



“AGI Greenpac Limited  
Q4 FY2023 Earnings Conference Call

May 5, 2023



**Dolat Capital**



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*AGI Greenpac Limited  
May 5, 2023*

**Moderator:** Ladies and gentlemen, good day and welcome to AGI Greenpac Limited's Q4 and FY2023 Earnings Conference Call. 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 plan, 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 16 of the earnings presentation for a detailed disclaimer. I now hand the conference over to Mr. Sachin Bobade from Dolat Capital. Thank you and over to you, Sir!

**Sachin Bobade:** Thank you Aman. On behalf of Dolat Capital I welcome you all to the Q4 FY2023 Earnings Conference Call of AGI Greenpac. Hope you all and your family members are staying safe and healthy. From the management side we have with us Mr. Rajesh Khosla - President & CEO, Mr. Om Prakash Pandey, Chief Financial Officer and Mr. Sandeep Sikka - Group Chief Financial Officer. Now, I will 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 Q4 and FY2023 Earnings Call.

We have already circulated our Earnings Presentation which is available on our website and the stock exchanges' website. We hope you have gone through the presentation, and we would be happy to answer any questions afterward.

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 #16 of the earnings presentation for a detailed disclaimer.

As reiterated in our previous call, we would like to update you once again that we have completely divested the Building Product Division in the fourth Quarter of FY2022 under slump sale. And now AGI Greenpac is a focused Packaging Products Company. Therefore,



*AGI Greenpac Limited*  
*May 5, 2023*

all the numbers and comparative figures that we will highlight pertain to the continuing operations mainly consisting of the Packaging Products Business.

In light of the company's performance, the Board of Directors have recommended a dividend of ₹5 per share for FY23, subject to approval from the shareholders. This will be equivalent to a payout of 250% on face value. Now coming to Quarter 4 FY2023 financials, the company delivered a strong performance and reported Total Income of ₹699 crore, compared to ₹453 crore in the corresponding quarter last year, registering a growth of 54% on a Y-o-Y basis. The company has reported an EBITDA of ₹196 crore, registering a growth of 111% on a Y-o-Y basis with margins of 28%. Net Profit stood at ₹96 crore, with a growth of 152% on a Y-o-Y basis with margins of 14%.

Talking about FY2023 financials, the company delivered a robust performance and reported Total Income of ₹2,307 crore, compared to ₹1,473 crore in FY2022, registering a growth of 57% on a Y-o-Y basis. The company has reported an EBITDA of ₹488 crore, registering a growth of 59% on a Y-o-Y basis with margins of 21%. Net Profit stood at ₹249 crore, with a growth of 114% on a Y-o-Y basis with margins of 11%. 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 evening ladies and gentlemen. I am delighted to share with you some of the key highlights of our company's recent performance. For the financial year under review, our glass container business has witnessed growth driven by the improved product mix, increased demand from the alcoholic sector and non-alcoholic segments. In spite of the challenging economic environment, we have maintained EBITDA margin a testament to the resilience of our business model. We are proud to report that our glass container capacity utilization during the quarter stands at an impressive 99%, reflecting our strong commitment to meeting the customer need. We commenced commercial production of our specialty glass facility in Bhongir in the state of Telangana with the installed capacity of 154 ton per day from January 2023. We will manufacture high quality specialty glass packaging product catering to industry such as pharmaceutical, vials, and perfumery, cosmetic, high-end liquor for the customer across North America, Australia, and European countries. Also, we have partnered with one of the big four's to formulate our ESG strategy reaffirming our commitment to follow sustainable business practices. Both our Hyderabad and Bhongir glass plant were awarded gold award for excellence in EHS practices in CII Southern region EHS Excellence Award 2022. This recognition underscores our focus on creating a safe and healthy work environment for our employees and upholding the highest standard of environmental sustainability. Finally, I am happy to share that AGI Glaspac has been awarded Great Place to Work by the Great Place to Work Institute India for the



*AGI Greenpac Limited*  
*May 5, 2023*

second time in a row. We remain committed to driving growth, delivering value, and creating a sustainable future by leveraging the competitive advantage we have in order to be effective and efficient. Thank you very much and now we are ready for taking any questions from your side.

**Moderator:** Thank you. We will now begin the question and answer session. Anyone who wishes 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. The first question is from the line of Pritesh from Lucky Investment. Please go ahead.

