



“AGI Greenpac Limited  
Q2 FY ‘23 Earnings Conference Call”  
November 1, 2022



**MANAGEMENT: MR. RAJESH KHOSLA – PRESIDENT & CHIEF  
EXECUTIVE OFFICER  
MR. OM PRAKASH PANDEY – CHIEF FINANCIAL  
OFFICER  
MR. SANDEEP SIKKA – GROUP CHIEF FINANCIAL  
OFFICER**

**MODERATOR: MR. SACHIN BOBADE – DOLAT CAPITAL  
MARKETS LIMITED**



*AGI Greenpac Limited  
November 01, 2022*

**Moderator:**

Ladies and gentlemen, good day, and welcome to the AGI Greenpac Q2 FY '23 Results Conference Call hosted by Dolat Capital Markets Private Limited. As a reminder all participant lines 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 the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded.

Before we begin, I would like to remind all participants that some of the statements or comments made on today’s call may be forward-looking in nature. These may include but are not necessarily limited to financial projections or other statements of the company’s plans, objectives, expectations, or intentions. The Company disclaims any obligation to update these forward-looking statements to reflect future events or developments. Kindly refer to Slide No. 16 of the Earning Presentation for a detailed disclaimer.

I now hand the conference over to Mr. Sachin Bobade from Dolat Capital Markets Private Limited. Thank you, and over to you, sir.

**Sachin Bobade:**

Thank you, Lizann. On behalf of Dolat Capital, I welcome you all to the Q2 FY '23 Earnings Conference Call of AGI Greenpac. Hope you all and your family are staying safe and healthy. From the management side, we have with us Mr. Rajesh Khosla, President and Chief Executive Officer; Mr. Om Prakash Pandey, Chief Financial Officer and Mr. Sandeep Sikka, Group CFO.

So now I hand the floor to the management for their opening remarks, and then we would have question-and-answer session. Over to you, sir.

**Om Prakash Pandey:**

Good Evening, Everyone and Welcome to AGI Greenpac’s Q2 FY2023 Earnings Call.

We have already circulated our Earnings Presentation which is available on our website as well as on the stock exchange's website. I am sure you would have gone through the presentation, and we would be happy to take any questions afterward.

As you all may be aware that we completely divested the Building Product Division in Quarter 4 FY2022 under slump sale. AGI Greenpac is now a focused Packaging Products Company. Therefore, all the numbers and comparative figures that we are going to highlight pertain to the Packaging Products Business.

Now coming to the Quarter 2 FY2023, the company delivered a strong performance and reported Revenue from Operations of ₹513 crores, compared to ₹309 crores in the same quarter last year, registering a stellar growth of 66% on a Y-o-Y basis. The sales and profitability improved on a Y-o-Y basis on account of improved efficiencies. The company continued to maintain strong EBITDA margins despite a sharp increase in input prices, rising inflation, and an increase in global interest rates.



*AGI Greenpac Limited  
November 01, 2022*

Q2FY22 includes a one-time receipt of an insurance claim amounting to ₹16 crore which is nil in Q2FY23. Further, the currency fluctuation caused a foreign exchange loss of ₹6 crore in Q2FY23 compared to a gain of ₹0.2 crore in Q2FY22. Once the impact of one-time receipt of insurance claim and foreign exchange loss is neutralized, the adjusted EBITDA is ₹93 crore in Q2FY23, registering a growth of 59% on a Y-o-Y basis with a margin of 18.1%.

Net Profit for Q2 FY23 stood at ₹34 crore, with margins of 6.6%. And the net debt position of ₹819 crore at the end of September 2022.

After 30th Sept 2022, the company has been awarded LOI from the Resolution Professionals of Hindustan National Glass Ltd. (HNG). The Company has given its acceptance to the LOI. Due to the confidentiality clause, we can't discuss further on the matter.

Now, I would hand over the call to Mr. Khosla to talk about the Packaging Products Business Operational Performance.

**Rajesh Khosla:**

Thank you, Mr. Pandey. Good afternoon, everybody. In Quarter2 of FY2023, we saw growth in production, sales volumes, and revenue during the quarter on the back of strong demand from the key user industries

The revenue growth was supported by an increase in glass containers packaging volume of 23% compared to Q2 FY22. The demand from the beer and liquor industries contributed around 74% to our revenue in this quarter. A rise in out-of-home consumption and reduction of taxes by some state governments also contributed to the growth along with the passing of increased commodity prices to the customers. The glass container business continues to see strong traction owing to improved realizations, better product mix, increased sales volume, and improved efficiency.

Further, our glass containers plant capacity utilization during the quarter was 93% as compared to 66% in the same quarter last year.

Further, AGI is successfully penetrating export markets of the EU, Canada, and South Africa for its niche products. Also, evolving consumer behavior with preferences shifting towards quality, safety, and premiumization of products and the new developments in the industry will create exciting times ahead for the packaging industry and, with this we are confident in delivering sustainable growth and creating long-term value for all our stakeholders.

Thank you very much and we are now ready to take any questions.

