL) and Ganesha Ecopet Private Limited (GEPL)).

Outlook: Stable

The stable outlook reflects CARE's opinion that GEL would continue to benefit from the experienced promoters with long track record of operations and its dominant market position with integration in both fibre and yarn.

Detailed description of the key rating drivers:

Key strengths

Experienced promoters with long track record of operations in textile industry

The Ganesha group and flagship entity GEL is promoted and managed by Mr. Shyam Sunder Sharmma (Chairman, GEL) having extensive experience of more than 5 decades in the textile industry. He is further assisted by his son Mr. Sharad Sharma (Managing Director) who has an experience of more than three decades in marketing and distribution and looks after overall operations of the company along with well qualified and experienced professionals having rich experience in the textile industry. The long-established presence of the company has helped in maintaining its dominant position on account of presence in both fibre and yarn segments as GEL is one of the leading RPSF players in the country and expanding the products basket through backward integration through subsidiaries.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Dominant market position of GEL with integration in both fibre and yarn:

GEL has been able to maintain its dominant position on account of presence in both fibre and yarn segments. GEL is one of the leading RPSF players in the country with a total installed capacity of 96,600 MTPA and 10,200 MTPA for Yarn as on March 31, 2023. The company uses around 7%-10% of own RPSF produce to manufacture spun yarn at Bilaspur plant. Due to partially integrated nature of operations, the company saves on the overhead cost. GEL has capacity for converting PET bottles to PET flakes to make fibre and further making yarn from fibre.

Established relationship with diversified clientele base

The top 10 customers contributed ~22% of total income during FY23 (PY:18.95%), thus indicating diversified customer profile in terms of revenue. The company supplies to B2B clients only across a diverse set of industries including OEMs to automobile industry, spinning mills, geo-textiles, medical and packaging, textiles (T-Shirts, body warmers etc.) and non-woven applications (non-woven air filter fabric, geo textiles, carpets, car upholstery, fillings for pillows, duvets, toys etc).

Healthy revenue profile albeit moderation in profitability margins reported during FY23 and H1FY24

The company reported total operating income of Rs. 1,179.38 crores in FY23 registering a growth of 15.58% over the year FY22 on account of increased sales volumes of RPSF along with improved sales realization on company's products. Despite increasing turnover, GEL reported moderation in PBILDT margin from 11.06% in FY22 to 10.81% in FY23 owing to softening of prices and downtrend in textile industry.

During H1FY24, GEL reported TOI of Rs. 532.57 crores registering a de-growth of 12.05% on YoY basis with PBILDT margin of 9.54% slightly moderated mainly due to softening of prices and downtrend in textile industry primarily owing to dumping by China and slowdown in US and Europe. The same is also evident from decline in export sales from Rs. 33.94 crores in Q1FY23 to Rs. 18.02 crores in Q1FY24 on standalone basis. However, demand and prices have seen some revival from 2nd half of the year and GEL is expected to report improvement in profitability going forward.

Moderate financial risk profile

The financial risk profile of the company stands moderate with healthy net worth base, moderate overall gearing and debt coverage indicators. The overall gearing stood at 0.79 times as on March 31, 2023 slightly moderated from 0.63 times due to under implementation projects in subsidiaries which started commercial production from February and April 2023. The interest coverage also remained comfortable at 7.53 times for FY23 though moderated from 11.56 times in FY22 on account of increase in cost with increasing interest rates, higher working capital utilization in last 1 year and term debt addition for completion of projects under subsidiaries. Further the company has comfortable debt coverage indicators with total debt/ gross cash accruals and total debt to PBILDT of 4.87x and 3.97x respectively as on March 31, 2023, which are expected to improve going forward with gradual ramp up of operations in subsidiaries.

Key weaknesses

Stabilisation risk from recently commissioned greenfield projects in subsidiaries

The subsidiary companies of GEL namely Ganesha Ecotech Private Limited (GETPL; rated CARE A(CE); Stable/CARE BBB+; Stable), Ganesha Overseas Private Limited (GOPL) and Ganesha Ecopet Private Limited (GEPPL) have started commercial operations at their manufacturing plants from February and April 2023 respectively. However, ramp up of the same is yet to be seen which may result in improvement in scale of operations and cash generation at consolidated level going forward.

Working capital intensive operations

Operations of the company remain working capital intensive with high inventory holding as average inventory period stood at 86 days as on March 31, 2023 (PY: 78 days) while GEL mainly procures its raw material ~80% of the total requirement from vendors/scrap dealers across India either on cash basis or on credit period of 5-7 days. Average collection and creditor days stood moderate at 36 days and 24 days respectively as on March 31, 2023 (PY: 40 days and 20 days) resulting into similar level of the operating cycle at 98 days as on March 31, 2023 (PY: 98 days).

Exposure to volatility in finished goods prices

Polyester Staple Fiber (PSF) is a synthetic man-made fibre made directly from Purified Terephthalic Acid (PTA) and Mono Ethylene Glycol (MEG) or Polyethylene Terephthalate (PET Chips), while recycled polyester staple fibre (RPSF) is made from recycled PET Chips, polyester waste, or post-consumer PET bottle flakes. The price of RPSF is benchmarked against the prices of virgin PSF, which in turn, is linked to the prices of PTA and MEG (i.e., derivatives of crude oil). RPSF's prices remain at a 10-20% discount to virgin PSF prices. Any downward movement in crude oil prices makes RPSF less attractive vis-à-vis virgin PSF, as the spread between the two gets narrowed. However, the risk is mitigated to an extent as Polyethylene Terephthalate (PET) waste does not have any other significant usage apart from RPSF manufacturing. Hence, RPSF manufacturers have ability to negotiate input raw material prices in times of declining RPSF prices as evident in resilient margins of GEL over the years.