**Pritesh Chheda:** Sir my question is the margins which get reported in the Q4, were there any carry over price hikes which all floats to in the Q4 by being the nature of the industry or if you could comment on the reason for this margin changes and second when your presentation says 96% capacity utilization is it that the Q4 number would be substantially higher than that 96%?

**Rajesh Khosla:** Okay. If I understand your question correctly there are two parts you are talking, one is you are talking about the margins which have been reported in Q4 are they sustainable or there is any underlying or tailwind attached to it. I am right to with this question.

**Pritesh Chheda:** Yes, so accompanying to that I just happen to ask if any price hikes carryover came through this quarter only or any other reason that you want to mention actually?

**Rajesh Khosla:** No, I do not think so, as such there is any tailwind, we have got it with the price increase which was impending backup which has come in the Q4, it is not like that. It was the sustainable performance which has come, it has come basically because of the product mix, because of our debottlenecking and because of the operational efficiency and productivity. These are the numbers which has come because of that and since you know very well in the whole last year or last 3 quarters there has been some time lag between the price increase and the cost increase, so probably in the Q4, the things had balanced out and the real performance has come out in Q4.

**Pritesh Chheda:** Okay. On the capacity utilization side, is it that...

**Rajesh Khosla:** Is 99% as we have informed you earlier.

**Pritesh Chheda:** No is quarter 4 substantially higher than the number for the annual number?



*AGI Greenpac Limited*  
*May 5, 2023*

- Rajesh Khosla:** Yes.
- Pritesh Chheda:** And how much higher it would be then?
- Rajesh Khosla:** Okay. It is as far as I think yearly numbers are concerned, it is 96% plus.
- Pritesh Chheda:** Right. So, sir my question was whether quarter 4 will be like something like 120%?
- Sandeep Sikka:** No, the annual capacity utilization is 96%, and Q4 capacity utilization is around 99%.
- Pritesh Chheda:** Okay. When we look at the incremental margin, let us say do you first of all have capacity to grow now and how should we look at the margin number next year then? Should we look at the annual number or we should look at the reference of Q4 and build through ahead?
- Sandeep Sikka:** We are still debottlenecking our capacity in quarter 1 of this financial year right now and one of the furnaces is down, we are rebuilding that furnace, and not only rebuilding that furnace we are increasing the size of the furnace so that we can have a higher output by almost 100 tonnes. We started 154 tonnes new plant which is focusing on high-end speciality glass. The commercial production started on 1 January 2023. This plant is operating somewhere around 65% to 70% right now in quarter 4. The loading of this plant is yet to happen. The third growth element is improving further product mix so that we get a better realization and also the throughput of the existing furnaces we are using various technologies wherein if we want we can spend a little bit extra energy to get a higher throughput from the furnaces. So, we have the capability and we have given guidance that next financial year our target is around the growth of 15% to 18% depending on the market conditions. The incremental margin expansion is because of all the things which we just stated and should be 1-1.5%.
- Pritesh Chheda:** Versus quarter 4 or versus the annual number?
- Sandeep Sikka:** We don't give guidance on a quarter-to-quarter basis, this is the general guidance for the next coming financial year.
- Pritesh Chheda:** Okay I will refer the way I want. My last question is sir on the glass bottle side, there was an industry supply changes which had happened over the last 5 - 7 years with HNG having problem. Now with our capacity in the glass bottle side, mainly for let's say carbonated beverages or beer bottles and all, what will be your market share and has the industry supply changed by any chance in the last 2-3 years now?



*AGI Greenpac Limited*  
*May 5, 2023*

- Rajesh Khosla:** Because there are lot of companies who are supplying container glass, they have also debottlenecked their capacities, and the capacities has gone up in the recent past for last 2 years, 3 years, 4 years. There is no such structured type of approach where you can very well pinpoint that what exactly is the capacity, which is going on in the country, it is to be assessed by market intelligence and other secondary methods about that. Yes, there has been a growth in all the segment because the India is growing, GDP is growing and country is becoming more on a growth path, so obviously there is a growth in these segments also on the consumption part of segment whether it is soft drink or a beer or a liquor or food, pharmaceutical and other areas. Those growths are being translated into the demand in the glass side and there we are benefited.
- Pritesh Chheda:** Market share?
- Rajesh Khosla:** Market share is probably I think similar like we have been having for last 1 year or two years because some capacities have gone down, but some capacities have come up also, so probably I think we estimate that it is more less the same as we have been operating for the last one year or two years.
- Pritesh Chheda:** Is that number around 50% plus market share?
- Sandeep Sikka:** We have a capacity of 1,754 ton per day, so that is not 50% of the market.
- Pritesh Chheda:** Can you share the market share sir?
- Rajesh Khosla:** It's very difficult right now to comment on that because we have to assess that what are the new capacity which have come out and how much glass they are generating so I think probably once we are able to do it so then we will be in a position to share that part.
- Pritesh Chheda:** No problem. If I have more questions, I will come back in queue sir. Thank you very much and all the best.
- Moderator:** Thank you. The next question is from the line of Yash Dantewadia from Dante Equity Research. Please go ahead.
- Yash Dantewadia:** So, my first question is the new plant that you commissioned in January you said it has reached 65% capacity utilization already right?
- Sandeep Sikka:** Yes.