**Moderator:**

Thank you. Ladies and gentlemen, we will now begin with the question and answer session. Anyone wishing to ask a question, may please press "\*" in "1" on your touchtone telephone. If you wish to remove yourself from the question queue, you may press "\*" and "2". Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. First question is from the line of Zakin Nasar, an Individual Investor. Please go ahead



*AGI Greenpac Limited  
November 01, 2022*

- Zakin Nasar:** Congrats, Mr. Sikka and the team of AGI congrats on a very, very good performance for the Q2. Sir, two questions from my side. One is would the Q2 include the additional 150 tonnes per day capacity at in Telangana or will start in the next quarter or?
- Sandeep Sikka:** I this Q2, the new 154 tonne furnace is still under trial run production. We have started shipping material to various customers and since these are all high-end customers, the quality validation process is underway. And we feel that it should take another two or three months. We finally get into commercial production. Production is on, but the effect of sale is not being reflected in P&L. Part of the cost, which is related to working capital and other things like interest has increased the total inventory has increased. These elements are reflected and the costs are reflected in P&L, but not the sale and the margins there
- Zakin Nasar:** Okay. So could we safely assume that it will be the last quarter of the current financial year sir?
- Sandeep Sikka:** Yes. I think commercial production should start in December or early January. Rajesh, if you can. Yes. Next question, please.
- Zakin Nasar:** And my next question would be, sir, I mean, congrats on bagging Hindustan National Glass, what would your plan of financing this would be because it entails INR 2,150 crores approximately. So how do you propose to finance standard?
- Sandeep Sikka:** We can't talk much about this because of the underlying confidentiality, but primarily, it will be funded by debt initially from our side. But we'll see over a period of time, we raise equity and beyond this, it will be very difficult for us to make any comments because we have an underlying confidentiality clause on this.
- Zakin Nasar:** And sir, when would the whole transaction get over, it will take another two quarters, sir?
- Sandeep Sikka:** This is a process that is being run under IBC and under the NCLT process. We have been issued LOI after which bankers are expected to file with NCLT. And then it is the jurisdiction of Hon'ble NCLT Kolkata, how much time it takes to give the final order, much expected.
- Zakin Nasar:** Sir, and you don't think that this debt will act as a drag on the combined balance sheet, sir? I mean, of course, you would have done the basic work, but on...
- Sandeep Sikka:** No comment on right now please.
- Zakin Nasar:** And sir, about fuel cost, sir. I mean I think I see that you have managed the fuel cost pretty well. Some of your thoughts on this angle?
- Sandeep Sikka:** So I'll request Mr. Rajesh Khosla to take this. Rajesh, you are there?
- Rajesh Khosla:** Mr. Sikka, I'm here, I'm not able to hear the question properly. Can he repeat the question, please, again?



*AGI Greenpac Limited  
November 01, 2022*

- Zakin Nasar:** Sir, about the fuel cost, I see that in this quarter, you have managed the fuel cost pretty well. I mean what are your thoughts on this going forward?
- Rajesh Khosla:** See, as I think we have been informing all of our stakeholders that AGI Greenpac has been using the multiple fuel system and in recent past. So in last three, four years, we have developed a system where we can use different type of fuels and a mix of different type of fuel, whichever is economical. So in this quarter also, there has been an opportunity of natural gas versus furnace oil versus LPG versus other fossil fuel. So we have taken a right mix of those fuels and try to lower down our cost with the opportunity, which existed in the various fuel markets at that particular point of time. Just I understand that there is a huge volatility of the fuel, particularly in the natural gas. But fortunately, we are there in the multiple fuel system and we have taken that opportunity very well.
- Zakin Nasar:** Thank you sir, and best wishes for the remainder of the year and congrats to the AGI.
- Rajesh Khosla:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Vibha Batra from FairConnect Business Advisors Private Limited. Please go ahead.
- Vibha Batra:** Thank you for taking my question is, again, on this proposed acquisition. I think I missed your response. Did you quantify the borrowings or upper limit on borrowings that you would have, because of this acquisition? Or it was a qualitative remark?
- Sandeep Sikka:** No. Basically, right now, we are constrained from talking about anything. We are just given that we have accepted the LOI. We have informed the stock exchanges about the initial acquisition
- Vibha Batra:** But considering that June quarterly numbers are available because I think they have a listed debt, would you want to kind of qualitatively guide the investors that when you are considering this acquisition, obviously, in terms of top line, the company is quite significant. How would your return indicators move you know in terms of ROCE? And does it give you a significant advantage in some strategic high-value segment or you're going to get into high-volume games? Some qualitative remarks would be helpful?
- Sandeep Sikka:** My apologies, literally, we are bound by the confidentiality. I think we have disclosed what we have to do as far as our listing requirements. But, I think investors will have to wait to get all those questions over a period of time. This is an NCLT process and there are conditions in the bid document wherein we can't talk about the deal.
- Vibha Batra:** Okay. And you've considered the impact that it could have on your credit rating in terms of debt coverage and other indicators are too early to speak about those?
- Sandeep Sikka:** Yes, we are aware about everything are the points which we are raising and but it's difficult for us to comment right now, please appreciate that point.



