

THE KING OF PETS

INDIA'S FIRST AND LARGEST PET RECYCLING COMPANY
HAS A GREAT FUTURE ALL BOTTLED UP.

By Kaavya Chandrasekaran

Photographs by BANDEEP SINGH

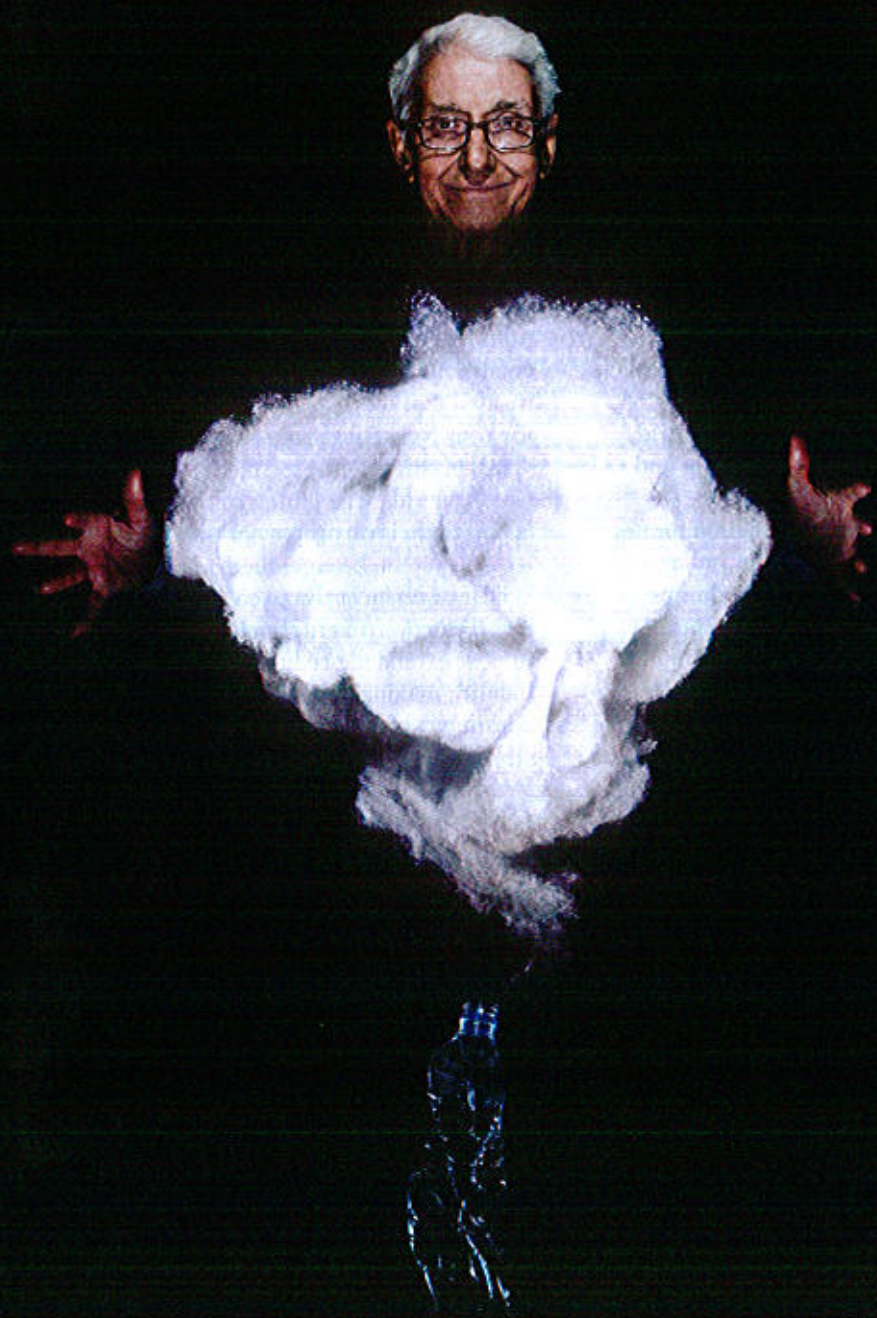


Ganesha Polytex, the Kanpur-based yarn-processing company set up in 1987, faced a fork in the road less than a decade after its birth. "I had set up the company after two and a half decades of working for the Birlas at their spinning mills in Mumbai," recounts Shyam Sunder Sharma, its 72-year-old owner. "My brother was already into yarn trading in Kanpur and I had some personal savings, so getting started was not a problem. But I always had the itch to do something new." So in 1994, Sharma began what no one else in the country was doing then: recycling plastic bottles, the ones made of polyethylene terephthalate (PET), turning them into polyester staple fibre.