*AGI Greenpac Limited*  
*May 5, 2023*

- Yash Dantewadia:** So, what is the breakeven point of capacity utilization for that particular plant?
- Sandeep Sikka:** It is already above the breakeven point.
- Yash Dantewadia:** So, what is the breakeven point?
- Sandeep Sikka:** Let us go not go on micros. For any furnace, we don't disclose its breakeven point.
- Rajesh Khosla:** The breakeven point if you have to calculate there are lot of factors in that for example what is the selling price, what is the cost price and unfortunately everything is so dynamic that the breakeven point of X percentage or Y percentage go on changing on week-on-week basis if not on day to day basis, they change on week to week basis. Probably I think Mr. Sikka has already informed we are above the breakeven point and we are moving towards more sustainable number in the times to come.
- Yash Dantewadia:** Okay. Sir since what is the future growth plan like because this plant is already commissioned. What is your next growth plan?
- Rajesh Khosla:** See growth plan is, first we have to use 100% capacity utilization of the new furnace we have built.
- Yash Dantewadia:** By when do you expect to reach that?
- Rajesh Khosla:** Within this year only. This financial year we expect to reach the number which is on the highest level number we expect to reach.
- Yash Dantewadia:** So, your total capacity utilization is at 96% right including this plant?
- Sandeep Sikka:** We have made it very clear that the annual capacity utilization is 96% and quarter 4 capacity utilization is 99% for the existing container glass business, and for g 154 tonnes, the plant is at 65% capacity utilization.
- Yash Dantewadia:** Basically, there is no new capex coming up, maintenance capex or any sort, any gradual number?
- Rajesh Khosla:** No, it is coming in April that is the last month. Our furnace number 2 has been shutdown. We are rebuilding the furnace and increasing the capacity. We are increasing the capacity by more than 100 tones.



*AGI Greenpac Limited*  
*May 5, 2023*

- Yash Dantewadia:** What is the capex number, how much are you spending?
- Sandeep Sikka:** This capex includes lining as well as expansion, so we will be spending around ₹200 crores on this.
- Yash Dantewadia:** Okay, so that is the only pending capex in the pipeline, right?
- Sandeep Sikka:** This is the major capex. Every plant will have a very small number of capexes, you know another capex is ₹20-30 crores relating to productivity improvement or some debottlenecking or some equipment changes.
- Yash Dantewadia:** Sir, also right now soda ash prices have been in a downtrend in India at least in the recent 9 months or so are your margins sustainable if you put that into consideration because I think the glass manufacturing depends, the major cost component is soda ash right, if I am not wrong please correct me?
- Sandeep Sikka:** One of the component.
- Yash Dantewadia:** So, the prices have been in a downtrend right, so that is why your margins have reached 26% OPM?
- Rajesh Khosla:** If the trend is downward, it means the benefit is yet to come and secondly the market is so dynamic and so balanced out sometimes you have to adjust your prices also because if the market goes down, so it is very difficult to say because it all depend upon so many dynamics working in the market. so obviously, once the prices of soda ash comes down, so whatever percentage we are using soda ash there will be impact on the margins on a positive side, but then how much margins we are able to retain and how much margin we are able to give back to the market it will all depend at that time how the demand and supply position happens to be there in the market.
- Yash Dantewadia:** And also continuing previous question, the approx capex that you are talking about the ₹200 Crores Capex, by when will that come online, how much time will that take?
- Sandeep Sikka:** Somewhere by June or July.
- Yash Dantewadia:** Only three months, right?
- Sandeep Sikka:** Yes. Furnace is shut and because of relining which take two to three months.