*AGI Greenpac Limited  
November 01, 2022*

**Vibha Batra:** Sure and my other question is that if we were to look at September '22 numbers, you said there were some one-offs in September '21 numbers. But if you were to take normalized run rate, you know what kind of EBITDA can one expect and you had some foreign currency losses would those be repeated? Or you have taken some hedges? Or how does one kind of look into future top line EBITDA impact, maybe?

**Sandeep Sikka:** We generally give guidance on a medium to long-term range rather than a short-term range. But I think we can assure you with what spoke about foreign exchange losses, which the rupee has certainly depreciated. We have two ECBs in our balance sheet. One of them is hedged and the other one is not hedged. So one is hedged between 70 to 90 call spread. But, mark-to-market happens there. But whenever we are settling principal repayment, anything between 70 to 90 is getting settled at INR 70 in terms of cash payment.

But in terms of the accounting standard requirements, we have to restate the loan and the hedge value is getting adjusted into the other non-EBITDA items as such. We can say that you see very recent historical data. There has been a steep increase in the input prices. But the company has been able to pass on a substantial portion of that to the customers and we are still negotiating for the customers. The EBITDA guidance over the last two quarters, you can hold for next few quarters. And we feel that EBITDA should continue to be maintained over the next few quarters on the same basis.

**Vibha Batra:** Okay and your interest and depreciation would remain at the same level because even interest expenses have gone up this quarter? Or is it because of the currency depreciation?

**Sandeep Sikka:** One currency depreciation goes into as I told you in: EBITDA. Primarily the interest rates have increased. And also when you see year-on-year comparison, we had done relining of one furnace. And also we have done some improvements in the furnace so that we have better efficiency. There are certain capex which has been done. As a result of which, the depreciation has increased and also interest has increased. Interest is on both on the Capex as well as on the interest rate effect, as most of our rate, most of our loans, the non-ECB loans, are linked to repo rates, and the repo rate is increasing so the interest.

**Vibha Batra:** But sequentially, there is a very significant, although depreciation hasn't gone up much, but interest costs have gone up very significantly. So that's what I was looking at, not year-on-year, but sequentially?

**Sandeep Sikka:** On the segment, if you see our result is that overall working capital deployment, although not changed in the number of days many number of days variation is around 10 days, but since the input price material and input value of material, including the selling prices have increased substantially to the overall much blockage into the working capital is higher.

**Vibha Batra:** Got it, thank you and all the best.



*AGI Greenpac Limited  
November 01, 2022*

- Moderator:** Thank you. The next question is from the line of Tanay Shah from Dolat Capital. Please go ahead.
- Tanay Shah:** Thank you for the opportunity, am I audible. So sir, in your comments, you have mentioned that you have passed on commodity price increases to the customers. Can you provide some more color as to how much has been the increase in your raw material prices, in terms of energy and soda ash, etc? And how much of it has been passed on? So how much price hikes you have taken in, you say, last six months and last one year kind of period?
- Sandeep Sikka:** If you see our average selling price almost a year back. So when we do a year-on-year comparison, our average selling price was ranging between ₹27,000, ₹27,500 per tonne. This was at around ₹35,000 a tonne in Q2 FY23. You see the delta is almost 28%, which is Y-o-Y.
- Tanay Shah:** Sorry. So you said this quarter is ₹ 35,000, right?
- Sandeep Sikka:** Yes, average.
- Tanay Shah:** Sure
- Sandeep Sikka:** And I'm giving this for the glass, which is primarily the key business.
- Tanay Shah:** Sure
- Sandeep Sikka:** And similarly, if you see the movement in the overall oil pricing, the average is coming again somewhere around 50% in overall costing. But apart from this, there are other materials, which we are using like soda ash prices in the world, in fact, in one particular time, it went as high as ₹50,000. Now it is an odd ₹35,000. There is substantial input and it's very difficult to benchmark a line-by-line item, but I've given you broader guidance is how the pricing movement is there. I think is there that customers in the market, are ready. They have understood that there is an input price increase, and they have accordingly accepted the price hike.
- Rajesh Khosla:** I'll add on Mr. Sikka, one more thing is with quite a few number of customers, we have a clear understanding of passing on the cost, whether it goes up or goes down. So whatever advantage of this understanding there, and that is the reason we are able to protect our margins.
- Tanay Shah:** Understood so you have agreements in place already with the customers linking your selling price to the raw material costs, is that correct?
- Rajesh Khosla:** Yes. We have understanding, we have arrangement, we have the contracts accordingly.
- Sandeep Sikka:** And there is almost 50% of our tonnages.
- Tanay Shah:** Yes, understood and sir, just one last thing was from first October, naturalized pricing have been increased again substantially, so has there been any price hikes post 1st October from our end to customers?