Liquidity: Adequate

Liquidity is marked by healthy buffer available between expected cash accruals of ~Rs. 71.55 crores in FY24 against nominal repayment obligations of Rs. 21.14 crores aided by cash and cash equivalents of Rs. 50 crores as on November 30, 2023. With a nominal gearing of 0.79 times as of March 31, 2023, GEL has sufficient gearing headroom, to raise additional debt for its capex

requirements, if any. Its unutilized bank lines of close to Rs. 60 crores as on November 20, 2023 are more than adequate to meet its incremental working capital needs over the near term.

Environment, social, and governance (ESG) risks:

Environmental	Synthetic materials made from petrochemicals/crude oil derivatives are not readily biodegradable, resulting in long-term environmental pollution. With recycling plastic waste into useful products, GEL brings a difference to businesses, environment & communities. The packaging waste, hazardous waste and e-waste are sold to authorised vendors for safe disposal. The Company has set up an Effluent Treatment Plant (ETP) for the responsible discharge of waste. Regarding other types of waste, such as ash and sludge, GEL employs a sustainable practice of landfilling for disposal. The company also conducted 25 training sessions on various environment related topics including Environmental management, industrial pollution & protection Hazardous & non- hazardous waste and chemical waste handling etc.
Social	The company has spent Rs. 1.47 crores in FY23 (PY: Rs. 1.59 crores) towards CSR activities for promoting education among children, women & differently abled, promoting healthcare including preventive healthcare and rural development.
Governance	The company's board of directors comprise of 5 non-executive and independent directors, 1 non-executive director and 3 executive directors. The company also conducted (one) meeting of Independent Directors of the Company held on March 25, 2023 to evaluate the performance of Non-Independent Directors and the Board of Directors as a whole with the quality, content and timeliness of flow of information.

Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manmade Yarn Manufacturing](#)

[Manufacturing Companies](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Textiles	Textiles & Apparels	Other Textile Products

Ganesha Ecosphere Limited (GEL) incorporated in year 1987 by Mr. Shyam Sunder Sharma (Chairman) and Mr. Sharad Sharma (Managing Director). GEL is engaged in manufacturing of Regenerated Polyester Staple Fibre (RPSF), Dyed Yarn and Spun Yarn with an aggregate installed capacity of 96,600 tons (RPSF) and 10,200 tons (Yarn) per annum respectively through its three manufacturing facilities located at Kanpur (Uttar Pradesh), Rudrapur (Uttarakhand) and Bilaspur (Chhattisgarh). GEL has three wholly owned subsidiaries namely Ganesha Ecotech Private Limited (GETPL), Ganesha Ecopet Private Limited (GEPPL) based in South India and Ganesha Overseas Private Limited (GOPL) based in Nepal.

Brief Financials (₹ crore)-Standalone	March 31, 2022 (A)	March 31, 2023 (A)	H1FY24 (UA)
Total operating income	1,021.28	1,132.61	503.61
PBILDT	116.33	123.60	51.86
PAT	69.55	73.32	22.01
Overall gearing (times)	0.25	0.24	Not Available
Interest coverage (times)	11.92	8.75	6.02

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Brief Financials (₹ crore)-Consolidated	March 31, 2022 (A)	March 31, 2023 (A)	H1FY24 (UA)
Total operating income	1,020.36	1,179.38	532.57
PBILDT	112.87	127.54	50.83
PAT	61.97	69.46	6.25
Overall gearing (times)	0.63	0.79	Not Available
Interest coverage (times)	11.56	7.53	2.21

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based-Long Term	-	-	-	-	166.50	CARE A; Stable
Non-fund-based-Short Term	-	-	-	-	23.50	CARE A1
Term Loan-Long Term	-	-	-	31/03/2027	20.10	CARE A; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based-Long Term	LT*	166.50	CARE A; Stable	-	1)CARE A; Stable (10-Oct-22)	1)CARE A; Stable (23-Dec-21) 2)CARE A (CW with Developing Implications) (14-Jun-21) 3)CARE A; Stable (05-Apr-21)	-
2	Term Loan-Long Term	LT	20.10	CARE A; Stable	-	1)CARE A; Stable (10-Oct-22)	1)CARE A; Stable (23-Dec-21) 2)CARE A (CW with Developing Implications) (14-Jun-21) 3)CARE A; Stable	-

							(05-Apr-21)	
3	Non-fund-based-Short Term	ST*	23.50	CARE A1	-	1)CARE A1 (10-Oct-22)	1)CARE A1 (23-Dec-21) 2)CARE A1 (CW with Developing Implications) (14-Jun-21) 3)CARE A1 (05-Apr-21)	-

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities- Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based-Long Term	Simple
2	Non-fund-based-Short Term	Simple
3	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of entities considered in consolidation.

Sr. No.	Name of subsidiary	% holding by GEL
1	Ganesha Ecotech Private Limited (GETPL)	100%
2	Ganesha Overseas Private Limited (GOPL)	100%
3	Ganesha Ecopet Private Limited (GEPPL)	100%

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Sajjan Goyal Director CARE Ratings Limited Phone: 91-120-4452017 E-mail: sajan.goyal@careedge.in
Relationship Contact Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 91-22-6754 3444 E-mail: ankur.sachdeva@careedge.in	Puneet Kansal Associate Director CARE Ratings Limited Phone: 91-120-4452018 E-mail: puneet.kansal@careedge.in
	Bhawna Rustagi Assistant Director CARE Ratings Limited E-mail: bhawna.rustagi@careedge.in

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