*AGI Greenpac Limited*  
*May 5, 2023*

- Yash Dantewadia:** So, then you are getting 100 tonnes more capacity, right?
- Rajesh Khosla:** Yes 100 tonnes more capacity than the previous one.
- Yash Dantewadia:** So that is coming online from July, your expectation is right?
- Rajesh Khosla:** You can say from July onwards. Will be able to use all over capex in the month of June.
- Sandeep Sikka:** And for this reason, the quarter 1 results may get impacted because of the lower quantities available with us, but we should be able to maintain our EBITDA per ton.
- Yash Dantewadia:** Okay. Thank you for taking all my question.
- Moderator:** Thank you. The next question is from the line of Sanjay Shah from KSA Securities Pvt Ltd. Please go ahead.
- Sanjay Shah:** Good evening gentleman. Thanks for the opportunity. First of all, hearty congratulations to team AGI for fantastic performance. So, to update my understanding that unit sale growth of beverage companies are in the range of 20% - 25% and we have grown at 57% so what is the major moat, was that we had some pricing power or we have added some more new customers?
- Rajesh Khosla:** No, I think the market dynamics is not like that, there is a pricing power and you play with the pricing, it is not like that. Everything has been more on the internal focus, more on capacity utilization that is what we have informed, then lot of productivity things have been taken care, that is an another thing, efficiency have been increased, energy level we have worked very well on that, product mix has changed, so all those internal factors have been worked out very well by the team and that is the reason why we are able to squeeze out all the potential which is available in the business.
- Sanjay Shah:** Sir will it be possible to talk anything about our new acquisition HNG?
- Sandeep Sikka:** We are still under confidentiality sir because orders from NCLT has not still come so our apology in this regard, it is very difficult for us to take questions relating to the HNG.
- Sanjay Shah:** Thank you sir. That is all from me and good luck to you sir.
- Moderator:** Thank you. The next question is from the line of Virat Pansuriya from Sky Ridge Wealth Management. Please go ahead.



*AGI Greenpac Limited  
May 5, 2023*

- Virat Pansuriya:** Thank you for the opportunity and many congratulations on the good set of numbers. So, two questions. What are the current realizations?
- Om Prakash Pandey:** It is in the range of 35,000 to 37,000 per ton
- Virat Pansuriya:** So, realizations have come down, somewhere in between FY2023 it went above 50,000, right?
- Om Prakash Pandey:** No actually it was never like that, compared to the last year it has grown quite significantly so it has never come down.
- Rajesh Khosla:** I think you have got mixed up with the specialty glass expected realization, in the commercial glass it has never been like that.
- Virat Pansuriya:** No because if I do a back of the envelop calculation, you have a ton per day capacity and you know if I do a 96% utilizations level, I mean it is fairly straightforward, revenue booked divided by the production numbers, it gives me around 50,000 per tons, so where am I wrong here?
- Rajesh Khosla:** We have multiple businesses in this packaging product, glass, pet, closure, everything. I think you have taken the revenue of all and may have divided by the glass tonnages like that.
- Virat Pansuriya:** Actually, I did do that. I will not deny that, but your closures and your pet bottle revenue is only ₹200 –300 Crores, so it is not a very high. Even if we reduce that 50,000 per tonnes by 48,000 per tonnes it is still very high to compared to 35,000.
- Rajesh Khosla:** There are inventory dilutions because it is not only the production which has been sold there so there are inventory dilutions and lot of other factors.
- Sandeep Sikka:** We have given our numbers that our realizations are ranging between 35,000 to 37,000 per ton in the container glass, that is the factual numbers.
- Virat Pansuriya:** Second question is regarding the energy mix sir. If you could share how much portion of the energy mix comes from furnace or coal or gas?
- Rajesh Khosla:** Slightly difficult, slightly confidential on this matter because our method of working is to optimize and to neutralize any effect of the increase in energy, so we are working and practically we are sitting, within every 10 days, , working out with the optimization tools



*AGI Greenpac Limited*  
*May 5, 2023*

what is the best energy and then accordingly we do it. So, these are optimization tools, which we are using to optimize the energy.

**Virat Pansuriya:** Okay and just one question regarding HNG, I know you are in the confidentiality mode but just wanted to know your bid has been contested in CCI, by Madhvani Group they have made some allegations, does that affect your case in any manner or you are fairly confident about the entire process?

**Sandeep Sikka:** This is the process under National Company Law Tribunal, it is up to the honorable judges or the members of the tribunal who has to take the decision, but we are confident of the process and I think we should get positive outcome out of this in the next 3 -4 months.

**Virat Pansuriya:** Okay. Thank you very much for your answers. I will get back to queue and if there is any further query regarding the realization, I will get back to you.