*AGI Greenpac Limited  
November 01, 2022*

- Rajesh Khosla:** As I informed you in my last answer, just now, we are a company which is using multiple fuel. If the natural gas prices or any other prices of the fuel, they are going beyond the other one, the other fuel takes care of the thing. And as far as pricing is concerned, we are very clear with the customers whatever increase or decrease in the prices come up, only those can be passed on with who we have been contractual understanding.
- Tanay Shah:** Understood, so would you able to provide some color as to has there any increase post 1st October with the customers? Any price increase?
- Rajesh Khosla:** Since the prices or the cost is a very dynamic, which has been happening for the last one year, two years, so what is happening, this has become a very continuous exercise now. So still, the matter is under discussion with a few of the customers for a few of the items for which the things have gone up. So right now, it is not a one-off situation in the earlier times. It is a continuous exercise which is going on. It can go up also, it can come down also both the ways.
- Tanay Shah:** Fair enough, thank you sir that's it from my end thank you.
- Rajesh Khosla:** Thank you very much
- Moderator:** Thank you. The next question is from the line of Aditya Dhawan, an investor. Please go ahead.
- Aditya Dhawan:** Hi, good evening Sir, I wanted to know the volume, tonnes and realization. Can you give me the breakup of Glaspac and PET and closure?
- Sandeep Sikka:** Can you go again with the question? You want to know volumes and the realization?
- Aditya Dhawan:** Yes. Specific volume in relation for three, whatever we have Glaspac and Plastek and closures?
- Sandeep Sikka:** Our glass volume for this quarter is 1,16,200 MT with a sale of around ₹350 crores. This is for the selling price of ₹35,000, and not ₹350 crores. And as far as other materials are concerned, they form a very small part. If you see, 85% to 88% of turnover is linked to the glass itself. We have not disclosed this separately because we are focusing on the glass right now.
- Aditya Dhawan:** Fair enough.
- Rajesh Khosla:** And secondly, Mr. Sikka in the case of plastic and polymers, the pricing system is a raw material plus conversion. So the polymer price is the main driver of the prices in the case of other businesses.
- Aditya Dhawan:** Okay, and regarding this 154 tonnes furnace, right, I think it is taking more time than expected from last year. So any challenges we are facing and why this has become somewhat delayed? Can you throw some light here?



*AGI Greenpac Limited  
November 01, 2022*

**Rajesh Khosla:** No, there are no such challenges. It's a normal process. As you know, glass making and decoration is an integrated process in this particular business. Our glass making has already started. It has started delivering the results also, but the decoration, it was expected that it will start last month only. So now with the integrated operations, in materials have started going to the customers under validation, and I hope so in the next few months, one, two months and all those validation will be completed, and then the things will be, accordingly, will be commercially produced. So we do not face any unprecedented challenges as normal operations they happen, if it's just like that.

**Aditya Dhawan:** Okay, that is fair enough and so regarding the long-term perspective, we signed for short-term or medium term, we have 154 tonne furnace. But right now, we have acquired HNG and we have this division for them. And where do you see in the longer-term perspective, five years perspective, right? So there are several value-added products we can go ahead. So have you thought through and what is the other line of CapEx that we are the company thinking? Can you throw some light here?

**Rajesh Khosla:** One small correction. We have not acquired HNG, we are in the process, which is available in the public domain.

**Aditya Dhawan:** Okay

**Rajesh Khosla:** Secondly, as a normal company, all the companies they work in a line where they can go for more value-added products. And same AGI will like to do that. Now which are the value-added products and how the market will behave? It all will depend upon the future and once the acquisition is complete and the market opens up and then only those things can be made, but yes, there is a huge opportunity in the market for all those value-added products and our companies would like to tap all those. At this stage, it will be very difficult for us to give some numerical numbers to those opportunities and the value creation numbers.

**Aditya Dhawan:** Okay, the last question I have, in the last quarter, you have mentioned that there should be some price increase that has happened to the customers. But when I see quarter-on-quarter numbers, the packaging division, it has somehow INR 472 crores and INR 32 crores supposed to be in others. So I see there is a drop in the revenue number and the -- so is the realization has been dropped because I see year-on-year or quarter-on-quarter, the volume percentage you're talking about is 93% capacity utilization. So I was expecting that there should be some increase in the number of quarter-on-quarter, but it has not happened. So can you explain to this point?

**Rajesh Khosla:** Mr. Sikka, can you just tell them the numbers because I don't think so.



*AGI Greenpac Limited  
November 01, 2022*

**Sandeep Sikka:** If you see a year-on-year comparison, last year same quarter, we had 94,000 tonnes of sales. This year, we had done 116,000 sales, as I told you. Quarter 1 sales was higher at 143,000 tonnes. If you see that quarter-on-quarter, the realization, the quantities are lower, but year-on-year, it has increased. There is some seasonality involved in the businesses because at different times, beer gets sold or some liquor gets sold, so this is due to the seasonal impact. I've given you the actual numbers on what was last year and what is this year. That is it. Overall, selling prices like in Q1 was somewhere ranging around ₹31,000 to ₹32,000 per tonne, which is now at ₹35,000 per tonne.

**Aditya Dhawan:** Okay, this clarifies, thank you so much sir all the best

**Sandeep Sikka:** Thank you

**Moderator:** Thank you. The next question is from the line of Sreemant Dudhuria from Sree Capital. Please go ahead.

**Sreemant Dudhuria:** Yeah, good evening, thanks for the opportunity I have a few questions Firstly, specifically on the price increases you mentioned broadly about 28% increase in NSR over the last one year, but in the last quarter, how much was the price increase? That is the first point. And secondly, how much further price increase is required to absorb fully the RM inflation?