Today, the company, which changed its name to

Ganesha Ecosphere (GESL) in 2011, is the biggest PET bottle recycler in the country, with a turnover of Rs 500 crore in 2013-14. "We changed the name to better reflect the nature of the company," says Gopal Agarwal, chief financial officer. "Now 90% of our business is PET recycling, only the remaining is yarn."

Recycling plastic, most of which is non-biodegradable, is of crying environmental urgency in a country that produces over 8 million tonnes of it every year. According to the Indian Centre for Plastics in the Environment (ICPE), 48% of the total plastic produced is used for various kinds of packaging, with the rest going into appliances, automotive parts, and building material, among other things. Of the 3.8 million tonnes used



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in packaging, about 2.8 million tonnes of plastic is the disposable sort, which quickly turns into waste material and piles up in ever-expanding rubbish dumps, leading to proposals every now and then that its use should be curbed. The latest of these came from the National Green Tribunal in March, while responding to a petition by an Uttarakhand NGO seeking a ban on plastic use.

But here's what the experts say: India does a better job of collecting and recycling plastic than many other countries. (The enterprise is governed by the Plastic Waste [Management and Handling] Rules, 2011.) "Approximately 60% to 80% of post-consumer-use plastic waste generated in India is collected, segregated, and recycled," says Kaveri Gill, chief economist at the Delhi office of sustainability think tank Oxford Policy Management, in her book *Of Poverty and Plastic: Scavenging and Scrap Trading Entrepreneurs in India's Urban Informal Economy*. "The country boasts one of the highest plastic recycling rates in the world, if not the highest, among both developing and developed countries," adds Gill.

ICPE confirms that around 1.8 million tonnes or 60% of plastic waste is recycled in India. Collected by ragpickers from garbage dumps and elsewhere, the waste is brought to sprawling collection centres, in areas such as Mundka in Delhi and Dharavi in Mumbai, where it is sorted and undergoes preliminary processing. It then makes its way to recycling factories.

Plastics come in innumerable varieties, but the six major ones are PET, polypropylene, low- and high-density polyethylene, polyvinyl chloride, and polystyrene. Post-use, the most valuable among them is PET, fetching ragpickers the highest price of Rs 35 a kilogram.

Indians run through anything between 500,000 tonnes and 700,000 tonnes of PET bottles a year. (That's way below the consumption in China: 3.2 million tonnes.) "About 70% to 80% of the bottles are collected by ragpickers, for whom it's the best-paying catch," says B.P. Sultania, joint president, GESL. "That's why you won't see too many PET bottles lying around."



That's also the reason PET is the only category with reasonably large, organised players. Other kinds of plastics are all recycled by micro enterprises, many of them garage-sized units, operating in unhealthy conditions and a highly fragmented market (see 'Lift Cover for Your Next Ring', page 86).

"All plastics can be recycled," says Agarwal. "The problem is that there is no proper collection system, because there is little or no incentive to collect. The government should impose extended producers' liability, making producers and consumers of plastic responsible for proper disposal too."

GESL started small, producing about 6,000 tonnes of polyester fibre per annum. Building a whole new industry was painful. "It took almost four years to convince the market that polyester fibre was a good, cheap substitute for cotton in pillows, mattresses, and soft toys," says Sharma.

Today, GESL makes a wide range of such fibres which are used as stuffing, or for insulation and padding, in a range of



100,000 tonnes of PET yield 80,000 tonnes of polyester fibre; (facing page) Sharad Sharma, joint managing director, GESL, inspecting polyester filaments at the company's Kanpur plant