**Moderator:** Thank you. The next question is from the line of Chandresh Malpani from Niveshaay Investment Advisory. Please go ahead.

**Chandresh Malpani:** Thanks for the opportunity sir. Basically, as you mentioned that your focus is on moving from the liquor to non-liquor section so what EBITDA per tonne are you seeing improvement?

**Rajesh Khosla:** Normally, liquor, non-liquor and other segment, they are in a small band. It is not like that there is a huge gap in the band, so there are various reasons when we say we want to move from liquor to non-liquor because we want to spread our risk element of supply or depending on one segment, so this is more of strategic in nature rather than anything else because we want to spread to the all the various segment whatever is available in the industry, so that is one and there is a small delta difference in the EBITDA margins of liquor to non-liquor maybe close to 1% and 1.2%.

**Chandresh Malpani:** Okay and secondly sir I see that our container glass capacity has been 1600 tonnes per day since 2016, so what has been the growth lever which we see that AGI has reached here, what are growth drivers?

**Rajesh Khosla:** Growth drivers are the cost part that is what we have informed. The debottlenecking has happened, the fuel optimization tools are being used, efficiencies have been increased, produce mix has been optimized as how best we can do, inventory had been diluted, so all these are the factors which have contributed in the growth of our numbers.



*AGI Greenpac Limited*  
*May 5, 2023*

**Chandresh Malpani:** No sir I wanted to actually know that whether due to this HNG case, we acquire the additional market share or how was it because we had this capacity since years, but we see this growth turning out in last 1 to 2 years, so what has been the key drivers?

**Rajesh Khosla:** In a glass industry we are limited by the total volume we can produce and in the earlier times of course our capacity utilizations were in the late 80's and now it is in late 90's, so of course the capacity utilization have gone up means quantities have gone up, which has contributed with that and then there are other financial dynamic which works out to be like when we increase our capacity utilization obviously it impacts our cost on a positive manner and plus then there are product mix which we have worked out and contributed in the bottom.

**Chandresh Malpani:** One more question sir. Like we have taken price hike during the year, so whether we enter in any sort of contract with our customers or how frequently we do the price hikes?

**Rajesh Khosla:** We have a understanding with the customer where we work on a formula based pricing system, not with all customer but quite a few customers we are working and there are levers on which the price is being worked out, so it neutralizes any cost increase or even cost decrease also just to the keep the things more flat and more sustainable and each customer has a different tool of revision of pricing, somebody revise the price in 3 months and somebody in 6 months and some people or some customer even in 1 year also, so it is different for the different customers.

**Chandresh Malpani:** So just wanted to understand what proportion will be done here because if we see right now the price has been high but you see the raw material prices soften so whether we will be able to sustain those things or will the contract will change, that is what I am asking?

**Rajesh Khosla:** To us it looks like that, it is a sustainable growth because there is continues improvement on other factors also besides the price part, so I think if at all any small impact comes on the price side, which basically just to accommodate any time lag but there are other parameters which can worked out well and take care of any fluctuation on the price part, so we are quite hopeful that these numbers are sustainable and they may grow in a small manner further also.

**Chandresh Malpani:** Okay thank you sir.

**Moderator:** Thank you. The next question is from the line of Jay from KSA Securities. Please go ahead.



*AGI Greenpac Limited*  
*May 5, 2023*

**Jay:** Thank you for the opportunity and congratulations on a good set of numbers. My question is on how much revenue we clocked from our Telangana capacity this quarter?

**Sandeep Sikka:** The entire revenue coming from Telangana and our glass containers plants are only in Telangana.

**Jay:** Sir the new capacity addition that we did last quarter that was commissioned from 1<sup>st</sup> January?

**Sandeep Sikka:** As we said earlier, we are not going to give separate realization for each of the furnaces. The guidance we have given is that we are at 65% capacity utilization there and for other furnaces right now in Q4 we operated at 99%.

**Rajesh Khosla:** As I understand the question was Telangana facility all the glass plant, all the 3 glass plants are in Telangana only?

**Jay:** The next I just wanted to confirm about the planned capex for FY2024, so the planned capex would be around ₹200 Crores and the maintenance capex would be around ₹20 to 30 Crores if you can confirm on that?