**Sandeep Sikka:** If you see, year-on-year, 28% and sequential quarter, we are at around 9%. But we still, on the future thing, as Mr. Rajesh said, that we have to keep monitoring how the price fluctuation happens on the input materials because almost 60% to 65% of our sales is linked to the input prices now with our customers. We have to see how things pan out on the cost side.

**Rajesh Khosla:** It's a very volatile market. Just for your understanding, and just quoting from the public domain information. Few weeks back, there was a scarcity of the gas and natural gas in Europe and people were talking of the skyrocketing prices. And all of a sudden, there has been a news which is circulating in the market that the Europe is already full with the gas prices and the gas prices are dropping like anything.

So these type of news and information and a situation, which is existing and which is adding up in a very short term, they are driving the prices and all. All the customers, and they are all are well aware, well educated, and they have the understanding of price increase as per the actual market increases there. And that is what we have been understanding and we have the contracts with them.

So the price increase or decrease will depend upon how these markets that will go up and down accordingly. And it is too difficult for anyone, including us to say how these things are going to go because there are multidimensional things which are moving on in the global market.



*AGI Greenpac Limited  
November 01, 2022*

- Sreemant Dudhoria:** Thanks for the detailed explanation, sir. So a follow-up on this is in the likely event of the industry consolidating because two large capacities would be under a single company, especially in the organized market. Do you think that the container glass industry will now have a better pricing power over and above the price increases that we are getting just because of the raw material inflation? Your comment on this?
- Sandeep Sikka:** Basically, this is linked to the proposed acquisition. So our apologies, we have talked again and again so since we are bound by confidentiality would like to avoid this question for this particular moment.
- Sreemant Dudhoria:** Sure. I was talking about from the industry level. Will the pricing power.
- Sandeep Sikka:** Please appreciate that we have a confidentiality clause which can impact us.
- Sreemant Dudhoria:** Sure, Sure
- Rajesh Khosla:** Both high-end services will be offered in the market, more high-end services will be offered in the market, more value-added products will be offered in the market in the times to come because once the industry consolidated, these are the normal practices all over the industry across the products.
- Sreemant Dudhoria:** I'm again, taking the liberty to ask this question and it is somewhere related again to the likely acquisition. Now given from the financials of HNG, I understand that the utilization is significantly lower. And it has been underinvested for a long time. So will that acquisition requires significant investment just to ramp up the capacity over and above the acquisition cost. I'm taking liberty if it is not okay to answer, I must agree with that.
- Sandeep Sikka:** My apologies again, right now, we are constrained on this please.
- Sreemant Dudhoria:** Sure. No problem. Thanks for taking my questions.
- Moderator:** Thank you. The next question is from the line of Marsal an Investor. Please go ahead.
- Marsal:** I could see that during the Q2 2021, our sales was INR 309 crores and our PBT was INR 47 crores. This quarter, our sales have gone up, revenue has gone up by 65%, but our PBT has gone down by 40%.
- Sandeep Sikka:** So if you see notes to the accounts in Q2 of last financial year, we had a one-off element, which was INR 16 crores relating to the receipt of one time...



*AGI Greenpac Limited  
November 01, 2022*

**Marsal:** Okay. Fine, so second thing regarding this power and fuel, like as we can see that between Q1 and Q2, it's almost a similar thing. But if you compare with the last year and the year gone by is substantially you all understand about this energy situation and the prices. But now we can see that for the last one month or so, the crude prices have now gone down by about \$30 to \$25 per barrel. So in the Q3, what kind of reduction are we expecting in the power and fuel?

**Rajesh Khosla:** Mr. Sikka, I'd like to reply. Our fuel prices are linked with crude, but they are not directly proportional to the crude because the crude has come down, but the dollar has appreciated, our rupee has depreciated. So it is the fuel which is being priced by the Indian government on the basis of currency, demand supply and various other factors, that is the number which impacts our business directly.

So crude going up and going down, just to give the indications of what could have happened or what can happen, but they are not the real one. Sometimes we have seen that the crude has gone up, but because of all reasons, the prices of the local prices of furnace oil or LPG, they have not gone up to that extent or it is with a limit also. And sometimes it goes up beyond the normal crude prices indicators. So it all depends upon the prices, what the Indian government announces, which we consume directly.

**Marsal:** No, I understand. But I think India government announced the price for petrol and diesel, but we had more furnace oil. So furnace oil is the commodity for the...

**Rajesh Khosla:** Furnace oil prices are decided by the Indian government or by companies like Indian oil or Hindustan Petroleum or other companies. And they are loosely linked with the crude prices, but not in the formulation price that linked up with that. So it becomes sometimes very difficult to get exact prices.

**Marsal:** So you meant to say that in Q3, there will not be much saving in the power utility? It will be the same reason?

**Rajesh Khosla:** Say again please.

**Marsal:** It mean to say that like during Q3 also, there won't be any good reduction in the cost of power and fuel. It will be in the similar reason of INR 115 crores, like this?