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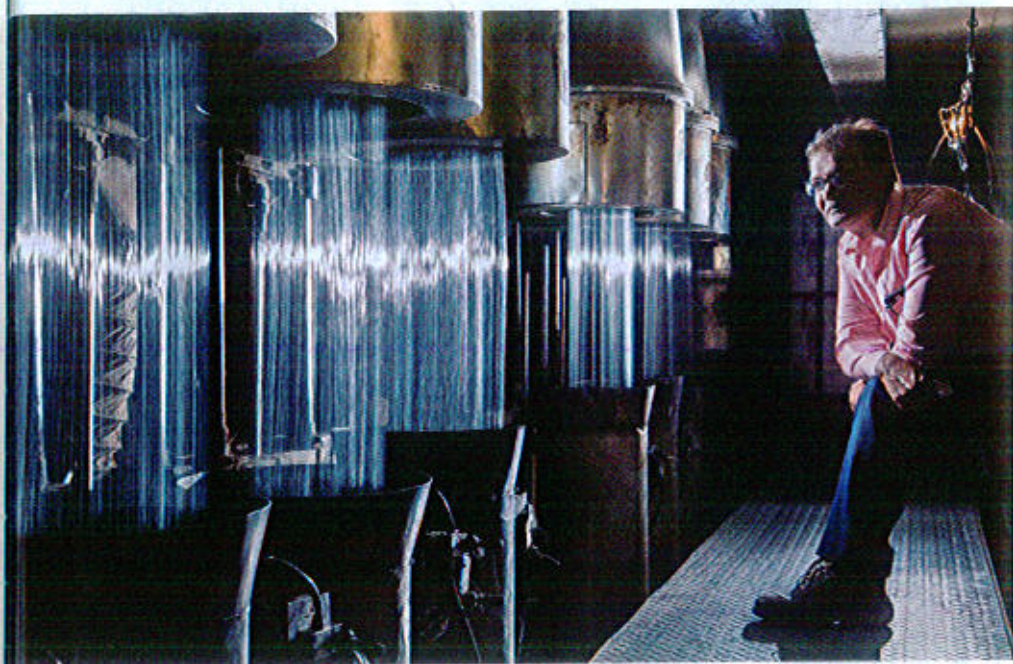
NUMBER OF PET BOTTLE RECYCLERS IN INDIA

14%

INCREASE IN GESL'S REVENUE IN 2013-14 OVER THE PREVIOUS YEAR

Rs 600

CRORE
GESL'S ESTIMATED REVENUE IN 2014-15



products. They also find use in carpets, upholstery, and even saris and dress material.

The tipping point for the PET industry came with the explosion in PET bottle use for soft drinks in the mid-2000s. GESL set up a second plant in Rudrapur, Uttarakhand, in 2006. "Till then, our production was just 10,000 tonnes per annum," says Agarwal. "But lifestyle changes and income growth have taken the consumption of PET bottles [through the roof]." Sharma says 2007-08 was the turnaround year. "Our sales spiked to Rs 105.41 crore that year from Rs 62.67 crore the year before," he adds.

It has 20 collection centres for PET bottles, most of them in North India, apart from arrangements with companies such as Coca-Cola to collect used bottles. "In the winter months, PET consumption drops so steeply that we have to import to meet demand," says Agarwal.

In 2013-14, GESL recycled around 3.3 billion PET bottles, producing 53,708 tonnes of polyester fibre. Financials for 2014-15 are not yet published, but Agarwal estimates the revenue to be at Rs 600 crore, while the combined production capacity of the two plants has been raised to around 88,000 tonnes per annum.

Despite a sluggish economy over the past few years, GESL's revenue, Ebitda, and net profit have been increasing consistently—revenue

"INDIA BOASTS ONE OF THE HIGHEST PLASTIC RECYCLING RATES IN THE WORLD."

— KAVERI GILL,
ECONOMIST, OXFORD
POLICY MANAGEMENT

rising 14.65% over 2012-13 and Ebitda 16.83%.

There are 29 PET bottle recyclers in the country (*Fortune India* tried contacting another major player, Arora Fibres, but got no response), but true competition came with the entry of Reliance Industries (RIL) into the business in 2002. RIL set up a PET

recycling plant at Barabanki, Uttar Pradesh, as a corporate social responsibility initiative—but the move seriously threatened GESL, which was working on purely commercial lines, as RIL could afford to sell its polyester fibre cheaper. GESL responded by finding new markets for its products and improving efficiencies, till it finally outstripped RIL in 2010. Currently RIL processes 1.6 billion PET bottles annually, which it acquires from 150 collection centres.

Consistent outperformance has also helped GESL attract private equity funding. In 2012, Industrial Finance Corporation of India invested Rs 13.5 crore through optionally convertible debentures. Last September, MCap India Fund acquired a 15.52% stake by investing Rs 34 crore. "GESL has a capable management team which runs very efficient operations," says an MCap spokesperson on e-mail. "It has a track record of steady growth."

Most important, its future is assured. "PET manufacturing capacity [in India] is expected to increase to over 1.6 million tonnes in the next four to five years, indicating a huge gap with recycling capacity," says the MCap spokesperson. Stricter regulations will see greater demand for the likes of GESL, he adds.

"This industry needs three things: low labour cost compared with raw material cost, a market for recycled products, and sufficiently developed technology," says Gill. "All three exist in India." ■