**Sandeep Sikka:** Yes, this will be around ₹200 Crore.

**Jay:** Okay thank you sir that is all.

**Moderator:** Thank you. The next question is from the line of Mehul Sawala from RW Equities. Please go ahead.

**Mehul Sawala:** Congratulations to the entire AGI team for spectacular performance. Just one question the interest cost in Q4 finance cost is appearing as ₹25 Crores which looks very high, like almost double quarter on quarter while debt has come down, so is there any one of in the finance cost in Q4?

**Om Prakash Pandey:** Actually as we already been stated that our new facility of the specialty glass has been commercialized in this quarter so the entire cost has reflected in this, apart from this as you know that interest rate has been raising over the period and that effect has also come compared to the corresponding period of the last year, so all these two factors has contributed actually increase in the interest cost.

**Mehul Sawala:** So, should we assume this to be the normal run rate for FY2024?



*AGI Greenpac Limited*  
*May 5, 2023*

**Om Prakash Pandey:** Yes, it has to come down with the repayment has already been commenced so it will come down and also it is expected going forward the interest rate will be falling so it will also have a positive impact on that.

**Mehul Sawala:** Thank you.

**Moderator:** Thank you. The next question is from the line of Sidhhant Kanodia from Task Investment. Please go ahead.

**Sidhhant Kanodia:** Sir, my question was regarding the repeat orders, so like we know that the alcohol bottles are reused many times before they are actually scraped off so what will be the lag between the same client orders that we receive?

**Rajesh Khosla:** Okay what I understand from your question is reusability of a bottle has gone up so how do you expect that the demand and demand side, does it affect any cycle or something like, is it the question?

**Sidhhant Kanodia:** Yes, that is one part and the second part is like what will be lag, suppose if the same client has ordered in January so after how many quarters or how many months is he again ordering the same quantity.

**Rajesh Khosla:** Very difficult question which cannot be answered even by the liquor companies. One is reusability of a glass bottle by liquor companies or a beer company, it is good for us because that way the sustainability of the glass is reestablished that they can be reused or they can re-melted and again can be supplied, so this is very good. Secondly by the reusability, the price part or the cost part of the liquor companies will come down which is also good for us, because then they will be able to sustain or compete with the other materials profitability. Number third is what is the cycle. The cycle it all depends up on state to state, it all depends up on customer to customer, it also depends up on the area to area also, because in some areas the turnaround ratio is very high, let's say for example the big cities the turnaround ratio is very high, in the smaller cities the turnaround ratio is very low, maybe in some areas the consumption is more into the pubs and bars and the turnaround ratio is very, very high, so very difficult to say because liquor companies they may have a demand because depend upon the brand, depend upon the type of liquor they are using, so X liquor can be used more on the urban side, less on the rural side, and vice versa is also true for the others.



*AGI Greenpac Limited*  
*May 5, 2023*

- Sidhhant Kanodia:** Okay understood sir and sir my second question was regarding the debottlenecking the capex which we are doing in April of 100 tonnes per day for ₹200 Crores, so what is the existing capacity at that plant and for how long that will be shut like for a quarter?
- Rajesh Khosla:** Yes, it will be shut for a quarter and it will be operational in July only that is one and your question is that 325 metric tons of furnace will be become 425 metric ton.
- Sidhhant Kanodia:** So, we can assume that 325 tons in quarter 1 will be off
- Rajesh Khosla:** Yes, you can calculate for any calculation purpose.
- Sidhhant Kanodia:** Okay and sir regarding the margins, like the margins have come from the debottlenecking and it is from the other expenses being flat, like right now it is around 16% to 17% of the topline so it is fair to say that these are sustainable margins?
- Rajesh Khosla:** Yes, and we wish also.
- Sidhhant Kanodia:** Okay and thank you so much and all the best.
- Moderator:** Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.
- Deepak Poddar:** Thank you very much for the opportunity. I just wanted to understand more on the specialty side, currently I think our specialty capacity is around 154 tons out of 1800 odd tons capacity we have?
- Rajesh Khosla:** Yes.
- Deepak Poddar:** How we would like to grow that capacity I mean, currently it is close to about 8% to 10% right, so any thought process or vision we have in terms of growing the specialty capacity and the revenue mix accordingly?
- Rajesh Khosla:** Number one, the specialty glass market is smaller as compared to the commercial glass market, so obviously the capacities are low, second part is technically the specialty glass plants cannot be of the bigger capacity because of the technical reasons so they have to be smaller and third is it is a very specialized type of market where we may like to grow slowly and in a sustainable manner and fourth is since we were not in this business earlier, so obviously this is a test run which we are doing and we have an aspiration to grow this business further. First part will be we have to do capacity utilization and second part will be



*AGI Greenpac Limited*  
*May 5, 2023*

once the capacity utilization is complete, then certainly company will think over in expanding the specialty glass to the next level.