**Rajesh Khosla:** Not really. I say it is beyond our capacity to indicate or forecast or predict what is going to happen because things are changing very fast and very steep, either coming down or going up.

**Marsal:** No, no, no. I beg to differ. Last one month, the crude is holding between 86 to 92, 93, it's not like it has never crossed 100. So we cannot say that like it's going up and down substantially. It used to go during Q1, like till August it was at this level. But like now, more or less the price of crude is very much predictable. That is holding around 92, 93, like in the last two days or generally, between 86 and 92.



*AGI Greenpac Limited  
November 01, 2022*

**Rajesh Khosla:** So on the basis of the crude, the government of India or the oil companies, they work out the prices of furnace oil and LPG and other products. And on that basis, we get these prices from those companies and then we use it. So if the prices will go up or go down accordingly as we indicated earlier that we have to compensate or charge from our customers accordingly. But yes, there is always a time gap or time lag between what is the cost goes up or down, and you pass on to the market. So there is a time line.

**Marsal:** No, I understand. Let me rephrase the question differently. See now these assembly elections are coming. Government is not going to change the price of diesel and fuel. Like this is gone by number one. But the furnace oil is the commodity for the industry. So you, as a member of industry, are you pleading or submitting sort of petition to OMCs, Indian Oil, HCL, BPCL that we need to see now the crude has come down by 30% so please reduce the price of furnace oil. Because furnace oil is not for the common people, it's not for the masses, it's only for the industries. So what kind of action our company is taking or like you are giving personations to the government or to oil marketing company (OMC) to revise the price of furnace oil, which you are very much entitled to.

**Rajesh Khosla:** As an individual company, we do not have an authority to speak on that or to do anything. But yes we are part of the bigger platforms like FICCI, CII and other platforms where our company is a representative. And through these channels, we do represent not only on the fuel, but a lot of other matters also and the government policies, they shape up as their on time and standards.

**Marsal:** This is a very generic answer. I'm also qualified person.

**Moderator:** Sorry to interrupt.

**Marsal:** I'm only saying this can you please make your point with you or with you through Board or our respected CEO to make it a particular point with the FICCI and take it to the government because now the crude prices for the last five weeks, it is down by 25% down. So if you're right to get the funds as revised at least?

**Sandeep Sikka:** I think it's a good suggestion.

**Rajesh Khosla:** We've noted your suggestion. And we will do the needful.

**Sandeep Sikka:** There are forum there which it is done. There are ways to do it.

**Marsal:** Your last reply is very good that you noted it. I would just say like not in favour to listen the generic reply. So let's take a discussion on this because we all can make some savings for the stakeholders. Thank you

**Sandeep Sikka:** Thank you



*AGI Greenpac Limited  
November 01, 2022*

- Moderator:** Thank you. The next question is from the line of Nikhil Gada from Abakkus AMC. Please go ahead.
- Nikhil Gada:** Thank you for the opportunity sir, my first question is specifically on the volumes for this particular quarter. And when we look at for the last two or three years, specifically for this quarter has generally been somewhat luke-worm for us. And this year, it seems like we have done reasonably well in fact very well. So anything which has changed in the market? And is it like structural in nature? Or this is sort of a one-off that we have seen in this particular year?
- Sandeep Sikka:** You have to be more pinpointed, Nikhil, what is the question. You were talking about the volumes.
- Nikhil Gada:** Volumes, so if we see the volumes for this particular...
- Sandeep Sikka:** If you see the average volume for quarter 2, quarter 3, quarter 4 for the last financial year, like quarter 2 was around 94,000, quarter 3 was around 120,000, quarter 4 was around 126,000. Quarter 1 was exceptional i.e. around 143,000 and followed by quarter 2 - around 1,16,200. So there is a trajectory on which we are here. Rajesh, would you like to expand on this?
- Rajesh Khosla:** The question is that normally in quarter 2, our volumes are a little less, but this time, we have done better than the earlier times. Is it the question?
- Nikhil Gada:** Yes, sir.
- Rajesh Khosla:** Okay so in our address, we have mentioned that there are some segments which are doing good in the economy. For example, the liquor segment is also there, beer also there, food is there and other segments are also growing. So during this seasonality time, the volumes and the growth has been there, which has added up in our volumes, in our orders. So that is the reason we have done better.
- And as far as everybody knows, it's a public information that the Indian economy is growing at a good pace and all those benefits of the increase in GDP or better of the Indian economy, they have come up in the consumption of glass also. And that's the reason, we have done better.
- Nikhil Gada:** **Sorry sir**, my question was more from that, whether we have sort of gained some market share, or is it just all organic demand that we are seeing?
- Rajesh Khosla:** Yes, we have gained the market share, number one. And also, there are some of the segments which have started buying, which were not buying earlier, for example, the softdrink market, which was earlier purely in the plastic and all, they have also started shifting back to the glass, may not be 100%, may not be big volume, but at least some reasonable volume, which is quite good for the glass volume. So we have started supplying to those segments also, which were dormant or hidden or sleepy for last so many years. So those things have added up in our volume and given us the growth.