**Deepak Poddar:** Okay. Understood that is helpful. How is the margin differential between specialty versus your normal glass containers?

**Rajesh Khosla:** I think we have yet to taste the full margins of this particular product. Number one we are new into this business as I informed. Second is we started this business commercial production in the month of January and capacity utilization has been low so it is not a very balanced out figures where we can speak on any part, so probably you have to wait for a quarter or two more to be answered precisely on this question.

**Deepak Poddar:** Okay understand and my second question is on capacity utilization. I think already we are at about 96% and fourth quarter was around close to 99% though you did mentioned that we are debottlenecking few of the capacities so that is 100 tons additional that will be coming by June, July, but somewhere down the line I think are we looking for a bigger capex because the kind of growth we are talking about 15% to 20% I think these capacities will get easily absorbed in next one year, right, so any kind of outlook or any kind of thought process you have over next 2 to 3 years how we will be going to augment our capacity?

**Sandeep Sikka:** Yes, we spent 100 Crores in a last one and half year in terms of expanding, one of the furnace was under relining. There is an inorganic acquisition which we are doing which is under IBC, which is Hindusthan National Glass so that opportunity is there with us in terms of the growth. We cannot talk much about it because of the confidentiality but we have a substantial leeway to grow ourselves for the next 5 years at least both in terms of revenues and the margins.

**Deepak Poddar:** So that is also coming through this acquisition right, the kind of capacities or the facilities you might be getting through the acquisition. I am not asking for any specific numbers but subjectively?

**Sandeep Sikka:** If you see the way we run our business is that we have a sustainable growth model and we are giving guidance that we should be able to grow this business ranging 15% to 20% year on year and keep on expanding the margin. Please refer to our Conference Calls for over 3 to 4 years, we have been giving fair guidance and we have been achieving those numbers.

**Deepak Poddar:** Okay that is quite help sir. That's it from my side. Thank you.





*AGI Greenpac Limited*  
*May 5, 2023*

**Moderator:** Thank you. The next question is from the line of Veenit Nandwani from Alfa Niti Fintech. Please go ahead.

**Veenit Nandwani:** My question is in continuation to one of the previous participant, so in one of the previous conference call you said that within the glass packaging segment the company aims to increasingly cater to F&B and pharma clients, there is average realizations there are 8% to 10% higher than liquor and beer and like this can help in a 50 to 75 basis point margin expansion, but however going by your presentation, I can see that while your contribution from F&B has seen a growth, contribution from pharma client has seen a de-growth, so I wanted to ask how do you see the growth in pharma and F&B segment panning out and also how is the contribution of cosmetic and perfume segment growing?

**Rajesh Khosla:** First you are talking about the pharma sector and then you are talking about the cosmetic sector. In the pharma sector because you have a common facilities like furnace and the machine you can produce either pharma or liquor or beer or other things. From time to time, depending upon the cost of the raw material and the cost of operation and the price of the product, it all depends, profitability depends upon all the calculations above, so from time to time, we always divert from one to the other product depending up on the profitability. So that is the price optimization or profit optimization, so now coming back to your cosmetic part, which I already explained in my earlier call that the cosmetic realization or the profitability we have to wait of few quarters or 2 quarters or something like that just to come down to a level where we can talk in a proper manner, because today we are at 65% to 70% of the capacity utilization, it is under stabilization, customers are using our products, so obviously all those things will come down, maybe it will come down in next 2 quarters or so.

**Veenit Nandwani:** Okay sir understood and just to follow-up to this is that will Q1 FY2024 again see increase contribution from our alcohol segment because Q1 has higher volume sales?

**Rajesh Khosla:** Q1 as we informed our furnace is already down, one furnace is already down and it will be starting in Q2.

**Veenit Nandwani:** Sir lastly any timeline that you can provide for any equity infusion you are looking at to fund the HNG acquisition?