*AGI Greenpac Limited  
November 01, 2022*

- Nikhil Gada:** I understood, sir, and my second question is specifically to our gross margins. And while you mentioned it that you have taken certain price hikes, it is still sort of still having some impact in terms of our overall margin trajectory. And looking at the kind of demand that we are seeing and the way we have been able to pass on this price hike, any rough estimate or idea by when we can go back to those margins of, I think, to 70%-odd percent on the GP level?
- Sandeep Sikka:** Nikhil, one point which we have to see here is that there is a numerator and denominator impact. If you're calculating margins in percentages as the selling prices have increased, customers will not allow us to earn proportionately in terms of the selling price. There is an EBITDA per tonne. So we have been continuously expanding EBITDA per tonne as such and but still there is a way we have to further recover money from as Mr. Khosla said is it's an ongoing thing. I think given the fact that we have a steep input price and the selling prices have moved from ₹ 27,000 to ₹ 35,000. Let's say, initially margins were at 18%. The percentages will change the absolute will grow, but the percentages will change here.
- Nikhil Gada:** **Understood sir,** sir, just then sticking to this EBITDA per metric tonne, metric that we track, any in-house estimates that we try to have when we do business this is the number or range we will want to keep on the bulk packaging business, not the specialty one?
- Sandeep Sikka:** So ranging somewhere around ₹ 7,000 to ₹ 7,500 per tonne in the range.
- Nikhil Gada:** And how much we are off from that as of now?
- Sandeep Sikka:** It's almost in that range. .
- Nikhil Gada:** So in that context, then we are saying that at least from an EBITDA per tonne perspective, we are getting decent margins we want too.
- Sandeep Sikka:** Yes. But there is a potential slightly to recover more because some of the costs we are yet to recover from the customers, so negotiation is going on. This is what Mr. Khosla was talking about.
- Nikhil Gada:** Understood sir and , just on the finance cost part, now since we have seen our debt levels going down, specifically from March to September, do we see the finance cost also now coming off because of the overall gross debt going down?
- Sandeep Sikka:** Debt has come down, but the impact of rising interest rates will be there for everybody.
- Nikhil Gada:** Quantify that for me, please? What was that in March and now?
- Sandeep Sikka:** Our weighted average cost of debt on 31st March was somewhere around 5.38% and which is now at 6.33%. This is a mix of Rupee and forex both because even the effective LIBOR rate has started firming up now. On an average, around 1% increase has happened for us. And still, if the trajectory of the repo rate increase is still there, it will further increase with this because most of



*AGI Greenpac Limited  
November 01, 2022*

our rupee term loans are linked with the repo rate and even working capital facilities, they ultimately get linked to the short-term interest rates.

**Nikhil Gada:** I understood and got it sir, and just lastly, you mentioned about the specialty packaging business where you're not accounting the revenues, but the costs and, all the other items are getting accounted in the balance sheet as well as in the P&L. What kind of cost are we accounting for as of now?

**Sandeep Sikka:** These costs primarily relating to some sales and marketing costs, which are there into the P&L and also the interest on the working capital since the furnace has started. There is interest and some receivables and some trade creditors which are relating to 154 tonne furnace, which appears there, and the interest cost of that gets loaded on to the P&L. That capitalization is not.

**Nikhil Gada:** Understood sir and what would be that amount, both for these two items?

**Sandeep Sikka:** Broadly around INR 30 crores of net working capital is involved in that right now, net working capital.

**Nikhil Gada:** Okay, got it sir it was useful, I will come back in the que

**Sandeep Sikka:** Thank you

**Moderator:** Thank you. The next question is from the line of Pravin Sharma, an individual investor. Please go ahead.

**Pravin Sharma:** Congratulations for the good set of numbers. A few questions from my side. Sir, first question is basically on this pass-through pricing for our contracts, how much of the sales would be covered ballpark for such pass-through pricing? And how does this reset, how often the reset happens like quarterly or because the situation is very volatile?

**Sandeep Sikka:** Rajesh, can you take this?

**Rajesh Khosla:** I can very-very roughly change because this can be a little confidential from a company point of view, but I can give you a rough idea that it is around 50:50. So 50% of the sale is the contractual or understandable or where I can pass on some formula or some calculation, and 50% are open, which is not possible. So this is one part.

And second is you are asking a mechanism. Mechanism is not about the quarterly mechanism is as when, things are there, but then we have a different understanding with the different customers. With some we have a quarterly, with some we have a half yearly and with some -- even we have a yearly also. Very few, but I'm just saying. So this is the situation. So basically, for the rest on customer to customer.