**Sandeep Sikka:** We have not made any commitment, as nothing as such is approved by the board as of now.

**Veenit Nandwani:** Okay sir thank you.



*AGI Greenpac Limited*  
*May 5, 2023*

- Moderator:** Thank you. The next question that is from the line Sidhhant Kanodia from Task Investment. Please go ahead.
- Sidhhant Kanodia:** Basically, sir I just wanted to understand that our B2C segment under sand dune, sir what will be the revenue for the whole year and are we looking to ramp up that segment because the margins are high in B2C, so are we looking to ramp up the entire segment?
- Sandeep Sikka:** This is a very new initiative which we have undertaken and in the home consumer segment, there is lot of shift which is happening from pet bottles to glass bottles. The opportunity for the next few years will be small here., Let's say if our normal average realization is of ₹35,000 to Rs. 37,000 per ton, so when this B2C glass bottle sells in the market of around 400 grams bottle, it is ideally sold somewhere at the average realization of around ₹ 120,000- ₹130,000 per ton. But in B2C segment there are also packing charges, transportation charges, and distribution costs. When we scale this business in 5 years to a level of ₹200 Crores, the potential upside EBITDA margin can be ₹50 Crores on this, but we do not hold the numbers as this is pilot project which we are doing and if we see the success it will be expanded in a very fast manner.
- Sidhhant Kanodia:** Got it sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Miraj from Arihant Capital. Please go ahead.
- Miraj:** Thank you for taking my question. Just wanted one clarification that earlier you mentioned the capex for next year is close to ₹200 Crores, is that completely just for debottlenecking or something else is also involved in that?
- Sandeep Sikka:** It is both for relining of furnace and increasing the capacity of existing furnace by 100 tons per day .
- Miraj:** Okay that is it. If I have any more, I will get in queue. Thank you
- Moderator:** Thank you. The next question is from the line of Kunal from Dalal & Broacha Stock Broking Pvt. Ltd. Please go ahead.
- Kunal:** I had a question in regards to the HNG acquisition. Sir what is your initial estimates in terms of what would be the debt which would go up for our company and also just wanted to understand if this acquisition was to go through what will be the total capacity which would be available to us and lastly because you would have done your initial math, lastly I



*AGI Greenpac Limited*  
*May 5, 2023*

wanted to understand whether it will be dilute in terms of margins or the margins would be similar?

**Sandeep Sikka:** As we stated in earlier part of the call, we are restricted in terms of disclosing anything relating to HNG.

**Kunal:** Sir, I just wanted to understand your initial thoughts, because you are very close to the acquisition so there would be some kind of an initial thoughts in terms of the investment such a big investment which you are taking sir?

**Sandeep Sikka:** But we are bound by our confidentiality so I cannot talk on it please. My apologies.

**Kunal:** No problem.

**Moderator:** Thank you. We will be taking our last question for today that is from the line of Virat Pansuriya from SkyRidge Wealth Management. Please go ahead.

**Virat Pansuriya:** Thank you for taking the follow-up. Firstly I wanted to apologize I made that blunder with respect to realization, we corrected the numbers and realizations did come to 38,000 only, so sorry about that. Sir one thing regarding realization the cost are falling significantly whether it is coal, oil, gas, and soda ash and silica sand, the realization is also expected to fall in commensurate with the cost or if the demand is robust maybe we can generate some addon margins?

**Rajesh Khosla:** The cost as you said about silica sand no it is not falling, it has gone up. The cost of soda ash, yes it has fallen very small way and that too in this last quarter only or it is more of the indicative. Regarding the crude oil, crude oil is not a direct indicator of the furnace oil prices in the country. If you see the country just buying the crude oil at a cheap price from the Russia but those are not being translated into the furnace oil prices in the country, so we cannot say that the cost has drastically fallen down, so it is all just an indicator that it is on a downward side. Now coming back to the second part whether these cost will be translated into the price decrease or not, again it all depends upon the demand and supply situation in the country at that movement, so it is very difficult to say but yes part of our contracts are on formula so where we have decrease the prices as per that, so it is more important to maintain the margins rather than playing on the dynamics of fluctuation.

**Moderator:** Thank you. Ladies and gentleman that would be our last question for today. I now hand the conference back to the management for their closing remarks. Thank you and over to you.



*AGI Greenpac Limited*  
*May 5, 2023*

**Sandeep Sikka:** Thank you very much everybody for joining the questions. We understand that you had some of the question relating to our acquisition, but we could not take any question and answer that because of the confidentially, our apologies in this regard. The company has given good results, I think one of the best results in the past few years, in the past few quarters and we are fairly confident based on the current market condition where we should be able to sustain our growth as well as the margin expansion based on various initiatives which we spoke of as a part of this call. Thank you again and we will catch up once we have the next result.

**Moderator:** Thank you very much. Ladies and gentleman on behalf of Dolat Capital that concludes the today's call. Thank you all for joining us. You may now disconnect your lines.

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