**Pravin Sharma:** So basically, for rest 50%, we need to negotiate every quarter or something?



*AGI Greenpac Limited  
November 01, 2022*

- Rajesh Khosla:** PO basis.
- Pravin Sharma:** Purchase order basis.
- Rajesh Khosla:** Yes, they follow the big ones, because once you have a good understanding of the contractual understanding to the big ones, the small ones, they follow as per the big ones. So even if we don't have those understandings will be a small one or the balance 50%, but still, the curve is being followed by those people.
- Pravin Sharma:** Okay
- Rajesh Khosla:** And as a reference.
- Pravin Sharma:** Okay, and my second question is, sir, the key advantage, which I could understand is the multi-fuel furnaces, which we have. Now I just wanted to know whether this is a feature of the furnace or we can actually retrofit or upgrade the furnace to support multi-fuel?
- Rajesh Khosla:** Sir, it is hardware and software. Hardware, I mean to say, because you have to have a lot of attachments and retrofitting and other things in the furnace. So this is one part. And when I say software, it means that there has to be a skill and knowledge and in-depth working where the people will be able to shift it. So this opportunity of this understanding is available to everywhere and to everyone, but all the people are not able to do it. In the last few years, we have been able to develop all those ecosystems in our company, in our organizations where we are able to switch on that.
- So that is the reason. And yes, all the furnaces cannot be done there, and since all our furnaces are very standard. We have taken from the German technology where these facilities are available, and here, we have purposely incorporated these facilities from time to time by discussing with them.
- Moderator:** Hello? Mr. Sharma, are you done with your question. As is no response on the current participant, we move to the next that is from the line of Zakin Nasar, an individual investor. Please go ahead.
- Zakin Nasar:** Sir, like Mr. Rajesh mentioned that this quarter, you have got a few inquiries from the cold drink manufacturers. The article a couple of months back where it said that Coke is again planning to get back into the glass bottles. So sir, broadly, how do you see this plastic versus glass playing up in the future? So do you see a noticeable shift in to glass because of, of course, the green kind of material and recyclability and stuff like that?
- Rajesh Khosla:** In any of these segments, there is a perfectly Venn diagram, which is applicable. When I say Venn diagram means there is an intersection of the two packaging material or the three packaging materials, there is an intersection. And this intersection area is an area where we think sometimes shift in this direction or that direction and because, but there is a clear cut market of



*AGI Greenpac Limited  
November 01, 2022*

very exclusively for the plastic and there is a very clear-cut market exclusively for the glass. And the intersection area is an area where the things play for the replacement there is.

Here, your strategies and working and other parameters, they work very well in shifting this number only. So same thing has happened in the cold drink than we have seen in Europe and other countries that some parts, not whole some part of the market has shifted back from plastic to glass, and the same story goes on in India also. And we expect that this intersection area is a little bigger than what it looks to us as on date. So I cannot throw up the numbers, I cannot tell exactly the quantity because of the confidential, but otherwise, there is a very clear shift from plastic to glass. But again, it is only to some part of the business.

**Zakin Nasar:** But you are already feeling it because the government is consciously nudging a recyclable material. So I mean, do you see that happening on the ground, sir?

**Rajesh Khosla:** I wish like you. I wish like you said we should be able to get 100% conversion, but there are multiple challenges. One is it is not possible. Secondly, the volume of plastic is so high that if tomorrow by chance, it is shifted, I don't think so the glass industry has the capability to supply them the 100% quantities to them. The numbers of plastics are very-very high.

**Zakin Nasar:** Sir, and this is small thing, it is slightly confusing, see last quarter, throughout the last quarter, the international price of natural gas was around \$8.5, \$9 per MMBtu and Indian prices were less. Now the Indian government has made the prices \$8.5 per MMBtu, whereas the international prices have bonded \$6 for MMBtu. So how does this work sir? I mean how does this impact others?

**Rajesh Khosla:** This question is basically about the Government of India system rather than AGI question. But still, I'd like to answer, the Indian government, there is a Ministry of Petroleum under which there is a department which is called PPAC, they work out the pricing of the system on formulation, which is not available to the people, but there is a formulation, which is based on past 12 months data of the oil and gas and other fuel and with a mix and the formulation. So on the basis of that, it is calculated. So once the prices start falling, still you have to follow the last 12 months pricing system or the costing system, so it gives the impact. And then the prices rises, so you get the benefit also. So this is how the whole thing operates.

**Zakin Nasar:** But we'll get the benefit with the same.

**Rajesh Khosla:** Yes, it is known. So they have the system, they announced the prices and it is valid for six months' time. But this is which are available locally. Locally means locally produced.

**Zakin Nasar:** But does this affect our fuel cost the pricing set by the government? Does it impact our fuel cost on the material basis?



*AGI Greenpac Limited*  
*November 01, 2022*

- Rajesh Khosla:** That's what I say, when the government announces the fuel price, natural gas prices and those cost is available to us, we are a multi-fuel company or organization. So we see that at what point of time, what fuel mix is the best and then we try to use the same.
- Zakin Nasar:** Thank you sir for the clarification.
- Rajesh Khosla:** Thank you
- Moderator:** Thank you. Ladies and gentlemen, that is the last question. I now hand the conference over to the management for the closing comments.
- Sandeep Sikka:** Thank you, everybody, for joining the call today. I think we have not been able to answer a few of your questions relating to one of the disclosures we made yesterday. But definitely, I think with more and more time, you know the things we should be able to communicate more once we have a more formal plan in our hands. Thank you for joining again. Thanks a lot.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Dolat Capital Markets Private Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines. Thank you.

Notes:

1. This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings
2. Figures have been rounded off for convenience and ease of reference
3. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of AGI Greenpac Limited (Formerly known as HSIL Limited)